

**Acorn Income  
Fund Limited**

**Half-yearly Condensed  
Report (unaudited) for the  
Six Months Ended  
30 June 2021**

# Investment Objectives and Policy

## Investment Objectives

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

The Company's assets predominantly comprise investments in equities and fixed interest securities in order to achieve its investment objective. The Company's investments are held in two portfolios. Approximately 70% to 80% of the Company's assets are invested in smaller capitalised United Kingdom companies, admitted to the Official List of the Financial Conduct Authority (the "FCA") and traded on the main market of the London Stock Exchange (the "LSE") or traded on the Alternative Investment Market ("AIM") at the time of investment (the "Smaller Companies Portfolio"). The Company also aims to enhance income for Ordinary Shareholders by investing approximately 20% to 30% of the Company's 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 "Income Portfolio").

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 section 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, with Board approval the 7.5% limit may be exceeded on a short term basis 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 Preference Shares ("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.

## Investment Restrictions

For so long as required by the LSE 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 objective 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 which have stated investment policies to invest no more than 15% of their total assets in other listed closed-ended investment companies.

## Derivatives

The Company may invest in derivatives, money market instruments and currency instruments including contracts for difference, futures, forwards and options. These investments may be used for hedging positions against movements in, for example, equity markets, currencies and interest rates, for investment purposes and for efficient portfolio management. The Company's use of such instruments for investment purposes is limited to 5% of the total assets of the Company. The Company will not use such instruments to engage in any significant trading activity. The Company will not maintain derivative positions should the total underlying exposure of these positions (excluding any currency hedges) exceed one times adjusted total capital and reserves.

## Dividend Policy

The Company's policy is to provide Ordinary Shareholders with a high income relative to the average dividend yield of the UK Smaller Companies comprised in the Numis Smaller Companies Index ex Investment Companies. The Company aims to pay a regular quarterly dividend in March, June, September and December. It is intended to distribute substantially all of the Company's net income after expenses and taxation; however, the Company may retain a proportion of the Company's income in each year as a revenue reserve to assist in providing long term stability in dividend distributions. Dividends may be paid to holders of Ordinary Shares whenever the financial position of the Company, in the opinion of the Directors, justifies such payment, subject to the Company being able to satisfy the solvency test, as defined under The Companies (Guernsey) Law, 2008. The Board is alert to the potential for new share issuance to dilute earnings and accordingly will have regard to the size and timing of new share issues. The ZDP Shares do not carry a right to a dividend.

## Proposed Restructure

On 1 September 2021 the Board announced a scheme of reconstruction offering a rollover into the Unicorn UK Income Fund or a cash exit. These proposals, which will involve putting the Company into voluntary liquidation and the early redemption of the ZDP shares, will be put to shareholders at General Meetings in or around October 2021.

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# Performance Summary

for the six months ended 30 June 2021

	30/6/2021	31/12/2020	% change/ return
<b>Total Return Performance*</b>			
Total Return on Gross Assets*			14.45%
Numis Smaller Companies (Ex Investment Companies) Index	27,143.31	23,117.10	17.42%
FTSE All Share Index	7,852.35	7,068.59	11.09%
FTSE Small Cap (Ex Investment Companies) Index	10,424.11	8,108.86	28.55%

## Share Price and NAV Returns

### Ordinary Shares

Share Price	352.00p	322.50p	9.15%
NAV**	426.32p	360.21p	18.36%
IFRS NAV#	426.30p	360.17p	18.36%
Total Return on Net Assets**			22.04%
Ordinary Share Price Total Return*			12.82%
Discount (-) to NAV on Ordinary Shares**	-17.43%	-10.47%	

### ZDP Shares

Share Price	161.50p	157.00p	2.87%
NAV**	163.05p	160.02p	1.89%
IFRS NAV#	163.06p	160.05p	1.88%
Discount (-) Premium (+) to NAV on ZDP Shares**	-0.96%	-1.89%	
Package Discount (-) to			
NAV Combined Ordinary and ZDP Shares	-11.84%	-7.26%	

	6 months to 30/6/2021	6 months to 30/6/2020	% change/ return
<b>Dividends and Earnings</b>			
Revenue Return per Ordinary Share	7.74p	4.57p	69.37%
Dividends Declared per Ordinary Share	11.50p	11.50p	0.00%

\* assumes dividends reinvested

\*\* calculated in accordance with the Articles

# calculated in accordance with International Financial Reporting Standards

Sources: Index data: Bloomberg, Total return on gross and net assets, PFM, JP Morgan Cazenove

# Company Summary

## History

The Company was incorporated on 5 January 1999 and commenced its activities on 11 February 1999. The portfolio is divided into two sub portfolios, a Smaller Companies Portfolio representing approximately 70% to 80% of the total with the balance invested in an Income Portfolio investing in fixed income securities, investment company shares and structured investments. The Company has always been leveraged, initially through bank debt and now through Zero Dividend Preference ("ZDP") Shares. In December 2016, shareholders approved the extension of the ZDP Shares setting a new redemption date of 28 February 2022.

## Capital Structure

Zero Dividend Preference Share (1p each)	21,230,989 (excluding treasury shares)	<p>The ZDP Shares will have a final capital entitlement of 167.2 pence per ZDP Share on 28 February 2022 following the extension of the life of the existing shares from 31 January 2017, subject to there being sufficient capital in the Company. The ZDP Shares are not entitled to any dividends. ZDP Shareholders rank ahead of the Ordinary Shareholders in regards to rights as to capital. The ZDP Shareholders have the right to receive notice of all general meetings of the Company, but do not have the right to attend or vote unless the business of the meeting involves an alteration of the rights attached to the ZDP Shares, in which case the holders of ZDP Shares can attend and vote.</p>
Ordinary Shares (1p each)	15,816,687 (excluding treasury shares).	<p>The Ordinary Shares, excluding treasury shares, are entitled to participate in all dividends and distributions of the Company. On a winding-up, holders of Ordinary Shares are entitled to participate in the distribution and the holders of Ordinary Shares are entitled to receive notice of and attend and vote at all General Meetings of the Company.</p>
Treasury Shares	As at 30 June 2021, there were 1,325,972 Ordinary and 1,779,873 ZDP Shares held in treasury.	
Shareholder Funds	£67.43 million as at 30 June 2021 (calculated in accordance with IFRS).	£67.43 million as at 30 June 2021 (calculated in accordance with the articles).
Market Capitalisation of the Ordinary Shares	£56 million as at 30 June 2021.	

# Company Summary (continued)

## Company Details

The Board	The Board consists of three independent non-executive directors (the "Directors"), Nigel Ward (Chairman), David Warr and Sharon Parr. Nigel Sidebottom is not considered independent by virtue of his recent employment with the Premier Miton Group PLC (the parent company of the Investment Manager).
Investment Manager	Premier Asset Management (Guernsey) Limited ("PAMG"), is a subsidiary of Premier Miton Group PLC ("PMG"). PMG had approximately £13.6bn of funds under management as at 30 June 2021. PAMG is licensed under the provisions of the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, by the Guernsey Financial Services Commission to carry on controlled investment business.
Investment Advisers	<p>Premier Fund Managers Limited ("PFM") – the Company's Income Portfolio is managed by Chun Lee and Robin Willis.</p> <p>Unicorn Asset Management Limited ("Unicorn") – the Company's Smaller Companies Portfolio is managed by Simon Moon and Fraser Mackersie.</p>
Secretary/Administrator	Northern Trust International Fund Administration Services (Guernsey) Limited.
Corporate Broker	Singer Capital Markets.
Management Fee	<p>0.7% per annum (Total Assets) charged 75% to capital and 25% to revenue. Minimum annual management fee £100,000.</p> <p>In addition, a performance fee is payable at the year-end if the target set out on page 24 is achieved. This is charged 100% to capital.</p>
Registrar	JTC Registrars Limited

## Financial Calendar

Company's year end	31 December
Annual results announced	April
Company's half year end	30 June
Annual General Meeting	October 2021
Half-year results announced	September
Dividend payments	At the end of March, June, September and December
Company website	<a href="http://www.acornincome.co.uk">www.acornincome.co.uk</a>

# Chairman's Statement and Interim Management Report

30 June 2021

Dear Shareholder

The Company's Investment Advisers have reported at length elsewhere in this Report and as I would like to spend some time commenting on the Strategic Review I will restrict my comments about performance simply to the headlines numbers, as follows:

Over the past six months, Acorn shareholders have seen a total return on gross assets, which measures the return on the portfolio including all income and costs, of 14.5%, and a total return on net assets of 22.0%, the gearing effect of the Zero Dividend Preference Shares having worked in favour of the ordinary shareholders during the period. These moves compare to a total return from the Numis Smaller Companies (ex-Investment Companies) Index, of 17.4% and from the FTSE All Share Index, of 11.1%. I commend our Investment Advisers for their contribution.

However, despite a robust performance from the underlying portfolio, the ordinary share discount has not tightened as the Board would have hoped, widening from 10.5% at 31st December 2020 to 17.6% as at 30th June 2021. Since the period-end the discount has remained becalmed in the high teens. This highlights the hurdles that the Company has faced over the past few years and it is right that I should address the matter in detail.

Almost twelve months ago the challenges faced by the Company, including sub-scale size, limited liquidity, split-cap and dual portfolio structure, and likely future cut in dividends, led the Board to conclude that the Company could not viably continue in its present form. With a discontinuation vote scheduled for August 2021, and no obvious prospect of growing assets under management, there was a need to bring about change. After an extensive process, and after consultation with some shareholders, the Board ultimately concluded that the optimum outcome was to recommend a scheme of reconstruction offering a rollover into the Unicorn UK Income Fund or a cash exit. These proposals, which will involve placing the Company into voluntary liquidation, and early redemption of

ZDP shares, were announced on 1 September and will likely be put to shareholders at General Meetings during October.

Having served on the Acorn board since 2011, the last two years as Chairman, I cannot help but feel a degree of sadness that a Trust with over twenty years history is reaching the end of its life. However, at the start of the strategic review the Board recognised that allowing the Company to limp along for another five years was unacceptable. We have constantly reminded ourselves that every decision had to be in shareholders' best interests and I believe this outcome will achieve that aim.

Thank you for your support as an investor in our Company over the years and I trust you will approve the measures proposed at the forthcoming meetings.

**Nigel Ward**  
Chairman



# Statement of Principal Risks and Uncertainties

30 June 2021

The principal risks assessed by the Board relating to the Company were disclosed in the Annual Report and Audited Financial Statements for the year ended 31 December 2020. The principal risks disclosed include Coronavirus risk, market price risk, credit risk, liquidity risk, foreign currency risk and reinvestment risk. A detailed explanation can be found in the annual report. The Board and Portfolio Manager do not consider these risks to have changed and remain relevant for the remaining six months of the financial year.

## Coronavirus Risk

Coronavirus ("COVID-19") continues to be considered as a significant risk.

The Board has continued to monitor the development of the COVID-19 outbreak and has considered the impact it has had to date and will continue to have on the future of the Company and the performance of the Smaller Companies Portfolio and Income Portfolio (the "Portfolios"). Notwithstanding the impact the outbreak has already had on the Company's share price and NAV performance, there remains continued uncertainty about the development and scale of the COVID-19 outbreak particularly in relation to the length and extent of the impact of social distancing restrictions and the impact on the economy in general.

From an operational perspective, the Company uses a number of service providers. These providers have established, documented and regularly tested Business Resilience Policies in place, to cover various scenarios whereby staff cannot turn up for work at the designated office and conduct business as usual. Since the COVID-19 pandemic outbreak, service providers have deployed these alternative working policies to good effect, thus ensuring continued business service.

## 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.

## Credit Risk

The investment portfolio is comprised of equities and bonds which expose the Company to credit risk, being the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

## Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its obligations associated with its financial liabilities that are settled by delivery of cash or another financial asset. Some of the Company's investments in smaller company equities and in certain bond issues may have relatively low levels of daily turnover such that it might take several days or even weeks to sell a holding into the market.

## Foreign Currency Risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The majority of the Company's assets and liabilities are denominated in sterling. However, some of the investments in the Income Portfolio may be currencies. Generally, these exposures are hedged denominated in foreign back to sterling and there is unlikely to be any significant direct currency risk.

## Interest Rate Risk

The Company's investment portfolios, particularly the Income Portfolio, include investments bearing interest at fixed rates. Generally when interest rates rise the market prices of fixed interest securities fall and when interest rates fall the prices of fixed interest securities rise. The Company will therefore be exposed to movements in interest rates. The Company has fixed rate leverage through its ZDP Shares. In January 2017, the redemption date of the Company's ZDP Shares was extended to 28 February 2022 at a rate of 3.85% per annum. Replacing this leverage in 2022 might involve the Company paying a higher accrual rate on an issue of new ZDP Shares if interest rates have risen.

# Statement of Principal Risks and Uncertainties (continued)

30 June 2021

## Discount Volatility

Being a closed-end fund, the Company's shares may trade at a discount or premium to their NAV. The magnitude of this discount or premium 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 NAV.

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.

## Related Parties

Related party balances and transactions are disclosed in note 14 of these Unaudited Condensed Interim Financial Statements.

## Going concern

In accordance with Article 53.1 of the Articles of Incorporation of the Company shareholders are to be given the opportunity to vote in favour of the discontinuation of the Company. As this opportunity was last presented to shareholders on 26 September 2016, the next discontinuation resolution was to be proposed at the Annual General Meeting in 2021.

On 1 September 2021 the Board announced that it was proposing a scheme of reconstruction which would ultimately involve the roll over of all or part of the assets into another vehicle or a cash distribution on liquidation of the Company.

These proposals will be put to shareholders for voting in General Meeting as soon as practicable.

As a result of these proposals, and the expectation that the Company will be placed into voluntary liquidation in or around October 2021, these Interim Financial Statements for the period to 30 June 2021 have been prepared on a break-up basis reflecting this intention. As a result, all assets are classified as current and are stated at their estimated recoverable amounts and all creditors are classified as falling due within one year. As the

assets of the Company are already stated at amounts which approximate their fair value this has not resulted in any adjustment to the Net Asset Value of the Company and the Directors believe that fair value equates to recoverable amounts. A provision towards certain costs associated with the scheme of reconstruction has been included within these Interim Financial Statements.

For the avoidance of doubt this scheme of reconstruction and ultimate liquidation is subject to shareholder vote. The Directors have made the assumption that the scheme of reconstruction will be approved and the Company will ultimately be placed into voluntary liquidation.



# Responsibility Statement

For the period from 1 January 2021 to 30 June 2021

The Directors are responsible for preparing the Unaudited Half-yearly Financial Report (the “Unaudited Condensed Interim Financial Statements”), which has not been audited or reviewed by an independent auditor, and confirm that to the best of their knowledge:

- the Unaudited Condensed Interim Financial Statements have been prepared in accordance with International Accounting Standard (IAS) 34, 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 Unaudited Condensed Interim 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 by:

## **Nigel Ward**

Chairman

16 September 2021

## The Smaller Companies Portfolio

Period to 30 June 2021

During the six month period to 30 June 2021 the Smaller Companies portfolio generated a total return of +19.0%, before expenses, ahead of the +17.4% total return of the Numis Smaller Companies Index (Ex Investment Companies).

Investing in UK smaller companies has required extreme patience and fortitude over the last five years. Since the 2016 Brexit referendum there has been significant uncertainty hanging over the prospects of the country's economic future. In the face of this, asset allocation to the UK fell to exceptionally low levels, the net effect of which was significant outflows from UK assets. Sterling fell to and stayed at historically low levels against other major currencies and smaller, more domestically focussed, companies disproportionately bore the brunt of this headwind. Over this period allocators have preferred relatively expensive growth companies to value/yield stocks and the rest of the world to the UK. Although this environment has been difficult to navigate, it has offered opportunities to populate a portfolio of high quality companies, sitting at attractive valuations, which now face a brighter future than they have at any point in the last five years.

As we commented in our annual review of 2020, the last minute Brexit deal removed the significant risk that has been integral to net fund flows out of the UK and we looked forward with clarity, confidence, and optimism. Combined with recovering Sterling and the successful vaccine role out we still feel a sustained economic and equity recovery is in train. In such circumstances smaller companies tend to capture more of the upside – a trend which has been clearly evident in the first half of the year.

As expected, portfolio turnover during the period was very low with just one disposal and no new additions. On a rolling twelve month basis there have been three additions and two disposals, ending the period with 43 holdings. As outlined in previous reports a number of changes were made in the first

half of 2020 to take advantage of the attractive valuations created by the market volatility, to ensure income generation remained robust, and to position the portfolio to benefit from some of the likely improving conditions outlined above. This activity successfully positioned the portfolio for a prolonged period of economic recovery and the need for changes since has been significantly lower. The only holding exited during the period was Hill and Smith, an excellent company which has performed very well in the portfolio for a number of years but has ultimately suffered yield compression after a number of years of strong share price appreciation.

The portfolio delivered both strong capital growth and excellent recovery in dividend payments in the first half of the year. Following an initial recovery in many of the more speculative areas of the small cap market in the second half of 2020 – areas which rarely meet our strict investment criteria – it is pleasing to outperform the benchmark during the first half of the current year. The strong performance was driven by the significant contributions from a large number of our high quality, long standing investments.

In keeping with our long term investment approach, Industrials remained the largest sector in the portfolio with an average weight of 33% during the period. A number of companies within this group performed strongly in the first six months of the year, including significant contributions from Somero (194bps), Alumasc (179bps), Wincanton (160bps) and Braemar Shipping (152bps). Industrials generated an average total return of 33%, adding 1045bps to absolute portfolio performance and a meaningful relative contribution. Despite this strong period of performance we believe there remains significant recovery potential within our industrial holdings.

Another notable sector contribution came from Financials, the second largest sector with an average weight of 30%, which added 347bps to performance. Polar Capital and Liontrust were the best performers in the group, adding 87bps and 64bps respectively.

## Investment Advisers' Reports (continued)

The third largest sector contribution came from Consumer Staples and was driven by just two companies, with both Warpaint (204bps) and Devro (56bps) starting the year strongly. The largest negative relative contribution to performance came from an underweight position in Consumer Discretionary – despite our sector constituents recording an average positive total return of 18%. Whilst there has clearly been strong capital recovery in the sector during the first half of the year opportunities which meet our strict income driven criteria remain limited.

In the last full year report we spoke of the dividend resilience of the Smaller Companies portfolio. It is pleasing to report that the portfolio received dividend income for H1 that was up 93% compared to H1 last year and down just 19% compared to the same period in 2019, this a far more resilient picture than the broader UK Market which has only recovered 16% from 2020 and is down 31% on 2019. Within the UK Market Small and Mid-Cap dividends were hit particularly hard in 2020, making the outturn for 2020 and subsequent recovery of the smaller companies' portfolio income in 2021 even more satisfying.

Whilst it is pleasing to see the strong performance from the Smaller Companies portfolio (and small companies in general) it is important to emphasise that we feel this is the beginning of a 'game of catch up' and that the portfolio still has much further to go following the now-lifted headwinds talked about in previous reports and the opening paragraphs. The portfolio is populated by well capitalised, well managed, market leading, high quality companies which are in an enhanced position to take advantage of opportunities over the recovery and benefit disproportionately on the upside.

### **Fraser Mackersie and Simon Moon**

Unicorn Asset Management Limited

### **The Income Portfolio**

For much of the first half of the year, the global economic recovery has focussed market attention

on inflation. Much of the period has seen inflation data in developed markets such as the US and UK show strong year-on-year gains as demand from the reopening of economies, lingering supply chain bottlenecks and the moves in commodities have exerted strong upward price pressures. This has driven a debate over whether price pressures are transitory or part of a longer term trend. Distortions generated in areas such as the leap in used car sale values have to be taken alongside evidence of the need to raise wages to attract workers back to certain industries. For a more sustained inflationary outlook, we would look for wage rises working their way into the wider economy and for excess savings to find their way back into the real economy however it might be some time until we can identify the true persistence of the trend.

The potential for more sustained inflation saw a material rise in yields over much of the period as investors sought compensation for the risk of having future income eroded, especially as central banks such as the U.S Federal Reserve (the "Fed") appeared to indicate that they were prepared to let the economy run "hot" in order to achieve full employment. However the tone and direction for yields have recently taken a turn as the Fed, pressured by strong data and further fiscal stimulus, surprised markets by turning more hawkish and implying it may raise rates sooner than anticipated. The potential refocus on limiting inflationary pressures was soon joined by rising fears about the strength of the recovery as the COVID-19 delta variant threatens to postpone a full reopening of the global economy, whilst also exacerbating the supply side disruptions already being felt. Again, it appears too early to tell which narrative will turn out to be true and so we remain cautious to potential risks stemming from changes in the growth outlook, the durability of inflation and changes to central bank policies. We are running at a lower duration sensitivity than a bond index whilst also diversifying into alternatives which look to offer better risk-return characteristics. Within the Sterling corporate bond market, we continue to participate in new issues where we see attractive discounts compared with existing bonds for favoured issuers.

## Investment Advisers' Reports (continued)

We are being selective in companies which we either see as being able to continue improving their valuations or have the resilience to withstand any shocks to the market which may arise from a weaker or more prolonged recovery than expected or the tapering of supportive central bank policies.

Easy monetary policy has kept government rates low in a historical context and fiscal policy and the hunt for yield have kept funding costs low for corporates. This means that while fundamentals have been very supportive for credit, valuations feel rich given the uncertainties and we endeavour to avoid complacency.

**Chun Lee and Robin Willis**

Premier Fund Managers Limited

# Schedule of Principal Investments

as at 30 June 2021

Position	Company	Market Value £'000	Percentage of Portfolio	Percentage of Total Assets 2021
<b>Smaller Companies Portfolio</b>				
1	Polar Capital Holdings plc	3,735,000	4.51	3.65
2	Somero Enterprises Inc	3,600,000	4.35	3.51
3	Sabre Insurance Group plc	3,289,500	3.97	3.21
4	Telecom Plus plc	2,953,600	3.57	2.88
5	Chesnara plc	2,782,500	3.36	2.72
6	Ocean Wilsons Holdings Limited	2,675,000	3.23	2.61
7	Vesuvius plc	2,637,500	3.18	2.57
8	Warpaint London plc	2,625,000	3.17	2.56
9	Numis Corporation plc	2,586,459	3.12	2.52
10	Severfield plc	2,567,500	3.10	2.51
11	Primary Health Properties plc	2,537,700	3.06	2.48
12	Alumasc Group plc	2,210,000	2.67	2.16
13	Braemar Shipping Services plc	2,100,000	2.54	2.05
14	Wincanton plc	2,085,250	2.52	2.03
15	Goodwin plc	2,080,500	2.51	2.03
16	Epwin Group plc	2,037,000	2.46	1.99
17	Brewin Dolphin Holdings plc	2,015,500	2.43	1.97
18	Regional REIT Limited	1,973,409	2.38	1.93
19	STV Group plc	1,968,943	2.38	1.92
20	XPS Pensions Group plc	1,904,000	2.30	1.86
<b>TOTAL</b>		<b>50,364,361</b>	<b>60.81</b>	<b>49.16</b>
<b>Income Portfolio</b>				
1	APQ Global Limited 3.5% CULS 30/09/2024	696,870	4.01	0.68
2	AT&T 2.9% 04/12/2026	541,020	3.12	0.53
3	Citigroup 1.75% 23/10/2026	511,539	2.95	0.50
4	Verizon Communications 1.875% 19/09/2030	504,560	2.91	0.49
5	Goldman Sachs Group F2V 16/12/2025	452,721	2.61	0.44
6	GS Group 3.125% 25/07/2029	443,840	2.56	0.43
7	France Telecom 8.125% 2028	439,663	2.53	0.43
8	Wells Fargo 2.5% 02/05/2029	423,130	2.44	0.41
9	Barclays 3.125% 17/01/2024	421,684	2.43	0.41
10	HSBC Holdings 2.256% FRN 13/11/2026	415,230	2.39	0.41
11	SSE plc 3.75% FRN PERP	412,646	2.38	0.40
12	Lloyds Bank 1.75% 11/07/2024	410,490	2.36	0.40
13	Banco Santander SA 1.50% 14/04/2026	401,504	2.31	0.39
14	Real Estate Investors plc	383,432	2.21	0.37
15	Burford Capital 6.5% 19/08/2022	376,853	2.17	0.37
16	Electricite De Franc F2V 6.00% 31/12/2049	335,100	1.93	0.33
17	Just Group plc 9.00% 10/26/2026	330,894	1.91	0.33
18	JPMorgan Chase F2F 1.00% 28/04/2026	330,127	1.90	0.32
19	Paragon Treasury P 2.00% 07/05/2036	326,940	1.88	0.32
20	HSBC Holdings F2F 3.00% 29/05/2030	323,700	1.86	0.32
<b>TOTAL</b>		<b>8,481,943</b>	<b>48.86</b>	<b>8.28</b>

# Schedule of Principal Investments (continued)

as at 31 December 2020

Position	Company	Market Value £'000	Percentage of Portfolio	Percentage of Total Assets 2020
<b>Smaller Companies Portfolio</b>				
1	Polar Capital Holdings plc	3,252,400	4.69	3.57
2	Sabre Insurance Group plc	2,917,075	4.21	3.20
3	Telecom Plus plc	2,868,000	4.14	3.14
4	Chesnara plc	2,798,150	4.04	3.07
5	Primary Health Properties plc	2,667,000	3.85	2.92
6	Numis Corporation plc	2,493,750	3.60	2.73
7	Severfield plc	2,163,800	3.12	2.37
8	Goodwin plc	2,107,000	3.04	2.31
9	Somero Enterprises Inc	2,039,713	2.94	2.24
10	Ocean Wilsons Holdings Limited	2,012,750	2.90	2.21
11	Clipper Logistics plc	1,820,800	2.63	2.00
12	Brewin Dolphin Holdings plc	1,769,000	2.55	1.94
13	Epwin Group plc	1,765,400	2.55	1.94
14	FDM Group Holdings plc	1,764,680	2.55	1.93
15	Regional Reit Limited	1,764,386	2.55	1.93
16	XPS Pensions Group plc	1,748,250	2.52	1.92
17	James Halstead plc	1,659,200	2.39	1.82
18	Wincanton plc	1,631,846	2.35	1.79
19	Boot (Henry) plc	1,606,500	2.32	1.76
20	STV Group plc	1,604,159	2.31	1.76
<b>TOTAL</b>		<b>42,453,859</b>	<b>61.25</b>	<b>46.55</b>
<b>Income Portfolio</b>				
1	Pershing Square Holdings 5.50% 15/07/2022	772,559	3.73	0.85
2	Value & Income Trust 11.00% 31/03/2021	733,575	3.54	0.80
3	APQ Global Limited 3.5% CULS 30/09/2024	696,870	3.37	0.76
4	Credit Suisse Group 2.75% 08/08/2025	654,577	3.16	0.72
5	AT&T 2.9% 04/12/2026	554,276	2.68	0.61
6	Verizon Communications 1.875% 19/09/2030	535,380	2.59	0.59
7	Citigroup 1.75% 23/10/2026	526,522	2.54	0.58
8	UK Municipal Bonds Agency 1.625% 26/08/2060	522,141	2.52	0.57
9	GS Group 3.125% 25/07/2029	467,796	2.26	0.51
10	RM plc ZDP	465,400	2.25	0.51
11	France Telecom 8.125% 2028	463,188	2.24	0.51
12	British American Tobacco plc 4% 04/09/2026	459,454	2.22	0.50
13	Wells Fargo 2.5% 02/05/2029	441,267	2.13	0.48
14	HSBC Holdings 2.256% FRN 13/11/2026	425,932	2.06	0.47
15	Barclays 3.125% 17/01/2024	425,386	2.06	0.47
16	US 0.875% IL Treasury 2047	424,170	2.05	0.47
17	Karbon Homes Ltd 3.375% 15/11/2047	420,740	2.03	0.46
18	Lloyds Bank 1.75% 11/07/2024	413,215	2.00	0.45
19	SSE plc 3.75% FRN PERP	412,668	1.99	0.45
20	Morrison Supermarket 4.75% 04/07/2029	383,097	1.85	0.42
<b>TOTAL</b>		<b>10,198,213</b>	<b>49.27</b>	<b>11.18</b>

# Viability Statement

for the period ended 30 June 2021

In accordance with the UK Corporate Governance Code, published by the Financial Reporting Council (the "Code"), the Directors have assessed the viability of the Company over a three-year period, taking into account the Company's position at 30 June 2021.

As mentioned in the going concern section on page 8 the Directors have the expectation that the Company will be placed into voluntary liquidation in or around October 2021 and as a result, these Interim Financial Statements for the period to 30 June 2021 have been prepared on a break-up basis, reflecting this intention.

A period of three years has still been chosen for the purposes of viability as the scheme of reconstruction and ultimate voluntary liquidation of the Company remains subject to a shareholder vote.

The Board has also considered the Company's other principal risks and uncertainties as detailed on pages 7 and 8 in particular:

- (i) the Company's ability to repay the final capital entitlement of the ZDP Shares on either the date of reconstruction or on 28 February 2022 whichever is the later;
- (ii) any potential falls in value of the Company's investment portfolio; and
- (iii) the potential impact of COVID-19.

The Directors have also considered the Company's income and expenditure projections taking into account the fact that the Company's investments principally comprise liquid securities listed on recognised stock exchanges and are satisfied that the Company has sufficient cash and liquid assets to be able to meet its liabilities as they fall due and to continue in operation on a solvent basis to June 2024, regardless of whether the scheme of reconstruction is approved and the Company is placed into voluntary liquidation.



# Condensed Statement of Comprehensive Income (unaudited)

for the period ended 30 June 2021

	Notes	Revenue GBP	Capital GBP	Period ended 30 June 2021 Total GBP	Period ended 30 June 2020 Total GBP
Net gains/(losses) on financial assets designated as at fair value through profit or loss	8	–	11,978,052	11,978,052	(23,379,166)
Gains/(losses) on derivative financial instruments		–	27,486	27,486	(263,264)
Investment income	3	1,663,614	–	1,663,614	1,048,112
Foreign exchange gains/(losses)	4	211	(13,076)	(12,865)	(37,443)
Total income and gains/(losses)		1,663,825	11,992,462	13,656,287	(22,631,761)
Expenses	4	(440,099)	(298,559)	(738,658)	(633,961)
<b>Return/(loss) on ordinary activities before finance costs and taxation</b>		1,223,726	11,693,903	12,917,629	(23,265,722)
Interest payable and similar charges	5	–	(640,185)	(640,185)	(619,728)
<b>Return/(loss) on ordinary activities before taxation</b>		1,223,726	11,053,718	12,277,444	(23,885,450)
Taxation on ordinary activities		–	–	–	–
Other comprehensive income		–	–	–	–
<b>Total comprehensive income/(loss) for the period attributable to Ordinary Shareholders</b>		1,223,726	11,053,718	12,277,444	(23,885,450)
		Pence	Pence	Pence	Pence
<b>Return/(loss) per Ordinary Share</b>	7	7.74	69.89	77.63	(151.01)
<b>Dividend per Ordinary Share</b>	6	11.50	–	11.50	11.50
<b>Return per ZDP Share</b>	7	–	3.02	3.02	2.92

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

In arriving at the results for the financial period, all amounts above related to continuing operations. No operations were acquired or discontinued in the period.

The Notes on pages 20 to 30 form an integral part of the Unaudited Condensed Interim Financial Statements.

# Condensed Statement of Financial Position (unaudited)

as at 30 June 2021

	Notes	30 June 2021 GBP	31 Dec 2020 GBP
<b>CURRENT ASSETS</b>			
Financial assets designated as at fair value through profit or loss	8	100,185,567	90,003,736
Receivables	9	337,642	458,353
Cash and cash equivalents		1,917,289	609,466
Derivative financial instruments		–	132,269
<b>TOTAL ASSETS</b>		<b>102,440,498</b>	<b>91,203,824</b>
<b>CURRENT LIABILITIES</b>			
Derivative financial instruments		7,734	–
Payables - due within one year	10	387,364	257,133
ZDP Shares	11	34,619,589	33,979,404
<b>TOTAL LIABILITIES</b>		<b>35,014,687</b>	<b>68,215,941</b>
<b>NET ASSETS</b>		<b>67,425,811</b>	<b>22,987,883</b>
<b>EQUITY</b>			
Share capital and premium	12	27,420,824	27,420,824
Revenue reserve		1,359,254	1,954,448
Capital reserve		33,425,895	22,372,177
Other reserves	13	5,219,838	5,219,838
<b>TOTAL EQUITY</b>		<b>67,425,811</b>	<b>56,967,287</b>
		Pence	Pence
<b>Net asset value per Ordinary Share (per Articles)</b>		426.32*	360.21
<b>Net asset value per Ordinary Share (per IFRS)</b>		426.30	360.17
<b>Net asset value per ZDP Share (per Articles)</b>		163.05	160.02
<b>Net asset value per ZDP Share (per IFRS)</b>		163.06	160.05

\* The difference between the NAV shown above and the published NAV is due to the accrual in these interim financial statements of certain costs of restructuring.

The Unaudited Condensed Interim Financial Statements on pages 16 to 30 were approved by the Board of Directors and authorised for issue on 16 September 2021 and signed on its behalf by:

## Nigel Ward

Chairman

The notes on pages 20 to 30 form an integral part of these Unaudited Condensed Interim Financial Statements.

# Condensed Statement of Cash Flows (unaudited)

for the period ended 30 June 2021

	Notes	Period ended 30 June 2021 GBP	Period ended 30 June 2020 GBP
<b>Operating activities</b>			
Return/(loss) on ordinary activities before taxation		12,277,444	(23,885,450)
Net (gains)/losses on financial assets designated as at fair value through profit or loss	8	(11,978,052)	23,379,166
Dividend income	3	(1,465,808)	(821,184)
Interest income	3	(197,806)	(226,928)
Interest expense	5	640,185	619,728
Decrease in derivative financial assets		132,269	158,013
Increase in derivative financial liabilities		7,734	19,584
Increase/(decrease) in payables and appropriations excluding amount due to brokers	10	130,231	(45,296)
Increase in receivables excluding accrued investment income and due from brokers	9	(6,433)	(9,790)
<b>Net cash flow used in operating activities before investment income</b>		(460,236)	(812,157)
Investment income received		1,792,614	1,183,957
<b>Net cash flow from operating activities before taxation</b>		1,332,378	371,800
Tax paid		–	–
<b>Net cash flow from operating activities</b>		1,332,378	371,800
<b>Investing activities</b>			
Purchase of financial assets designated at fair value through profit or loss		(12,953,049)	(15,233,430)
Sale of financial assets designated at fair value through profit or loss		14,747,414	15,803,301
<b>Net cash flow from investing activities</b>		1,794,365	569,871
<b>Financing activities</b>			
Equity dividends paid	6	(1,818,920)	(1,818,920)
<b>Net cash flow used in financing activities</b>		(1,818,920)	(1,818,920)
<b>Increase/(decrease) in cash and cash equivalents</b>		1,307,823	(877,249)
Cash and cash equivalents at beginning of period		609,466	2,324,683
<b>Cash and cash equivalents at end of period</b>		1,917,289	1,447,434

The notes on pages 20 to 30 form an integral part of these Unaudited Condensed Interim Financial Statements.

# Condensed Statement of Changes in Equity (unaudited)

as at 30 June 2021

	Note	Share Capital and Premium 30 June 2021 GBP	Revenue Reserve 30 June 2021 GBP	Capital Reserve 30 June 2021 GBP	Other Reserves 30 June 2021 GBP	Total 30 June 2021 GBP
<b>Balances as at 1 January 2021</b>		27,420,824	1,954,448	22,372,177	5,219,838	56,967,287
Total comprehensive income for the period attributable to Ordinary Shareholders		–	1,223,726	11,053,718	–	12,277,444
Dividends	6	–	(1,818,920)	–	–	(1,818,920)
<b>Balances as at 30 June 2021</b>		27,420,824	1,359,254	33,425,895	5,219,838	67,425,811

	Note	Share Capital and Premium 30 June 2020 GBP	Revenue Reserve 30 June 2020 GBP	Capital Reserve 30 June 2020 GBP	Other Reserves 30 June 2020 GBP	Total 30 June 2020 GBP
<b>Balances as at 1 January 2020</b>		27,420,824	3,417,227	37,705,938	5,219,838	73,763,827
Total comprehensive income/(loss) for the period attributable to Ordinary Shareholders		–	722,804	(24,608,253)	–	(23,885,449)
Dividends	6	–	(1,818,920)	–	–	(1,818,920)
<b>Balances as at 30 June 2020</b>		27,420,824	2,321,111	13,097,685	5,219,838	48,059,458

The notes on pages 20 to 30 form an integral part of the Unaudited Condensed Interim Financial Statements.

# Notes to the Condensed Financial Statements (unaudited)

for the period ended 30 June 2021

## 1 ACCOUNTING POLICIES

### (a) Basis of Preparation

The Unaudited Condensed Interim Financial Statements for the six months ended 30 June 2021 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union ("EU"), the AIC's SORP (as revised in January 2017) and applicable legal and regulatory requirements of the Companies (Guernsey) Law, 2008.

The Unaudited Condensed Interim Financial Statements do not include all the information and disclosures in the Annual Financial Statements and should be read in conjunction with the Company's Annual Report and Audited Financial Statements for the year ended 31 December 2020.

The accounting policies and methods of computation followed in these Unaudited Condensed Interim Financial Statements are consistent with those of the latest Annual Audited Financial Statement for the year ended 31 December 2020 which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

Given the expectation that the Company will be placed into voluntary liquidation in or around October 2021, these Interim Financial Statements for the period to 30 June 2021 have been prepared on a break-up basis. As a result, all assets are classified as current and are stated at their estimated recoverable amounts and all creditors are classified as falling due within one year. As the assets of the Company are already stated at amounts which approximate their fair value this has not resulted in any adjustment to the Net Asset Value of the Company and the Directors believe that fair value equates to recoverable amounts. A provision towards certain costs associated with the scheme of reconstruction has been included within these Interim Financial Statements.

### (b) Presentation of Information

The Unaudited Condensed Interim Financial Statements have been prepared on a break-up basis. As a result, all assets are classified as current and are stated at their estimated recoverable amounts and all creditors are classified as falling due within one year.

In order to better reflect the activities of an Investment Company and in accordance with the guidance issued by the Association of the Investment Companies ("AIC"), supplementary information which analyses the Condensed Statement of Comprehensive Income between items of capital and revenue nature has been presented within the Condensed Statement of Comprehensive Income.

## 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.

# Notes to the Condensed Financial Statements (unaudited) (continued)

for the period ended 30 June 2021

## 2 OPERATING SEGMENTS (continued)

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 enhance income and control risk by investing in fixed interest securities, including convertible securities, structured investments across a range of asset classes, shares of other investment companies, including property investment companies, and open-ended fixed interest funds.
Small Companies Portfolio	To maximise income and capital growth through investments in smaller capitalised UK companies.

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

Segmental information is measured on the same basis as that used in the preparation of the Company's Unaudited Condensed Interim Financial Statements.

	Income Portfolio GBP	Smaller Companies Portfolio GBP	Unallocated GBP	Total GBP
<b>30 June 2021</b>				
External revenues:				
Net (losses)/gains on financial assets designated as at fair value through profit or loss	(244,107)	12,222,159	–	11,978,052
Gains on derivative financial instruments	27,486	–	–	27,486
Investment income:				
Dividend income	65,620	1,400,188	–	1,465,808
Bond income	197,806	–	–	197,806
Foreign exchange loss	–	–	(12,865)	(12,865)
Total income/(losses)	46,805	13,622,347	(12,865)	13,656,287
Expenses	–	–	(738,658)	(738,658)
Interest payable and similar charges	–	–	(640,185)	(640,185)
Total comprehensive income/(loss) for the period attributable to shareholders	46,805	13,622,347	(1,391,708)	12,277,444

# Notes to the Condensed Financial Statements (unaudited) (continued)

for the period ended 30 June 2021

## 2 OPERATING SEGMENTS (continued)

	Income Portfolio GBP	Smaller Companies Portfolio GBP	Unallocated GBP	Total GBP
<b>30 June 2021</b>				
Financial assets designated as at fair value through profit or loss	17,359,471	82,826,096	–	100,185,567
Receivables	308,351	29,291	–	337,642
Cash and cash equivalents	3,221,510	(1,304,221)	–	1,917,289
<b>Total assets</b>	<b>20,889,332</b>	<b>81,551,166</b>	<b>–</b>	<b>102,440,498</b>
Derivative financial instruments	7,734	–	–	7,734
Payables	–	–	35,006,953	35,006,953
<b>Total current liabilities</b>	<b>7,734</b>	<b>–</b>	<b>35,006,953</b>	<b>35,014,687</b>

	Income Portfolio GBP	Smaller Companies Portfolio GBP	Unallocated GBP	Total GBP
<b>30 June 2020</b>				
External revenues:				
Net losses on financial assets designated as at fair value through profit or loss	(188,583)	(23,190,583)	–	(23,379,166)
Losses on derivative financial instruments	(263,264)	–	–	(263,264)
Investment income:				
Dividend income	73,882	747,302	–	821,184
Bond income	226,928	–	–	226,928
<b>Total losses</b>	<b>(151,037)</b>	<b>(22,443,281)</b>	<b>–</b>	<b>(22,594,318)</b>
Expenses	–	–	(671,404)	(671,404)
Interest payable and similar charges	–	–	(619,728)	(619,728)
<b>Total comprehensive loss for the year attributable to shareholders</b>	<b>(151,037)</b>	<b>(22,443,281)</b>	<b>(1,291,132)</b>	<b>(23,885,450)</b>



# Notes to the Condensed Financial Statements (unaudited) (continued)

for the period ended 30 June 2021

## 2 OPERATING SEGMENTS (continued)

	Income Portfolio GBP	Smaller Companies Portfolio GBP	Unallocated GBP	Total GBP
<b>30 June 2020</b>				
Financial assets designated as at fair value through profit or loss	19,318,940	61,061,781	–	80,380,721
Receivables	322,622	14,580	–	337,202
Derivative financial instruments	28,440	–	–	28,440
Cash and cash equivalents	1,696,763	(249,329)	–	1,447,434
<b>Total assets</b>	<b>21,366,765</b>	<b>60,827,032</b>	<b>–</b>	<b>82,193,797</b>
Derivative financial instruments	26,245	–	–	26,245
Payables	–	–	767,259	767,259
<b>Total current liabilities</b>	<b>26,245</b>	<b>–</b>	<b>767,259</b>	<b>793,504</b>

### 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. The table below excludes net gains on financial assets designated as at fair value through profit or loss and gains or losses on derivative instruments.

	UK GBP	Guernsey GBP	Other Europe GBP	Rest of the world GBP	Total GBP
<b>30 June 2021</b>					
<b>External revenues</b>					
<b>Total Revenue</b>	<b>1,314,508</b>	<b>29,499</b>	<b>35,567</b>	<b>284,040</b>	<b>1,663,614</b>

	UK GBP	Guernsey GBP	Other Europe GBP	Rest of the world GBP	Total GBP
<b>30 June 2020</b>					
<b>External revenues</b>					
<b>Total Revenue</b>	<b>871,327</b>	<b>52,409</b>	<b>31,653</b>	<b>92,723</b>	<b>1,048,112</b>

The Company did not hold any non-current assets during the period other than financial instruments (30 June 2020: £nil).

### Major Customers

The Company regards its shareholders as customers. As at the period ended 30 June 2021, the Company had no shareholders with a holding greater than 10%. (30 June 2020: nil).

# Notes to the Condensed Financial Statements (unaudited) (continued)

for the period ended 30 June 2021

## 3 INVESTMENT INCOME

	Period ended 30 June 2021 GBP	Period ended 30 June 2020 GBP
Dividend income	1,465,808	821,184
Bond income	197,806	226,928
	1,663,614	1,048,112

## 4 EXPENSES

	Period ended 30 June 2021			Period ended 30 June 2020		
	Revenue GBP	Capital GBP	Total GBP	Revenue GBP	Capital GBP	Total GBP
Manager's fee*	84,444	253,332	337,776	76,028	228,083	304,111
Administrator's fee**	41,655	–	41,655	42,545	–	42,545
Registrar's fee	16,956	–	16,956	22,719	–	22,719
Directors' fees	73,750	–	73,750	71,781	–	71,781
Custody fees	12,461	–	12,461	12,388	–	12,388
Audit fees	18,352	–	18,352	18,473	–	18,473
Restructuring costs	113,500	–	113,500	–	–	–
Directors' and Officers' insurance	2,512	–	2,512	2,820	–	2,820
Annual fees	12,050	–	12,050	15,463	–	15,463
Commissions and charges paid	–	45,227	45,227	–	78,399	78,399
Legal and professional fees	27,604	–	27,604	10,043	–	10,043
Broker fees	9,937	–	9,937	23,763	–	23,763
Bank interest	296	–	296	2,849	–	2,849
Sundry costs	26,582	–	26,582	28,607	–	28,607
(Gains)/loss on foreign exchange	(211)	13,076	12,865	(2,170)	39,613	37,443
	439,888	311,635	751,523	325,309	346,095	671,404

### Manager's Fee

\*The Company has entered into a Management Agreement with Premier Asset Management (Guernsey) Limited, a wholly-owned, Guernsey incorporated subsidiary of Premier Miton Group PLC. The Investment Manager receives a management fee of 0.7% per annum of total assets (subject to a minimum of £100,000) calculated monthly and payable quarterly in arrears, out of which it pays fees to the Investment Advisers. The Investment Manager is also paid a shareholder communication and support fee of £3,100, annually. The Company has entered into an agreement with the Investment Manager for the provision of AIFM reporting services for a fee of £19,450 per annum from 1 September 2017. Notice of termination was served on 13 April 2021 and the Management Agreement will be terminated effective 13 October 2021.

### Performance Fee

The Investment Manager is also entitled to a performance fee equal to 15% of any excess of the NAV per Ordinary Share (together with any dividends paid) over the higher of the first benchmark or the second benchmark. The first benchmark is the NAV per share immediately following the tender in January 2007 increasing at 10% per annum compound. The second benchmark is the highest NAV per Ordinary Share as of the last calculation day in any preceding financial period commencing after completion of the tender in January 2007 in respect of which a performance fee has been paid compounded at 10% per annum. A performance fee amounting to £nil was accrued for the period ended 30 June 2021 (31 December 2020: £nil).

# Notes to the Condensed Financial Statements (unaudited) (continued)

for the period ended 30 June 2021

## 4 EXPENSES (continued)

### Administrator's Fee

\*\*The Company entered into an Administration Agreement with Northern Trust International Fund Administration Services (Guernsey) Limited on 1 April 2015. The Company shall pay the Administrator a fee of 12 basis points per annum on the net assets between £0 – £100 million, 10 basis points per annum on the net assets between £100 million – £150 million and 8 basis points per annum on the net assets over £150 million subject to a minimum of £7,000 per month. The Administration Agreement may be terminated by either party on ninety days notice.

### Restructuring costs

As noted in the Statement of Principal Risks and Uncertainties under going concern a provision has been made for certain restructuring costs.

## 5 INTEREST PAYABLE AND SIMILAR CHARGES

	Period ended 30 June 2021			Period ended 30 June 2020		
	Revenue GBP	Capital GBP	Total GBP	Revenue GBP	Capital GBP	Total GBP
Appropriation in respect of ZDP Shares	–	640,185	640,185	–	619,728	619,728

## 6 DIVIDENDS IN RESPECT OF ORDINARY SHARES

	Period ended 30 June 2021		Period ended 30 June 2020	
	GBP	Pence per share	GBP	Pence per share
First interim payment	909,460	5.75	909,460	5.75
Second interim payment	909,460	5.75	909,460	5.75
	1,818,920	11.50	1,818,920	11.50

Further details on the Company's dividend policy can be found on page 2.

## 7 EARNINGS PER SHARE

### Ordinary Shares

The total gain per Ordinary Share (per IFRS) is based on the total return on ordinary activities for the period attributable to Ordinary Shareholders of £12,277,444 (30 June 2020: loss of £23,885,450) and on 15,816,687 (30 June 2020: 15,816,687) shares, being the weighted average number of shares in issue during the period. There are no dilutive instruments and therefore basic and diluted gains per share are identical.

The revenue return per Ordinary Share (per IFRS) is based on the revenue return on ordinary activities for the period attributable to Ordinary Shareholders of £1,223,726 (30 June 2020 revenue return of: £722,804) and on 15,816,687 (30 June 2020: 15,816,687) shares, being the weighted average number of shares in issue during the period. There are no dilutive instruments and therefore basic and diluted gains per share are identical.

The capital gain per Ordinary Share (per IFRS) is based on the capital return on ordinary activities for the period attributable to Ordinary Shareholders of £11,053,718 (30 June 2020: capital loss of £24,608,253) and on 15,816,687 (30 June 2020: 15,816,687) shares, being the weighted average number of shares in issue during the period. There are no dilutive instruments and therefore basic and diluted gains per share are identical.

### ZDP Shares

The return per ZDP Share is based on the appropriation in respect of ZDP Shares, the amortisation of ZDP Share issue costs and ZDP Share issue costs totalling £640,185 (30 June 2020: £619,728) and on 21,230,989 (30 June 2020: 21,230,989) shares, being the weighted average number of ZDP Shares in issue during the period.

# Notes to the Condensed Financial Statements (unaudited) (continued)

for the period ended 30 June 2021

## 8 FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 GBP	31 Dec 2020 GBP
<b>INVESTMENTS</b>		
Opening portfolio cost	86,657,800	87,991,361
Purchases at cost	12,953,049	25,538,145
Sales		
– proceeds	(14,749,270)	(25,806,486)
– realised gains on sales	3,207,197	6,229,665
– realised losses on sales	(1,019,648)	(7,294,885)
Closing book cost	87,049,128	86,657,800
Unrealised appreciation on investments	18,112,924	12,291,265
Unrealised depreciation on investments	(4,976,485)	(8,945,329)
Fair value	100,185,567	90,003,736
Realised gains on sales	3,207,197	6,229,665
Realised losses on sales	(1,019,648)	(7,294,885)
Increase/(decrease) in unrealised appreciation on investments	5,821,659	(8,211,921)
Decrease/(increase) in unrealised depreciation on investments	3,968,844	(4,239,264)
Net gains/(losses) on financial assets designated as at fair value through profit or loss	11,978,052	(13,516,405)

As at 30 June 2021, the closing fair value of investments comprises £82,826,097 (31 December 2020: £69,305,528) of Smaller Companies Portfolio, £17,359,470 (31 December 2020: £20,698,208) of Income Portfolio.

IFRS 13 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); and

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

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

### Financial Assets Designated as at Fair Value Through Profit or Loss

	30 June 2021 Market value %	30 June 2021 Market value GBP	31 Dec 2020 Market value %	31 Dec 2020 Market value GBP
Level 1	85.20	85,359,732	81.36	73,221,136
Level 2	14.10	14,128,965	17.87	16,085,730
Level 3	0.70	696,870	0.77	696,870
Total	100.00	100,185,567	100.00	90,003,736

# Notes to the Condensed Financial Statements (unaudited) (continued)

for the period ended 30 June 2021

## 8 FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Bonds and structured investments are priced by reference to market quotations which incorporate assessment of yield, maturity and the instrument's terms and conditions.

APQ Global Limited 3.5% CULS 30/09/2024 is held at level 3 due to low liquidity. The value of this investment is currently derived by adjusting the latest available broker price and applying a 10% discount to reflect the lack of liquidity in this investment. The unadjusted market value of the investment is GBP 774,300. The discount of 10% represents a reduction in value of GBP 77,430. If the discount were to be increased or decreased to 25% the value of APQ Global Limited 3.5% CULS 30/09/2024 would increase or decrease by GBP 193,575.

### Derivative Financial Assets and Liabilities Designated as at Fair Value Through Profit or Loss

	30 June 2021 Market value %	30 June 2021 Market value GBP	31 Dec 2020 Market value %	31 Dec 2020 Market value GBP
Level 1 derivative financial assets	–	–	–	–
Level 2 derivative financial assets	–	–	0.15	132,269
Level 2 derivative financial liabilities	(0.01)	(7,734)	–	–

It is the Company's policy to recognise all the transfers into the levels and transfers out of the levels at the end of the reporting year. Transfers into each level shall be disclosed and discussed separately from transfers of each level.

The derivative financial instruments held by the Company have been classified as Level 1 and 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.

## 9 RECEIVABLES

	30 June 2021 GBP	31 Dec 2020 GBP
Due from brokers	15,544	13,688
Prepayments	13,747	7,314
Accrued investment income	308,351	437,351
	337,642	458,353

## 10 PAYABLES

	30 June 2021 GBP	31 Dec 2020 GBP
Accrued expenses	210,079	104,284
Trade creditors	177,285	152,849
	387,364	257,133

# Notes to the Condensed Financial Statements (unaudited) (continued)

for the period ended 30 June 2021

## 11 ZDP SHARES

	30 June 2021 GBP	31 Dec 2020 GBP
ZDP Share entitlement	34,619,589	33,979,404
The above entitlement comprises the following:		
21,230,989 ZDP Shares issued to date up to 30 Jun 2021	22,831,682	–
21,230,989 ZDP Shares issued to date up to 31 Dec 2020	–	22,831,682
ZDP Premium	(3,257)	(5,680)
Appropriation in respect of ZDP Shares	11,787,907	11,147,722
ZDP value (calculated in accordance with the Articles)	34,616,332	33,973,724
Add back ZDP Premium	3,257	5,680
ZDP value (calculated in accordance with IFRS)	34,619,589	33,979,404

The fair value of the ZDP Shares as at 30 June 2021 was £34,288,047 (31 December 2020: £33,332,653). The ZDP Shares are classified under Level 1 based on unadjusted quoted prices in active markets. Since valuations are based on quoted prices that are readily and regularly available in an active market, the valuation does not entail a significant degree of judgement (2020: Level 1).

A Continuation Offer proposal to ZDP Shareholders was published in November 2016, whereby such holders were given an opportunity to either receive their 2017 Final Capital Entitlement of 138p or to continue their investment in the existing ZDP Shares. Shareholders approved the scheme and 91.4% of ZDP Shareholders elected to remain invested.

Following the proposals, 19,523,014 ZDP Shares were elected for the Continuation Offer with a further 1,842,207 New ZDP Shares being issued through an Initial Placing at 140.0p which represented a premium of 1.4% to the opening NAV per New ZDP Share.

1,834,160 ZDP Shares were elected for Redemption at their 2017 Final Capital Entitlement of 138p.

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 28 February 2022 of 167.2 pence following the extension of the life of the existing ZDP Shares from 31 January 2017.

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 28 February 2022 to meet the final capital entitlement of ZDP Shares.

Under the Articles of Incorporation, the Company is obliged to redeem all of the ZDP Shares on 28 February 2022 (if such redemption has not already been effected).

The number of authorised ZDP Shares is 50,000,000. The number of issued ZDP Shares is 21,230,989 (31 December 2020: 21,230,989). The non-amortisation of the ZDP Shares in line with the Articles has the effect of increasing the NAV per Ordinary Share by 0.10 pence.

# Notes to the Condensed Financial Statements (unaudited) (continued)

for the period ended 30 June 2021

## 12 SHARE CAPITAL AND PREMIUM

### Authorised

	GBP	GBP
Ordinary Shares of 1p each	unlimited	unlimited
	30 June 2021 Number of Shares	31 Dec 2020 Number of Shares

### Issued

Number of shares in issue at the start of the period/year	15,816,687	15,816,687
Number of shares in issue at the end of the period/year	15,816,687	15,816,687
Issued and fully paid capital at the end of the period/year	£196,606	£196,606

	Share Capital 30 June 2021 GBP	Share Premium 30 June 2021 GBP	Total 30 June 2021 GBP	Total 31 Dec 2020 GBP
Opening share capital and premium	196,606	27,224,218	27,420,824	27,420,824
Closing share capital and premium	196,606	27,224,218	27,420,824	27,420,824

The Ordinary Shares (excluding treasury shares) are entitled to participate in all dividends and distributions of the Company. On a winding-up holders of Ordinary Shares are entitled to participate in the distribution and the holders of Ordinary Shares are entitled to receive notice of and attend and vote at all General Meetings of the Company.

The issued and fully paid capital as at 30 June 2021 was £196,606 (31 December 2020: £196,606).

## 13 OTHER RESERVES

### TREASURY RESERVE

	30 June 2021 GBP	31 Dec 2020 GBP
Balance as at the beginning of the period/year	(4,780,162)	(4,780,162)
Balance as at the end of the period/year	(4,780,162)	(4,780,162)

The other reserves presented on the Statement of Financial Position comprise the treasury reserve of (£4,780,162) and special reserve of £10,000,000 totalling £5,219,838.

### ORDINARY SHARES HELD IN TREASURY

	30 June 2021 No. Shares	31 Dec 2020 No. Shares
Balance as at the beginning of the period/year	1,325,972	1,325,972
Balance as at the end of the period/year	1,325,972	1,325,972

A Special reserve of £10,000,000 was created on the cancellation of part of the Company's Share premium account.



# Notes to the Condensed Financial Statements (unaudited) (continued)

for the period ended 30 June 2021

## 14 RELATED PARTIES

Premier Asset Management (Guernsey) Limited is the Company's Investment Manager and operates under the terms of the Management Agreement in force which delegates its authority over the Company's investment portfolios.

£337,776 (30 June 2020: £304,111) of costs were incurred by the Company with this related party in the period, of which £177,285 (31 December 2020: £152,849) was due to this related party as at 30 June 2021.

During the period ended 30 June 2021, £nil (30 June 2020: £nil) was charged as performance fees of which, £nil (31 December 2020: £nil) remained payable at period end.

The Directors' remuneration is disclosed in Note 4.

David Warr holds 63,000 (31 December 2020: 63,000) Ordinary Shares in the capital of the Company, which represents an interest of 0.40% (31 December 2020: 0.40%) of the Company's Ordinary Shares in issue as at 30 June 2021.

Nigel Sidebottom holds 4,366 (31 December 2020: 4,366) Ordinary Shares in the capital of the Company, which represented an interest of 0.03% (31 December 2020: 0.03%) of the Company's Ordinary Shares in issue as at 30 June 2021, and 5,205 (31 December 2020: 5,205) ZDP Shares in the capital of the Company, which represented an interest of 0.02% (31 December 2020: 0.02%) of the Company's ZDP Shares in issue as at 30 June 2021.

Nigel Ward holds 7,000 Ordinary Shares in the capital of the Company, via a nominee account (31 December 2020: 7,000). This represents an interest of 0.04% (31 December 2020: 0.04%), and 10,000 (31 December 2020: 10,000) ZDP Shares in the capital of the Company, which represented an interest of 0.05% (31 December 2020: 0.05%) of the Company's ZDP Shares in issue as at 30 June 2021.

As at 30 June 2021, employees of the Investment Manager held interest in 13,890 Ordinary Shares of the Company representing 0.09% of the issued share capital.

## 15 SUBSEQUENT EVENTS

These Unaudited Condensed Interim Financial Statements were approved for issue by the Board on 16 September 2021. Subsequent events have been evaluated until this date.

A dividend of 5.75p was declared on 10 August 2021 and is expected to be paid to ordinary shareholders on 30 September 2021.

As at 10 September 2021 the published NAV per Ordinary Share for the Company was 449.09p. This represents an increase of 5.17% from 30 June 2021 published NAV of 427.03p.

On 1 September 2021 the Board announced a scheme of reconstruction offering a rollover into the Unicorn UK Income Fund or a cash exit. These proposals, which will involve putting the Company into voluntary liquidation and the early redemption of the ZDP shares, will be put to shareholders at General Meetings in or around October 2021.

# Directors, Advisers and Contacts

## Directors

Nigel Ward (Chairman)  
David John Warr  
Nigel Sidebottom  
Sharon Parr

Shareholders are welcome to contact the Chairman directly by emailing at:  
[Acorn\\_Income\\_Fund\\_Limited@ntrs.com](mailto:Acorn_Income_Fund_Limited@ntrs.com)

## Investment Manager

Premier Asset Management (Guernsey) Limited  
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Contact: Claire Long

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Contact: Simon Moon

## Investment Adviser – Income Portfolio

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Contact: Claire Long

## Administrator and Secretary

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## Directors, Advisers and Contacts (continued)

### Company's Registered Office

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### Company Details

Company Number: 34778  
GILN Number: CY0IXM.99999.SL.831

Ordinary Shares  
ISIN: GB0004829437  
Ticker: AIF  
ZDP Shares  
ISIN: GGOBYMJ7X48  
Ticker: AIFZ



