ScotGems plc
Managed by
Stewart Investors

ScotGems plc
Interim Report
For the six months ended 30 June 2021

Contents

About ScotGems

ScotGems plc ("the Company") was launched on 26 June 2017 as an investment trust. The Company's objective is to provide long-term capital growth by investing in a diversified portfolio of small cap companies that are incorporated or listed in emerging markets or listed on developed market exchanges where a majority of their activities take place in emerging markets.

Small cap companies are defined as those with a market capitalisation of less than USD 2.5 billion at the time of investment.

The Company may only invest in smaller unlisted companies where it is reasonably expected that such companies will be listed within 12 months from the time of investment.

The portfolio will typically range between 30 and 50 holdings in normal market circumstances.

The Board of ScotGems plc believes that a positive long-term investment opportunity exists through identifying promising small cap companies across the world, controlled and run by responsible stewards and effective management.

Financial Information

	At 30 June 2021	At 31 December 2020	Change %
Net assets	£50.27m	£45.96m	9.4%
Net asset value ("NAV") per Ordinary share	93.91p	85.86p	9.4%
Share price	77.00p	72.50p	6.2%
Share price discount to NAV[(1)]	18.0%	15.6%	–
MSCI Emerging Markets Small Cap Index†	950.30	833.55	14.0%
MSCI Emerging Markets ex Asia Index†	1,030.76	936.05	10.1%
MSCI Emerging Markets Index†	995.07	944.63	5.4%

(1) **Alternative Performance Measure**
The Share price discount to NAV is the amount by which the Ordinary share price is lower than the net asset value per Ordinary share. The discount is expressed as a percentage of the net asset value per share.

† Capital basis in Sterling

Chairman's Statement

During the six months to 30 June 2021, the net asset value ("NAV") of your Company rose by 9.4% to 93.9p per share while the share price rose by 6.2% to 77.0p. This compares to rises in the Company's comparator indices: the MSCI Emerging Markets Small Cap Index, the MSCI Emerging Markets ex Asia Index and the MSCI Emerging Markets Index of 14.0%, 10.1% and 5.4% respectively. These indices are only for comparison purposes and our portfolio is not managed by reference to any particular Index, but according to principles which the Investment Manager has set out in the past and which you will be able to read more about in the report which follows.

I intend to review our performance since inception in the Annual Report at the end of this year, but the positive absolute return achieved over the last year is encouraging. Your Investment Manager's style and principles mean that in periods when companies without earnings, and whose current valuation is based on the promise of very significant future growth, our portfolio will underperform the comparator indices. Our Investment Manager has provided a comprehensive report with these accounts including a detailed look at the portfolio which I hope Shareholders will find interesting and useful. They include a contribution analysis, detail on companies bought and sold, as well as their own perspective on the events influencing valuations in the Small Cap sector in Emerging Markets.

During the period under review the Company's discount widened from 15.6% to 18.0%. Shareholders will be aware that it is not the Board's policy to buy back shares, for reasons that I've set out previously. The Board and Investment Manager continue to be aligned with the body of shareholders through their own investment in the Company. In the first six months of the year the Investment Management Team have increased their shareholding by 489,201 shares, and now own 2,176,982 Ordinary shares. This brings the total holding by employees of Stewart Investors to 8,463,092 Ordinary shares (this includes the shareholding by the Stewart Investors Employee Benefit Trust which remains unchanged at 5,000,000 Ordinary shares). The Directors shareholding of 4,790,096 Ordinary shares (including persons closely associated with them) remained unchanged during the period. The combined holdings of the Board and Investment Manager now represent 24.8% of the issued Ordinary share capital of the Company.

At the AGM held on 6 May 2021, over 90% of votes were cast in favour of all the resolutions. Your Company relies both on our Investment Manager and our Company Secretary and Administrator. We are grateful to the people of both organisations for the way that they adapted their operations to work in a virtual way and have been able to maintain their usual high standards of service. During the period, PATAC Limited changed its name to Juniper Partners Limited and I'm pleased to say there has been a continuity of personnel as well as the high level of service we've been accustomed to receiving.

William Salomon

Investment Manager's Report

Introduction

In last year's Interim Report we discussed the gulf in valuation between Global Emerging Markets ("GEM") companies wearing the label "value" and those wearing the label "growth". One year later, there has been a modest narrowing in the large disconnect between the "real world" (often analogous we feel to the "jam today" of stocks labelled value) and the "world of finance" (analogous with the "jam tomorrow" of often more speculative stocks labelled or even rewarded by financial types with the label of growth). One possible reason for the modest change are concerns around inflation, interest rates, and so forth – discussed below. But, more for governance-obsessed types such as ourselves, what has been more interesting are signs of increasing corporate misconduct and decreasing predictability of government behaviour in GEM. In order for profits in 2040 or 2050 to be worth anything today, you have to believe that company management is on your side, and that the relevant government does not become your enemy. Plucking discount rates out of the air is the easy bit in GEM.

On the topic of corporate misconduct, 51 Hong Kong listed companies failed to meet the exchange's deadline at the end of March for publishing audited 2020 financials[1]. At the time of writing, a number of these companies remain suspended. The first of these to discuss is GCL Poly – notable because it was the largest constituent of the MSCI Emerging Market Small Cap Index for most of the reporting period. It is a supplier of polysilicon to the solar power industry in China. This description ticks a number of popular boxes amongst investors including interest in technology, renewables and 'China'. The company's auditor has resigned over a dispute related to the commercial rationale for a payment to a contractor[2]. The company is also going through a restructure following a default on its debt. Those who study financial history make the observation that the frequency of fraud increases in boom times, so the company's place at the heart of three popular themes appears to us as more than just a coincidence. At the point of its suspension, the market capitalisation of the company was approximately $6bn – size and scrutiny do not always correlate.

A second interesting example comes from state owned Huarong Asset Management and Chinese tech behemoth, Alibaba. Huarong was set up by the Chinese government in 1999, following the Asian Financial Crisis, in order to help manage bad debt, however recent events suggest that it may now have bad debt of its own. For an example of the complex pressures on the business and the government's innovative ways of bailing it out, Huarong was recently "gifted" a part of Ant Group (a financial business incubated by Alibaba which in turn had by some interpretations seized it from other shareholders). This was part of a "rectification" deal between Ant Group and regulators[3], designed to tackle systemic financial risks. Huarong is another company which has been unable to file financial statements and whose shares remain suspended. The company insists that it can make the payments on its debt and says that the delayed accounts will allow it to complete a mysterious "transaction"[4]. Its former chair Lai Xiaomin was executed for corruption in January. Huarong and its issues aside, we have strong views on the governance arrangements at Alibaba and the risks its monopoly characteristics present. Suffice to say that government interest in the business and the "retirement" of its founder ought not to have surprised any investor. Shareholders may wonder what connects behemoths such as Alibaba with our universe of smaller companies. Firstly – the scraps from the table of the huge companies feed a huge ecosystem of smaller businesses – fewer scraps, lower growth. Secondly, the behemoths are keen investors in

(1) https://www.bloomberg.com/news/articles/2021-05-03/more-than-40-hong-kong-stocks-stay-halted-for-delaying-earnings
(2) http://www.gcl-poly.com.hk/en/Investors/Announcements_Circulars/Company announcement dated 19 Apr 2021
(3) https://www.ft.com/content/8c571124-a1b6-4639-bf2f-14de2044590b
(4) https://www.ft.com/content/749ca7ec-7717-4c8d-8853-79c63c6dbf9b

Investment Manager's Report (continued)

the smaller companies – this equity investment has been a lifeline for often loss-making capital-hungry smaller companies. If this tap turns off, some small and medium sized companies will find life very tricky; others whose share prices have been bid up by the general expectation of equity investment sloshing around, may disappoint their shareholders.

As for inflation and its possible effects – we have little to add to our view that after twenty years of encouraging asset inflation, the likelihood that central banks voluntarily change their ways seems remote. Even inflation in the world of prices and wages has been termed "transitory" – a decision by the powers that be that erring on the side of yet more cheap money is preferable to conscientiously deflating bubbles. As such, valuations remain extremely stretched.

As a final not especially cheerful point, we also note how weak many GEM sovereign balance sheets are. Two decades of easy money followed by a pandemic is a potent combination. Ultimately this has a cost, often involving weaker GEM currencies. We have always enjoyed owning hard currency businesses including exporters and feel that they have an important part to play in preserving capital over the coming years.

Portfolio
The portfolio consists of shares in 39 companies. The ten largest names represent 41.2% of the portfolio at the end of June. This is a small reduction from 42.7% at the end of 2020 and 46.4% at the end of 2019 when a shareholder resolution was passed to allow a slightly longer list of companies. Cash started the period at 3.3% and ended at 2.6%.

The average market cap (weighted by position size) is $1.33 billion. Our process of looking back at the choices made by people behind each business can make very small listed companies hard to analyse when this track record may be too short, but we were pleased to add the Indonesian healthcare company Prodia Widyahusada to the portfolio. It is discussed in detail later but is an example of a high quality small cap at the smaller end of the portfolio's market cap range. It could only be owned responsibly in a closed ended company – a strength of the investment trust structure we are keen to harness.

Additions
During the period we bought shares in four new companies. Below is a list shown in descending order of size in the portfolio at the end of the period.

Anadolu Efes is a Turkish listed brewer. It is controlled by the founding Özilhan and Yazıcı families, and the global brewer ABI has a stake inherited from its merger with SAB Miller. We like the combination of committed family and multinational oversight. In 2018, ABI and Efes pooled their Russian beer businesses into a 50/50 JV which is the most valuable part of Efes today – it is the joint market leader with approximately 30% market share. Efes also owns a stake in a Coke bottler operating across several CIS states and in Pakistan where it is growing rapidly. Although Turkish listed, sales of beer and Coke in Turkey are barely a quarter of the overall value of the business. Over the last five years, the company has rapidly repaid debt meaning it offers a high single digit dividend yield earned from a steadily growing business.

Bladex (full name Banco Latinoamericano de Exportaciones) is a bank which facilitates the transactions of international trade. It is listed on the New York Stock Exchange, is headquartered in Panama and operates across Latin America and the Caribbean. The central banks of the countries in these regions own shares and have the opportunity to elect board members. It plays an important role in the economic development and integration of the region through its reputation as a supportive lender. This reputation comes from its historic lending in periods when other international banks avoid the region, normally in periods of crisis. Its loan book is in US Dollars, it is very affordably valued and is well positioned to enjoy an economic recovery.

Jumbo is a Greek listed retailer operating in Greece, Cyprus, Bulgaria and Romania. It is controlled and managed by the Vakakis family. It sells small baskets of everyday cheap items in a model which is comparable to Dollar General in the USA. This has so far made it less vulnerable to online retail than other formats such as the department store model. We are impressed by the company's ability to grow through past periods of economic stress in Greece and by its growth in new markets. It is conservatively financed and has pre-paid for much of its inventory historically in order to improve pricing.

Prodia Widyahusada is an Indonesian listed medical diagnostics business with a $230m market cap at time of purchase and a free float which represents 25% of shares outstanding. It is controlled by the founding family and is conservatively financed after its IPO in 2016. It is the largest private sector diagnostics business in Indonesia and comes with an excellent record for quality. One piece of evidence of this is the fact that they are the only Indonesian diagnostics chain with a College of American Pathologist accreditation. Its track record demonstrates that the model benefits from large economies of scale – it can drive down costs as it grows allowing it to reduce pricing which in turn allows it to continue to gain market share. The business model has proved successful many times across GEM including Integrated Diagnostics Holdings operating primarily in Egypt, and whose shares are also held in the portfolio. The model deserves a strong social license given that early diagnosis allows early treatment and should therefore lead to higher survival rates.

Disposals
During the period we sold all of the shares held in two companies.

Voltronic Power is a Taiwanese business manufacturing and selling uninterruptable power supplies. We first discussed reducing this in the 2020 Annual Report but have now sold all of our shares. It is an excellent company but we are uncomfortable with the current valuation.

Dis-Chem Pharmacies is a pharmacy chain in South Africa. It is a strong franchise but following recent engagements with the company we have concerns that stewardship might not be as strong as we had previously thought. This was demonstrated in part by recent poor disclosure of a related party transaction.

Reduced
The three most significant reductions were in businesses listed in India.

Cyient is an engineering outsourcing business with global clients in industries such as aerospace and transportation. We made a small reduction on valuation.

Sundaram Finance is a finance company with a focus on commercial vehicles. We made a small reduction on valuation.

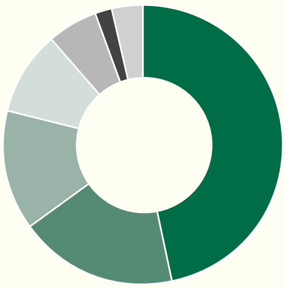
Tata Consumer Products is a food and beverages company with a focus on tea and coffee. We reported reductions in the last two Annual Reports and the last two Interim Reports. As discussed previously we believe that the original investment case remains intact, namely the importance of a recent management transition and a renewed focus on India under Tata Group stewardship, but that the company's transformation will take a long time. Valuations currently provide limited room for error.

Investment Manager's Report (continued)

Country Breakdown*

- India 15.0%
- Mexico 9.9%
- South Africa 9.0%
- Chile 8.0%
- Philippines 5.9%
- Indonesia 5.7%
- United Arab Emirates 5.7%
- United Kingdom 5.3%
- Nigeria 4.8%
- Korea 4.6%
- Bangladesh 4.5%
- Singapore 4.0%
- Hong Kong 3.2%
- Turkey 2.5%
- United States 2.1%
- Greece 2.0%
- Pakistan 1.8%
- Vietnam 1.2%
- Sri Lanka 0.9%
- Peru 0.5%
- Other net assets 3.4%

Regional Breakdown*



- Asia 46.8%
- Latin America 18.4%
- Africa Sub-Sahara 13.8%
- Europe 9.8%
- Middle East 5.7%
- North America 2.1%
- Other net assets 3.4%

* Country of listing

Contribution Analysis

The Trust has made a decent start to 2021, with NAV rising by just over 9%. The strong gains of the second half of 2020, partly a result of the hoped for vaccine miracles, means gains over twelve months are a little over 24% in Sterling. NAV has lagged the tech-dominated Emerging Markets Smaller Cap index but performed better compared to the slightly less tech-dominated broader Emerging Markets index. This is especially in the past six months as enthusiasm of other investors appears to fade for Chinese companies given the governance and government issues they face.

The Indian holdings have, collectively, contributed very significantly to performance. The Chilean conglomerate Quiñenco, and the South African mini-conglomerate Reunert have also been good to us. The strong rise in markets over the past twelve months means only a handful of companies have detracted significantly from performance – our retailer in the Philippines continues to find Covid-19 tough, and our Chilean water utility has suffered from concerns that future regulation may be less generous.

The top and bottom contributors are discussed below. In discussing the 12 months to 30 June it is worth pointing out that this period is unusual in that it follows the market's initial reaction to the Covid-19 pandemic.

Positive

Top 10 contributors – 12 months ended 30 June 2021

Company	Country of Listing	Contribution to Return %
Cyient	India	4.68
Tata Consumer Products	India	3.20
Reunert	South Africa	2.90
Indiamart	India	2.87
Quiñenco	Chile	2.25
Sundaram Finance	India	1.91
Fragua	Mexico	1.71
Consorcio Ara	Mexico	1.61
Grupo Herdez	Mexico	1.39
Brac Bank	Bangladesh	1.38

Cyient is an Indian research and development provider with global clients in industries such as aerospace and transportation. We discussed it in the last Interim Report as a detractor after a period in which its aerospace customers had struggled. Twelve months later, its share price has recovered and the company appears as a top contributor. Nonetheless throughout this period our investment case has not changed – we continue to back it on account of its high quality franchise, continued founder involvement, hard currency earnings and strong net cash balance sheet. We made a small reduction, as discussed earlier in the report.

Tata Consumer Products is an Indian incorporated food and beverages company with a focus on tea and coffee. A recent management transition and a renewed focus on India sets the company on a strong trajectory to improve its profitability. We believe that the company has an exceptional opportunity to leverage the Tata brand, known for excellence, to become a diversified world-class consumer products company. We have made a modest reduction, as discussed earlier.

Reunert is a South African conglomerate made up of three businesses, a cables business, an office equipment leasing business and an electrical engineering business. It reported strong results and a useful dividend despite still being adversely affected by reduced economic activity associated with the pandemic.

Indiamart is India's largest business-to-business classified website business. It has been a strong contributor despite only being added relatively recently. As discussed previously it has benefitted from the overall popularity of all things online and tech, but has also reported strong results, is profitable on an accounting basis, and is cashflow positive.

Quiñenco is a Chilean holding company with its largest asset being a stake in Banco de Chile. It is 82% owned by the Luksic family which has been both a conservative and growth oriented steward over a long period of time. The conglomerate also owns businesses in brewing, global shipping and a Latin American ports business.

Contribution Analysis (continued)

Negative

Top 10 detractors – 12 months ended 30 June 2021

Company	Country of Listing	Contribution to Return %
Philippine Seven	Philippines	-2.05
IAM Chile	Chile	-1.40
Unilever Nigeria	Nigeria	-0.89
Hochschild Mining**	UK	-0.73
Vinda International	Hong Kong	-0.71
Chemical and Allied Products (CAP)	Nigeria	-0.53
Bank OCBC Nisp	Indonesia	-0.39
Mynews*	Malaysia	-0.17
Orascom Construction	United Arab Emirates	-0.10
Anadolu Efes	Turkey	-0.01

* Not held at end of period
** Not held at start of period

Philippine Seven is a 7-Eleven convenience franchise in the Philippines. The company has been a detractor in this period in contrast to its longer term track record, both since launch of the Trust and before. Convenience retail has been particularly affected versus other retail models by the prolonged lockdown in the country given that many outlets are located close to places of work. We do not have longer term concerns with the business.

IAM Chile is a holding company with a 50% stake in Aguas Andinas, Chile's largest water utility. Over the long term the company has attractive defensive qualities, providing an inflation protected dividend yield. The company also exhibits a strong social purpose given that it delivers potable water to one of Latin America's largest metropolitan areas. In the shorter term it is likely that it has been affected by investor concerns following a vote to rewrite the country's constitution, possibly due partly to a low turnout and as a rejection of the established political parties. Whilst uncertainty in this constitutional process remains, we are more sanguine than the market consensus given that most citizens own assets in some form or another so have something to lose from any proposed undermining of property rights.

Unilever Nigeria is a local subsidiary of Unilever Plc. We discussed this detractor in the Annual Report but despite what we would have hoped was a high level of oversight from the parent, local management underperformed last year and results have been poor. Fortunately, Unilever Plc does not lack experienced country heads and we believe the management problem has been rectified and that financial improvement should follow. On a sales per capita metric, this company has more potential than possibly any other held in the Trust – though we recognise that Nigeria is about as tough an operational jurisdiction as GEM has to offer.

Hochschild Mining is a gold and silver mining company with mines in Peru and Argentina, listed on the London Stock Exchange and controlled by the Hochschild family. It enjoys a strong cost position and a long term owner.

Vinda International manufactures tissue paper products and personal care products in China and Asia Pacific. It enjoyed a significant increase in demand during the height of the Covid-19 pandemic, showing as a contributor last year, but has been less profitable lately as it continues to invest in its personal hygiene business. Longer term this investment 'today' for a deferred reward 'tomorrow' is part of our original investment case. We are backing the company to move away from tissue paper to become a dominant player in China's feminine hygiene and incontinence markets. Success here would allow Vinda to earn more attractive returns and provide structural long-term growth from exposure to sectors that are significantly underpenetrated relative to developed markets.

Portfolio as at 30 June 2021

Asset	Country	Industry	%
Quiñenco	Chile	Industrial Conglomerate	5.9
Chilean holding company of the Luksic family with high quality assets in banking, beverages and shipping.			
Tata Consumer Products	India	Food Products	4.3
Domestic and international business, primarily focussed on tea and coffee with interesting partnerships, such as the Tata Starbucks joint venture.			
Integrated Diagnostics	United Kingdom	Healthcare Providers & Services	4.1
Egyptian medical diagnostics company listed on the London Stock Exchange.			
Reunert	South Africa	Industrial Conglomerate	4.1
South African conglomerate made up of three businesses, a cables business, an office equipment leasing business and an electrical engineering business.			
Haw Par	Singapore	Holding Company	4.0
Family conglomerate whose assets include the Tiger Balm brand and a holding in Singaporean bank UOB.			
Bank OCBC Nisp	Indonesia	Banks	4.0
Local subsidiary of Singaporean bank OCBC.			
Philippine Seven	Philippines	Foods & Staples Retailing	3.9
7-Eleven convenience franchise in the Philippines.			
Youngone Holdings	Korea	Textiles, Apparel & Luxury Goods	3.8
Holding company of a garment manufacturer with facilities across Asia.			
Fragua	Mexico	Foods & Staples Retailing	3.7
Chain of pharmacies in Mexico.			
Grupo Herdez	Mexico	Food Products	3.4
Processed foods in Mexico and the US.			
Top 10 Equity Investments			**41.2**
Brac Bank	Bangladesh	Banks	3.3
Bangladeshi bank controlled by the world's largest NGO, BRAC.			
Orascom Construction	United Arab Emirates	Construction & Engineering	3.1
Engineering and construction contractor operating in the Middle East, North Africa and the US.			
Cyient	India	Software	2.9
An engineering outsourcing business with global clients in industries such as aerospace and transportation.			
RCL Foods	South Africa	Food Products	2.9
Commodity foods business that is developing a portfolio of branded products.			
Consorcio Ara	Mexico	Homebuilding	2.8
Mexican house builder.			
Aramex	United Arab Emirates	Air Freight & Logistics	2.6
Express packaging and freight forwarding company operating in the Middle East.			
Anadolu Efes	Turkey	Beverages	2.5
Brewing company operating in Turkey, Russia and Pakistan.			

Portfolio as at 30 June 2021 (continued)

Asset	Country	Industry	%
Sundaram Finance	India	Consumer Finance	2.4
Finance company with a focus on commercial vehicles.			
Bladex	United States of America	Diversified Financial Services	2.1
Multinational trade finance bank operating across Latin America and the Caribbean.			
IAM Chile	Chile	Water Utilities	2.1
Holding company with a 50% stake in Aguas Andinas, Chile's largest water utility.			
Top 20 Equity Investments			**67.9**
Vinda International	Hong Kong	Household Products	2.0
Paper products and personal care products in China and Asia Pacific.			
Jumbo	Greece	Speciality Retail	2.0
Greek listed retailer operating in Greece, Cyprus, Bulgaria and Romania.			
City Lodge Hotels	South Africa	Hotels Restaurants & Leisure	2.0
Hotel chain owner and operator in South Africa, Botswana and Kenya.			
Syngene	India	Life Science Tools & Services	2.0
Indian's largest pharma contract research and manufacturing business, founder owned and managed, and doing increasingly complex work for their multinational clients.			
Chemical and Allied Products (CAP)	Nigeria	Chemicals	2.0
Decorative paint company in Nigeria. The company licenses the Dulux brand from AkzoNobel.			
Concepcion Industrial	Philippines	Building Products	2.0
Family owned joint venture selling air conditioning, lifts and white goods.			
Indus Motor Company	Pakistan	Automobiles	1.8
Car manufacturer in Pakistan owned by a 30 year partnership between Toyota and the Habib Group.			
Indiamart	India	Trading Companies & Distributors	1.8
India's largest business-to-business classified website business.			
Prodia Widyahusada	Indonesia	Health Care Providers & Services	1.7
Indonesian listed medical diagnostics business.			
Mahindra & Mahindra Financial Services	India	Consumer Finance	1.6
Non-bank finance company lending to buyers of cars and tractors in India.			
Top 30 Equity Investments			**86.8**
Other Equity Investments (nine)			9.8
Total Investments			**96.6**
Cash			2.6
Net current assets			1.6
Non-current assets			(0.8)
Shareholders' Funds			**100.0**

Statement of Comprehensive Income

	(Unaudited) Six months ended 30 June 2021			(Unaudited) Six months ended 30 June 2020			(Audited) Year ended 31 December 2020		
	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000
Investment income	1,111	–	1,111	437	–	437	872	–	872
Gains/(losses) on investments held at fair value through profit or loss	–	3,948	3,948	–	(6,298)	(6,298)	–	(424)	(424)
Foreign exchange (losses)/gains	–	(33)	(33)	–	150	150	–	8	8
Total income	1,111	3,915	5,026	437	(6,148)	(5,711)	872	(416)	456
Expenses	(361)	–	(361)	(313)	–	(313)	(624)	–	(624)
Profit/(loss) before taxation	750	3,915	4,665	124	(6,148)	(6,024)	248	(416)	(168)
Taxation	(135)	(221)	(356)	(41)	–	(41)	(70)	(380)	(450)
Profit/(loss) for the period	615	3,694	4,309	83	(6,148)	(6,065)	178	(796)	(618)
Return per share	1.15p	6.90p	8.05p	0.16p	(11.48)p	(11.32)p	0.33p	(1.49p)	(1.16p)

The Total column of this statement represents the Statement of Comprehensive Income of the Company. The Revenue Return and Capital Return columns are supplementary to this and are prepared under guidance issued by the Association of Investment Companies.

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

Statement of Financial Position

	(Unaudited) 30 June 2021 £'000	(Unaudited) 30 June 2020 £'000	(Audited) 31 December 2020 £'000
Non-current assets			
Investments held at fair value through profit or loss	48,549	37,055	44,720
Current assets			
Receivables	1,026	722	271
Cash and cash equivalents	1,299	3,222	1,504
	2,325	3,944	1,775
Current liabilities			
Payables	(208)	(482)	(205)
Net current assets	2,117	3,462	1,570
Non-current liabilities			
Deferred tax liability on Indian capital gains	(393)	–	(326)
Net assets	50,273	40,517	45,964
Capital and reserves			
Ordinary share capital	535	535	535
Share premium	3,133	3,133	3,133
Special reserve	49,315	49,315	49,315
Capital reserve	(3,240)	(12,286)	(6,934)
Revenue reserve	530	(180)	(85)
Total equity	50,273	40,517	45,964
Shares in issue at period end	53,533,770	53,533,770	53,533,770
Net asset value per Ordinary share	93.91p	75.69p	85.86p

The financial statements were approved and authorised for issue by the Board of Directors and signed on its behalf on 4 August 2021 by:

William Salomon
Chairman

Statement of Changes in Equity

For the six months ended 30 June 2021	Ordinary share capital £'000	Share premium £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 December 2020	535	3,133	49,315	(6,934)	(85)	45,964
Profit for the period	–	–	–	3,694	615	4,309
Balance at 30 June 2021	535	3,133	49,315	(3,240)	530	50,273

For the six months ended 30 June 2020	Ordinary share capital £'000	Share premium £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 December 2019	535	3,133	49,315	(6,138)	(263)	46,582
Loss for the period	–	–	–	(6,148)	83	(6,065)
Balance at 30 June 2020	535	3,133	49,315	(12,286)	(180)	40,517

For the year ended 31 December 2020	Ordinary share capital £'000	Share premium £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 December 2019	535	3,133	49,315	(6,138)	(263)	46,582
Loss for the year	–	–	–	(796)	178	(618)
Balance at 31 December 2020	535	3,133	49,315	(6,934)	(85)	45,964

Share premium. The share premium represents the difference between the nominal value of new Ordinary shares issued and the consideration the Company receives for these shares.

Special reserve. Created from the Court cancellation of the share premium account which had arisen from premiums paid on the Ordinary shares at launch. Available as distributable profits to be used for the buy back of shares. The cost of any shares bought back is deducted from this Reserve. The cost of any shares resold from treasury is added back to this Reserve.

Capital reserve. Gains and losses on the realisation of investments, realised exchange differences of a capital nature and returns of capital are accounted for in this Reserve. Increases and decreases in the valuation of investments held at the period end, and unrealised exchange differences of a capital nature are also accounted for in this Reserve.

Revenue reserve. Any surplus/deficit arising from the revenue profit/loss for the period is taken to/from this Reserve.

Cash Flow Statement

	Note	Six months ended 30 June 2021 £'000	Six months ended 30 June 2020 £'000	Year ended 31 December 2020 £'000
Net cash outflow from operations before dividends, interest, purchases and sales	7	(240)	(468)	(679)
Dividends recevied from investments		1,075	345	859
Interest from deposits		–	1	1
Purchases of investments		(7,623)	(7,724)	(14,823)
Sales of investments		6,905	6,763	12,074
Cash inflow/(outflow) from operations		117	(1,083)	(2,568)
Taxation		(289)	(33)	(124)
Net cash outflow from operating activities		(172)	(1,116)	(2,692)
Decrease in cash and cash equivalents		(172)	(1,116)	(2,692)
Cash and cash equivalents at the start of the period		1,504	4,188	4,188
Effect of currency (losses)/gains		(33)	150	8
Cash and cash equivalents at the end of the period*		1,299	3,222	1,504

*Cash and cash equivalents represents cash at bank.

Notes to the Accounts

1. The condensed Financial Statements for the six months to 30 June 2021 comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Cash Flow Statement, together with the notes set out below. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice issued in October 2019.
2. The position as at 31 December 2020 on page 12 is the same as that contained in the Annual Report and Accounts, which received an unqualified audit report and which have been filed with the Registrar of Companies. This Interim Report has been prepared under the same accounting policies adopted for the year to 31 December 2020.
3. Expenses include the fee paid to the Company's investment manager – Stewart Investors who received a management fee equal to 1% of the net asset value of the Company less any reduction owing to the cap on expenses set at 1.5% of net assets. In the six month period to 30 June 2021 the management fee was £245,000 but was reduced to £113,000 owing to the cap (six month period to 30 June 2020 – management fee was £193,000, but was reduced to £59,000 owing to the cap; year to 31 December 2020 – management fee was £411,000 but reduced to £162,000 owing to the cap).
4. The return per ordinary share figure is based on the net profit for the six months ended 30 June 2021 of £4,309,000 (six months ended 30 June 2020: net loss of £6,065,000; year ended 31 December 2020: net loss of £618,000) and on 53,533,770 (six months ended 30 June 2020: 53,533,770; year ended 31 December 2020: 53,533,770) Ordinary shares, being the weighted average number of Ordinary shares in issue during the periods.
5. At 30 June 2021 there were 53,533,770 Ordinary shares in issue (30 June 2020: 53,533,770; 31 December 2020: 53,533,770).
6. Investments in securities are financial assets designated at fair value through profit or loss on initial recognition. In accordance with FRS 102 and FRS 104, these investments are analysed using the fair value hierarchy described below. Short term balances are excluded as their carrying value at the reporting date approximates to their fair value.

   The levels are determined by the lowest (that is, the least reliable or least independently observable) level of input that is significant to the fair value measurement for the individual investment in its entirety as follows:

   Level 1 – Investments with prices quoted in an active market;

   Level 2 – Investments whose fair value is based directly on observable current market prices or is indirectly being derived from market prices; and

   Level 3 – Investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or are not based on observable market data.

   At 30 June 2021 £46,180,000 of the Company's investments were listed as Level 1, the remaining £2,369,000 were listed as Level 2 (30 June 2020: £34,158,000 listed as Level 1, £2,897,000 listed as Level 2; 31 December 2020: £42,307,000 listed as Level 1, £2,413,000 listed as Level 2). Level 2 investments represent the Company's investments in Nigeria. These have been categorised as Level 2 owing to uncertainty relating to the Nigerian Naira exchange rate.

7. Cash Flow Statement

	2021 £'000
Reconiliation of profit before taxation to net cash outflow before dividends, interest, purchases and sales	
Net profit on activities before finance costs and taxation	4,665
Net gains on investments	(3,948)
Currency losses	33
Investment income	(1,111)
Increase in other payables	2
Decrease in prepayments and other receivables	119
Net cash outflow from operations before dividends, interest, purchases and sales	(240)

Required Disclosures

Statement of Principal Risks and Uncertainties

The Board believes that the principal risks to shareholders, which it seeks to mitigate through continual review of its investments and through shareholder communication, are events or developments which can affect the general level of share prices, including, for instance, inflation or deflation, economic recessions and movements in interest rates and currencies.

Other risks faced, and the way in which they are managed, are described in more detail under the heading Principal Risks and Risk Management within the Strategic Report in the Company's Annual Report for the year ended 31 December 2020.

The Company's principal risks and uncertainties have not changed since the date of the Annual Report and are not expected to change for the remaining six months of the Company's financial year.

Going Concern

The Directors believe, in the light of the controls and review processes noted above and bearing in mind the nature of the Company's business and assets, which are considered readily realisable if required, that the Company has adequate resources to continue operating for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Related Party Transactions

Details of related party transactions are contained in the Annual Report for the year ended 31 December 2020. There have been no material changes in the nature and type of the related party transactions as stated within the Annual Report.

Directors' Responsibility Statement in Respect of the Interim Report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with FRS 104 'Interim Financial Reporting';
- the Chairman's Statement and Investment Manager's Report includes a fair review of the information required by the Disclosure Guidance and Transparency Rules ('DTR') 4.2.7R, 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;
- the Statement of Principal Risks and Uncertainties shown above is a fair review of the information required by DTR 4.2.7R; and
- the condensed financial statements include a fair review of the information required by DTR 4.2.8R, 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 Company during the period, and any changes in the related party transactions described in the last Annual Report that could do so.

On behalf of the Board

William Salomon
Chairman

4 August 2021

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