ACORN INCOME

2008

Acorn Income Fund Limited

half-yearly financial report
for the six months ended
30 June 2008

PREMIER
ASSET MANAGEMENT

Investment objectives and policy

The objectives of Acorn Income Fund Limited (the "Company") are to provide shareholders with a high income and also the opportunity for capital growth.

The Company's portfolio is invested in equities and high income and fixed interest 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 admitted to the Official List of the United Kingdom Listing Authority and traded on the London Stock Exchange or traded on AIM. 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 interest 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 the time of acquisition) in high yielding investment company shares.

contents

A closed-ended investment company, incorporated under
The Companies (Guernsey) Law, 1994.

REGISTERED IN GUERNSEY No. 34778

Company highlights

for the 6 months ended 30 June 2008

Total return performances

	% change
Total Return on Gross Assets*	–7.1
Total Return on Net Assets (assets attributable to shareholders)	–10.1
Hoare Govett Smaller Companies Index (ex Investment Companies)	–14.2
FTSE All Share Index	–11.2
FTSE SmallCap (ex Investment Companies)	–17.4

Capital Return performance

Total Return on Gross Assets	–9.6
Total Return on Net Assets (assets attributable to shareholders)	–13.6
Hoare Govett Smaller Companies Index (ex Investment Companies)	–15.7
FTSE All Share Index	–13.1
FTSE Small Cap (ex Investment Companies)	–18.9

Share price and NAV returns

	30 June 2008	31 December 2007	% change
Ordinary share			
NAV	152.48p	171.88p	–11.2
Mid price	126.50p	162.50p	–22.2
Earnings per Ordinary share	5.24p	8.52p	
Net dividends declared per Ordinary share	4.00p	8.00p	

*Gross assets take into account deduction for current liabilities.

Data as at 30 June 2008, all performance figures for the period ended 30 June 2008.
Past Performance and dividends paid are not a guide to future returns.

Company summary

Launch date	11 February 1999
Domiciled	Guernsey
Year end	31 December
Shareholder funds	£13.631m at 30 June 2008
Market Capitalisation	£11.309m at 30 June 2008
Bank Loan	£6m Revolving Credit Facility arranged with the Bank of Scotland. £5.5m was drawn throughout the period
Ordinary Income Shares	8,939,790

Dividend History

In respect of year end 31 December	Total dividends declared Pence
2008 (to 30 June)	4.0
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

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

Chairman's Statement and Interim Management Report

Dear Shareholder,

The first six months of 2008 saw markets wake up to the full extent of the problems arising from the credit crisis that had been triggered by excessive sub prime lending and credit expansion in the US and in other western economies. It was a period of falling equity markets, high levels of stock market volatility and generally a flight to assets offering security or at least good liquidity. All in all a difficult time for smaller companies.

Investment performance

The Company's gross assets fell by 8.3% over the first half of the year. The net asset value per share declined by 11.2% over the same period. The FTSE All Share Index declined 13.1% and the two small cap indices we monitor, the Hoare Govett Smaller Companies ex Investment Trust (HGSMC) Index and the FTSE Small Cap ex Investment Trust Index, fell 15.7% and 18.9% respectively.

This was a disappointing period for investment returns, however the Board is pleased that the managers out-performed the small cap indices by a considerable margin and also performed well in comparison to the peer group of high yielding small company trusts against which the Board monitors performance. Poor investor sentiment, particularly towards more illiquid asset classes such as small companies, meant that the discount of the Ordinary share price to net asset value widened to 17.3% at the period end and the share price declined by 22.2% over the period. Taking account of dividends paid, the total return to shareholders was –19.6%.

Dividends

Earnings per share during the half year were –15.40p and dividends of 2p per share were paid on 28 March and 30 June 2008 maintaining the same level of distribution as in the previous year.

Administration and custody

The Board decided to review the administrative arrangements in Guernsey and at the beginning of July 2008 the administration and company secretarial functions that had been sub contracted by the Manager to Northern Trust International Fund Administration Services (Guernsey) Limited were transferred to Anson Fund Managers Limited. The custody of the Company's assets was transferred from Northern Trust (Guernsey) Limited to BNP Paribas Trust Company (Guernsey) Limited on 31 July 2008.

De-listing from the Channel Islands Stock Exchange

Following the recent appointment of a new Guernsey administrator, the Board took the opportunity to review the listing of the Company's shares on the Guernsey-based Channel Islands Stock Exchange ("CISX"). The records of the CISX show that no trades in the Company's shares have been transacted over that exchange during the past three years and the Board is not aware of any benefits in maintaining the listing, given that the Company's shares are also listed and traded on the London Stock Exchange ("LSE"). As the costs of maintaining the CISX listing are expected to rise in 2009, the Board has decided to surrender the CISX listing with effect from 24 September 2008. This will not of course affect the LSE listing where the shares will remain tradeable.

Chairman's Statement and Interim Management Report

Outlook

The growing consensus is that the impact of the credit crisis could take up to two years to unwind and against this background our Manager and Investment Adviser expect certain sectors of the UK market, such as house-building and financials, to remain under pressure. However, they see continuing opportunities arising from corporate activity and for companies serving international markets.

John Bootham
Chairman

Responsibility Statement

for the period from 1 January 2008 to 30 June 2008

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 28 August 2008

John Michael McKean
Director

Investment Advisers' Report

SMALLER COMPANIES PORTFOLIO

The Smaller Companies Portfolio performed well, relative to the market, during the period under review, falling by 11.0% compared with a fall of 15.72% by the Hoare Govett Smaller Companies Index (excluding Investment Companies) and a fall of 18.9% by the FTSE Small Cap Index (excluding Investment Companies).

Strong performances came from a number of engineering companies, including Spirax Sarco (+21.9%), Renishaw (+16.6%), Weir Group (+14.3%) and Bodycote (+9.5%). Nationwide Accident Repair Group also faired well, rising by 21.3%.

During the period under review, two new holdings were added to the portfolio. Stobart Group, a major logistics group, and Johnston Press, a publisher of local and regional newspapers, both appear to be attractively priced for the long term investor and have substantial dividend yields. Holdings in Acal and MacFarlane Group were increased during the period as both stocks offered attractive recovery and yield prospects. Partial disposals of a number of stocks were made to fund acquisitions with no total disposals taking place.

Corporate activity continued to feature in the portfolio during the period under review as TDG was subject to a cash bid from Laxey Partners. De La Rue continued its rationalisation programme with the disposal of its Cash Systems division and a forthcoming return of capital to shareholders. RPC Group announced a strategic review of its operations.

While our continued focus on industrial companies working across global markets has served us well during the period, we have not been immune to stock market falls as the credit crunch evolved. In the UK rising electricity, gas, petrol and food prices have resulted in inflationary pressures which the Government is struggling to control. The outlook for companies serving international markets remains favourable with consumer related stocks such as housebuilders, retailers and financials under considerable pressure. As such, we remain confident that the portfolio will continue to perform well relative to the smaller companies market at large.

John McClure
Unicorn Asset Management Limited

Investment Advisers' Report

HIGH INCOME PORTFOLIO

Financial markets deteriorated further in the first half of 2008. Subprime write downs continued to dominate headlines and were now accompanied by weakening economic data. The liquidity problems that erupted in the previous summer showed no sign of abating. The distress is highlighted by the elevation in money market interest rates above central bank overnight rates. At the end of June, 12-month LIBOR (London InterBank Offer Rate) was still 1.45% above the Bank of England's base rate.

Bond markets were particularly weak until mid-March. The slide was stopped, temporarily at least, by the Federal Reserve arranging JP Morgan Chase's discounted acquisition of Bear Stearns. The optimism was short lived and by the middle of April credit spreads were widening once more. There were few safe havens in the bond world over the period. Even the FTSE Actuaries Government Securities UK Gilts All Stocks Index returned a negative total return (-2.2%) as gilt yields rose.

The income portfolio fared better than most high yield indices, albeit returning a negative total return. The portfolio declined –3.1% compared to –4.6% on the Merrill Lynch European High Yield Index (hedged to sterling). The portfolio benefited from a low weighting in high yield bonds and holding certificates of deposit and gilts. The reverse convertible bond (RCB) holdings were weak, particularly those linked to financial names. RCB exposure has been reduced in the previous periods and throughout the first six months of this year helping to mitigate greater losses. A proportion of the RCB holdings were also hedged in April through the purchase of FTSE100 put options.

The income portfolio's performance was also bolstered by several stock specific successes. Western Areas 8% 2012 convertible bond was sold at over 45% capital profit on book cost. The strong performance was caused by the Company's ordinary shares rallying. The nickel exploration and mining company reported increased quantities of inferred mineral resources and returned a solid operational performance. The holding in Bear Stearns 2012 floating rate note was increased when JP Morgan Chase agreed to assume all Bear Stearns' debt, at this point the note stood at a significant discount to equivalent JP Morgan issues. The differential has subsequently reduced and at 30 June the entire holding had returned a capital profit of 13.6%.

The income portfolio's exposure to financial names has been increased over the period. The potential return on financial bonds above the equivalent government securities is high by all historic standards. Additionally, the Federal Reserve and the Bank of England have so far demonstrated that certain financial institutions are "too big" to fail. With company earnings expected to fall and defaults expected to rise, these appear to be offering the most attractive risk rewards profile at this time.

Paul Smith & Howard Crossen
Premier Fund Managers Limited

Risk factors

Structure of the Company and gearing

The Company employs gearing in the form of a bank loan. This gearing means that for any movement, up or down, in the Company's total assets there will, in most circumstances be a greater movement in the net asset value of the Ordinary shares. This in turn may be reflected in greater volatility in the share price of the Ordinary shares and adds to the risk associated with this investment. The Company is required to adhere to a number of covenants in respect of its gearing arrangements. Failure to meet these requirements could jeopardise the Company's future as these borrowings are secured by a prior charge on the Company's assets. The Board monitors the compliance with any covenants on a regular basis.

Risks associated with investments held in the Smaller Companies portfolio

Investing in smaller companies, including AIM companies and unlisted companies, can carry greater risks than those usually associated with larger capitalised companies. Liquidity, in particular, can be lower in such shares.

Risks associated with investments held in the Income portfolio

The Income portfolio will primarily contain fixed interest securities. Bond prices and interest rates are inversely correlated. Thus, when interest rates increase, the price of a bond with a fixed coupon will decline. Alternatively, when interest rates decline, the price of a bond with a fixed coupon will increase. Therefore, interest rate movements are carefully monitored by the Investment Adviser.

Reverse convertible bonds ("RCBs") will be redeemed in the form of an underlying equity security (or cash equivalent in the case of an index) in the event that the value of that equity security (or index) on the RCBs redemption date is lower than the RCBs strike price. This may result in such RCBs being redeemed at a capital loss. Also, the equity security that may be acquired in this manner might have a considerably lower dividend yield than that provided by the associated RCB.

The Income portfolio may contain higher yielding investment company shares (including shares of split capital investment trusts) and bonds (including reverse convertible bonds). As a result of the underlying gearing in some investment company shares, any increase or decrease in the value of such shares might magnify movements in their net asset values and consequently affect the value of the Income portfolio accordingly. In accordance with the Listing Rules, the Company will make monthly stock exchange announcements detailing its holdings in other UK listed investment companies which themselves do not have a stated investment policy to invest no more than 15% of their gross assets in other UK listed investment companies (including investment trusts).

Dividend levels

Dividends paid on the Company's Ordinary shares rely on receipt of interest payments and dividends from the securities in which the Company invests. The Company's revenue levels are monitored on a regular basis by the Board and the Investment Manager.

Risk factors

Currency risk

The majority of the Company's assets and all of its liabilities are denominated in sterling. To the extent that the Company has fixed interest investments denominated in foreign currency, this exposure is likely to be hedged back to sterling. Therefore, there is unlikely to be any significant risk.

Market price risk

Since the Company invests in financial instruments, market price risk is inherent in these investments. In order to minimise this risk, a detailed analysis of the risk/reward relationship of each investee company is undertaken by the Investment Advisers prior to making investments.

Discount volatility

Being a closed-end fund, the Company's shares may trade at a discount to their net asset value. The magnitude of this discount fluctuates daily and can vary significantly. Thus, for a given period of time, it is possible that the market price could decrease despite an increase in the Company's shares' net asset value. The Directors review the discount levels regularly. The Investment Advisers actively communicate with the Company's major Shareholders and potential new investors, with the aim of managing discount levels.

Schedule of Principal Investments

as at 30 June 2008

Investments Securities Portfolio (Top 10 holdings)

	Nominal Holdings	Valuation GBP	Total Assets %
High Income			
Middlefield Canadian Income Trust	300,000	267,000	1.39
UK Treasury 2.5% Index Linked 17/07/2024	100,000	260,575	1.35
HBOS 6.3673% Perpetual	350,000	256,293	1.33
Royal Bank of Scotland 10.5% 01/03/2013	200,000	226,228	1.17
T2 Income Fund	250,000	207,500	1.08
Aviva 5.9021% Perpetual	250,000	202,864	1.05
UK Treasury 8% 07/06/2021	150,000	188,555	0.98
Rabobank/Prudential 9.62% RCB 03/07/2009	200,000	176,900	0.92
CQS Rig Finance Fund	189,640	170,676	0.89
Barclays Bank/Land Securities 10.9% 16/08/2010	200,000	167,860	0.87
		2,124,451	11.03
Smaller Companies			
Weir Group	71,944	674,835	3.50
Fenner	274,340	665,960	3.46
Rotork	58,990	647,120	3.36
Spirax-Sarco Engineering	57,677	618,874	3.21
Diploma	378,135	615,415	3.19
Acal	375,000	607,500	3.15
Halma	281,410	598,700	3.11
Reinshaw	80,703	595,185	3.09
Consort Medical	100,000	593,500	3.08
TDG	249,333	577,206	3.00
		6,194,295	32.15
TOTAL		8,318,746	43.18

Schedule of Principal Investments

as at 31 December 2007

Investments Securities Portfolio (Top 10 holdings)

	Nominal Holdings	Valuation GBP	Total Assets %
High Income			
HBOS 6.3673% Perpetual	350,000	309,000	1.60
UK Treasury 8% 27/09/2013	250,000	293,000	1.52
Middlefield Canadian Income Trust	300,000	243,000	1.26
UK Treasury 6% 07/12/2028	200,000	241,000	1.25
Royal Bank of Scotland 10.5% 01/03/2013	200,000	236,000	1.22
Aviva 5.9021% Perpetual	250,000	230,000	1.19
CQS Rig Finance Fund	200,000	202,000	1.05
UK Treasury 8% 07/06/2021	150,000	201,000	1.04
Rabobank/Prudential 9.62% RCB 03/07/2009	200,000	197,000	1.02
T2 Income Fund	200,000	190,000	0.99
		2,342,000	12.14
Smaller Companies			
Fenner	374,340	904,000	4.69
Consort Medical	135,450	808,000	4.19
Weir Group	91,944	743,000	3.86
Reinshaw	115.703	715,000	3.71
Diploma	75,627	703,000	3.65
VP	212,914	702,000	3.64
Rotork	68,990	667,000	3.46
James Halstead	120,250	658,000	3.42
Halma	281,410	619,000	3.21
Laird Group	102,777	596,000	3.09
		7,115,000	36.92
TOTAL		9,457,000	49.06

Schedule of Principal Investments

as at 30 June 2007

Investments Securities Portfolio (Top 10 holdings)

	Nominal Holdings	Valuation GBP	Total Assets %
High Income			
UK Treasury 7.25% 07/12/2007	850,000	855,000	4.44
UK Treasury 8% UKT 2015	500,000	581,000	3.02
UK Treasury 8% STK	400,000	448,000	2.33
UK Treasury 8% 07/06/2021	300,000	377,000	1.96
HBOS 6.3673% Perpetual	350,000	328,000	1.70
UK Treasury 4.75% 07/03/2020	300,000	284,000	1.47
Royal Bank of Scotland 10.5% 01/03/2013	200,000	239,000	1.24
Aviva 5.9021% Perpetual	250,000	228,000	1.18
UK Treasury 6% 07/12/2028	200,000	224,000	1.16
Rabobank/Prudential 9.62% RCB 03/07/2009	200,000	202,000	1.05
		3,766,000	19.55
Smaller Companies			
Laird Group	177,777	972,000	5.04
Bespak	135,450	909,000	4.72
Fenner	374,340	886,000	4.60
Rotork	93,990	859,000	4.46
Abacus Polar	821,405	810,000	4.20
VP	212,914	804,000	4.17
Spirax-Sarco Eng	77,677	780,000	4.05
Lupus Capital	4,257,143	766,000	3.98
TDG	249,333	726,000	3.77
Bodycote International	259,300	710,000	3.69
		8,222,000	42.67
TOTAL		11,988,000	62.22

Independent Review Report

Introduction

We have been engaged by the company to review the financial statements in the half-yearly financial report for the six months ended 30 June 2008 which comprises the Unaudited Income Statement, the Unaudited Balance Sheet, the Unaudited Statement of Changes in Equity, the Cashflow Statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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 Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). 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 half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the company are prepared in accordance with International Financial Reporting Standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent Review Report

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with IAS 34 and the DTR of the UK FSA.

KPMG Channel Islands Limited
Guernsey

Income Statement (unaudited)

for the period from 1 January 2008 to 30 June 2008

	Notes	Revenue GBP	Capital GBP	Total GBP	1 January 2007 30 June 2007 Total GBP
		1 January 2008 to 30 June 2008			
Net (losses)/gains on financial assets designated at fair value through profit or loss	8	–	(1,595,527)	(1,595,527)	461,000
Losses on foreign currency contracts	3	–	(47,137)	(47,137)	–
Investment income	2	615,765	–	615,765	720,872
Total income and gains		615,765	(1,642,664)	(1,026,899)	1,181,872
Expenses	4	(100,014)	(61,281)	(161,295)	(178,282)
Return on ordinary activities before finance costs and taxation		515,751	(1,703,945)	(1,188,19	1,003,590
Interest payable and similar charges		(47,062)	(141,185)	(188,247)	(83,074)
Return on ordinary activities before taxation		468,689	(1,845,130)	(1,376,441)	920,516
Taxation on ordinary activities		–	–	–	–
Return on ordinary activities for the period attributable to shareholders		468,689	(1,845,130)	(1,376,441)	920,516
		Pence	Pence	Pence	Pence
Return per Ordinary share	7	5.24	(20.64)	(15.40)	7.89

The Total column of this Statement is the IFRS Income Statement of the Company. 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 19 to 25 form an integral part of these financial statements.

Balance Sheet (unaudited)

As at 30 June 2008

	Notes	30 June 2008 GBP	31 December 2007 GBP	30 June 2007 GBP
Non-current assets				
Financial assets designated at fair value through profit or loss	8	18,852,012	20,311,037	22,874,413
Current assets				
Receivables	9	38,559	220,957	411,446
Cash and cash equivalents		144,994	477,211	682,094
Derivative financial assets		31,432	–	–
		414,985	698,168	1,093,540
Total assets		19,266,997	21,009,205	23,967,953
Current liabilities				
Derivative financial liability		–	32,203	–
Payables – due within one year	10	135,361	111,333	284,065
Non-current liabilities				
Payables – due after one year	11	5,500,000	5,500,000	5,500,000
Total liabilities		5,635,36	5,643,536	5,784,065
Net assets		13,631,636	15,365,669	18,183,888
Equity				
Share capital	12	89,398	89,398	89,398
Share premium		79,173	79,173	79,173
Capital redemption reserve		206,602	206,602	206,602
Revenue reserve		916,347	805,250	916,025
Special reserve		10,000,000	10,000,000	10,000,000
Capital reserve		2,340,116	4,185,246	6,892,690
Total equity		13,631,636	15,365,669	18,183,888
		Pence	Pence	Pence
NAV per Ordinary Share		152.48	171.88	203.40

The notes on pages 19 to 25 form an integral part of these financial statements.

Statement of Cash Flows (unaudited)

for the period from 1 January 2008 to 30 June 2008

	Note	1 January 2008 to 30 June 2008 GBP	1 January 2007 to 30 June 2007 GBP
Operating activities			
Return on ordinary activities before taxation		(1,376,441)	920,516
Net loss/(gain) on financial assets designated at fair value through profit or loss		1,595,527	(461,000)
Investment income		(615,765)	(720,872)
(Decrease) in payables and appropriations		(8,175)	(206,006)
Decrease/(increase) in receivables excluding accrued investment income		182,210	(151,893)
Net cash outflow from operating activities before investment income		(222,644)	(619,255)
Investment income received		384,521	720,872
Net cash inflow from operating activities before taxation		161,877	101,617
Tax paid		–	–
Net cash inflow from operating activities after taxation		161,877	101,617
Investing activities			
Purchase of financial assets		(4,158,810)	(16,894,943)
Sale of financial assets		4,022,308	16,437,000
Net cash outflow from investing activities		(136,502)	(457,943)
Financing activities			
Equity dividends paid	6	(357,592)	(357,592)
Redemption of redeemable participating preference shares		–	(41,650,987)
Drawdown of bank loan		–	5,500,000
Net cash outflow from financing activities		(357,592)	(36,508,579)
Decrease in cash and cash equivalents		(332,217)	(36,864,905)
Cash and cash equivalents at beginning of period		477,211	37,546,999
Cash and cash equivalents at end of period		144,994	682,094

The notes on pages 19 to 25 form an integral part of these financial statements.

Statement of Changes in Equity (unaudited)

for the period from 1 January 2008 to 30 June 2008

	Share Capital 30 June 2008 GBP	Share Premium 30 June 2008 GBP	Capital Redemption Reserve 30 June 2008 GBP	Revenue Reserve 30 June 2008 GBP	Special Reserve 30 June 2008 GBP	Capital Reserve 30 June 2008 GBP	Total 30 June 2008 GBP
Balance as at 1 January 2008	89,398	79,173	206,602	805,250	10,000,000	4,185,246	15,365,699
Return on ordinary activities for the period attributable to Ordinary shareholders	–	–	–	468,689	–	(1,845,130)	(1,376,441)
Dividends	–	–	–	(357,592)	–	–	(357,592)
Balance as at 30 June 2008	89,398	79,173	206,602	916,347	10,000,000	2,340,116	13,631,636

	Share Capital 31 Dec 2007 GBP	Share Premium 31 Dec 2007 GBP	Capital Redemption Reserve 31 Dec 2007 GBP	Revenue Reserve 31 Dec 2007 GBP	Special Reserve 31 Dec 2007 GBP	Capital Reserve 31 Dec 2007 GBP	Total 31 Dec 2007 GBP
Balance as at 1 January 2007	7,400,001	17,079,173	–	680,855	10,000,000	24,110,659	59,270,688
Transfer to distributable reserve	(7,104,000)	(17,000,000)	–	–		24,104,000	–
Tender offer	(206,603)	–	206,602	–		(41,650,987)	(41,650,988)
Return on ordinary activities for the period attributable to Ordinary shareholders	–	–	–	839,578	–	(2,378,426)	(1,538,848)
Dividends	–	–	–	(715,183)	–	–	(715,183)
Balance as at 31 December 2007	89,398	79,173	206,602	805,250	10,000,000	4,185,246	15,365,669

	Share Capital 30 June 2007 GBP	Share Premium 30 June 2007 GBP	Capital Redemption Reserve 30 June 2007 GBP	Revenue Reserve 30 June 2007 GBP	Special Reserve 30 June 2007 GBP	Capital Reserve 30 June 2007 GBP	Total 30 June 2007 GBP
Balance as at 1 January 2007	7,400,001	17,079,173	–	680,855	10,000,000	24,110,659	59,270,688
Transfer to distributable reserve	(7,104,000)	(17,000,000)	–	–		24,104,000	–
Tender offer	(206,603)	–	206,602	–		(41,650,987)	(41,650,988)
Return on ordinary activities for the period attributable to Ordinary shareholders	–	–	–	592,762	–	329,018	921,780
Dividends	–	–	–	(357,592)	–	–	(357,592)
Balance as at 30 June 2007	89,398	79,173	206,602	916,025	10,000,000	6,892,690	18,183,888

The notes on pages 19 to 25 form an integral part of these financial statements.

1. ACCOUNTING POLICIES

(a) Basis of preparation

The condensed set of financial statements are prepared in accordance with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board ("IASB") and with the AIC's SORP where practicable. All accounting policies adopted for the period are consistent with International Financial Reporting Standards ("IFRS") issued by the IASB and as adopted by the European Union and applicable Guernsey law.

The condensed financial statements have been prepared on an historical cost basis except for the measurement at fair value of certain financial instruments.

These are the Company's first financial statements prepared in accordance with IFRS. For all periods up to and including the year ended 31 December 2007, the Company prepared it's financial statements in accordance with UK GAAP. During the year, the Company elected to adopt International Financial Reporting Standards (IFRS) for the first time in accordance with IFRS1 (First-time adoption of IFRS), and as a result these financial statements for the six month period ended 30 June 2008 are the first the Company has prepared under IFRS. All applicable International Accounting Standards (IAS) and IFRS's have been implemented.

The transition from UK GAAP to IFRS has no material effect on the reporting position, financial performance and cashflows of the Company.

The accounting policies have been applied in preparing the financial statements for the six month period ended 30 June 2008, the comparative information presented in these financial statements for the year ended 31 December 2007 and in preparation of an opening IFRS balance sheet at 1 January 2008.

In preparing the Company's opening IFRS balance sheet, it was noted that there were no material differences between the amounts reported in the financial statements prepared under IFRS and the amounts reported in the financial statements presented under previous UK GAAP.

(b) 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 exempt fee of £600.

(c) 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 period end; and
- unrealised exchange differences of a capital nature.

(d) 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.

1. ACCOUNTING POLICIES (CONTINUED)

(d) Expenses (continued)

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 is charged to the capital account.

All other expenses are charged through the revenue account.

(e) Investment income

Interest income and distributions receivable are accounted for on an accruals basis. Interest income relates only to interest on bank balances and bonds.

(f) Foreign currency translation

The currency of the primary economic environment in which the Company operates (the functional currency) is Great Britain 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, other than investments, denominated in foreign currencies at the balance sheet 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 Income Statement. 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 Income Statement in the period in which they arise.

(g) 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.

(h) 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 cost, being the fair value of the consideration given. Subsequently, investments are measured at fair value, with unrealised gains and losses on investments and impairment of investments recognised in the Income Statement. Investments are derecognised on the date of sale. Gains and losses on the sale of investments will be taken to the Income Statement 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 Balance Sheet date.

1. ACCOUNTING POLICIES (CONTINUED)

(i) Derivatives

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

(j) Trade date accounting

All "regular way" purchases and sales of financial assets are recognised on the "trade date", i.e. the date that the Company 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.

(k) Loans

Loans are recognised initially at fair value plus directly attributable costs. Subsequent to initial recognition these are measured at amortised cost using the effective interest method, less any impairment losses.

(l) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being investment business.

2. INVESTMENT INCOME

	1 January 2008 to 30 June 2008 GBP	1 January 2007 to 30 June 2007 GBP
Bank interest	8,578	713
Dividend income	395,860	495,283
Bond income	211,326	224,876
	615,764	720,872

3. FOREIGN CURRENCY CONTRACT

	1 January 2008 to 30 June 2008 GBP	1 January 2007 to 30 June 2007 GBP
Unrealised gain on forward foreign currency contracts	63,635	–
Realised loss on forward foreign currency contracts	(110,772)	–
	(47,137)	–

4. EXPENSES

	Revenue GBP	1 January 2008 to 30 June 2008 Capital GBP	Total GBP
Investment Manager's fee	17,307	51,921	69,228
Administrator's fee	27,567	–	27,567
Registrar's fee	1,895	–	1,895
Directors' fees	24,999	–	24,999
Custody fees	1,070	–	1,070
Audit fees	20,744	–	20,744
Directors' and Officers' insurance	6,609	–	6,609
Annual fees	8,968	–	8,968
Bank charges	420	–	420
Commission paid	-	9,360	9,360
Sundry costs	(7,640)	–	(7,640)
Profit on foreign exchange	(1,925)	–	(1,925)
	100,014	61,281	161,295

	Revenue GBP	1 January 2008 to 30 June 2008 Capital GBP	Total GBP
Investment Manager's fee	16,218	48,655	64,873
Administrator's fee	24,713	–	24,713
Registrar's fee	–	–	–
Directors' fees	19,726	–	19,726
Custody fees	3,660	–	3,660
Audit fees	14,021	–	14,021
Directors' and Officers' insurance	–	–	–
Annual fees	–	–	–
Bank charges	706	–	706
Commission paid	–	21,572	21,572
Sundry costs	29,011	–	29,011
Profit on foreign exchange	–	–	–
	108,055	70,227	178,282

5. DIRECTORS' REMUNERATION

Under their terms of appointment, each Director is paid a fee of £15,000 per annum by the Company, except for the Chairman, who receives £20,000 per annum.

6. DIVIDENDS IN RESPECT OF EQUITY SHARES

	1 January 2008 to 30 June 2008 GBP	Pence per Share
First interim payment	178,796	2.0
Second interim payment	178,796	2.0
	357,592	4.0

	1 January 2007 to 31 December 2007 GBP	Pence per Share
First interim payment	178,796	2.0
Second interim payment	178,796	2.0
Third interim payment	178,796	2.0
Fourth interim payment	178,795	2.0
	715,183	8.0

7. 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 –£1,376,441 (2007: £920,516) and on 8,939,790 (2007: 11,685,444) 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 revenue return per Ordinary share is based on the revenue return on ordinary activities for the period attributable to Ordinary shareholders of £468,689 (2007: £592,762) and on 8,939,790 (2007: 11,685,444) 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 –£1,845,130 (2007: £329,020) and on 8,939,790 (2007: 11,685,444) 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.

8. INVESTMENTS

	30 June 2008 GBP	31 December 2007 GBP	30 June 2007 GBP
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS			
Opening portfolio cost	18,019,037	15,297,000	15,297,000
Unrealised appreciation on valuation brought forward	2,292,000	6,646,000	6,646,000
Opening valuation	20,311,037	21,943,000	21,943,000
Movements in the period			
Purchases at cost	4,158,810	21,335,037	17,008,413
Sales – proceeds	(4,022,308)	(20,977,000)	(16,538,000)
– realised gains on sales	548,676	2,364,000	1,691,000
Unrealised depreciation on valuation for the period	(2,144,203)	(4,354,000)	(1,230,000)
Fair value of investments at period end	18,852,012	20,311,037	22,874,413
Closing book cost	18,704,215	18,019,037	17,458,413
Closing unrealised appreciation	147,797	2,292,000	5,416,000
	18,852,012	20,311,037	22,874,413
Realised gains on sales	548,676	2,364,000	1,691,000
Decrease in unrealised appreciation	(2,144,203)	(4,354,000)	(1,230,000)
Net (losses)/gains on financial assets designated at fair value through profit or loss	(1,595,527)	(1,990,000)	461,000

9. RECEIVABLES

	30 June 2008 GBP	31 December 2007 GBP	30 June 2007 GBP
Prepayments	6,485	–	–
Accrued income	231,244	219,407	297,881
Investment sales not settled	–	–	100,552
Sundry receivables	830	1,550	13,013
	238,559	220,957	441,446

10. PAYABLES

	30 June 2008 GBP	31 December 2007 GBP	30 June 2007 GBP
(amounts falling due within one year)			
Accrued expenses	134,371	111,333	168,836
Investment purchases not settled	–	–	112,071
Sundry payables	990	–	3,158
	135,361	111,333	284,065

11. PAYABLES

	30 June 2008 GBP	31 December 2007 GBP	30 June 2007 GBP
(amounts falling due after one year)			
Long term bank loan	5,500,000	5,500,000	5,500,000

Under a loan agreement dated 13 February 2007 between the Company and the Bank of Scotland a £6,000,000 Revolving Credit Facility was arranged for a period of 5 years. The interest rate payable on this facility is 1% over Libor with a non-utilisation charge of 0.5% on any undrawn part of the facility.

The capital covenant on the facility requires a ratio of specified investments to debt of 2:1. Specified investments include UK listed securities with a market capitalisation of over £75 million, investment grade bonds and reverse convertible bonds meeting certain criteria relating to the issuer and the reference equity, gilts or US treasury stock and cash. During the year, the Company has complied with all loan covenants.

12. SHARE CAPITAL

Authorised	GBP
Ordinary shares of 1p each	10,000,000

Issued	SHARES
Number of shares in issue at 30 June 2008, 31 December 2007 and 30 June 2007	8,939,790

	GBP
Issued capital as at 30 June 2008	89,398

The issue of shares took place as follows:		Number of Shares
Ordinary shares	11 February 1999	29,600,002
Tender offer	17 January 2007	(20,660,212)
		8,939,790

13. RELATED PARTIES

Premier Asset Management (Guernsey) Limited is the Company's Manager and operates under the terms of the management agreement in force. £69,228 (2007: £64,873) of costs were incurred by the Company with this related party in the period, of which £46,334 (2007: £10,178) was due to this related party as at 30 June 2008.

Directors' remuneration is disclosed in Note 5.

Directors and Advisers

Directors:	John Campbell Boothman (Chairman) John Michael McKean Helen Foster Green
Manager:	Premier Asset Management (Guernsey) Limited PO Box 255 Trafalgar Court Les Banques St Peter Port Guernsey GY1 3QL
Investment Advisers:	Unicorn Asset Management Limited Preacher's Court The Charterhouse Charterhouse Square London EC1M 6AU Premier Fund Managers Limited Eastgate Court High Street Guildford GU1 3DE
Administrator, Secretary, Registrar and Registered Office:	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
United Kingdom Stockbrokers:	Fairfax I.S. PLC 46 Berkeley Square Mayfair London W1J 5AT
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