ACORN INCOME

2013

Acorn Income Fund Limited

Half-yearly Financial Report
for the six months ended
30 June 2013

Premier
independent asset managers

Investment Objectives and Policy

The investment objective of Acorn Income Fund Limited (the "Company") is to provide Shareholders with a high income and also the opportunity for capital growth.

The Company's investments are held in two portfolios. Its assets comprise investments in equities and fixed interest securities in order to achieve its investment objective. Approximately 70% to 80% of the Company's assets are invested in smaller capitalised United Kingdom companies, admitted to the Official List of the FCA and traded on the London Stock Exchange or traded on AIM at the time of investment. The Company also aims to enhance income for Ordinary Shareholders by investing approximately 20% to 30% of its assets in high yielding instruments which are predominantly fixed interest securities but may include up to 15% of the Company's overall portfolio (measured at the time of acquisition) in high yielding investment company shares.

The proportion of the overall portfolio held in the Smaller Companies Portfolio and the Income Portfolio varies from day to day as the market prices of investments move. The directors retain discretion to transfer funds from one Portfolio to the other and generally expect between 70% to 80% of the investments to be held in the Smaller Companies Portfolio.

While the Company's investment policy is to spread risk by maintaining diversified Portfolios, there are no restrictions on the proportions of either of the Portfolios which may be invested in any one geographical area, asset class or industry sector. However, not more than 7.5% of the Company's gross assets may be invested in securities issued by any one company as at the time of investment, save that (i) in respect of the Income Portfolio only, investments may be made in other investment funds subject only to the restriction set out in paragraph (c) of the paragraph headed "Investment Restrictions" below; and (ii) in respect of the Smaller Companies Portfolio only, provided that not more than 10% of the Company's gross assets are invested in securities issued by any one company at any time, the 7.5% limit may be exceeded on a short term basis, with Board approval, where a company whose securities form part of the Smaller Companies portfolio issues new securities (for example by way of a rights issue).

The Company's capital structure is such that the underlying value of assets attributable to the Ordinary Shares is geared relative to the rising capital entitlements of the ZDP Shares. The Company's gearing policy is not to employ any further gearing through long-term bank borrowing. Save with the prior sanction of ZDP Shareholders, the Company will incur no indebtedness other than short term borrowings in the normal course of business such as to settle share trades or borrowings to finance the redemption of the ZDP Shares.

Derivatives

The Company may invest in derivatives, money market instruments and currency instruments including contracts for differences, futures, forwards and options. These investments may be used for hedging positions against movements in, for example, equity markets, currencies and interest rates. In addition, these instruments will only be used for efficient portfolio management purposes. The Company will not use such instruments to engage in trading transactions. The Company will not maintain derivative positions should the total underlying exposure of these positions exceed one times adjusted total capital and reserves.

Investment restrictions

For so long as required by the Listing Rules in relation to closed-ended investment companies, the Company has adopted the following investment and other restrictions:

(a) the Company will at all times invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with its published investment policy;

(b) the Company will not conduct any significant trading activity; and

(c) not more than 10% in aggregate of the value of the total assets of the Company at the time the investment is made will be invested in other listed closed-ended investment funds. The Listing Rules provide an exception to this restriction to the extent that those investment funds have stated investment policies to invest no more than 15% of their total assets in other listed closed-ended investment companies.

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Performance Summary

for the six months ended 30 June 2013

Total Return performance*

	28 Jun 2013	31 Dec 2012	% change
Total Return on Gross Assets	n/a	n/a	10.9
Total Return on Net Assets (assets attributable to Shareholders)	n/a	n/a	15.2
FTSE All Share Index	4,836.80	4,458.04	8.50
FTSE Small Cap (ex. Investment Companies) Index	4,404.71	3,821.31	15.27
Numis Small Company (ex. investment companies) Index	13,072.75	11,552.25	13.16

Capital Return performance

	28 Jun 2013	31 Dec 2012	% change
Capital Return on Gross Assets	n/a	n/a	9.7
FTSE All Share Index	3,289.71	3,093.41	6.35
FTSE Small Cap (ex. Investment Companies) Index	3,250.13	2,862.91	13.53
Numis Small Company (ex. investment companies) Index	4,958.31	5,525.53	10.27

Share Price and NAV Returns

	28 Jun 2013 Pence	31 Dec 2012 Pence	% change
Ordinary Share			
NAV	292.15	261.25	11.83
Mid price	298.75	231.50	29.05
Zero Dividend Preference Share			
Share Price	119.50	113.50	5.29
NAV (calculated in accordance with calculated for accounting purposes)	108.07	104.14	3.78
NAV (calculated in accordance with the for investment purposes)	110.05	106.71	3.13

*assumes dividends reinvested

Company Summary

Launch date	11 February 1999
Domiciled	Guernsey
Registered in Guernsey	No. 34778
Year end	31 December
Total assets	£48.94 million
Ordinary Shareholder funds	£32.58 million at 28 June 2013
Market Capitalisation of Ordinary Shares	£33.31 million at 28 June 2013
Ordinary Income Shares	11,150,208 at 28 June 2013 12,450,602 at the date of this report
Zero Dividend Preference Shares	14,967,103 at 28 June 2013 16,712,640 at the date of this report
Treasury Shares	0

Dividend History	In respect of year end 31 December	Total dividends declared Pence
	2013 (to 30 June)	6.0
	2012	12.0
	2011	7.0
	2010	6.25
	2009	6.0
	2008	8.2
	2007	8.0
	2006	9.0*
	2005	9.0*
	2004	9.0*
	2003	9.0*
	2002	12.0
	2001	12.0
	2000	11.0
	1999	8.5

*includes four interim dividends and one special dividend

Manager	Premier Asset Management (Guernsey) Limited
Investment Advisers	Unicorn Asset Management Limited (“Unicorn”) – Smaller Companies Portfolio Premier Fund Managers Limited (“Premier”) – Income Portfolio
Management fee	0.7% of total assets per annum, charged 75% to Capital and 25% to Revenue, plus performance fee

Chairman's Statement & Interim Management Report

Dear Shareholder,

The UK equity market moved ahead strongly in the first half of 2013 reaching a peak on 22 May and then fell back before rising strongly, with the FTSE All-Share Index (total return) rising 8.5%. The UK smaller companies sector was particularly strong with the Numis Smaller Companies Index (ex. Investment Companies) (the "NSCI (ex. IC)") total return up 13.16% over the six month period to 30 June 2013 (the "Period"). The net asset value per share ("NAV") per Ordinary Share rose 11.83%, and with dividends of 6 pence per share distributed over the Period the total return was 15.2%. The discount to NAV per Ordinary Share narrowed over the Period such that the Ordinary Share price total return was 31.81%.

Investment commentary

During the Period the Company maintained a relatively overweight exposure to equities versus bonds with the Income Portfolio weighting at close to the lower end of its 20%-30% normal range. This reflected the Investment Adviser's views that bonds were generally fully valued and that equities were attractively rated with a yield in excess of the yield available from gilts and most investment grade bonds. At the Period end having just raised £10 million through the placing and offer for subscription, the cash position represented 7.7%. This was a temporary position and the funds were deployed over the following weeks.

Treasury Shares

During the Period the Company's market rating improved and by April both the Ordinary Shares and the Zero Dividend Preference ("ZDP") Shares were trading at a premium to their NAVs. The directors authorised the sale on 24 April 2013 of the 215,000 Ordinary Shares held in Treasury at a 3.3% premium to NAV. These shares had been bought into Treasury in 2010 and 2011 at discounts to NAV.

Placing and Offer for subscription

The Company issued £10 million of new Ordinary Shares and ZDP Shares on 29 May 2013 following the granting of authority by Shareholders for the issue of new shares at an Extraordinary General Meeting ("EGM") on 24 April 2013. The issue was in response to strong demand for the Company's shares. The new shares were issued in the same proportion as the shares already in issue so as to maintain an equivalent capital structure. The new Ordinary Shares were issued at NAV and the ZDP Shares at a premium such that overall the issue was at a premium to NAV sufficient to cover the costs of the exercise.

Placing programme

The EGM also granted the directors power to issue further new shares through a placing programme (the "Placing Programme"). Since the Period end a further £6.05 million of Ordinary Shares and ZDP Shares have been issued, again at prices that represented a premium to the combined NAV sufficient to cover the costs of the exercise and in a proportion which exactly maintained the capital structure of the Company.

The Placing Programme is an ongoing facility implemented to enable the Company to satisfy market demand for Ordinary Shares and ZDP Shares. The implementation of the Placing Programme will be determined by the Company with a view to satisfying market demand while also protecting the interests of existing Shareholders. In normal market conditions, new Ordinary Shares and ZDP Shares are expected to be issued under the Placing Programme at prices representing an aggregate premium to the estimated prevailing NAV of at least 2%. The Placing Programme is not expected to operate in periods leading up to the ex-dividend dates for the Company's dividends.

Institutional investors wishing to participate in the Placing Programme should contact Numis Securities Limited, the Company's Broker. Individual investors can consult a professional financial advisor or can buy shares directly through a stockbroker or an execution-only dealing service.

Dividends and Earnings

Dividends per share were 6 pence, three interim dividends being paid during the Period. A first interim of 3 pence was paid on 2 April 2013. The June dividend was split into two payments; a second interim of 2 pence declared on 2 May 2013 and a third interim of 1 penny declared on 13 June 2013 with both being paid on 28 June 2013. This division of the June dividend was to facilitate the issue of new shares and ensure that new Shareholders received a dividend proportionate to the period that they had been invested in the Company. The Company expects to pay a fourth interim dividend in September and a fifth in December in line with the normal timetable.

Awards

The directors were pleased to note that the Company was awarded the Money Observer Best High Income Trust 2013 of the year award for performance in the period to 31 March 2013 and was the best performing fund in the year to 30 June 2013 in the Investors Chronicle Top 100 Funds as selected from the entire closed-end and open-ended fund universe.

Outlook

The economic outlook is much more favourable than it was a few months ago. Economic confidence indicators both in the US and the UK have been rising. In the UK the latest unemployment levels for July suggest that the current 3 month rate of 7.8% will begin to decline and importantly, with the labour force expanding, the number of people in employment has already hit a record high. UK house prices data for July was also positive. The Eurozone is pulling out of recession being led by strong industrial production in Germany, up 3.1% for the year to June 2013. Equity valuations are attractive relative to other asset classes. Against this background our UK Smaller Companies manager is very positive on the outlook for the UK equity market and the sectors he is invested in.

In contrast the manager of our Income Portfolio is negative on the outlook for bonds given the expectation of reduced monetary stimulus, outflows from major bond investors, and reduced liquidity in bond markets. However, the manager is comfortable with the positioning of his portfolio given the small size and ability to avoid the known major headwinds facing bond markets; interest rate risk, for example, has been reduced through a hedge. The split between the two portfolios remains focused on equity with the Income Portfolio at the lower end of the normal 20-30% range.

Helen Green
Chairman

Responsibility Statement

for the period from 1 January 2013 to 30 June 2013

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS34 Interim Financial Reporting;
- the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Signed on behalf of the Board of directors on 21 August 2013.

David Warr
Director

Investment Advisers' Report

Smaller Companies Portfolio

During the Period, the Smaller Companies Portfolio rose by 10.0% compared to a rise of 13.16% by the NSCI (ex. IC).

It was a busy Period for the Smaller Companies Portfolio following a successful fundraising; Equity investments ran ahead of schedule after a market fall-back provided more prospects than anticipated.

The Company initiated a position in Brammer, the industrial maintenance distributor (yielding 3.3%). This was an attractive investment to the Company as Brammer had been marked down due to its exposure to Europe which the market had viewed as a negative. We believe that this view does not reflect the quality of Brammer's footprint or the benefit it can gain from consolidation in a highly fragmented market. Domino Printing Sciences (yielding 3.4%) also entered the Smaller Companies Portfolio for the first time: it provides the Company with good international exposure, as well as strong recurring revenues. It is also set to benefit from increasing regulatory demands and a recovering global economy. John Menzies (yielding 3.6%) was also added to gain exposure from the company's fast growing aviation division which operates worldwide cargo and passenger ground handling services.

Further investments were made in Electrocomponents, Cineworld, Park Group, Low & Bonar, and the Smaller Companies Portfolio participated in the equity fundraising for Primary Health Properties.

The strongest contribution to performance was UK Mail (+75.2%), which is experiencing a structural shift in the industry and benefiting from increased online shopping driving growth in its parcel division. Secure Trust Bank (+36.1%), and Tyman (+34.1%) also performed well over the Period.

Disappointing share price performances notably came from Renishaw (-25.3%) on concerns surrounding slowing Chinese capital investment and the company's lack of order visibility. Fenner (-22.5%) also faltered when the company reported half year results below expectations on the back of a tough operating environment.

The strategy for the Smaller Companies Portfolio remains focussed on international earners, although the manager has recently selectively increased exposure to certain segments in the UK.

John McClure
Unicorn Asset Management Limited

Income Portfolio

Both investment grade and high yield indices displayed volatility over the Period with a very strong performance in the early part continuing to late May when market reaction to the news of the Federal Reserve tapering asset purchases, weakness in Asian markets and large outflows from US high yield funds resulted in a rapid correction and weakness throughout June before the indices regained some of the ground lost.

Inflation showed renewed strength with consumer prices (CPI) and retail prices (RPI) rising at a rate of 2.7% and 3.1% respectively by the end of the Period. Over the 6 month Period LIBOR has remained just above the UK Base Rate at 0.51%.

Bond market volatility towards the Period end led to June being the slowest issuance month in the year to date and the slowest June in a decade. Year to date supply now totals €200.2 billion with non-financials issuance of €103.5 billion ahead of financials issuance of €96.8 billion. Financial issuance is now down 35% versus 2012 and the weakest first half for financial issuance since H1 2000 which provides continued technical support for the sector as bonds that mature are not being refinanced resulting in greater demand for remaining issues. This differs dramatically from European high yield where issuance has been a record €47 billion, an increase of 64% year on year, mostly driven by refinancing activity with estimates that close to 23% of issuance being to refinance bank debt.

At the start of the Period the Company sold out of ICAP following weak results as markets remained challenging. Holdings in Dutch banks Rabobank and ING were also sold as we chose to reduce overall exposure to banks as spreads moved tighter at the beginning of the Period. We added risk in corporate names such as Marks & Spencer and senior tranches of the pub operator Punch Taverns which is currently undergoing a restructuring process and the managed pubs operator, Mitchells & Butler, which operates chains such as All Bar One, Browns and O'Neills. We also bought the recent USD bond issue of BSkyB, the payTV operator, liking its defensive nature, strong market positions in the UK direct to home, pay TV market, predictable subscription based business model and good cashflow generation. We bought the 5.75% secured notes due 2020 for Kelda, a subordinated holding company of Yorkshire Water, a well-managed operator albeit with an aggressive capital structure.

The enlarged size of the Income Portfolio post the Company's successful Initial Placing and Offer during May resulted in significant activity as we invested the incoming funds across a mix of existing holdings and new names to actively increase our risk exposure. New holdings included Helical Bar, the property development and investment company, Everything Everywhere, the 50:50 Joint Venture between France Telecom and Deutsche Telekom ahead of the rumoured IPO later this year, Bakkavor Finance, the Icelandic provider and UK market leader of fresh prepared food products and the luxury car manufacturer, Aston Martin. We also increased our holdings of BSkyB, University of Cambridge and TwentyFour Income Fund. However, the duration of the Income Portfolio was not increased as we remained concerned as to the low level of sovereign bond yields. Accordingly the Income Portfolio performed strongly compared to major bond indices towards the Period end as sovereign yield rose sharply and credit spreads widened. In fact, in what was a sharp correction in bond markets in June the Income Portfolio simply gave back the returns made in May whereas most major sterling bond indices gave back the whole year's returns.

A proportion of the additional allocated capital to the Income Portfolio was invested in enhanced cash management instruments providing liquidity for the Smaller Companies Portfolio when greater opportunities arose at the end of the Period. Unusually the sell-off in bond markets appeared greater than the corresponding correction in equity markets and so we took advantage and kept these assets in the Income Portfolio, buying an aircraft leasing company and bank contingent convertibles given the more attractive yields.

Paul Smith
Premier Fund Managers Limited

Schedule of Principal Investments

as at 30 June 2013

Top 10 Holdings	Nominal Holdings	Valuation GBP	Total Assets %
Smaller Companies Portfolio			
Tyman plc	882,242	1,821,830	3.72
Secure Trust Bank plc	83,009	1,743,189	3.56
VP plc	466,414	1,711,739	3.50
Castings plc	424,112	1,584,058	3.24
Electrocomponents plc	640,000	1,555,840	3.18
Primary Health Properties plc	474,596	1,547,183	3.16
British Polythene Industries plc	282,500	1,545,275	3.16
UK Mail Group plc	282,634	1,478,176	3.02
Diploma plc	263,960	1,474,217	3.01
Park Group plc	2,829,991	1,443,295	2.95
		15,904,802	32.50
Income Portfolio			
Real Estate Credit Preference Shares NPV	550,000	574,750	1.17
Credit Suisse 7.875% 24/02/2041	700,000	494,643	1.01
GE Capital Funding 8% 14/01/2039	350,000	489,076	1.00
Lloyds 7.5884% 12/05/2020	400,000	399,648	0.82
University Of Cambridge 3.75% 17/10/2052	400,000	371,016	0.76
Rabobank Nederland 6.875% 03/19/2020	400,000	367,587	0.75
Standard Life UK 3.5% CULS 2018	300,000	343,500	0.70
Greenwich Loan Income Fund Limited	625,000	323,438	0.66
Kelda Finance 3 plc 5.75% 17/02/2020	300,000	298,755	0.61
TwentyFour Income Fund Limited	277,464	297,580	0.61
		3,959,993	8.09
TOTAL		19,864,795	40.59

Schedule of Principal Investments (continued)

as at 31 December 2012

Top 10 Holdings	Nominal Holdings	Valuation GBP	Total Assets %
Smaller Companies Portfolio			
VP plc	466,414	1,576,479	4.45
James Halstead plc	245,500	1,473,000	4.16
Diploma plc	263,960	1,434,623	4.05
Lupus Capital plc	882,242	1,358,653	3.84
Castings plc	424,112	1,340,194	3.79
Consort Medical plc	171,171	1,321,440	3.73
Secure Trust Bank plc	78,009	1,201,339	3.39
Brewin Dolphin Holdings plc	580,506	1,193,520	3.37
RPC Group plc	300,000	1,191,000	3.36
British Polythene Industries plc	282,500	1,115,875	3.15
		13,206,123	37.29
Income Portfolio			
GE Capital Funding 8% 14/01/2039	250,000	365,943	1.03
Credit Suisse 7.875% 24/02/2041	500,000	324,131	0.92
Greenwich Loan Income Fund Limited	625,000	320,313	0.90
Rabobank Nederland 6.875% 03/19/2020	350,000	316,375	0.89
Real Estate Credit Preference Shares NPV	300,000	301,500	0.85
Standard Life UK 3.5% CULS 2018	250,000	270,000	0.76
F&C Finance Plc 9% 20/12/2016	245,000	262,001	0.74
Invesco Leveraged High Yield Fund	425,000	261,375	0.74
Unite Group 6.125% 12/06/2020	250,000	254,000	0.72
Juridica Ord NPV	250,000	225,000	0.64
		2,900,637	8.19
TOTAL		16,106,759	45.48

Statement of Comprehensive Income (unaudited)

for the period ended 30 June 2013

	Note	Period ended 30 Jun 2013 Revenue GBP	Capital GBP	Total GBP	Period ended 30 Jun 2012 Total GBP
Net gains on financial assets designated as at fair value through profit or loss	10	–	3,195,760	3,195,760	2,753,696
Losses on derivative financial instruments	4	–	(11,757)	(11,757)	(37,479)
Investment income	3	782,505	–	782,505	633,908
Total income and gains		782,505	3,184,003	3,966,508	3,350,125
Expenses	5	(169,819)	(138,508)	(308,327)	(264,697)
Return on ordinary activities before finance costs and taxation		612,686	3,045,495	3,658,181	3,085,428
Interest payable and similar charges	7	–	(455,821)	(455,821)	(417,999)
Return on ordinary activities before taxation		612,686	2,589,674	3,202,360	2,667,429
Taxation on ordinary activities		–	–	–	–
Other comprehensive income		–	–	–	–
Total comprehensive income for the period attributable to Ordinary Shareholders		612,686	2,589,674	3,202,360	2,667,429

	Note	Pence	Pence	Pence	Pence
Return per Ordinary Share	9	6.65	28.12	34.77	30.55
Dividend per Ordinary Share	8	6.00	0.00	6.00	6.00
Return per ZDP Share	9	–	3.63	3.63	3.50

The supplementary revenue return and capital return columns have been prepared in accordance with the Statement of Recommended Practice ("SORP") issued by the Association of Investment Companies ("AIC").

In arriving at the results for the financial period, all amounts above relate to continuing operations.

No operations were acquired or discontinued in the period.

The notes on pages 16 to 37 form an integral part of the financial statements.

Statement of Financial Position (unaudited)

as at 30 June 2013

	Notes	30 Jun 2013 GBP	31 Dec 2012 GBP
NON-CURRENT ASSETS			
Financial assets designated as at fair value through profit or loss	10	44,578,804	34,358,936
CURRENT ASSETS			
Receivables	11	516,807	418,464
Cash and cash equivalents		3,773,356	618,376
Derivative financial assets	18	71,441	707
		4,361,604	1,037,547
TOTAL ASSETS		48,940,408	35,396,483
CURRENT LIABILITIES			
Derivative financial liabilities	18	19,255	–
Payables – due within one year	12	170,658	106,361
NON-CURRENT LIABILITIES			
ZDP Shares	13	16,175,101	12,496,984
TOTAL LIABILITIES		16,365,014	12,603,345
NET ASSETS		32,575,394	22,793,138
EQUITY			
Share capital	14	111,502	89,398
Share premium		6,885,796	79,173
Treasury Shares	15	–	(303,211)
Revenue reserve		358,007	297,363
Special reserve		10,000,000	10,000,000
Capital reserve		15,220,089	12,630,415
TOTAL EQUITY		32,575,394	22,793,138
		Pence	Pence
Net asset value per Ordinary Share (per IFRS and Articles)		292.15	261.25
Net asset value per ZDP Share (per IFRS)		108.07	104.14
Net asset value per ZDP Share (per Articles)		110.05	106.71

The financial statements on pages 12 to 37 were approved by the Board of directors and authorised for issue on 21 August and signed on its behalf by:

Nigel Ward
Director

David Warr
Director

The notes on pages 16 to 37 form an integral part of the financial statements.

Statement of Cash Flows (unaudited)

for the period ended 30 June 2013

	Notes	Period ended 30 Jun 2013 GBP	Period ended 30 Jun 2012 GBP
Operating activities			
Return on ordinary activities before taxation		3,202,360	2,667,429
Net gains on financial assets designated as at fair value through profit or loss	10	(3,195,760)	(2,753,696)
Investment income	3	(782,505)	(633,908)
Interest expense		455,821	417,999
Increase in derivative financial assets		(70,734)	(13,936)
Increase/(decrease) in derivative financial liabilities		19,255	(24,178)
Increase/(decrease) in payables and appropriations	12	64,297	(249,751)
Increase in receivables excluding accrued investment income	11	(60,970)	(26,738)
Net cash flow from operating activities before investment income		(368,236)	(616,779)
Investment income received		745,132	552,446
Net cash flow from operating activities before taxation		376,896	(64,333)
Tax paid		–	–
Net cash flow from operating activities after taxation		376,896	(64,333)
Investing activities			
Purchase of financial assets	10	(23,925,140)	(9,987,389)
Sale of financial assets	10	16,901,032	5,411,209
Net cash flow from investing activities		(7,024,108)	(4,576,180)
Financing activities			
Equity dividends paid	8	(552,042)	(523,488)
Sale of Treasury Shares	15	641,775	–
Bank loan interest paid		–	2,345
Proceeds from issue of Ordinary Shares		6,580,414	–
Cost of issue of Ordinary Shares		(262,046)	–
Proceeds from issue of ZDP Shares		3,419,586	–
Cost of issue of ZDP Shares		(25,495)	–
Net cash flow from financing activities		9,802,192	(521,143)
Increase/(decrease) in cash and cash equivalents		3,154,980	(5,161,656)
Cash and cash equivalents at beginning of period		618,376	5,829,513
Cash and cash equivalents at end of period		3,773,356	667,857

The notes on pages 16 to 37 form an integral part of the financial statements.

Statement of Changes in Equity (unaudited)

as at 30 June 2013

	Share Capital 30 Jun 2013 GBP	Share Premium 30 Jun 2013 GBP	Treasury Shares 30 Jun 2013 GBP	Revenue Reserve 30 Jun 2013 GBP	Special Reserve 30 Jun 2013 GBP	Capital Reserve 30 Jun 2013 GBP	Total 30 Jun 2013 GBP
Balance as at 1 January 2013	89,398	79,173	(303,211)	297,363	10,000,000	12,630,415	22,793,138
Total comprehensive income for the period attributable to Shareholders	–	–	–	612,686	–	2,589,674	3,202,360
Dividends	–	–	–	(552,042)	–	–	(552,042)
Issue of Ordinary Shares	22,104	6,558,310	–	–	–	–	6,580,414
Ordinary Share issue costs	–	(262,046)	–	–	–	–	(262,046)
Issue of ZDP Shares	–	171,795	–	–	–	–	171,795
Treasury Shares reissued	–	338,564	303,211	–	–	–	641,775
Balance as at 30 June 2013	111,502	6,885,796	–	358,007	10,000,000	15,220,089	32,575,394

	Share Capital 31 Dec 2012 GBP	Share Premium 31 Dec 2012 GBP	Treasury Shares 31 Dec 2012 GBP	Revenue Reserve 31 Dec 2012 GBP	Special Reserve 31 Dec 2012 GBP	Capital Reserve 31 Dec 2012 GBP	Total 31 Dec 2012 GBP
Balance as at 1 January 2012	89,398	79,173	(303,211)	268,891	10,000,000	6,104,632	16,238,883
Total comprehensive income for the year attributable to Shareholders	–	–	–	1,075,447	–	6,525,783	7,601,230
Dividends	–	–	–	(1,046,975)	–	–	(1,046,975)
Treasury Shares acquired	–	–	–	–	–	–	–
Transfer between reserves	–	–	–	–	–	–	–
Balance as at 31 December 2012	89,398	79,173	(303,211)	297,363	10,000,000	12,630,415	22,793,138

The notes on pages 16 to 37 form an integral part of the financial statements.

1 ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements, which give a true and fair view, have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), the AIC's SORP (as revised in January 2009) where this is consistent with the requirements of IFRS and all in compliance with The Companies (Guernsey) Law, 2008. All accounting policies adopted for the period are consistent with IFRS issued by the IASB. The financial statements have been prepared on an historical cost basis except for the measurement at fair value of financial assets designated as at fair value through profit or loss and derivative financial instruments.

The following Standards or Interpretations have been adopted in the current period. Their adoption has not had any impact on the amounts reported in these Financial Statements and it is not expected to have any impact on future financial periods:

IFRS 7 *Financial Instruments: Disclosures* – Amendments relating to the offsetting of assets and liabilities effective for annual periods beginning on or after 1 January 2013 and interim periods within those periods.

IFRS 13 *Fair Value Measurement* – Original issue effective for annual periods beginning on or after 1 January 2013.

IAS 1 *Presentation of Financial Statements* – Amendments to revise the way other comprehensive income is presented effective for annual periods beginning on or after 1 July 2012.

IFRS 9 *Financial Instruments* – Classification and Measurement (revised November 2009) effective for annual periods beginning on or after 1 January 2013.

The following Standards or Interpretations have been issued by the IASB but not yet adopted by the Company:

IFRS 7 *Financial Instruments: Disclosures* – Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures effective for annual periods beginning on or after 1 January 2015.

IFRS 9 *Financial Instruments – Deferral* of mandatory effective date of IFRS 9 and amendments to transition disclosures effective for annual periods beginning on or after 1 January 2015.

IAS 32 *Financial Instruments: Presentation – Amendments relating to the offsetting of assets and liabilities* effective for annual periods beginning on or after 1 January 2014.

The directors have considered the above and are of the opinion that these Standards and Interpretations are not expected to have an impact on the Company's financial statements except for the presentation of additional disclosures and changes to the presentation of components of the financial statements. These items will be applied in the first financial period for which they are required.

(b) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1 ACCOUNTING POLICIES (CONTINUED)

(b) Use of estimates and judgements (continued)

Management use estimates and judgements in allocating expenses between Revenue and Capital and in ascertaining the risk disclosures contained in Note 18.

(c) Ordinary Share capital

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of Ordinary Shares are recognised as a deduction from equity.

(d) Zero Dividend Preference Shares

Under IAS 32, the Zero Dividend Preference ("ZDP") Shares are classified as financial liabilities and are held at amortised cost. Appropriation for the period in respect of ZDP Shares is included in the Statement of Comprehensive Income as a finance cost and is calculated using the effective interest method ("EIR"). The costs of issue of the ZDP Shares are being amortised over the period until the ZDP Shares will be redeemed.

(e) Taxation

The Company has been granted exemption under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 from Guernsey Income Tax, and has elected to remain exempt following changes in the Guernsey tax regime. The Company pays an annual fee of £600.

(f) Treasury Shares

Treasury Shares are classified as a deduction from equity and recorded for the consideration paid.

(g) Capital reserve

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- expenses charged to this account in accordance with the policy below;
- increases and decreases in the valuation of the investments held at the year end; and
- unrealised exchange differences of a capital nature.

(h) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged to the capital reserve where a connection with the maintenance or enhancement of the value of the investments can be demonstrated.

75% of the Company's management fee and financing costs are charged to the capital reserve in line with the Board's expected long-term split of returns between income and capital gains from the investment portfolio.

100% of any performance fee, commissions paid and the appropriation in respect of ZDP Shares is charged to the capital account.

All other expenses are charged through the revenue account.

1 ACCOUNTING POLICIES (CONTINUED)

(i) Investment income

Interest income and distributions receivable are accounted for on an accruals basis. Interest income relates only to interest on bank balances. Bond income is accounted for on the effective interest rate "EIR" basis. Dividends are recognised on the ex-dividend date. All investment income is treated as a revenue item in the Statement of Comprehensive Income.

(j) Foreign currency translation

The currency of the primary economic environment in which the Company operates (the functional currency) is Great British Pounds (GBP) which is also the presentational currency.

Transactions denominated in foreign currencies are translated into GBP at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities, denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income. Foreign exchange differences relating to investments are taken to the capital reserve. Realised and unrealised foreign exchange differences on non-capital assets or liabilities are taken to the Statement of Comprehensive Income in the period in which they arise.

(k) Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short term, highly liquid investments readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash, deposits at bank and money market deposits.

(l) Investments

All investments have been designated as financial assets at "fair value through profit or loss". Investments are initially recognised on the date of purchase at fair value, with transaction costs recognised in the Statement of Comprehensive Income. Unrealised gains and losses on movement in fair value of investments are recognised in the Statement of Comprehensive Income. Investments are derecognised on the date of sale. Gains and losses on the sale of investments will be taken to the Statement of Comprehensive Income in the period in which they arise. For investments actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices as at the close of business on the reporting date.

1 ACCOUNTING POLICIES (CONTINUED)

(m) Derivatives

Derivatives consist of forward exchange contracts and long gilt future contracts, which are stated at market value, with the resulting net realised and unrealised gains and losses being reflected in the Statement of Comprehensive Income.

(n) Trade date accounting

All "regular way" purchases and sales of financial assets are recognised on the "trade date", i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the asset within the timeframe generally established by regulation or convention in the market place.

(o) Segmental reporting

The Company retains two Investment Advisers, Unicorn Asset Management Limited and Premier Fund Managers Limited for the Smaller Companies Portfolio and Income Portfolio respectively. As the Board reviews the performance of each portfolio separately and decides on the allocation of resources based on this performance, the Board has determined that the Company has two reportable segments (30 June 2012: two).

The Board is charged with setting the Company's investment strategy in accordance with the Prospectus. They have delegated the day to day implementation of this strategy to its Investment Advisers but retain responsibility to ensure that adequate resources of the Company are directed in accordance with their decisions. The investment decisions of the Investment Advisers are reviewed on a regular basis to ensure compliance with the policies and legal responsibilities of the Board. The Investment Advisers have been given full authority to act on behalf of the Company, including the authority to purchase and sell securities and other investments on behalf of the Company and to carry out other actions as appropriate to give effect thereto. Whilst the Investment Advisers may make the investment decisions on a day to day basis regarding the allocation of funds to different investments, any changes to the investment strategy or major allocation decisions have to be approved by the Board, even though they may be proposed by the Investment Advisers. The Board, therefore, retains full responsibility as to the major allocation decisions made on an ongoing basis. The Investment Advisers will always act under the terms of the Prospectus which cannot be changed significantly without approval of the Board and the Shareholders.

The key measure of performance used by the Board to assess the Company's performance and to allocate resources is the total return on the Company's net asset value, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the financial statements.

The schedule of principal investments held as of the period end are presented in the Investment Advisers' Report.

1 ACCOUNTING POLICIES (CONTINUED)

(p) Going concern

The Company has adequate financial resources and as a consequence, the directors believe the Company is well placed to manage its business risks successfully despite the current economic climate. In reaching this conclusion, the directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows. In addition, during 2011 the Company passed its continuation vote and is not subject to a further continuation vote until 2016.

2 OPERATING SEGMENTS

The Company has two reportable segments, being the Income Portfolio and the Smaller Companies Portfolio. Each of these portfolios is managed separately as they entail different investment objectives and strategies and contain investments in different products.

For each of the portfolios, the Board reviews internal management reports on a quarterly basis. The objectives and principal investment products of the respective reportable segments are as follows:

Segment	Investment objectives and principal investments products
Income Portfolio	To maximise income through investments in sterling denominated fixed interest securities including corporate bonds, preference and permanent interest bearing shares, convertibles, reverse convertibles, debentures and other similar securities.
Smaller Companies Portfolio	To maximise income and capital growth through investments in UK equities with a market capitalisation of under £1 billion.

Information regarding the results of each reportable segment follows. Performance is measured based on the increase in value of each portfolio, as included in the internal management reports that are reviewed by the Board.

Segment information is measured on the same basis as those used in the preparation of the Company's financial statements.

2 OPERATING SEGMENTS (CONTINUED)

	Income Portfolio GBP	Smaller Companies Portfolio GBP	Unallocated GBP	Total GBP
30 Jun 2013				
External revenues:				
Net gains on financial assets designated as at fair value through profit or loss	84,798	3,110,961	–	3,195,760
Losses on derivative financial instruments	71,441	–	(83,198)	(11,757)
Investment income:				
Bank interest	–	–	82	82
Dividend income	27,500	561,757	–	589,257
Bond income	193,166	–	–	193,166
Total income and gains	376,905	3,672,718	(83,116)	3,966,508
Expenses	–	–	(308,327)	(308,327)
Interest payable and similar charges	–	–	(455,821)	(455,821)
Total comprehensive income for the period attributable to Shareholders	376,905	3,672,718	(847,264)	3,202,360
Financial assets designated as at fair value through profit or loss	10,070,904	34,507,900	–	44,578,804
Receivables	312,678	195,752	8,377	516,807
Derivative financial assets	71,441	–	–	71,441
Cash and cash equivalents	1,622,946	2,031,858	118,552	3,773,356
Total assets	12,077,969	36,735,510	126,929	48,940,408
Derivative financial liabilities	–	–	19,255	19,255
Payables	–	–	170,658	170,658
Total liabilities	–	–	189,913	189,913

2 OPERATING SEGMENTS (CONTINUED)

	Income Portfolio GBP	Smaller Companies Portfolio GBP	Unallocated GBP	Total GBP
31 Dec 2012				
External revenues:				
Net gains on financial assets designated as at fair value through profit or loss	959,870	6,678,983	–	7,638,853
Losses on derivative financial instruments	(102,799)	–	75,194	(27,605)
Investment income:				
Bank interest	–	–	2,995	2,995
Dividend income	118,272	899,155	–	1,017,427
Bond income	338,911	–	–	338,911
Total income and gains	1,314,254	7,578,138	78,189	8,970,581
Expenses	–	–	(511,144)	(511,144)
Interest payable and similar charges	–	–	(858,207)	(858,207)
Total comprehensive income for the year attributable to Shareholders	1,314,254	7,578,138	(1,291,162)	7,601,230
Financial assets designated as at fair value through profit or loss	7,096,762	27,262,174	–	34,358,936
Receivables	270,533	144,225	3,706	418,464
Derivative financial assets	–	–	707	707
Cash and cash equivalents	303,270	177,913	137,192	618,375
Total assets	7,670,565	27,584,312	141,605	35,396,482
Derivative financial liabilities	–	–	–	–
Payables	–	–	106,361	106,361
Total liabilities	–	–	106,361	106,361

Geographical information

In presenting information on the basis of geographical segments, segment revenue and segment assets are based on the domicile countries of the investees and counterparties to derivative transactions.

	UK GBP	Guernsey GBP	Jersey GBP	Other Europe GBP	Rest of the World GBP	Total GBP
30 Jun 2013						
External revenues						
Total Revenue	696,717	46,225	7,687	17,694	14,100	782,423

2 OPERATING SEGMENTS (CONTINUED)

Geographical information (continued)

	UK GBP	Guernsey GBP	Jersey GBP	Other Europe GBP	Rest of the World GBP	Total GBP
31 Dec 2012						
External revenues						
Total Revenue	1,104,983	105,906	24,063	100,793	20,593	1,356,338

The Company did not hold any non-current assets during the period other than financial instruments (Dec 2012: £nil).

Major customers

The Company regards its Shareholders as customers. There were no Shareholders with a holding greater than 10% at the period end.

3 INVESTMENT INCOME

	Period ended 30 Jun 2013 GBP	Period ended 30 Jun 2012 GBP
Bank interest	82	221
Dividend income	589,257	472,011
Bond income	193,166	161,676
	782,505	633,908

4 LOSSES ON DERIVATIVE FINANCIAL INSTRUMENTS

	Period ended 30 Jun 2013 GBP	Period ended 30 Jun 2012 GBP
Unrealised (loss)/gain on forward foreign currency contracts	(99,815)	30,233
Realised gain on forward foreign currency contracts	16,617	21,487
Depreciation on fair value of derivative financial assets	71,441	37,778
Realised losses on derivative financial assets	–	(126,977)
	(11,757)	(37,479)

5 EXPENSES

	Revenue GBP	Period ended 30 Jun 2013 Capital GBP	Total GBP
Manager's fee*	35,652	106,957	142,609
Administrator's fee	30,617	–	30,617
Registrar's fee	3,589	–	3,589
Directors' fees	35,699	–	35,699
Custody fees	8,866	–	8,866
Audit fee	11,716	–	11,716
Directors' and Officers' insurance	2,837	–	2,837
Annual fees	8,372	–	8,372
Bank charges	1,003	–	1,003
Commission paid	–	31,551	31,551
Broker fees	9,808	–	9,808
Sundry costs	18,797	–	18,797
Loss on foreign exchange	2,863	–	2,863
	169,819	138,508	308,327

*The Company has entered into a Management Agreement with Premier Asset Management (Guernsey) Limited, a wholly-owned, Guernsey incorporated subsidiary of Premier Asset Management Limited. The Manager receives a management fee of 0.7% per annum of total assets, calculated monthly and payable quarterly in arrears, out of which it pays fees to the Investment Advisers. The Manager is also paid a Shareholder communication and support fee, currently £3,100 for the twelve months from 1 April 2013 to 31 March 2014. The Manager is also potentially entitled to a performance fee of 15% of any excess of the Net Asset Value per Ordinary Share (together with any dividends paid by reference to the relevant period) over the benchmark NAV per Ordinary Share. No performance fee was paid or is payable for the period under review. The Management Agreement may be terminated by either party on 12 months' written notice.

	Revenue GBP	Period ended 30 Jun 2012 Capital GBP	Total GBP
Manager's fee	26,888	80,663	107,551
Administrator's fee	29,100	–	29,100
Registrar's fee	6,539	–	6,539
Directors' fees	24,864	–	24,864
Custody fees	7,430	–	7,430
Audit fee	10,900	–	10,900
Directors' and Officers' insurance	3,697	–	3,697
Annual fees	8,426	–	8,426
Bank charges	943	–	943
Commission paid	–	47,004	47,004
Broker fees	1,981	–	1,981
Sundry costs	8,131	–	8,131
Loss on foreign exchange	8,131	–	8,131
	137,030	127,667	264,697

6 DIRECTORS' REMUNERATION

Under their terms of appointment, each director was paid a fee of £17,500 per annum by the Company, except for the Chairman, who receives £22,500 per annum. In addition, in the period each director received an additional fee of £2,500 for work carried out in relation to the new share issue.

7 INTEREST PAYABLE AND SIMILAR CHARGES

	Period ended 30 Jun 2013			Period ended 30 Jun 2012		
	Revenue GBP	Capital GBP	Total GBP	Revenue GBP	Capital GBP	Total GBP
Bank loan interest	–	–	–	(586)	(1,759)	(2,345)
Appropriation in respect of ZDP Shares	–	418,306	418,306	–	382,800	382,800
Amortisation of ZDP issue costs	–	37,515	37,515	–	37,544	37,544
	–	455,821	455,821	(586)	418,585	417,999

8 DIVIDENDS IN RESPECT OF ORDINARY SHARES

	Period ended 30 Jun 2013 GBP	Pence per share
First interim payment	261,744	3.00
Second interim payment	178,796	2.00
Third interim payment	111,502	1.00
	552,042	6.00

	Year ended 31 Dec 2012 GBP	Pence per share
First interim payment	261,743	3.00
Second interim payment	261,744	3.00
Third interim payment	261,744	3.00
Fourth interim payment	261,744	3.00
	1,046,975	12.00

9 EARNINGS PER SHARE

Ordinary Shares

The total return per Ordinary Share is based on the total return on ordinary activities for the period attributable to Ordinary Shareholders of £3,202,360 (Jun 2012: £2,667,429) and on 9,207,380 (Jun 2012: 8,724,790) shares, being the weighted average number of shares in issue during the period. There are no dilutive instruments and therefore basic and diluted gain per share are identical.

9 EARNINGS PER SHARE (CONTINUED)

Ordinary Shares (continued)

The revenue return per Ordinary Share is based on the revenue return on ordinary activities for the period attributable to Ordinary Shareholders of £612,686 (Jun 2012: £392,378) and on 9,207,380 (Jun 2012: 8,724,790) shares, being the weighted average number of shares in issue during the period. There are no dilutive instruments and therefore basic and diluted gain per share are identical.

The capital return per Ordinary Share is based on the capital return on ordinary activities for the period attributable to Ordinary Shareholders of £2,589,674 (Jun 2012: £2,275,051) and on 9,207,380 (Jun 2012: 8,724,790) shares, being the weighted average number of shares in issue during the period. There are no dilutive instruments and therefore basic and diluted gain per share are identical.

ZDP Shares

The return per ZDP Share is based on the appropriation in respect of ZDP Shares and the amortisation of ZDP Share issue costs totalling £455,821 (Jun 2012: £420,344) and on 12,540,964 (Jun 2012: 12,000,000) shares, being the weighted average number of ZDP Shares in issue during the period.

10 FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 Jun 2013 GBP	31 Dec 2012 GBP
Investments		
Opening portfolio cost	23,711,877	17,493,826
Unrealised appreciation on valuation brought forward	10,647,059	4,548,837
Opening valuation	34,358,936	22,042,663
Movements in the period/year		
Purchases at cost	23,925,140	21,500,190
Sales		
– proceeds	(16,901,032)	(16,822,771)
– realised gains on sales	462,847	1,540,631
Unrealised appreciation on valuation for the period/year	2,732,913	6,098,222
Fair value of investments at 30 June 2013	44,578,804	34,358,936
Closing book cost	31,198,832	23,711,877
Closing unrealised appreciation	13,379,972	10,647,059
	44,578,804	34,358,936
Realised gains on sales	462,847	1,540,631
Increase in unrealised appreciation	2,732,913	6,098,222
Net gains on financial assets designated as at fair value through profit or loss	3,195,760	7,638,853

10 FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

As at 30 June 2013, the closing fair value of investments comprises £36,464,737 (Dec 2012: £27,807,487) of equity shares and £8,114,067 (Dec 2012: £6,551,449) of fixed income securities.

IFRS 7 requires the fair value of investments to be disclosed by the source of inputs using a three-level hierarchy as detailed below:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2);

Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The Investments held by the Company have been classified as Level 1. This is in accordance with the fair value hierarchy.

Details of the value of each classification are listed in the table below. Values are based on the quoted market bid prices of the investments as at the reporting date:

Financial assets designated as at fair value through profit or loss

	30 Jun 2013 Market Value %	30 Jun 2013 Market Value GBP	31 Dec 2012 Market Value %	31 Dec 2012 Market Value GBP
Level 1	100	44,578,804	100	34,358,936
Total	100	44,578,804	100	34,358,936

Derivative financial assets and liabilities designated as at fair value through profit or loss

	30 Jun 2013 Market Value %	30 Jun 2013 Market Value GBP	31 Dec 2012 Market Value %	31 Dec 2012 Market Value GBP
Level 2 Derivative financial assets	100	71,441	100	707
Level 2 Derivative financial liabilities	100	19,255	–	–

There have been no transfers between levels of the fair value hierarchy during the period under review.

The derivative financial instruments held by the Company have been classified as Level 2. This is in accordance with the fair value hierarchy. The Company uses widely recognised valuation models for determining fair value of derivative financial instruments that use only observable market data and require little management judgement and estimation.

11 RECEIVABLES

	30 Jun 2013 GBP	31 Dec 2012 GBP
Prepayments	8,377	3,706
Accrued income	351,781	314,408
Sundry receivables	156,649	100,350
	516,807	418,464

12 PAYABLES

(amounts falling due within one year)

	30 Jun 2013 GBP	31 Dec 2012 GBP
Accrued expenses	123,223	26,066
Sundry payables	–	–
Trade creditors	47,435	80,295
	170,658	106,361

13 ZDP SHARES

	30 Jun 2013 GBP	31 Dec 2012 GBP
ZDP Share entitlement	16,175,101	12,496,984

The above entitlement comprises the following:

12,000,000 ZDP Shares issued 21 December 2011	12,000,000	12,000,000
2,967,103 ZDP Shares issued 29 May 2013	3,247,791	–
Appropriation in respect of ZDP Shares	1,223,506	805,200
ZDP value (calculated in accordance with the Articles)	16,471,297	12,805,200
ZDP issue costs	(409,463)	(383,968)
Issue costs amortised	113,267	75,752
ZDP value (calculated in accordance with IFRS)	16,175,101	12,496,984

The fair value of the ZDP Shares is considered to be the same as the value calculated in accordance with IFRS.

ZDP Shares carry no entitlement to income distributions to be made by the Company. The ZDP Shares will not pay dividends but have a final capital entitlement at the end of their life on 31 January 2017 of 138 pence. It should be noted that the predetermined capital entitlement of a ZDP Share is not guaranteed and is dependent upon the Company's gross assets being sufficient on 31 January 2017 to meet the final capital entitlement of ZDP Shares. If the Company had been wound up on 30 June 2013, the ZDP Shares would have had an entitlement of 110.05 pence each. The ZDP Shares have the right to receive notice of and attend, but shall not have the right to vote at, any general meeting.

Under the Articles of Association, the Company is obliged to redeem all of the ZDP Shares on 31 January 2017 (if such redemption has not already been effected).

The number of authorised ZDP Shares is 50,000,000.

14 SHARE CAPITAL

	GBP
Authorised	
Ordinary Shares of 1 pence each	10,000,000

		Number of shares
Issued		
The issue of shares took place as follows:		
Ordinary Shares	11 February 1997	29,600,002
Tender offer	17 January 2007	(20,660,212)
Purchase of Treasury Shares – Year ended 31 December 2011		(215,000)
Number of shares in issue at 1 January 2013		8,724,790
Issue from Treasury Shares	25 April 2013	215,000
Placing	29 May 2013	2,210,418
Number of shares in issue at 30 June 2013		11,150,208

	GBP
Issued capital as at 30 June 2013	111,502

15 TREASURY SHARES

	30 Jun 2013 GBP	31 Dec 2012 GBP
Balance as at 1 January 2013	(303,211)	(303,211)
Reissued during the period	303,211	–
	–	(303,211)

All Treasury Shares were reissued to the open market on 25 April 2013.

16 RELATED PARTIES

Premier Asset Management (Guernsey) Limited is the Company's Manager and operates under the terms of the management agreement in force which gives it complete control over the Company's investment portfolio.

£142,609 (Jun 2012: £107,551) of costs were incurred by the Company with this related party in the period, of which £80,148 (Dec 2012: £62,382) was due to this related party as at 30 June 2013.

The directors' remuneration is disclosed in Note 6.

17 FINANCIAL INSTRUMENTS

The Company's main financial instruments comprise:

(a) Cash and cash equivalents that arise directly from the Company's operations;

(b) Investments in listed entities and derivative financial assets and derivative financial assets;

(c) ZDP Shares; and

(d) Derivative financial liabilities.

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The following table details the categories of financial assets and liabilities held by the Company at the reporting date:

	30 Jun 2013 GBP	31 Dec 2012 GBP
Financial assets		
Financial assets at fair value through profit or loss	44,578,804	34,358,936
Derivative financial assets	71,441	707
Total financial assets at fair value through profit or loss	44,650,245	34,359,643
Loans and receivables	4,290,163	1,036,839
Total assets	48,940,408	35,396,482
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Accrued expenses	170,658	106,361
Derivative financial liabilities	19,255	–
Total financial liabilities at fair value through profit or loss	189,913	106,361
Financial liabilities measured at amortised cost	16,175,101	12,496,984
Total liabilities excluding net assets attributable to holders of Ordinary Shares	16,365,014	12,603,345

Loans and receivables presented above represents cash and cash equivalents, balances due from brokers and other receivables as detailed in the Statement of Financial Position.

Financial liabilities measured at amortised cost presented above represents accrued expenses and ZDP Shares as detailed in the Statement of Financial Position.

Derivative financial assets presented above represent forward foreign exchange contracts. Long gilts exist but are valued at zero.

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The main risks arising from the Company's financial instruments are market price risk, credit risk, liquidity risk, interest rate risk and foreign exchange risk. The Board regularly review and agrees policies for managing each of these risks and these are summarised below:

(a) Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. The Investment Advisers actively monitors market prices and reports to the Board as to the appropriateness of the prices used for valuation purposes. The Investment Advisers also attempt to minimise market price risk by undertaking a detailed analysis of the risk/reward relationship of each investee company prior to any investment being made.

Details of the Company's Investment Objective and Policy are given inside the front cover of this Report.

Price sensitivity

The following details the Company's sensitivity to a 15% increase and decrease in the market prices, with 15% being the sensitivity rate used when reporting price risk internally to key management personnel and representing management's assessment of the possible change in market prices.

At 30 June 2013, if market prices had been 15% higher with all the other variables held constant, the return attributable to Shareholders for the period would have been £6,686,821 (Dec 2012: £5,153,840) greater, due to the increase in the fair value of financial assets at fair value through profit or loss. This would represent an increase in Net Assets of 20.53% (Dec 2012: 22.61%).

If market prices had been 15% lower with all the other variables held constant, the return attributable to Shareholders for the period would have been £6,686,821 (Dec 2012: £5,153,840) lower, due to the decrease in the fair value of financial assets at fair value through profit or loss. This would represent a decrease in Net Assets of 20.53% (Dec 2012: 22.61%).

(b) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company. The directors receive financial information on a regular basis which is used to identify and monitor risk. It is Company policy not to invest more than 20% of the gross assets of the Company in the securities of any one company or group at the time the investment is made.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties. At 30 June 2013 the Company's largest exposure to a single investment was £1,821,830 (Dec 2012: £1,576,479), 3.72% (Dec 2012: 4.45%) of total assets.

Investors should be aware that the prospective returns to Ordinary Shareholders mirror the returns under the Quoted Securities held or entered into by the Company and that any default by an issuer of any such Quoted Security held by the Company would have a consequential adverse effect on the ability of the Company to pay some or all of the entitlement to Ordinary Shareholders. Such a default might, for example, arise on the insolvency of an issuer of a Quoted Security.

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

The Company's financial assets exposed to credit risk are as follows:

	30 Jun 2013 GBP	31 Dec 2012 GBP
Financial assets designated as at fair value through profit or loss (fixed income securities only)	8,114,067	6,551,549
Cash and cash equivalents	3,773,356	618,376
Interest, dividends and other receivables	516,807	418,464
	12,404,230	7,588,389

The credit ratings of the bonds in the income portfolio, as rated by Moody's Investor Services Inc ("Moodys") were:

Rating	30 Jun 2013	31 Dec 2012
Aaa	4.57%	1.16%
Aa	13.58%	4.09%
A	22.85%	15.30%
Baa	17.55%	24.46%
Ba	0.00%	5.58%
B	0.00%	2.22%
No rating available	41.45%	47.19%

The cash and cash equivalents were held with BNP Paribas, which at the time of signing this report held a credit rating, as rated by Moody's, of A2.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in realising assets or otherwise raising funds to meet financial commitments. The Company's main financial commitment is its ongoing operating expenses and the settlement of the obligation upon maturity of the ZDP Shares on 31 January 2017. The ZDP liability will be settled through realisation of the Company's investment portfolio.

The Investment Advisers ensure that the Company has sufficient liquid resources available to fulfil its operational plans and to meet its financial obligations as they fall due. This is monitored by carrying out a solvency calculation on a quarterly basis by reference to management accounts and revenue projections. The Board will approve, if appropriate, a Solvency Certificate resolution prior to declaring any interim distributions.

The ZDP Shares will not pay dividends but will have a final capital entitlement at the end of their life on 31 January 2017 of 138 pence. It should be noted that the predetermined capital entitlement of a ZDP Share is not guaranteed and is dependent upon the Company's gross assets being sufficient on 31 January 2017 to meet the final capital entitlement of the ZDP Shares.

The Board intend to monitor the financial position of the Company to ensure that it has sufficient liquid resources available to fulfil its obligation upon maturity of the ZDP Shares.

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

The table below details the residual contractual maturities of financial liabilities:

As at 30 June 2013:

	1-3 months GBP	2-5 years GBP
Financial liabilities including derivatives		
Payables – due within one year	170,658	–
Derivative financial instruments	19,255	–
ZDP Share entitlement	–	20,654,602
	189,913	20,654,602

As at 31 December 2012:

	1-3 months GBP	2-5 years GBP
Financial liabilities including derivatives		
Payables – due within one year	106,361	–
Derivative financial instruments	–	–
ZDP Share entitlement	–	16,560,000
	106,361	16,560,000

(d) Interest rate risk

The Company could hedge interest risk using various different methods.

The following table details the Company's exposure to interest rate risks. It includes the Company's assets and liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity date measured by the carrying value of the assets and liabilities:

As at 30 June 2013:

	Less than 1 month GBP	Fixed interest GBP	Non-interest bearing GBP	Total GBP
Financial assets				
Financial assets at fair value through profit or loss on initial recognition	–	8,114,067	36,464,737	44,578,804
Cash and cash equivalents	3,773,356	–	–	3,773,356
Interest, dividends and other receivables	–	–	516,807	516,807
Derivative financial instruments	–	–	71,441	71,441
Total financial assets	3,773,356	8,114,067	37,052,985	48,940,408

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Interest rate risk (continued)

As at 30 June 2013:

	Less than 1 month GBP	Fixed interest GBP	Non-interest bearing GBP	Total GBP
Financial liabilities				
Derivative financial instruments	–	–	19,255	19,255
Payables	–	–	170,658	170,658
ZDP Share entitlement	–	16,175,101	–	16,175,101
Total financial liabilities	–	16,175,101	189,913	16,365,014
Total interest sensitivity gap	3,773,356	(8,061,033)		

As at 31 December 2012:

	Less than 1 month GBP	Fixed interest GBP	Non-interest bearing GBP	Total GBP
Financial assets				
Financial assets at fair value through profit or loss on initial recognition	–	6,551,549	27,807,387	34,358,936
Cash and cash equivalents	618,376	–	–	618,376
Interest, dividends and other receivables	–	–	418,464	418,464
Derivative financial instruments	–	–	707	707
Total financial assets	618,376	6,551,549	28,226,558	35,396,483
Financial liabilities				
Derivative financial instruments	–	–	–	–
Payables	–	–	106,361	106,361
ZDP Share entitlement	–	12,496,984	–	12,496,984
Total financial liabilities	–	12,496,984	106,361	12,603,345
Total interest sensitivity gap	618,376	(5,945,435)		

Interest rate sensitivity takes account of the effect of interest rate movements on cash balances, loan amounts and fixed interest securities. Interest rate risk does not affect the cash flows of the fixed interest securities but does affect the fair value and as such this sensitivity has been reflected in the market price risk disclosures at Note 18a.

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Interest rate risk (continued)

Interest rate sensitivity

If interest rates had been 25 basis points higher and all other variables were held constant, the Company's return attributable to Ordinary Shareholders for the period ended 30 June 2013 would have increased by approximately £4,717 (Dec 2012: £1,546) or 0.01% (Dec 2012: 0%) of Total Assets due to an increase in the amount of interest receivable on the bank balances.

If interest rates had been 25 basis points lower and all other variables were held constant, the Company's return attributable to Ordinary Shareholders for the period ended 30 June 2013 would have decreased by approximately £4,717 (Dec 2012: £1,546) or 0.01% (Dec 2012: 0%) of Total Assets due to a decrease in the amount of interest receivable on the bank balances.

(e) Foreign exchange risk

Forward currency transactions are used to hedge the foreign currency exposure in bonds, other investments and cash balances held within the portfolio. The purpose of the hedge is to protect the Company's assets from a decline in value that might arise from the depreciation of a foreign currency against Sterling.

The Company's holdings in derivatives translated into GBP were as specified below:

As at 30 June 2013:

Type of contract	Expiration	Underlying	Notional amount of contracts outstanding	Fair value assets/ (liabilities) GBP
Forward	August 2013	Sold EUR	65,000	(233)
Forward	August 2013	Sold EUR	360,000	(1,790)
Forward	August 2013	Sold USD	700,000	(1,108)
Forward	August 2013	Sold EUR	1,000,000	(8,355)
Forward	August 2013	Sold USD	1,095,000	(7,768)
				(19,255)

As at 31 December 2012:

Type of contract	Expiration	Underlying	Notional amount of contracts outstanding	Fair value assets/ (liabilities) GBP
Forward	March 2013	Sold USD	1,000,000	5,229
Forward	March 2013	Sold EUR	1,455,000	(4,522)
				707

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Foreign exchange risk (continued)

Exchange rate exposures are managed by minimising the amount of foreign currency held at any one time and entering into forward exchange contracts.

The following table sets out the Company's total exposure to foreign currency risk and the net exposure to foreign currencies of the monetary assets and liabilities:

As at 30 June 2013:

	Monetary Assets GBP	Monetary Liabilities GBP	Forward FX Contracts GBP	Net Exposure GBP
Euro	1,348,830	–	(1,208,299)	140,530
US Dollar	1,177,800	–	(1,171,036)	6.764
Australian Dollar	13,763	–	–	13,763

As at 31 December 2012:

	Monetary Assets GBP	Monetary Liabilities GBP	Forward FX Contracts GBP	Net Exposure GBP
Euro	1,380,666	–	(1,176,773)	203,893
US Dollar	740,262	–	(620,424)	119,838
Australian Dollar	14,527	–	–	14,527

Amounts in the above table are based on the carrying value of monetary assets and liabilities and the underlying principle amount of forward currency contracts.

(f) Capital management

The principal investment objectives of the Company are to provide Shareholders with a high income and also the opportunity for income and capital growth by investing primarily in smaller capitalised United Kingdom companies admitted to the Official List of the United Kingdom Listing Authority and traded on the London Stock Exchange or traded on AIM.

The Company's portfolio is invested in equities and high income and fixed interest and other income-bearing securities in order to achieve its investment objectives. It is the aim of the Company to provide both income and capital growth predominantly through investment of approximately 70% of the portfolio in smaller capitalised United Kingdom companies. The Company also aims to further enhance income for Shareholders by investing approximately 30% of its assets in high yielding securities which will be predominantly fixed income securities (including corporate bonds, preference and permanent interest bearing shares, convertible and reverse convertible bonds and debentures) but may include up to 15% of the portfolio (measured at time of acquisition) in high yielding investment company shares.

As the Company's Ordinary Shares are traded on the London Stock Exchange, the Ordinary Shares may trade at a discount to their Net Asset Value per Share on occasion. However, the directors and the manager monitor the discount on a regular basis and can use share buy backs to manage the discount.

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Capital management (continued)

The Company monitors capital on the basis of the carrying amount of equity as presented on the face of the statement of financial position. Capital for the reporting periods under review is summarised as follows:

	GBP
Distributable reserves	10,358,007
Share capital and share premium	6,997,298
Non distributable reserves	15,220,089
Treasury Shares	–
Total	32,575,394

The distributable reserves comprise the revenue reserve and the special reserve. The non distributable reserves comprise the capital reserve. The special reserve was created on the cancellation of part of the Company's share premium account. The directors have resolved that the capital reserve is a non distributable reserve.

Directors and Advisers

Registered in Guernsey No. 34778

Board of directors	Helen Foster Green (Chairman) John Nigel Ward David John Warr
Manager	Premier Asset Management (Guernsey) Limited PO Box 405 Anson Place, Mill Court La Charroterie St Peter Port Guernsey GY1 3GF
Investment Adviser – Smaller Companies Portfolio	Unicorn Asset Management Limited Preacher's Court The Charterhouse Charterhouse Square London EC1M 6AU
Investment Adviser – Income Portfolio	Premier Fund Managers Limited Eastgate Court High Street Guildford GU1 3DE
Administrator and Secretary	Anson Fund Managers Limited PO Box 405 Anson Place, Mill Court La Charroterie, St Peter Port Guernsey GY1 3GF
Custodian	BNP Paribas Trust Company (Guernsey) Limited BNP Paribas House St Julian's Avenue St Peter Port Guernsey GY1 3WE
Corporate Broker	Numis Securities Limited 10 Paternoster Square London EC4M 7LT
Registrar	Anson Registrars Limited PO Box 426 Anson Place Mill Court, La Charroterie St Peter Port Guernsey GY1 3GF
Registered Office	Anson Place Mill Court La Charroterie St Peter Port Guernsey GY1 1EJ

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