Aberforth Smaller Companies Trust plc

Half Yearly Report

30 June 2020

Investment Objective

The investment objective of Aberforth Smaller Companies Trust plc (ASCoT) is to achieve a net asset value total return (with dividends reinvested) greater than on the Numis Smaller Companies Index (excluding Investment Companies) over the long term.

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All data throughout this Half Yearly Report are to, or as at, 30 June 2020 as applicable, unless otherwise stated.

Financial Highlights

Six months to 30 June 2020

Total Return Performance	%
Net Asset Value[1,5]	**-35.9**
Numis Smaller Companies Index (XIC)[2]	**-25.0**
Ordinary Share Price[3,5]	**-38.9**

	30 June 2020	31 December 2019	30 June 2019
Shareholders' Funds[4]	**£886m**	£1,406m	£1,220m
Market Capitalisation[5]	**£827m**	£1,379m	£1,095m
Actual Gearing[4]	**2.5%**	0.8%	0.9%
Ordinary Share net asset value[4]	**989.16p**	1,570.15p	1,350.34p
Ordinary Share price[5]	**924.00p**	1,540.00p	1,212.00p
Ordinary Share price discount[5]	**6.6%**	1.9%	10.2%

Cumulative Returns (%) Period to 30 June 2020	NAV[5]	Index[5]	Share Price[5]
1 year	-24.9	-15.0	-21.7
3 years	-26.3	-13.4	-19.5
5 years	-15.1	4.4	-10.8
10 years	115.1	135.2	136.4
15 years	138.5	213.3	153.2
Since inception on 10 December 1990	2,235.7	1,401.5	2,141.6

1 Represents net asset value return with dividends reinvested.

2 Represents the return on the Numis Smaller Companies Index (excluding Investment Companies) (NSCI (XIC)) with dividends reinvested. This index comprises the bottom 10% of all UK quoted companies by market value, which at 1 January 2020 consisted of 346 companies, the largest market capitalisation of which was £1.6 billion and the aggregate market capitalisation of which was £153 billion.

3 Represents Ordinary Share price return with dividends reinvested.

4 UK GAAP Measure (refer to the glossary in the 2019 Annual Report).

5 Alternative Performance Measure (refer to the glossary in the 2019 Annual Report).

Past performance is not a guide to future performance. Stockmarket movements may cause the capital value of an investment and the income derived from it to go down as well as up and investors may get back less than they originally invested.

Chairman's Statement

Performance review

For the six months to 30 June 2020, Aberforth Smaller Companies Trust plc (ASCoT) recorded a net asset value total return of -35.9%, which compares with a total return of -25.0% from the Company's investment benchmark, the Numis Smaller Companies Index (excluding Investment Companies) (NSCI (XIC)). The FTSE All-Share Index, which is dominated by larger companies, generated a return of -17.5% over the same period. The Company's share price total return was -38.9%, for the six months to 30 June 2020.

The six month period to 30 June 2020, will undoubtedly go down as one of the most dramatic half years in the Company's 30 year history. The period began with cautious optimism as the decisive election result in December 2019 was seen by many as the key to ending the political deadlock that had hindered both the UK economy and stockmarket since the Brexit referendum in 2016. Such optimism faded quickly as the impact of the Covid-19 pandemic and subsequent economic lockdowns swept the globe.

The dramatic shift from cautious optimism to significant uncertainty was echoed by the divergence between the performances of the value style and growth style in stockmarkets around the world. As late as the Company's AGM at the beginning of March I had been encouraged, both as Chairman and as a shareholder, that this truly remarkable period of stockmarket leadership by the growth style might be approaching its end. However, one need only look at the recent share price performance of the so-called FAANG companies in the US to deduce that the value style is presently out of favour. The Company has experienced such extremes before and longer term stockmarket history highlights the risks of assuming that trend continues indefinitely. Recoveries follow recessions and in time valuations will once again matter.

As is usual, the Managers' Report provides greater insight into the factors that have influenced the Company's portfolio during the first half of 2020.

Dividends

In recent years, the Board has reiterated its commitment to a progressive dividend policy. While enjoying a golden period for dividends in the recovery that followed the global financial crisis in 2008 and 2009, the Board delivered real dividend growth for Shareholders but also rebuilt reserves to support that commitment to a progressive dividend policy. In my Chairman's Statement at the end of January, I noted that the *"acid test will be for the Board to deliver dividend growth through the next downturn"*. That downturn is now with us, much sooner than was envisaged. The Managers' Report expands on the brutality of the current dividend environment, which has followed the Covid-19 recession.

While many companies are no longer able to pay their investors to wait for better times, ASCoT benefits from revenue reserves of circa 2.4x the ordinary dividend. In view of this strong position, and despite such a hostile backdrop, I am pleased to announce an interim dividend of 10.40p per Ordinary Share for the six months to 30 June 2020. This represents an increase of 4.0% compared with last year's interim dividend. The interim dividend will be paid on 28 August 2020 to Shareholders on the register as at close of business on 7 August 2020. The ex dividend date is 6 August 2020.

The Company operates a Dividend Reinvestment Plan. Details of the plan, including the Form of Election, are available from Aberforth Partners LLP or on its website, www.aberforth.co.uk.

Chairman's Statement

Gearing

In May 2020, the Company announced that it had refinanced the existing committed credit facility with The Royal Bank of Scotland International Limited in the amount of £130m, on broadly similar terms for a further three years to 15 June 2023. In addition, a new £20m overdraft facility had been obtained from Northern Trust, the Company's custodian, for short term working capital requirements.

It remains the Company's policy to use gearing in a tactical manner and gearing levels are reviewed on a regular basis by the Board and Managers. As at 30 June 2020, ASCoT had increased its geared position to 2.5% of Shareholders' Funds. The Board remains comfortable that the Company has access to sufficient liquidity for investment purposes and for share buy-backs, as and when appropriate.

Share buy-back

The Company's share buy-back authority is renewed annually at the Annual General Meeting. Any shares purchased are automatically cancelled, rather than being held in treasury, thereby reducing the Company's issued share capital. During the six months to 30 June 2020, no shares were purchased.

The Board continues to believe that, at the margin, buy-backs provide an increase in liquidity for those Shareholders wishing to crystallise their investment and at the same time deliver an economic uplift for those Shareholders wishing to remain invested with the Company.

Annual General Meeting

All resolutions at the Annual General meeting held on 3 March 2020 were passed. This included the renewal of authority to buy back up to 14.99% of ASCoT's Ordinary Shares. Additionally, 99.9% of Shareholders' votes cast were in favour of the continuation of the Company. It is the Board's policy to hold a continuation vote every three years.

Board changes

The Board regularly reviews its composition and structure in line with corporate governance requirements. It is the Board's policy for Directors to serve a nine-year term and Richard Rae therefore intends to retire from the Board in the first quarter of 2021. As part of succession planning, I am pleased to report that after a detailed selection process the Board has agreed to appoint Victoria Stewart as a Director of the Company with effect from 1 September 2020. Victoria has over 22 years investment management experience, including in UK smaller companies and is a non-executive director of other companies including two investment trusts.

Conclusion

The pandemic dealt a blow to economic activity in general. In turn, this has severely affected the nascent improvement in the backdrop for value investors, such as Aberforth Partners, that had been in evidence since the middle of 2019. Looking to the future, it will be more difficult for growth stocks to enjoy a repeat of the multiple expansion seen since the global financial crisis. However, despite the stockmarket's ability to overshoot in periods such as the Nifty Fifty and TMT, investors in general do not appear to harbour any such doubts at present.

Chairman’s Statement

This level of conviction is somewhat surprising in the context of the changes Covid-19 may bring to an already uncertain world. The likelihood of a larger and more engaged government sector, together with the pressures of populism and the challenge to globalisation, should perhaps give pause to consider whether yesterday’s winners can maintain their pre-eminence. In the same vein, it is not clear that the deflationary outcome of the global financial crisis will also be the legacy of Covid-19. It is too early to assess the winners and losers of today’s crisis, but the passage of time will bring clarity.

In the meantime, for ASCoT’s investors, as grim as the past four months have been, there are some encouraging signs. The portfolio is well diversified and comprises strong businesses, but its historical valuation is at its most attractive in the Company’s 30 years, matching levels last seen in 2009. The historical price earnings ratio was 6.1x at 30 June. This was 41% lower than that of the NSCI (XIC) and 48% lower than the portfolio’s 30 year average. Meanwhile, the economic recovery is underway. Though the physical and psychological effects of the pandemic will likely result in an uneven trajectory, the combination of liquidity injections from the authorities and equity issues are providing companies with the tools and resources to get back on the front foot. In time, this will allow dividends to be reinstated, which supports the Company’s progressive dividend policy. The Board and the Managers fully expect small UK quoted companies once again to show their mettle, as they have done throughout ASCoT’s life.

Finally, the Board very much welcomes the views of Shareholders and we are available to talk to you directly. My email address is noted below.

Richard Davidson
Chairman
28 July 2020
richard.davidson@aberforth.co.uk

Managers' Report

Introduction

The first six months of 2020 was a rare period in which the superlatives and dramatic metaphors that characterise much financial market commentary were justified. Covid-19 has taken its toll in terms of human lives, to which this report cannot do justice. It has also unleashed a series of extraordinary developments in societies and economies, as authorities have sought to contain its spread. There are no truly useful precedents – Spanish Flu being too long ago and other viral outbreaks being essentially local events – and so the world was caught unprepared. Financial markets reacted accordingly.

In the UK, fear of the virus combined with the economic impact of lockdown to produce some of the sharpest declines in equity prices in ASCoT's 30 year history. March was the weakest month for both the NSCI (XIC) and the FTSE All-Share in that timescale, while the first quarter was the weakest three month period. Towards the end of March, the precipitous declines were followed by a sharp rally, as the risks associated with the virus have become better understood and as remedial actions by governments and central banks took effect. This recovery, though extensive, has been bedevilled by uncertainty about the lasting economic damage and by concerns about subsequent waves of the virus. Share prices therefore remain well below their levels at the start of the year.

Over the six months, the FTSE All-Share declined by 17.5% in total return terms. Small companies were weaker, with the NSCI (XIC) down by 25.0%, while ASCoT's NAV total return was -35.9%.

ASCoT's disappointing performance came during the sell-off in February and March. Given the nature of the downturn precipitated by Covid-19, this is not wholly surprising. The value cohorts in equity markets around the world are laden with economically sensitive businesses. As described in the annual report, that is also the case in the NSCI (XIC) and, therefore, the value of ASCoT's portfolio was always likely to be influenced by the path of the economy, for better or worse. It is frustrating that the year had begun promisingly, with December's decisive election result leading to improving macro economic data through January and even into February. A second frustration is that the stockmarket rebound has so far not been led by the value style, as might be expected from experience of previous downturns. Instead, the winners have tended to be technology companies and other businesses considered to be beneficiaries of the lockdown environment. This leadership, by what are mostly growth stocks, reflects the continuing risk presented by Covid-19 and its effects on economic activity.

The recession now under way is unusual in several ways. It is a consequence of the government's lockdown strategy to control the virus and so may be considered self-inflicted. The intensity of the contraction in activity is remarkable, with numerous macro economic data series showing the sharpest declines in generations. Moreover, the downturn, at least in the initial stages, was a supply-side event as businesses were commanded to close. The effect on demand remains to be seen and will be determined by the length of the lockdown, eventual redundancies and the willingness of consumers to reduce savings ratios from currently elevated levels.

In terms of their size and speed of implementation, the official support measures are as extraordinary as the recession itself. On the monetary side, interest rate cuts and additional quantitative easing programmes have played a part. The range of assets that central banks can buy has been broadened and, in the UK, debt monetisation is a reality, with the Bank of England directly financing government spending. Fiscal measures include tax breaks and the job retention scheme, which has, at least temporarily, prevented too sharp a deterioration in unemployment. Furthermore, through the *Covid Corporate Financing Facility (CCFF) and the Coronavirus Large*

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Business Interruption Loan Scheme (CLBILS), the Bank of England and the Treasury have sought to alleviate the liquidity squeeze confronting businesses.

Though these official measures have created breathing space, running a business against such a backdrop has been no easy task. The immediate priority for small UK quoted companies has been to tackle the liquidity squeeze that has resulted from the interplay of a sharp drop in sales – to zero for numerous businesses – and working capital cycles. While the official liquidity schemes and an easing of terms from existing lenders have played a part, there has been some reluctance to rely on government and many companies have resorted to the equity market for additional funding. As in 2009, equity investors have stepped up to ensure that fundamentally strong businesses can continue to trade. It is plausible that the returns from the current crop of equity issues over the coming years can match those enjoyed during the financial crisis.

However, in the near term, one clear consequence of the downturn and liquidity squeeze is the most severe fall in UK dividends of the post-war period, which is described in greater detail later in the report. At one level, it is entirely right that dividends should be cut: equity is the riskiest form of corporate funding and is the first to take the strain in extreme conditions such as those experienced so far in 2020. However, the reasons for some of the dividend cuts are dubious. It is perplexing that companies robust enough to continue to pay dividends should feel social or governmental pressure to cut. It is also perplexing that some decisions to pass dividends have been made easier by the actions of others. The frustration expressed here should not be mistaken for irresponsibility – Aberforth never encourages a course of action that is detrimental to the long term value of a company. Rather, the Managers believe that dividends impose capital discipline on businesses and are an important component of long term returns for the ultimate beneficial owners of equities. Reinstatement of dividends at appropriate levels will be a fundamental element of the recovery from Covid-19.

Investment performance

ASCoT's NAV total return in the six months to 30 June was -35.9%, which compares with -25.0% from the NSCI (XIC). The table below splits the relative return between the portfolio return and various non investment influences. The subsequent paragraphs provide further detail to help understand the portfolio's performance.

For the six months ended 30 June 2020	Basis points
Attributable to the portfolio of investments, based on mid prices (after transaction costs of 14 basis points)	**(1,062)**
Movement in mid to bid price spread	(11)
Cash/gearing	9
Purchase of ordinary shares	0
Management fee	(28)
Other expenses	(3)
Total attribution based on bid prices	**(1,095)**

Note: 100 basis points = 1%. Total Attribution is the difference between the total return of the NAV and the Benchmark Index (i.e. NAV = -35.9%; Benchmark Index = -25.0%; difference is -10.95% being -1,095 basis points).

Managers' Report

Style

The value style was the most significant influence on the portfolio's under-performance in the first half. The performance of value stocks was well behind that of growth stocks in most stockmarkets around the world. The London Business School, which maintains the NSCI (XIC), also produces style analysis for the index. This showed that the value cohort lagged the growth cohort by 17% in the first six months of the year, which presents the most difficult start to a year for the value style in the 65 year history of the NSCI (XIC). The reason for such under-performance is that, for much of the past decade as companies with secular growth prospects have been re-rated, the value cohort has become increasingly dominated by economically sensitive businesses. Among small UK quoted companies, this was to the advantage of the value style in the second half of last year, when a clearer political situation promised an improved economic outlook. However, the onset of recession has been a significant challenge to value.

Cyclicality does not mean that a company is unviable or is a poor investment. It has not prevented the value cohort of the NSCI (XIC) out-performing the index as a whole by 3% per annum over the long term since 1955. Most small UK quoted companies, while sensitive to the economy's fortunes, are well governed businesses that grow from cycle to cycle. In recent years, they have contended with the financial crisis, the euro crisis and with heightened political uncertainty, but have proved themselves resilient. The peculiarities of the present downturn mean that some small companies inevitably require refinancing, but that need not mean that the underlying businesses are unworthy of support. Indeed, as was the case in 2009, equity issues at such points can yield good investment returns. In deciding which companies to support, the Managers are cognisant of the risk of putting good money after bad.

Size

Small companies under-performed large companies over the first half, but size within the NSCI (XIC) was not a significant influence on returns. The index's mid cap stocks, as defined by the overlap with the FTSE 250 index, fell by 27%, compared with 21% for the smaller small companies. The out-performance by the smaller smalls is somewhat surprising in the historical context of bear markets, but may be explained by the sharpness of the sell-off – the less liquid smaller smalls perhaps did not have time to catch up with their larger peers on the way down. The table below shows ASCoT's continued skew towards the smaller smalls, which implies that size was a benefit to relative performance in the first half. The table also explains the portfolio's size positioning: notwithstanding the slight out-performance of the smaller smalls, they remain on wide valuation discounts to the larger small companies.

Market capitalisation	< £101m	£101-350m	£351-600m	£601-1000m	> £1000m
ASCoT distribution	8%	43%	23%	18%	7%
Tracked universe distribution	2%	19%	19%	32%	28%
Tracked universe 2020 EV/EBITA	8.6x	9.1x	11.0x	12.6x	11.0x

Sector

All but six of the NSCI (XIC)'s 36 sectors declined in the first half of the year. The combined weight of those sectors that did rise was just 8%, which reflects that small company universe's lack of the defensive sector exposures in comparison with the FTSE 100. Since the EU referendum in 2016, the main sector theme has played out in the performance differential between domestic and overseas sectors. This distinction remained relevant in the first half. Domestically oriented parts of the NSCI (XIC) under-performed the overseas earners by 14% as a result of lockdown. For many domestic businesses, such as retailers and leisure companies, the effect of lockdown was to reduce their revenues to zero for several months. In contrast, overseas facing companies tended to enjoy a degree of protection from a spread of geographical exposures.

The geographical dynamic was unhelpful to ASCoT's performance, since the portfolio's 63% weighting in domestics at the beginning of the year was higher than the NSCI (XIC)'s 54%. This positioning reflected the under-performance of the domestics since the referendum and their lower valuations, which the managers considered likely to rise as greater political clarity emerged. There were signs of this scenario developing in early 2020 before Covid-19. Clearly, however, the impact of the virus has necessitated a recalibration of prospects, which is undertaken on a company by company basis. In general, the Managers' medium to long term assessment is that the share prices of domestic companies have over-reacted and that value gaps have expanded. Wherever that is not the case, the position is reduced. At the end of June, ASCoT's domestic weighting was 59% and the NSCI (XIC)'s 49%.

Balance sheets

The table below shows the balance sheet profile of the portfolio and of the tracked universe at the start of the year. The portfolio had less exposure to companies with net cash and to companies with leverage (i.e. net debt over EBITDA) above 2x. Conversely, it was over-weight companies with more modest leverage of below 2x. This analysis shows that the portfolio was not exposed to a series of weakly financed companies. Therefore, all else being equal, the Managers would not have expected balance sheets to influence relative returns in the subsequent period.

Based on 2019 estimates	Net cash	Net debt/EBITDA < 2x	Net debt/EBITDA > 2x	Loss makers
ASCoT	20%	55%	24%	1%
Tracked universe	26%	38%	32%	4%

However, all else was not equal – Covid-19 and the recession have changed much. The unique nature of the downturn has exposed balance sheets that the managers had not considered at risk. Given the economic sensitivity of the portfolio, it is likely that relative performance in the first half was influenced by the impact of lockdown on leverage. The share price falls of companies confronted by a liquidity squeeze are likely to have been compounded by concerns that additional equity funding would be required. Echoing the experience of the rescue rights issues in 2009, these circumstances can represent profitable opportunities to deploy additional capital in companies that were already on attractive valuations.

Turning to ASCoT's own balance sheet, during the period the Board and Managers decided to deploy gearing for the fourth time in ASCoT's 30 year history. The main influence on this tactical approach to gearing is the valuations of the underlying companies, which are at their most attractive during times of economic and financial market stress. The previous opportunities to gear came in the early 1990s recession, the LTCM crisis and the global financial crisis. At 30 June, the level of gearing deployed was still modest, but the facility from The Royal Bank of Scotland International provides the flexibility to participate in equity issues as they happen and supports the underlying process of circulating capital from those companies with less upside to those with more. It is likely that the facility will be more extensively utilised at the year end, though the intention would be to reserve part for the purpose of share buy-backs.

Corporate activity

It has been a busy period for corporate activity, though mostly in the form of equity issues. In the early stages of the Covid-19 outbreak, issuance took the form of non pre-emptive placings, the ceiling for which was raised temporarily to 20% of issued share capital. The nine to ten weeks required to produce a prospectus – no doubt complicated by working-from-home – meant that bigger raises, in the form of rights issues and placings with open offers, began in June. By the end of the first half, 28 constituents of the NSCI (XIC) had each raised at least £5m in response to Covid-19, with a total of £2.7bn additional equity issued. Greater sums have been raised outside the index, with FTSE 100 companies also under pressure. Among the small caps, some of the equity issues have been more opportunistic than others. The Managers have prioritised those companies with good prospects beyond the recession, with attractive valuations and with the greatest need for additional capital. So far, ASCoT has supported six equity issues.

Meanwhile, other corporate activity was subdued in the first half. There were four new listings likely to be eligible for the NSCI (XIC), though ASCoT did not participate in any. In terms of takeovers, seven deals for NSCI (XIC) constituents were announced in the period. ASCoT owned one of these, which was acquired by private equity on attractive terms that were struck before Covid-19. The sharp falls in share prices and valuations might elicit further opportunistic interest from private equity and others. It may prove in ASCoT's better long term interests to resist takeover approaches unless they are struck at appropriate valuations. In this regard, one of the equity issues in the period is relevant. It was part funded by private equity taking a 27% stake in the company. This unusual move reflects the particularly attractive valuations on offer among small caps – private equity is keen to take advantage of them, but existing shareholders are unwilling to lose their interest in a business with good prospects but a depressed share price. Similar deals have been undertaken in the US, but it remains to be seen whether there is lasting appeal in the UK beyond the Covid-19 crisis period.

Income

Half way through the year, it is almost certain that 2020 will prove the worst year for UK dividends – both small and large cap – in the post war period. A decline across the entire UK stockmarket of around 40% is likely in 2020, while a drop of around 60% is plausible for the NSCI (XIC). In 2009, previously the worst year for small company distributions, the decline was "just" 22%. ASCoT has felt the force of the cuts. The table below analyses the portfolio's anticipated dividend experience in 2020, with companies categorised on the basis of ex dividend dates. It illustrates that only 32 of the 81 holdings are likely to pay a dividend in 2020.

Cut to zero	Other cuts	Unchanged payer	Higher	Nil payer
37	20	3	9	12

Managers' Report

As the chairman described in his statement, ASCoT's revenue reserves, accumulated over the past 30 years, can bolster its dividends for some time. Ultimately, however, the trajectory of the recovery for small company dividends is crucial. During the financial crisis, dividends fell in 2009 and promptly started their recovery in 2010. It is to be hoped that a similar experience can be forthcoming in the current downturn. Given how far dividends are likely to fall in 2020 and therefore how low the base will be, it is reasonable to expect a quick recovery. However, it is necessary to acknowledge other influences on dividends at the current time, such as access to official liquidity schemes and political or social pressure. The Managers are actively engaged with company boards to understand the influences on future dividend decisions and, where appropriate, to encourage a return to the dividend register.

Turnover

Portfolio turnover in the first half was 33%, in line with the long run average of 33%. There has often been an element of involuntary activity, as a result of the sales of companies that have grown too large for the NSCI (XIC) or of takeovers. Adjusting for these, underlying turnover in the first half was 21%, which compares with a historical average of 23%.

Active share

Active share is a measure of how different a portfolio is from an index. It is calculated as half of the sum of the absolute differences between each stock's weighting in an index and its weighting in the portfolio. A higher active share would indicate that a portfolio has a higher chance of performing differently from the index, for better or worse. The Managers target a ratio of at least 70%. At the end of June, ASCoT's active share in relation to the NSCI (XIC) was 79%.

Valuations

Even before the impact of Covid-19, portfolio valuations were attractive in a historical context. The sell-off has seen valuations reach extreme levels. At the end of March, the historical price earnings ratio (PE) was 5.9x. The table below shows that it had risen to 6.1x by the end of June, as share prices rebounded and companies started to report earnings affected by recession. The historical PE will rise more meaningfully over coming months as the downturn is fully reflected in earnings, before falling in subsequent periods as companies' cost actions combine with higher demand to drive profits sharply higher. Recoveries from recession are always uneven and difficult to forecast accurately – this time will be no different. However, the portfolio's 6.1x multiple at the end of June suggests that there is significant margin of safety in the valuation to accommodate an uneven recovery. During ASCoT's 30 year life, a historical PE this low has only been seen once before, during the financial crisis, while the average multiple over the three decades is almost twice as high at 11.7x.

ASCoT's PE was 41% lower than that of the NSCI (XIC) at the end of June. This compares with a discount of 30% twelve months earlier and a 30 year average of 14%. This degree of relative cheapness reflects how out of favour the value investment style is at the current time. The gap between the average valuations of value stocks and growth stocks is particularly stretched in stockmarkets around the world, perhaps most obviously in the US as a small number of technology stocks have led NASDAQ to an all-time high.

Managers' Report

The table also sets out average historical dividend yields for ASCoT's portfolio and for the NSCI (XIC). These do not yet fully reflect the widespread dividend cuts noted previously in this report. As these feed through over coming months, dividend yields will decline from the levels shown in the table. Regrettably, equities have lost dividend yield as a valuation anchor for the time being – investors in many companies are not being "paid to wait".

Portfolio characteristics	30 June 2020		30 June 2019	
	ASCoT	**NSCI (XIC)**	ASCoT	NSCI (XIC)
Number of companies	**81**	**330**	81	349
Weighted average market capitalisation	**£442m**	**£760m**	£597m	£883m
Price earnings (PE) ratio (historic)	**6.1x**	**10.3x**	9.6x	13.8x
Dividend yield (historic)	**3.7%**	**2.4%**	3.6%	3.2%
Dividend cover	**4.4x**	**4.1x**	2.9x	2.2x

The following table sets out the portfolio's prospective valuation, using the Managers' preferred metric of EV/EBITA (enterprise value divided by earnings before interest, tax and amortisation). The ratios are the accumulation of bottom-up forecasts for each company in the portfolio and tracked universe, but these forecasts are influenced by a broad macro-economic framework. The Managers assume that lockdown lasts into the third quarter – allowing economic activity to start to pick up – and that any second wave does not lead to the re-imposition of national lockdowns. Into 2021, it is assumed that the recovery continues, helped by the low base effect. However, profits are not expected to return to their pre-Covid-19 state until 2022. Overseas economies are a further complication and it is unlikely that these assumptions will prove fully accurate, but the framework helps the flow of capital from companies offering less value to those offering more.

Overall, the portfolio remains more modestly valued than the tracked universe as a whole and the growth stocks. The discount is narrow in 2020, the year which bears the brunt of the recession, before expanding in the subsequent two years as recovery is anticipated to come through.

EV/EBITA	2020	2021	2022
ASCoT	14.2x	9.4x	6.8x
Tracked universe (253 stocks)	14.8x	10.9x	8.6x
- 47 growth stocks	21.8x	16.0x	13.0x
- 206 other stocks	13.1x	9.7x	7.6x

Managers' Report

Outlook & Conclusion

Covid-19 has cost thousands of lives and the threat of subsequent waves of the virus remains. It has also challenged societies and economies. Beyond its direct financial impact, lockdown has exacerbated pre-existing issues, such as relations between the US and China, tensions within the US during an election year, existential questions for the Eurozone and populist unrest. Monetary and fiscal support programmes have mitigated the initial economic damage, but the extent of the eventual recovery in demand is uncertain: unemployment is likely to rise as businesses cut costs once furlough schemes end, which may affect the willingness of households to run high savings ratios back down.

Prospects for the UK seem particularly unclear. This is reflected in sterling's leadership in the foreign exchange unpopularity contest, with 7% drops against both the dollar and the euro in the first half. Several of the attributes that have made the UK an attractive economy in which to invest seem under threat. Dividends have been slashed, pre-emption limits have been relaxed, the government has greater influence on the corporate sector and rules are being set informally without clear legislation. As temporary adjustments to cope with the impact of Covid-19, these are understandable, though a greater role for fiscal spending was likely even before the onset of the virus. The concern is that they herald more lasting changes at a time when the UK's future relationship with Europe and the future openness of its economy are moot.

Of course, these are risks – they may not come to pass. Indeed, it is rare that the stockmarket does not have something to worry about. Admittedly, Covid-19 is a different type of risk compared with others experienced in recent years. At least in its early stages, its pathology was unquantifiable, and nothing shortens investment horizons like being forced to contemplate mortality. However, the world's reaction to the disease serves as a good reminder of where people – their efforts structured through societies and companies – excel. The significant advances in the understanding of Covid-19 in just a handful of months, along with economically costly but effective measures to control its spread, demonstrate human adaptability and ingenuity. Notwithstanding current outbreaks in parts of the US, it is not unreasonable to believe that any subsequent waves of the disease can be much less severe than the initial outbreak.

In the meantime, it is clear that the virus has affected companies' prospects, some more than others. However, it is also clear that share prices have swiftly adjusted, some more than others. In the Managers' estimation, many in the NSCI (XIC) and further afield have overreacted. Sentiment towards inherently profitable businesses, confronted by an extraordinary set of circumstances, has been damaged by fears for their very survival. This has taken valuations to extreme levels. In the case of ASCoT's portfolio, despite the rebound from the mid March lows, valuations remain towards their most attractive in thirty years, in both absolute terms and relative to the NSCI (XIC). While not belittling what it has taken to get to this point, history suggests that starting valuations such as these tend to be associated with stronger returns over subsequent years. Another lesson of past bear markets is that the recovery is usually led by those that have suffered most on the way down: ASCoT's value style and skew towards smaller small companies should thus bode well.

Managers' Report

Beyond the medium term recovery period, a familiar controversy looms. The outcome of the financial crisis proved deflationary, as austerity strategies were promptly implemented and as extraordinary monetary policies boosted asset prices but not consumer prices. A dozen years on, quantitative easing and other monetary tools are back in force, but the substantial fiscal stimulus has come against a backdrop of populist pressure. It is not clear that today's governments will prioritise austerity as their predecessors did. With the deflationary impetus from globalisation also in question, there would appear to be heightened prospects of an inflationary outcome. Inflation – or perhaps even merely the fear of it – would fundamentally challenge the investment strategies that have prospered for more than a decade. In turn, those that have struggled – such as the value style within equities – should find renewed interest. Given the valuation relationships described above, investors in general see little to no chance of this outcome. For the value investor, whose discipline is to embrace what others shun, this represents opportunity.

The extreme valuations, together with confidence in the continued relevance and profitability of the portfolio's companies, have encouraged the deployment of tactical gearing for the fourth time in ASCoT's 30 years. They have also motivated the Managers to continue to add to their own shareholdings in ASCoT. It has been a difficult period, but the outlook is far from bleak.

Aberforth Partners LLP
Managers

28 July 2020

Investment Portfolio

Fifty Largest Investments as at 30 June 2020

No.	Company	Valuation £'000	% of Total	Business Activity
1	CMC Markets	33,659	3.8	Financial derivatives dealer
2	Future	29,679	3.4	Special interest consumer publisher
3	Brewin Dolphin Holdings	27,238	3.1	Private client fund manager
4	SDL	26,103	3.0	Software - translation & content management
5	Morgan Advanced Materials	25,852	2.9	Manufacture of carbon & ceramic materials
6	Urban&Civic	25,414	2.9	Property - investment & development
7	Provident Financial	20,885	2.4	Personal credit provider
8	Vectura Group	20,737	2.3	Inhaled pharmaceuticals - respiratory specialism
9	TI Fluid Systems	20,702	2.3	Automotive parts manufacturer
10	Robert Walters	20,212	2.3	Recruitment
	Top Ten Investments	**250,481**	**28.4**	
11	Wincanton	20,056	2.3	Logistics
12	Reach	19,965	2.3	UK newspaper publisher
13	Vesuvius	19,934	2.3	Metal flow engineering
14	Keller	19,229	2.2	Ground engineering services
15	Forterra	18,731	2.0	Manufacture of bricks
16	FirstGroup	18,233	2.0	Bus & rail operator
17	Eurocell	18,160	2.0	Manufacture of UPVC building products
18	Vitec Group	18,085	2.0	Photographic & broadcast accessories
19	Just Group	17,560	2.0	Individually underwritten annuities
20	Premier Oil	17,311	2.0	Oil & gas exploration and production
	Top Twenty Investments	**437,745**	**49.5**	
21	McKay Securities	17,261	2.0	Property - London & South East offices
22	Rathbone Brothers	16,942	1.9	Private client fund manager
23	RM	16,598	1.9	IT services for schools
24	Rank Group	16,472	1.8	Multi-channel gaming operator
25	EnQuest	16,402	1.8	Oil & gas exploration and production
26	DFS Furniture	16,072	1.8	Furniture retailer
27	Anglo Pacific Group	15,847	1.8	Natural resources royalties
28	Redde Northgate	15,665	1.8	Van rental
29	TT Electronics	15,508	1.8	Sensors & other electronic components
30	Castings	13,544	1.5	Engineering - automotive castings
	Top Thirty Investments	**598,056**	**67.6**	

Investment Portfolio

Fifty Largest Investments as at 30 June 2020

No.	Company	Valuation £'000	% of Total	Business Activity
31	Essentra	13,521	1.5	Filters & packaging products
32	Bakkavor Group	13,137	1.5	Food manufacturer
33	SIG	12,369	1.4	Specialist building products distributor
34	Mitchells & Butlers	12,240	1.4	Operator of restaurants, pubs & bars
35	Senior	11,875	1.3	Aerospace & automotive engineering
36	Wilmington Group	11,100	1.3	Business publishing & training
37	Charles Stanley Group	11,073	1.2	Private client fund manager
38	Zegona Communications	10,691	1.2	Telecommunications
39	Restaurant Group	10,531	1.2	Restaurant operator
40	U and I Group	9,642	1.1	Property - investment & development
	Top Forty Investments	**714,235**	**80.7**	
41	Spire Healthcare Group	9,572	1.1	Private healthcare provider
42	De La Rue	9,171	1.0	Bank note printer
43	Dialight	8,590	1.0	LED based lighting solutions
44	International Personal Finance	8,462	1.0	Home credit provider
45	Card Factory	8,421	1.0	Retailing - greetings cards
46	Halfords Group	8,185	0.9	Automotive & cycling products retailer
47	Alfa Financial Software Holdings	7,841	0.8	Software - asset finance
48	Headlam Group	7,539	0.8	Distributor of floor coverings
49	RPS Group	7,442	0.8	Energy & environmental consulting
50	Stagecoach Group	6,628	0.8	Bus & rail operator
	Top Fifty Investments	**796,086**	**89.9**	
	Other Investments (31)	111,256	12.6	
	Total Investments	**907,342**	**102.5**	
	Net Liabilities	(21,720)	(2.5)	
	Total Net Assets	**885,622**	**100.0**	

Long Term Investment Record

Historical Total Returns[5]

Period	Discrete Annual Returns (%) NAV[1]	Index[2]	Share Price[3]
1 year to 30 June 2020	-24.9	-15.0	-21.7
1 year to 30 June 2019	-10.7	-5.4	-11.1
1 year to 30 June 2018	10.0	7.6	15.7
1 year to 30 June 2017	35.7	29.1	41.4
1 year to 30 June 2016	-15.2	-6.6	-21.7
1 year to 30 June 2015	13.4	10.4	16.6
1 year to 30 June 2014	31.8	20.3	31.9
1 year to 30 June 2013	36.3	31.8	44.6
1 year to 30 June 2012	-8.7	-4.1	-12.6
1 year to 30 June 2011	36.3	34.2	36.3

Periods to 30 June 2020	Annualised Returns (%)			Cumulative Returns (%)		
	NAV[1]	Index[2]	Share Price[3]	NAV[1]	Index[2]	Share Price[3]
2 years	-18.1	-10.3	-16.6	-33.0	-19.6	-30.4
3 years	-9.7	-4.7	-7.0	-26.3	-13.4	-19.5
4 years	0.0	2.8	3.3	0.1	11.8	13.9
5 years	-3.2	0.9	-2.3	-15.1	4.4	-10.8
6 years	-0.6	2.4	0.7	-3.8	15.3	4.0
7 years	3.5	4.8	4.6	26.8	38.6	37.2
8 years	7.1	7.8	8.9	72.9	82.7	98.3
9 years	5.2	6.4	6.3	57.8	75.2	73.4
10 years	8.0	8.9	9.0	115.1	135.2	136.4
15 years	6.0	7.9	6.4	138.5	213.3	153.2
29.6 years from inception[4]	11.2	9.6	11.1	2,235.7	1,401.5	2,141.6

1 Represents Net Asset Value return with dividends reinvested.

2 Represents capital appreciation/(depreciation) on the Numis Smaller Companies Index (excluding Investment Companies) with dividends reinvested.

3 Represents Ordinary Share price return with dividends reinvested.

4 Inception date of the Company was 10 December 1990.

5 Alternative Performance Measures (refer to the glossary in the 2019 Annual Report).

Interim Management Report

A review of the half year and the outlook for the Company can be found in the Chairman's Statement and the Managers' Report.

Risks and Uncertainties

The Directors have established an on-going process for identifying, evaluating and managing the principal and emerging risks faced by the Company. The Board believes that the Company has a relatively low risk profile in the context of the investment trust industry. This belief arises from the fact that the Company has a simple capital structure; invests only in small UK quoted companies; is not exposed to derivatives and does not presently intend any such exposure; and outsources all the main operational activities to recognised, well established firms.

The principal risks faced by the Company relate to investment policy/performance, share price discount, gearing, reputational risk and regulatory risk. An explanation of these risks and how they are managed can be found in the Strategic Report contained within the 2019 Annual Report. These principal risks and uncertainties continue to apply as disclosed in the 2019 Annual Report. The Directors have expanded the investment performance risk to include the impact of the Covid-19 pandemic and government responses, which are described in the Managers' Report. The Managers continue to follow the Company's investment policy and adhere to the value investment strategy. The Covid-19 pandemic has also affected the firms providing outsourced services to the Company and they have been required to deploy alternative operational practices, including staff working remotely, to ensure continued business service.

Going Concern

The Directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. In assessing going concern the Board considered the impact of Covid-19. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors' Responsibility Statement

The Directors confirm that, to the best of their knowledge:

(i) the condensed set of financial statements has been prepared in accordance with Financial Reporting Standard 104 "Interim Financial Reporting";

(ii) the Half Yearly Report includes a fair review of information required by:

    (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events during the first six months of the year and their impact on the financial statements together with 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 disclosure of related party transactions and changes therein.

(iii) the Half Yearly Report, taken as whole, is fair, balanced and understandable and provides information necessary for Shareholders to assess the Company's performance, objective and strategy.

On behalf of the Board
Richard Davidson
Chairman

28 July 2020

Income Statement

(unaudited)

For the six months ended 30 June 2020

	Six months ended 30 June 2020		
	Revenue £'000	Capital £'000	Total £'000
Net realised (losses)/gains on sales	–	(38,843)	(38,843)
Movement in fair value	–	(457,792)	(457,792)
Net (losses)/gains on investments	–	(496,635)	(496,635)
Investment income	6,069	–	6,069
Investment management fee (Note 2)	(1,497)	(2,494)	(3,991)
Transaction costs	–	(1,582)	(1,582)
Other expenses	(372)	–	(372)
Net return before finance costs and tax	4,200	(500,711)	(496,511)
Finance costs	(146)	(243)	(389)
Return on ordinary activities before tax	4,054	(500,954)	(496,900)
Tax on ordinary activities	–	–	–
Return attributable to equity shareholders	4,054	(500,954)	(496,900)
Returns per Ordinary Share (Note 4)	4.53p	(559.52)p	(554.99)p

Dividends

On 28 July 2020, the Board declared an interim dividend for the year ending 31 December 2020 of 10.40p per Ordinary Share (2019 – 10.00p) which will be paid on 28 August 2020.

Income Statement

Six months ended 30 June 2019			Year ended 31 December 2019		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
–	21,841	21,841	–	92,052	92,052
–	57,713	57,713	–	177,784	177,784
–	79,554	79,554	–	269,836	269,836
21,578	–	21,578	42,478	295	42,773
(1,633)	(2,721)	(4,354)	(3,326)	(5,543)	(8,869)
–	(845)	(845)	–	(2,595)	(2,595)
(360)	–	(360)	(698)	–	(698)
19,585	75,988	95,573	38,454	261,993	300,447
(206)	(344)	(550)	(351)	(586)	(937)
19,379	75,644	95,023	38,103	261,407	299,510
–	–	–	–	–	–
19,379	75,644	95,023	38,103	261,407	299,510
21.43p	83.63p	105.06p	42.26p	289.96p	332.22p

Reconciliation of Movements in Shareholders' Funds

(unaudited)

For the six months ended 30 June 2020

	Share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance as at 31 December 2019	**895**	**93**	**102,753**	**1,210,620**	**91,439**	**1,405,800**
Return on ordinary activities after tax	–	–	–	(500,954)	4,054	(496,900)
Equity dividends paid	–	–	–	–	(23,278)	(23,278)
Purchase of Ordinary Shares	–	–	–	–	–	–
Balance as at 30 June 2020	**895**	**93**	**102,753**	**709,666**	**72,215**	**885,622**

For the year ended 31 December 2019

	Share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance as at 31 December 2018	906	82	115,375	949,213	88,160	1,153,736
Return on ordinary activities after tax	–	–	–	261,407	38,103	299,510
Equity dividends paid	–	–	–	–	(34,824)	(34,824)
Purchase of Ordinary Shares	(11)	11	(12,622)	–	–	(12,622)
Balance as at 31 December 2019	895	93	102,753	1,210,620	91,439	1,405,800

For the six months ended 30 June 2019

	Share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance as at 31 December 2018	906	82	115,375	949,213	88,160	1,153,736
Return on ordinary activities after tax	–	–	–	75,644	19,379	95,023
Equity dividends paid	–	–	–	–	(25,815)	(25,815)
Purchase of Ordinary Shares	(2)	2	(2,708)	–	–	(2,708)
Balance as at 30 June 2019	904	84	112,667	1,024,857	81,724	1,220,236

Balance Sheet

(unaudited)

As at 30 June 2020

	30 June 2020 £'000	31 December 2019 £'000	30 June 2019 £'000
Fixed assets: investments at fair value through profit or loss	**907,342**	1,416,678	1,231,558
Current assets			
Amounts due from brokers	**1,268**	–	1,424
Other debtors	**714**	2,809	4,541
Cash at bank	**34**	187	344
	2,016	2,996	6,309
Creditors (amounts falling due within one year)			
Bank overdraft	**(3,140)**	–	–
Amounts due to brokers	**(638)**	–	–
Bank debt facility	**–**	(13,721)	(17,441)
Other creditors	**(145)**	(153)	(190)
	(3,923)	(13,874)	(17,631)
Net current liabilities	**(1,907)**	(10,878)	(11,322)
Total assets less current liabilities	**905,435**	1,405,800	1,220,236
Creditors (amounts falling due after more than one year)			
Bank debt facility	**(19,813)**	–	–
TOTAL NET ASSETS	**885,622**	1,405,800	1,220,236
CAPITAL AND RESERVES: EQUITY INTERESTS			
Share Capital: Ordinary Shares	**895**	895	904
Reserves:			
Capital redemption reserve	**93**	93	84
Special reserve	**102,753**	102,753	112,667
Capital reserve	**709,666**	1,210,620	1,024,857
Revenue reserve	**72,215**	91,439	81,724
TOTAL SHAREHOLDERS' FUNDS	**885,622**	1,405,800	1,220,236
Net asset value per share (Note 6)	**989.16p**	1,570.15p	1,350.34p
Share price	**924.00p**	1,540.00p	1,212.00p

Cash Flow Statement

(unaudited)

For the six months ended 30 June 2020

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
Net cash inflow from operating activities	**3,785**	15,569	33,614
Investing activities			
Purchases of investments	**(174,777)**	(91,523)	(300,568)
Sales of investments	**185,266**	105,415	319,296
Cash inflow from investing activities	**10,489**	13,892	18,728
Financing activities			
Purchase of Ordinary Shares	**–**	(2,708)	(12,622)
Equity dividends paid	**(23,278)**	(25,815)	(34,824)
Interest and fees paid	**(539)**	(653)	(1,018)
Net drawdown/(repayment) of bank debt facilities (before costs)	**6,250**	–	(3,750)
Cash outflow from financing activities	**(17,567)**	(29,176)	(52,214)
Change in cash during the period	**(3,293)**	285	128
Cash at the start of the period	**187**	59	59
Cash at the end of the period	**(3,106)**	344	187

Notes to the Financial Statements

1. Accounting Standards

The financial statements have been prepared on a going concern basis and in accordance with the Financial Reporting Standard 104 and the AIC's Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued in October 2019. The total column of the Income Statement is the profit and loss account of the Company. All revenue and capital items in the Income Statement are derived from continuing operations. No operations were acquired or discontinued in the period. The same accounting policies used for the year ended 31 December 2019 have been applied.

2. Investment Management Fee

The Managers, Aberforth Partners LLP, receive an annual management fee, payable quarterly in advance, equal to 0.75% of net assets up to £1 billion, and 0.65% thereafter.

The investment management fee has been allocated 62.5% to capital reserve and 37.5% to revenue reserve, in line with the Board's expected long term split of returns, in the form of capital gains and income respectively, from the investment portfolio of the Company.

3. Dividends

	Six months ended 30 June 2020 £'000	Six months ended 30 June 2019 £'000	Year ended 31 December 2019 £'000
Amounts recognised as distributions to equity holders in the period:			
Final dividend of 20.75p for the year ended 31 December 2018	**–**	18,795	18,795
Special dividend of 7.75p for the year ended 31 December 2018	**–**	7,020	7,020
Interim dividend of 10.00p for the year ended 31 December 2019	**–**	–	9,009
Final dividend of 22.00p for the year ended 31 December 2019	**19,697**	–	–
Special dividend of 4.00p for the year ended 31 December 2019	**3,581**	–	–
	23,278	25,815	34,824

The interim dividend for the year ending 31 December 2020 of 10.40p (2019 – 10.00p) will be paid on 28 August 2020 to shareholders on the register on 7 August 2020. The ex dividend date is 6 August 2020. The interim dividend has not been included as a liability in these financial statements.

Notes to the Financial Statements

4. Returns per Ordinary Share

The returns per Ordinary Share are based on:

	30 June 2020	30 June 2019	31 December 2019
Returns attributable to Ordinary Shareholders	(£496,900,000)	£95,023,000	£299,510,000
Weighted average number of shares in issue during the period	89,533,066	90,449,270	90,154,625
Return per Ordinary Share	(554.99)p	105.06p	332.22p

5. Investments at fair value

In accordance with FRS 102 and FRS 104, fair value measurements have been classified using the fair value hierarchy:

Level 1 - using unadjusted quoted prices for identical instruments in an active market;
Level 2 - using inputs, other than quoted prices included within Level 1, that are directly or indirectly observable (based on market data); and

Level 3 - using inputs that are unobservable (for which market data is unavailable).

Investments held at fair value through profit or loss

As at 30 June 2020	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Listed equities	**907,342**	**–**	**–**	**907,342**
Unlisted equities	**–**	**–**	**–**	**–**
Total financial asset investments	**907,342**	**–**	**–**	**907,342**

As at 31 December 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	1,416,678	–	–	1,416,678
Unlisted equities	–	–	–	–
Total financial asset investments	1,416,678	–	–	1,416,678

As at 30 June 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	1,231,558	–	–	1,231,558
Unlisted equities	–	–	–	–
Total financial asset investments	1,231,558	–	–	1,231,558

Notes to the Financial Statements

6. Net Asset Value per Ordinary Share

The net assets and the net asset value per share attributable to the Ordinary Shares at each period end are calculated in accordance with their entitlements in the Articles of Association and were as follows:

	30 June 2020 £'000	31 December 2019 £'000	30 June 2019 £'000
Net assets attributable	885,622	1,405,800	1,220,236
Ordinary Shares in issue at end of period	89,533,066	89,533,066	90,364,851
Net asset value per Ordinary Share	989.16p	1,570.15p	1,350.34p

7. Share Capital

During the period, the Company bought back and cancelled nil shares (2019: 215,460 at a total cost of £2,708,000). No shares have been bought back for cancellation between 1 July 2020 and 28 July 2020.

8. Related party transactions

There were no matters during the six months ended 30 June 2020 requiring disclosure under section 412 of the Companies Act 2006.

9. Further Information

The foregoing do not constitute statutory accounts of the Company (as defined in section 434(3) of the Companies Act 2006). The financial information for the year ended 31 December 2019 has been extracted from the statutory accounts, which have been filed with the Registrar of Companies. The Auditor issued an unqualified opinion on those accounts and did not make any statements under section 498(2) or (3) of the Companies Act 2006. All information shown for the six months to 30 June 2020 is unaudited.

Certain statements in this report are forward looking. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by those statements. Forward looking statements regarding past trends or activities should not be taken as representation that such trends or activities will continue in the future. Accordingly, undue reliance should not be placed on forward looking statements.

J. Thomson Colour Printers 189614

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Reuters:	ASL.L
GIIN:	U6SSZS.99999.SL.826
LEI:	213800GZ9WC73A92Q326