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THE INVESTMENT COMPANY PLC

REPORT AND ACCOUNTS for the six months ended 31 December 2020

Registered No. 4205
England and Wales

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Directors and Advisers

Directors

I.R. Dighé (*Chairman*)
T.W.J. Cleverly – (appointed 4 November 2020)
T.M. Metcalfe
M.H.W. Perrin
M.J. Weeks – (appointed 4 November 2020)

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Custodian

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Broker

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Auditor

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Statutory Auditor
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Solicitor

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Registrar

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Identification Codes

ISIN: GB0004658257
SEDOL: 0465825
Bloomberg: INV LN

Summary of Results

	At 31 December 2020 (unaudited)	At 30 June 2020 (audited)	Change %
Equity shareholders' funds (£)	15,386,197	15,037,057	2.32
Number of ordinary shares in issue	4,772,049	4,772,049	-
Net asset value per ordinary share	322.42p	315.11p	2.32
Ordinary share price (mid)	295.00p	276.00p	6.88
Discount to NAV	8.50%	12.41%	3.91

	6 months to 31 December 2020 (unaudited)	12 months to 30 June 2020 (audited)
Total return per ordinary share *	9.31p	(20.92)p
Dividends paid per ordinary share	2.00p	12.25 p

* The total return per ordinary share is based on total income after taxation as detailed in the Condensed consolidated income statement and in note 3.

Investment Objective

At the Annual General Meeting on 4 November 2020, shareholders voted to amend the Company's Investment Objective and Policy to that shown below.

The Company's investment objective is to protect the purchasing power of its capital in real terms, and to participate in enduring economic activities which lend themselves to genuine capital accumulation and wealth creation.

Investment Policy

The Company will seek to acquire and hold, with no predetermined investment time horizon, a collection of assets which, in the Directors' judgement, are well-suited to the avoidance of a permanent loss of capital. These assets will be comprised of minority participations in the equity, debt or convertible securities of quoted businesses which the Directors believe are led by responsible and like-minded managers and suitable for the long-term compounding of earnings. In addition, to protect its capital as well as to maintain liquidity for future investments, the Company will keep reserves in (a) liquid debt instruments such as cash in banks or securities issued by governments and/or (b) liquid, non-debt, tangible assets such as gold bullion, whether held indirectly or in physical form.

The Company has no predetermined maximum or minimum levels of exposure to asset classes, currencies or geographies, and has the ability to invest globally. These exposures will be monitored by the Board in order to ensure an adequate spreading of risks. No holding in an individual company or debt instrument will represent more than 15 per cent. by value of the Company's total assets at the time of acquisition (such restriction does not, however, apply to gold bullion or cash balances). The Company's holdings of gold bullion may be as high as 35 per cent. of total assets at the time of investment.

Given the Company's investment objective, asset mix and time horizon, the portfolio will not seek to track any benchmark or index. The Company will not invest more than 10 per cent. of its total assets in other listed closed-ended investment funds. The Company will not use derivative instruments for speculative purposes, nor will it use currency hedges to manage returns in any currency.

The Company's gearing will not exceed 20 per cent. of net assets at the time of drawdown.

No material change will be made to the investment policy without the approval of shareholders by ordinary resolution.

Chairman's Statement

Dear fellow shareholders,

On 4 November 2020, the Company's shareholders approved a change of Investment Policy, details of which are set out on page 2 of this Half Year report. Effective from that date the responsibility of implementing the new policy became the sole responsibility of the board of directors. The board takes this opportunity to thank Fiske Plc for its significant contribution and efforts as investment manager since their appointment in 2018. We are delighted to maintain a working relationship with them as our custodian.

We have made significant progress in adopting the new investment policy and details of the portfolio as at 31 December 2020 are set out on pages 7 and 8 of this report.

Results

During the six-month period ended 31 December 2020 the Group's net assets increased by 7.31 pence per share to 322.42 pence per share. Including the 2.00 pence in dividends paid during the half year this represents a total return of 3.0%. The details of this return are outlined in the table below. Owing to the substantial changes to the portfolio following the change of Investment Policy, further discussion of returns is not meaningful, except to say the Group benefited modestly from the increase in share prices as markets recovered during the period.

	6 months to 31 December 2020		Year ended 30 June 2020	
	Pence per share	%	Pence per share	%
Opening net assets	315.11	100.00	348.28	100.00
Gain/(loss) on portfolio valuations	6.89	2.18	(32.15)	(9.23)
Investment income	10.50	3.33	20.14	5.78
Expenses	(8.08)	(2.56)	(8.91)	(2.56)
Dividends paid	(2.00)	(0.63)	(12.25)	(3.52)
Closing net assets	322.42	2.32	315.11	(9.53)

In the six months to 31 December 2020 the Group recorded extraordinary expenses of approximately £155,000 (3.2 pence per share) related to the change in Investment Policy and conversion to the Company being directly managed by the board. These one-off costs are the main reason for the increase in expenses during the period. The directors believe expenses will reduce to nearer previous levels in future periods.

Portfolio Activity and Composition

The changes to the portfolio in the last two months have been comprehensive. We sold out of most of the equity holdings focused on the UK and have begun building a more concentrated portfolio better fitting our purpose. Most of our legacy fixed income instruments were sold, and the proceeds were redeployed into our new equity participations as well as building foundational reserves in gold bullion and some residual cash balances.

Equity Participations (52.3% of assets)

Our equity participations represent long-term interests in the production of salmon, dairy, cheese, wine barrels, alcohol, beverages, soaps, animal feed, cigarettes, sunglasses and other consumer goods. We own stakes in engineering and industrial firms producing heavy hydraulic components, agricultural implements, temperature control devices, bottle-making equipment, and interior surfaces, as well as providing marine engineering services, operating global liquids distribution terminals, and other engineering and industrial specialties. Still further participations are involved in the production of oil, natural resources, industrial and precious metals of a more temporary nature. While not diversified in the sense of owning a little bit everything, our holdings represent a broad assortment of industries representing different stages of production with activities all over the world.

We operate with no predetermined investment time-horizon. We see our shareholder's savings as generational. This means that we tend to play for keeps and that the preferred holding period of our equity participations is forever. We do not view opportunities in terms of anticipated price movements, relative valuations, financial ratios, and other financial notions of cheapness. We are more concerned with building a collection of businesses

Chairman's Statement

which embody the kinds of traits which lead them towards greater endurance, independence and economic success – and further away from fragility and the risk of ruin. These include businesses with substantial barriers to entry, pricing power, an absence of technological risks, and above all the stewardship of likeminded managers and owners. A generational approach does not preclude opportunism, but any success we achieve will largely come from sitting on our hands and not from clever trading by your directors.

While this is not a rule, in our experience these traits that we find so desirable are easier to find in businesses that are managed or controlled by the individuals and families who built them. Family or management-controlled companies with skin-in-the-game often operate with an entirely different time horizon from those run by the hired hands that dominate many listed businesses. These long-term owners normally have a profoundly more serious appreciation of the risks and issues relating to business endurance and survivability – the kind of things that matter most to the long-term preservation of our savings. No business will embody all these traits in equal measure but, on the whole, our collection is meant to incorporate these elements.

By way of an introduction a few of our larger holdings include:

HAL Trust is an investment holding company with substantial global interests in dredging and marine engineering, offshore energy production, liquid bulk tank storage business, optical retail, the production of laminates for interior surfaces, and a dozen other local Dutch companies. Most of these businesses have been nurtured and built up over decades. Long under the control of the Van der Vorm family, the breadth of its holdings, the care and discipline shown in their investment decisions, and the entrepreneurial spirit that undergirds it make it suitable as a long-term home for our own savings.

Bakkafrost is a fully integrated salmon farming company operating in the Faroes Islands and, since 2019, the owner of the Scottish Salmon Company. Having survived wave after wave of booms and busts in the salmon business, they have emerged as the preeminent producer in their industry. Salmon farming is incredibly complex, yet over the years Bakkafrost has developed a level of vertical integration that has given them both the know-how and the independence to survive in this volatile business, while high barriers to entry in the industry lead to extraordinary returns. The investments made in these last several boom years have rebuilt the company, laying a foundation for them to survive and thrive for the next twenty years.

TFF Group is a fourth-generation family cooperative business based in Saint Romain, France, which has slowly grown to be the world's leading manufacturer of barrels for ageing wine, whisky and bourbon. They produce around 25% of the world's wine barrels, 15% of barrels for ageing bourbon, and are a large maker of whisky barrels in Scotland. Barrel making is a robust and durable business, not subject to technological disruption or financial excess, and is based on local craftsmanship and often decades-long relationships with customers. Having earned its place over many years, we expect that the controlling François family will maintain its standing for decades to come.

Fixed income and legacy holdings (9.5%)

The fixed income and legacy portfolio are what remains of the UK bond, loan and preference share portfolio that supported the Company's prior income objective. Nearly half of our portfolio was invested in these securities when our new Investment Objective became effective, and most of them were sold off before the period end without any disruptions to the Group's net asset value. This is a testament to the Company's progress in streamlining the portfolio over the last two years. We aim to further reduce these legacy holdings in favour of reserves and other equity participations that will more easily stand the test of time.

Capital preservation demands more than a focus on nominal returns and the artificial price stability that comes with a fixed income portfolio. While there will always be room for exceptions, it is our view that fixed income investments generally are not well-suited for the long-term preservation of capital. With US\$16 trillion of global debt currently trading at negative nominal rates, and other untold trillions trading at rates that are sure to destroy the real value of savings, this modern era of interest rate suppression has completely subverted the traditional tools of capital preservation. Today there is little of substance to be found in the promise to receive pieces of paper money in a few years' time. The seriousness of our purpose precludes us from participating in a Faustian 'Reach for Yield' that would have us accept greater fragility and risk of ruin in order to put a little more bread on the table. We take no view on interest rates and will not make investment decisions in the anticipation of higher or lower rates in the future.

Chairman's Statement

Gold and Cash Reserves (38.2%)

At the period end we had 30.7% of the portfolio in gold bullion and a further 7.5% in cash balances net of other assets. We have built our gold position around several exchange-traded products. All are traded in London but represent a spreading of risks among different issuers, custodians and jurisdictions. They each hold allocated, physical gold bullion and are the closest one can get to owning gold outright without being able to put our hands on it. There is an important difference but for now these products will do. Our residual cash balance was all in Sterling and will fluctuate for operational reasons. Importantly, there are no upper limits on the amount of cash we may hold. Our willingness and ability to hold a meaningful part of our savings in the form of reserves will be an important component of our investment practice.

We view gold as a high-quality form of cash, one with some important advantages over the paper variety. Gold is highly liquid, a pure asset (unlike cash which is the debt of some bank or financial institution), it is the physical embodiment of economic scarcity, and as such its effectiveness as a store of value over many years has stood the test of time. We hold our reserves in gold because doing so gives us real and meaningful options for the future that are independent of the unending supply fiscal stimulus, arbitrary government rule-making, and the incredible monetary mischief which has distorted the price of everything beyond recognition. The long-term track record of fiat money has been consistent and definitive across the historical record – its value always tends toward zero. Given the events of the last twelve months, and the last twelve years, we believe that a certain scepticism about the value of financial assets is overdue.

Foreign Exchange

The Group reports its results in Sterling, but as of 31 December 2020 nearly 70% of our portfolio was invested in companies, securities and reserve assets denominated in other currencies and we expect this to rise further in the months to come. Because of this shift any strengthening or weakening of Sterling as against either these paper or hard currencies will now have a direct impact on our financial results in future periods. We will not employ any currency hedging to manage the returns as expressed in Sterling as we believe the exercise would be both costly and counter to our purpose. Trying to manage our returns may well make the ride a little smoother, but it will not help us get where we are trying to go.

Portfolio Changes post 31 December 2020

The portfolio transition was not complete at 31 December 2020 and there have been further changes in the new year. We sold our Six Hundred Group bonds at a modest gain to our 31 December 2020 valuation and our Intercede Group loan notes will be redeemed at par on 27 February 2021. These changes will bring our fixed income and legacy holdings to below 5% of assets. We also added three new equity positions in Bel SA (Fromageries Bel), Cembre Spa and Nedap NV, and made further additions to Hal Trust, British American Tobacco and ForFarmers during the period. At the time of writing our equity participations had increased to just under 60% of assets.

Operational matters

As a board we welcome dialogue with our shareholders and are pleased to launch our new website where shareholders will find the appropriate links to contact us. The address of the new website is www.theinvestmentcompanyplc.co.uk.

We are conscious of the benefits of increased liquidity in the Company's shares: Fiske plc, who have a longstanding relationship with the Company, and Shore Capital, our broker, are each active in the trading of our shares. All your directors have purchased shares in recent months and director ownership has increased from 0.8% to 2.8% of shares in issue.

We are pleased to have appointed ISCA Administration Services Limited as our new company secretary, fund accountant and administrator from 1 February 2021. Their details are set out on page 1 of this report.

Chairman's Statement

Summary

Post the change of Investment Policy we have already made substantial progress in transitioning the portfolio to reflect our new objective to protect the purchasing power of the Company's capital in real terms, and to participate

in enduring economic activities which lend themselves to genuine capital accumulation and wealth creation. Further changes have been made post period end and the majority of the fundamental shift in focus is behind us.

Going forwards we recognise the size of the trust is suboptimal and we will be looking at appropriate opportunities to increase the Company's capital base as they may arise.

In these uncertain times we believe the Company is now well positioned to provide shareholders with capital preservation and wealth creation over the long-term.

I.R. Dighé

Chairman

10 February 2021

Portfolio Summary

Asset Exposure by Trading Currency

At 31 December 2020

Currency	Equity Participations	Fixed Income & Legacy	Precious Metals, Cash & Other	FX Totals
GBP	14.6%	9.5%	7.5%	31.6%
EUR	17.3%	-	-	17.3%
CAD	6.5%	-	-	6.5%
CHF	6.1%	-	-	6.1%
NOK	5.1%	-	-	5.1%
USD	2.7%	-	-	2.7%
Precious Metals	-	-	30.7%	30.7%
Total	52.3%	9.5%	38.2%	100.0%

Equity Participations - Regional Economic Exposure¹

At 31 December 2020

Region	% of equity participations
Europe	38.0%
North America	27.0%
South America	9.0%
Asia, Africa, Other	26.0%
Total	100.0%

Equity Participations - By Sector¹

At 31 December 2020

Sector	% of equity participations
Consumer Goods	53.1%
Industrials	23.7%
Basic Materials	17.7%
Oil & Gas	5.5%
Total	100.0%

¹ Director estimates. Regional Economic Exposure represents where in the world the underlying business activity of the equity participations takes place.

Portfolio and Assets

At 31 December 2020

Security	Country	Holding	Market or Directors' Valuation £	% of total portfolio
Hal Trust	Netherlands	10,000	1,047,261	6.8%
Bakkafrost	Faroe Islands	15,000	785,008	5.1%
Tonnellerie François Frères Group	France	25,000	597,476	3.9%
Unilever	UK	13,300	584,136	3.8%
British American Tobacco	UK	21,000	568,680	3.7%
Franco-Nevada	Canada	6,000	548,975	3.6%
Emmi	Switzerland	700	527,766	3.4%
Lucas Bols	Netherlands	55,000	485,410	3.1%
Rio Tinto	UK	8,320	455,104	3.0%
Strix	Isle of Man	208,636	454,827	3.0%
Imperial Oil	Canada	32,000	443,388	2.9%
Barrick Gold	Canada	25,000	416,453	2.7%
Bucher Industries	Switzerland	1,200	402,814	2.6%
ForFarmers	Netherlands	70,000	333,333	2.2%
Safilo Group	Italy	300,000	202,336	1.3%
Diageo	UK	6,600	189,948	1.2%
Total equity participations			8,042,915	52.3%
Six Hundred Group 8% 14/02/2022	UK	500,000	435,000	2.8%
Renold 6% Preference Shares	UK	422,109	363,014	2.4%
Intercede Group 8% 29/12/2021	UK	450,000	360,000	2.3%
Redde Northgate 5% Preference Shares	UK	532,763	181,139	1.2%
Other legacy holdings	Various		118,204	0.8%
Total fixed income and legacy holdings			1,457,357	9.5%
Invesco Physical Gold ETC	UK	15,000	2,012,364	13.1%
WisdomTree Physical Gold ETC	UK	11,500	1,510,169	9.8%
WisdomTree Physical Swiss Gold ETC	Switzerland	9,000	1,201,558	7.8%
Total gold			4,724,091	30.7%
Sterling cash			1,221,865	7.9%
Other liabilities net of other assets			(60,031)	(0.4)%
Total cash and other net current assets			1,161,834	7.5%
Total net assets			15,386,197	100.0%

Interim management report and Directors' responsibility statement

Interim management report

The important events that have occurred during the period under review and their impact on the financial statements are set out in the Chairman's Statement on pages 3 to 6.

In the view of the Board, the principal risks facing the Group are substantially unchanged since the date of the Report and Accounts for the year ended 30 June 2020 and continue to be as set out in that report. Risks faced by the Group include, but are not limited to, market risk (which comprises market price risk, interest rate risk and liquidity risk). Details of the Group's management of these risks and exposure to them is set out in the Group's Report and Accounts for the year ended 30 June 2020.

There have been no significant changes in the related party disclosures set out in the Annual Report.

Directors' responsibility statement

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- this Half-Yearly Financial Report includes a fair review of the information required by:
 - a) DTR 4.2.7R of the Disclosure Guidance 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 Guidance 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 Group during that period; and any changes in the related party transactions that could do so.

This Half-Yearly Financial Report was approved by the Board of Directors on 10 February 2021 and the above responsibility statement was signed on its behalf by I. R. Dighé, Chairman.

Condensed consolidated income statement

For the six months ended 31 December 2020 (unaudited)

	Notes	6 months to 31 December 2020			6 months to 31 December 2019			Year ended 30 June 2020		
		Revenue £	Capital £	Total £	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
Gains/(losses) on investments at fair value through profit or loss		-	329,396	329,396	-	1,327,436	1,327,436	-	(1,533,978)	(1,533,978)
Exchange (loss)/gain on capital items		-	(660)	(660)	-	(163)	(163)	-	45	45
Investment income	2	502,481	-	502,481	495,930	-	495,930	960,982	-	960,982
Investment management fee	7	(56,543)	-	(56,543)	(63,992)	-	(63,992)	(121,165)	-	(121,165)
Other expenses		(328,551)	(323)	(328,874)	(136,135)	(353)	(136,488)	(303,859)	(703)	(304,562)
Return before taxation		117,387	328,413	445,800	295,803	1,326,920	1,622,723	535,958	(1,534,636)	(998,678)
Taxation		(1,219)	-	(1,219)	-	-	-	-	-	-
Total income/(loss) after taxation		116,168	328,413	444,581	295,803	1,326,920	1,622,723	535,958	(1,534,636)	(998,678)
		Revenue pence	Capital pence	Total pence	Revenue pence	Capital pence	Total pence	Revenue pence	Capital pence	Total pence
Return on total income after taxation per 50p ordinary share – basic & diluted	3	2.43	6.88	9.31	6.20	27.81	34.01	11.23	(32.15)	(20.92)

The total column of this statement is the Income Statement of the Group prepared in accordance with IFRS as adopted by the United Kingdom. The supplementary revenue and capital columns are prepared in accordance with the Statement of Recommended Practice (“AIC SORP”) issued in October 2019 by the Association of Investment Companies.

The Group did not have any income or expenses that was not included in total income for the period. Accordingly, total income is also total comprehensive income for the period, as defined by IAS 1 (revised) and no separate Statement of Comprehensive Income has been presented.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period.

The notes on pages 14 to 16 form part of these condensed financial statements.

Condensed consolidated statement of changes in equity

For the six months ended 31 December 2020 (unaudited)

	Share capital £	Share premium £	Capital redemption reserve £	Capital reserve £	Revenue reserve £	Total £
Balance at 1 July 2020	2,386,025	4,453,903	2,408,820	7,094,994	(1,306,685)	15,037,057
Total comprehensive income						
Net return for the period	-	-	-	328,413	116,168	444,581
Transactions with shareholders recorded directly to equity						
Ordinary dividends paid – (note 4)	-	-	-	-	(95,441)	(95,441)
Balance at 31 December 2020	2,386,025	4,453,903	2,408,820	7,423,407	(1,285,958)	15,386,197
Balance at 1 July 2019	2,386,025	4,453,903	2,408,820	8,629,630	(1,258,067)	16,620,311
Total comprehensive income						
Net return for the period	-	-	-	1,326,920	295,803	1,622,723
Transactions with shareholders recorded directly to equity						
Ordinary dividends paid – (note 4)	-	-	-	-	(357,904)	(357,904)
Balance at 31 December 2019	2,386,025	4,453,903	2,408,820	9,956,550	(1,320,168)	17,885,130
Balance at 1 July 2019	2,386,025	4,453,903	2,408,820	8,629,630	(1,258,067)	16,620,311
Total comprehensive income						
Net return for the year	-	-	-	(1,534,636)	535,958	(998,678)
Transactions with shareholders recorded directly to equity						
Ordinary dividends paid – (note 4)	-	-	-	-	(584,576)	(584,576)
Balance at 30 June 2020	2,386,025	4,453,903	2,408,820	7,094,994	(1,306,685)	15,037,057

The notes on pages 14 to 16 form part of these condensed financial statements.

Condensed consolidated balance sheet

At 31 December 2020 (unaudited)

	31 December 2020	31 December 2019	30 June 2020
Notes	£	£	£
Non-current assets			
Investments held at fair value through profit or loss	14,224,363	16,593,672	14,818,360
Current assets			
Trade and other receivables	67,268	152,927	87,716
Cash and cash equivalents	1,221,865	1,251,156	265,052
	<u>1,289,133</u>	<u>1,404,083</u>	<u>352,768</u>
Current liabilities			
Trade and other payables	(127,299)	(112,625)	(134,071)
	<u>(127,299)</u>	<u>(112,625)</u>	<u>(134,071)</u>
Net current assets	<u>1,161,834</u>	<u>1,291,458</u>	<u>218,697</u>
Net assets	<u>15,386,197</u>	<u>17,885,130</u>	<u>15,037,057</u>
Capital and reserves			
Ordinary share capital	5 2,386,025	2,386,025	2,386,025
Share premium	4,453,903	4,453,903	4,453,903
Capital redemption reserve	2,408,820	2,408,820	2,408,820
Capital reserve	7,423,407	9,956,550	7,094,994
Revenue reserve	(1,285,958)	(1,320,168)	(1,306,685)
Shareholders' funds	<u>15,386,197</u>	<u>17,885,130</u>	<u>15,037,057</u>
NAV per ordinary share of 50p	6 <u>322.42p</u>	374.79p	315.11p

The notes on pages 14 to 16 form part of these condensed financial statements.

Condensed consolidated cash flow statement

For the six months ended 31 December 2020 (unaudited)

	31 December 2020 £	31 December 2019 £	30 June 2020 £
Cash flows from operating activities			
Income received from investments	517,128	538,085	1,067,425
Interest received	9,792	-	15
Investment management fees paid	(56,323)	(63,219)	(122,170)
Other cash payments	(341,076)	(162,223)	(306,165)
Net cash inflow from operating activities	129,521	312,643	639,105
Cash flows used in financing activities			
Dividends paid on ordinary shares	(95,441)	(357,904)	(584,576)
Net cash outflow from financing activities	(95,441)	(357,904)	(584,576)
Cash flows from/(used in) investing activities			
Purchase of investments	(10,953,343)	(4,042,249)	(6,703,387)
Sale of investments	11,876,736	4,553,126	6,128,162
Net cash inflow/ (outflow)/from investing activities	923,393	510,877	(575,225)
Net increase/(decrease) in cash and cash equivalents	957,473	465,616	(520,696)
Reconciliation of net cash flow to movement in net cash			
Increase/(decrease) in cash	957,473	465,616	(520,696)
Exchange rate movements	(660)	(163)	45
Increase/(decrease) in net cash	956,813	465,453	(520,651)
Net cash at start of period	265,052	785,703	785,703
Net cash at end of period	1,221,865	1,251,156	265,052
Analysis of net cash			
Cash and cash equivalents	1,221,865	1,251,156	265,052
	1,221,865	1,251,156	265,052

Condensed notes to the consolidated financial statements

At 31 December 2020 (unaudited)

1. Significant accounting policies

Basis of Preparation

The condensed consolidated financial statements, which comprise the unaudited results of the Company and its wholly owned subsidiaries, Abport Limited and New Centurion Trust Limited, together referred to as the “Group”, have been prepared in accordance with IFRS, as adopted by the United Kingdom, and as applied in accordance with the provisions of the Companies Act 2006. The financial statements have been prepared in accordance with the AIC SORP, except to any extent where it is not consistent with the requirements of IFRS. The accounting policies are as set out in the Report and Accounts for the year ended 30 June 2020.

The half-year financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting”.

The financial information contained in this half year financial report does not constitute statutory accounts as defined by the Companies Act 2006. The financial information for the periods ended 31 December 2020 and 31 December 2019 have not been audited or reviewed by the Company’s Auditor. The figures and financial information for the year ended 30 June 2020 are an extract from the latest published audited statements, and do not constitute the statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and include a report of the Auditor, which was unqualified and did not contain a statement under either Section 498(2) or 498(3) of the Companies Act 2006.

Going Concern

The Directors have made an assessment of the Group’s ability to continue as a going concern. This has included consideration of portfolio liquidity, the Group’s financial position in respect of its cash flows and investment commitments (of which there are none of significance), the working arrangements of the key service providers, continued eligibility to be approved as an investment trust company and the impact of the Covid19 pandemic. In addition, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern.

The Directors are satisfied that the Group has the resources to continue in business for the foreseeable future being a period of at least 12 months from the date that these financial statements were approved. Therefore, the financial statements have been prepared on the going concern basis.

Segmental Reporting

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

2. Income

	6 months to 31 December 2020 £	6 months to 31 December 2019 £	Year ended 30 June 2020 £
Income from investments:			
UK dividends	354,598	308,156	614,753
Unfranked dividend income	5,051	24,964	23,727
UK fixed interest	133,040	162,810	322,487
	492,689	495,930	960,967
Other income			
Bank deposit interest	9,792	-	15
Net dealing gains of subsidiaries	-	-	-
Total income	502,481	495,930	960,982

Condensed notes to the consolidated financial statements

At 31 December 2020 (unaudited)

3. Return per Ordinary Share

Returns per share are based on the weighted average number of shares in issue during the period. Normal and diluted returns per share are the same as there are no dilutive elements on share capital.

	6 months to 31 December 2020		6 months to 31 December 2019		Year ended 30 June 2020	
	Net return £	Pence per share	Net return £	Pence per share	Net return £	Pence per share
Return after taxation attributable to ordinary shareholders						
Revenue	116,168	2.43	295,803	6.20	535,958	11.23
Capital	328,413	6.88	1,326,920	27.81	(1,534,636)	(32.15)
Total comprehensive income	444,581	9.31	1,622,723	34.01	(998,678)	(20.92)
Weighted average number of ordinary shares	4,772,049		4,772,049		4,772,049	

4. Dividends per Ordinary Share

Amounts recognised as distributions to equity holders in the period.

	6 months to 31 December 2020 £	6 months to 31 December 2019 £	Year ended 30 June 2020 £
Ordinary shares			
Interim dividend of 3.75p paid on 30 August 2019	-	178,952	178,952
Interim dividend of 3.75p paid on 23 November 2019	-	178,952	178,952
Interim dividend of 3.75p paid on 19 February 2020	-	-	178,952
Interim dividend of 1.00p paid on 29 May 2020	-	-	47,720
Interim dividend of 1.00p paid on 7 September 2020	47,720	-	-
Interim dividend of 1.00p paid on 4 December 2020	47,721	-	-
Total	95,441	357,904	584,576

The Board has declared an interim dividend of 1.00p per ordinary share, which will be paid on 26 February 2021 to shareholders registered at the close of business on 22 January 2021. This dividend has not been included as a liability in these financial statements.

5. Ordinary Share Capital

	31 December 2020		31 December 2019		30 June 2020	
	Number	£	Number	£	Number	£
Ordinary shares of 50p each	4,772,049	2,386,025	4,772,049	2,386,025	4,772,049	2,386,025

The Company does not hold any shares in treasury as at 31 December 2020 (31 December 2019: Nil and 30 June 2020: Nil).

6. Net Asset Value per Ordinary Share

The NAV per ordinary share is calculated as follows:

	31 December 2020 £	31 December 2019 £	30 June 2020 £
Net assets	15,386,197	17,885,130	15,037,057
Ordinary shares in issue	4,772,049	4,772,049	4,772,049
NAV per ordinary share	322.42p	374.79p	315.11p

Condensed notes to the consolidated financial statements

At 31 December 2020 (unaudited)

7. Investment Management fee

Pursuant to the changes to the Company's Investment Objective and Policy, the Investment Manager, Fiske plc, was given notice to terminate the investment management agreement as of 5 May 2021.

The management fee payable monthly in arrears by the Company to the Investment Manager is calculated at the rate of one-twelfth of 0.75% of the NAV as at the last business day of each calendar month.

At 31 December 2020, an amount of £9,675 (31 December 2019: £11,175 and 30 June 2020: £9,397) was outstanding and due to the Investment Manager.

8. Fair Value Hierarchy

The fair value is the amount at which an asset could be sold in an ordinary transaction between market participants at the measurement date, other than a forced or liquidation sale. The Group measures fair values using the following hierarchy that reflects the significance of the inputs used in making the measurements.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 – valued using quoted prices, unadjusted in active markets for identical assets and liabilities.

Level 2 – valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included in Level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data or the asset or liability.

The table below sets out fair value measurement of financial instruments as at 31 December 2020, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Level 1 £	Level 2 £	Level 3 £	Total £
At 31 December 2020				
Investments held at fair value through profit or loss	13,241,128	-	983,235	14,224,363
At 31 December 2019				
Investments held at fair value through profit or loss	13,474,671	287,477	2,831,524	16,593,672
At 30 June 2020				
Investments held at fair value through profit or loss	12,530,677	257,617	2,030,066	14,818,360

Reconciliation of Level 3 investments

The following table summarises Level 3 investments that were accounted for at fair value.

	31 December 2020 £	31 December 2019 £	30 June 2020 £
Opening balance	2,030,066	2,952,248	2,952,248
Gains on investments	48,337	254,378	44,542
Sales proceeds*	(1,095,168)	(375,102)	(966,724)
Closing balance	983,235	2,831,524	2,030,066

* The Group and Company received £1,095,168 from investments sold in the period. The book cost of these investments when they were purchased was £860,428. These investments have been revalued over time and until they were sold any unrealised gains/(losses) were included in the fair value of investments.

9. Transactions with the Investment Manager and related parties

As disclosed in the income statement and Note 7 above, a fee is payable to the Investment Manager until 5 May 2021 in respect of the services provided to the Company.