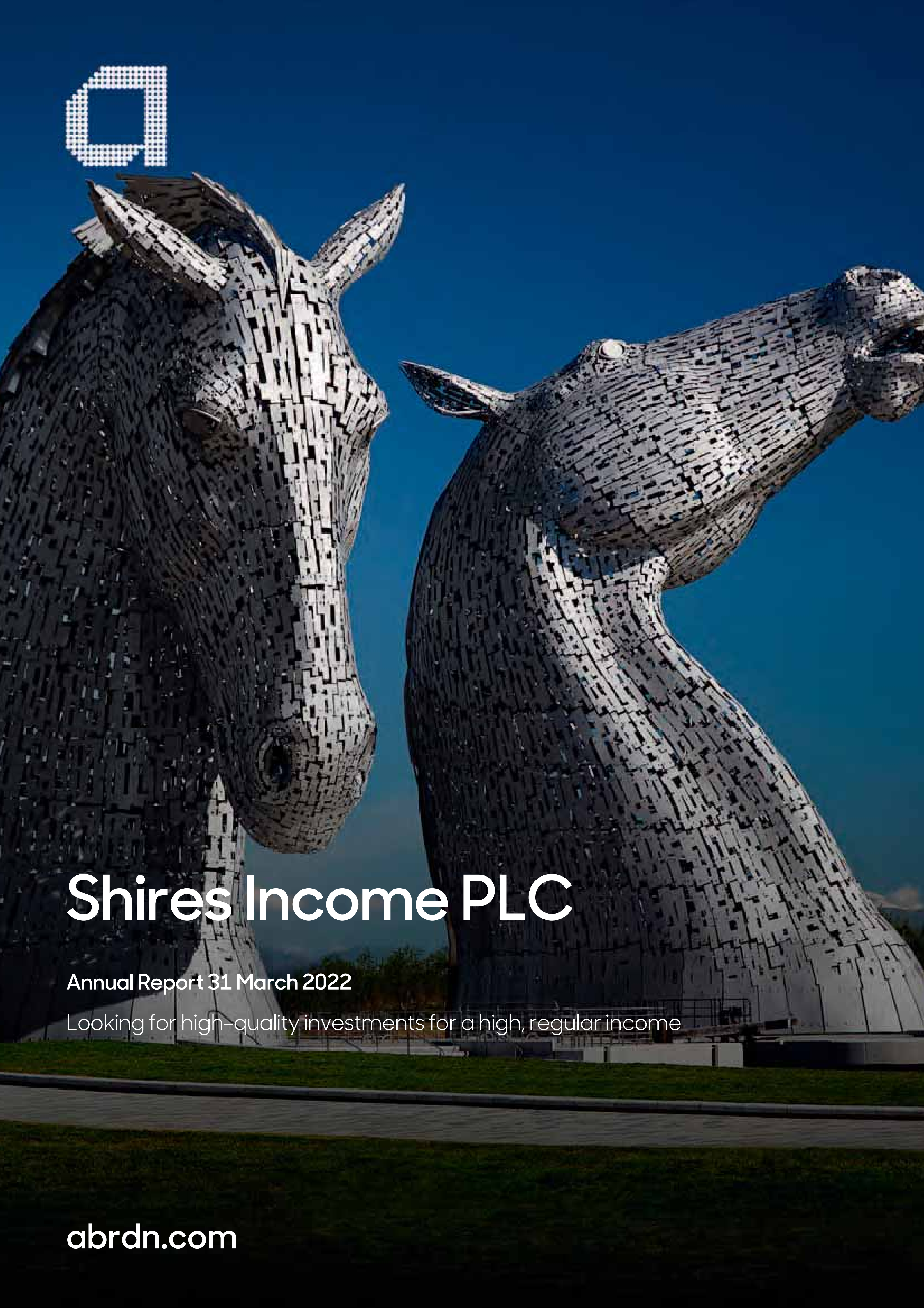


Shires Income PLC

Annual Report 31 March 2022

Looking for high-quality investments for a high, regular income

abrdn.com

"For the year ended 31 March 2022, the Company produced a NAV total return of 11.4% and a 4.5% increase in the dividend."

Robert Talbut, Chairman

"The UK market (measured by the FTSE All-share Index) delivered a total return of 13.0%, outperforming the global equity benchmark for the first time in many years."

Iain Pyle and Charles Luke,
Aberdeen Asset Managers Limited

Contents

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser.

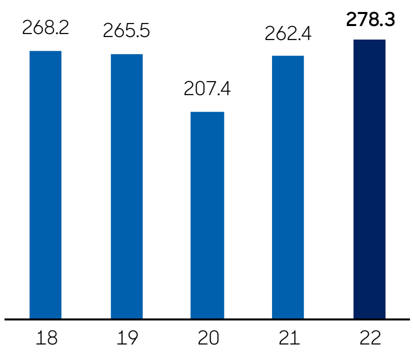
If you have sold or otherwise transferred all your Ordinary shares in Shires Income PLC, please forward this document, together with the accompanying documents immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Performance Highlights

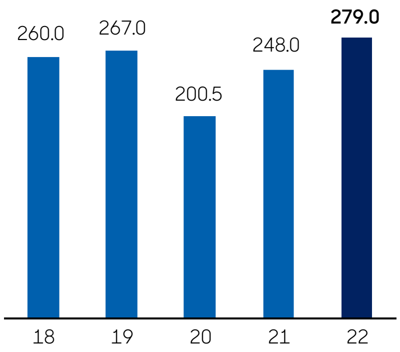
Measure	2022	2021
Net asset value per Ordinary share total return[A]	+11.4%	+34.0%
Share price total return[A]	+18.4%	+31.2%
Benchmark index total return	+13.0%	+26.7%
Earnings per share (revenue)	14.21p	12.33p
Dividends per Ordinary share	13.80p	13.20p
Dividend yield[A]	4.9%	5.3%

[A] Alternative Performance Measure (see pages 109 to 111).

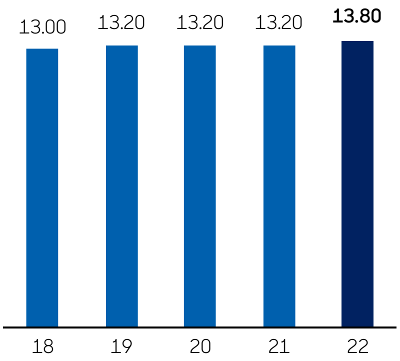
Net asset value per Ordinary share
At 31 March – pence



Ordinary share price
At 31 March – pence



Dividends per Ordinary share
Year ended 31 March – pence



Financial Calendar and Highlights

Financial Calendar

Online Shareholder Presentation	**22 June 2022**
Annual General Meeting	**6 July 2022**
Expected payment dates of quarterly dividends	**29 July 2022** **28 October 2022** **27 January 2023** **28 April 2023**
Half year end	**30 September 2022**
Expected announcement of results for the six months ending 30 September 2022	**November 2022**
Financial year end	**31 March 2023**
Expected announcement of results for year ending 31 March 2023	**May 2023**

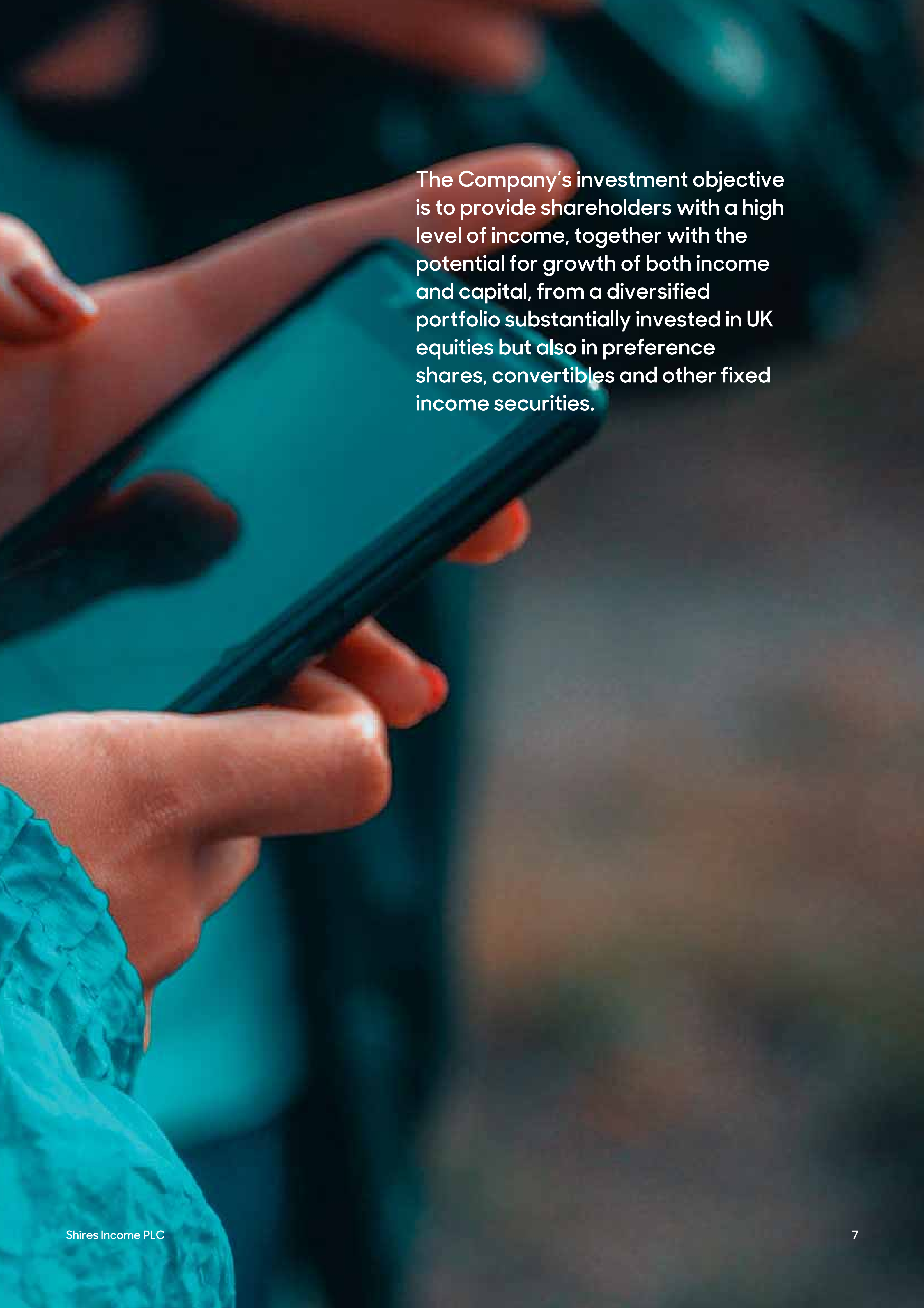
Highlights

	31 March 2022	31 March 2021	% change
Total assets (as defined on page 108)	**£104,819,000**	£99,856,000	+5.0
Shareholders' funds	**£85,819,000**	£80,857,000	+6.1
Market capitalisation[A]	**£85,987,000**	£76,371,000	+12.6
Net asset value per Ordinary share (as defined on page 108)[B]	**278.29p**	262.41p	+6.1
Share price	**279.00p**	248.00p	+12.5
Premium/(discount) to NAV (cum-income)[C]	**0.3%**	(5.5%)	
Net gearing[C]	**20.4%**	16.5%	
Dividend and earnings			
Revenue return per share[D]	**14.21p**	12.33p	+15.3
Dividend per share[E]	**13.80p**	13.20p	+4.5
Dividend cover[C]	**1.03**	0.93	
Revenue reserves[F]	**£6,705,000**	£6,517,000	
Dividend yield[C]	**4.9%**	5.3%	
Operating costs			
Ongoing charges ratio (excluding look-through costs)[C]	**0.98%**	1.00%	
Ongoing charges ratio (including look-through costs)[C]	**1.14%**	1.21%	

[A] Represents the number of Ordinary shares in issue in the Company multiplied by the Company's share price.
[B] Net asset value per Ordinary share is calculated after the repayment of the capital paid up on Cumulative Preference shares (see note 16 on page 92).
[C] Considered to be an Alternative Performance Measure, as defined on pages 109 and 110.
[D] Measures the revenue earnings for the year divided by the weighted average number of Ordinary shares in issue (see Statement of Comprehensive Income).
[E] The figures for dividend per share reflect the years in which they were earned (see note 9 on page 87).
[F] The revenue reserve figure does not take account of payment of the third interim or final dividend amounting to £2,281,000 (2021 – £2,217,000) combined.

Strategic Report

5.2% of the Company's listed equity portfolio is invested in the Telecommunications sector.



The Company's investment objective is to provide shareholders with a high level of income, together with the potential for growth of both income and capital, from a diversified portfolio substantially invested in UK equities but also in preference shares, convertibles and other fixed income securities.

Chairman's Statement

The year to 31 March 2022 was a volatile one for investors in many ways. The worst of the Covid-19 pandemic which has dominated many aspects of our lives for the past two years lessened, despite the emergence of new variants. Economic activity has picked up helped by an extremely supportive monetary policy stance and asset valuations have risen, supporting strong returns from equity markets over the period. However, the year ended with a rising number of challenges: the return of much higher levels of inflation than witnessed for decades; rising costs of living to consumers as both energy and food prices have become more elevated; and the tragic invasion of Ukraine by Russian forces calling into question many aspects of geo-political security and relations that many thought were settled. Navigating these forces has been challenging for all investors, yet the Company has managed to deliver good growth in net asset value ("NAV") and to protect and grow income for shareholders. Overall, while the outlook that we all face is uncertain, your company has retained its defensive characteristics and continues to deliver strong long-term performance coupled with a secure yield.

Performance

For the year ended 31 March 2022, the Company produced a NAV total return of 11.4%. Although strong in absolute terms, this lagged the return of 13.0% from the benchmark FTSE All-Share Index. However, the Company's share price performed more strongly, out-performing the benchmark, with a total return of 18.4% as the discount to NAV narrowed.

Over longer periods, performance remains strong, with NAV total returns over three and five years of 22.3% and 31.4%, versus benchmark returns of 16.8% and 25.8% respectively.

Despite positive relative performance from the equity portfolio, which returned 13.8%, the preference shares only returned 2.8% which, given rising bond yields, was not surprising. We do, however, continue to see a high level of income from these holdings justifying their continued inclusion in the portfolio.

Full details of performance for the year and portfolio activity are contained in the Investment Manager's Review on pages 26 to 30.

Earnings

The Company's revenue return for the year was 14.21p per share, compared to 12.33p per share for the previous year, an increase of 15.3%, as we saw companies return to paying dividends previously cut during the pandemic. As mentioned above, the Company's preference share portfolio also continues to provide a good source of stable income to the portfolio. The combination of income from the equities and preference shares meant that the revenue return recorded for the year was higher than its pre-pandemic level.

Dividend

The Company has paid three interim dividends of 3.20p per Ordinary share (2021: 3.00p). The Board is proposing a final dividend of 4.20p per Ordinary share (2021: 4.20p), which will be paid on 29 July 2022 to shareholders on the register on 8 July 2022. This final dividend brings total Ordinary share dividends for the year to 13.80p per share, an increase of 4.5% from the previous year (2021: 13.20p). Based on the year end share price of 279.0p, this equates to a dividend yield of 4.9%.

The final dividend brings total Ordinary share dividends for the year to 13.80p per share, an increase of 4.5% from the previous year.

It was pleasing to see that this year, helped by the strong bounce back in equity dividends, the Company returned to a fully covered dividend. During the previous year the Company had used some of its revenue reserves in order to maintain the dividend in the midst of the pandemic induced uncertainty. Following the payment of the final dividend, revenue reserves will stand at 1.04 times the current annual Ordinary share dividend cost. This gives the Board great security for funding future dividend payments, particularly in light of the uncertainties clouding the macroeconomic outlook. In addition, the Company also has the flexibility to pay dividends from its realised capital reserves, although the Board has no current intention of making use of this flexibility. Subject to unforeseen circumstances, it is proposed to continue during this financial year to pay three quarterly interim dividends of 3.20p each per Ordinary share and, as in previous years, the Board will decide on next year's final dividend having reviewed the full year results, taking into account the general outlook for the portfolio's investment income at that time.

Premium/(Discount)

At the end of the year, the Company's Ordinary shares were trading at a small premium of 0.3% to the NAV per share (including income) compared to a discount of 5.5% at the end of the previous year. We also saw the shares trading at a premium during the course of the year, which allowed us, in response to investor demand, to issue 25,000 new Ordinary shares on a non-dilutive basis.

The Board and Manager monitor the premium/discount of the Company's shares on an ongoing basis and the Board will seek to renew the appropriate share issuance and share buyback authorities at the Annual General Meeting.

Gearing

The Company's gearing level (net of cash) was 20.4% as at 31 March 2022 compared to 16.5% at the end of the previous year, with the difference due mainly to a lower amount of cash being held at the year end compared to last year.

Throughout the year, the Company's borrowing arrangements comprised its £20 million loan facility with Scotia Bank Europe PLC, due to mature in September 2022. The facility included a £10 million fixed rate loan and a £10 million revolving credit facility. For the whole of the year, £9 million of the revolving credit facility was drawn down resulting in total borrowings of £19 million.

Since the year end, the Board made the decision, in light of recent and potential future interest rate rises, together with some concern about access to credit within the wider economy, to renew the loan facility ahead of its expiry date in September 2022 and consequently entered into a new £20 million loan facility with The Royal Bank of Scotland International Limited, London Branch, on 3 May 2022. In addition, the Board took the view that securing a five-year agreement, so removing much uncertainty over future funding given its importance to the strategy of the Company, was the prudent thing to do.

£10 million of the new loan facility was drawn down and fixed at an all-in interest rate of 3.903%. £9 million of the facility was drawn down on a short-term basis and can be repaid without incurring any financial penalties. The proceeds of the new loan were used to repay and cancel in full the Company's previous loan facilities. The Company's total borrowings are therefore unchanged following the re-financing.

As in previous years, the Board takes the view that the borrowings are notionally invested in the less volatile fixed income part of the portfolio which generates a high level of income giving the Investment Manager greater ability to invest in a range of equity stocks with various yields. This combination means that the Company can achieve a high level of dividend but also deliver some capital appreciation to shareholders.

Ongoing Charges

I am pleased to report that the Company's ongoing charges (excluding look-through costs) decreased to 0.98% during the year (2021: 1.00%).

Board Composition

Following a thorough search process, Helen Sinclair was appointed to the Board as an independent non-executive Director on 1 February 2022 to replace Marian Glen who, having served on the Board for nine years, will be retiring from the Board at the AGM in July. I would like to take this opportunity on behalf of the whole Board to thank Marian for her outstanding contribution to the Company.

Following this change, the ongoing Board will have four members, two women and two men, all with considerable and relevant experience to exercise oversight to the benefit of shareholders. In accordance with the AIC Code of Corporate Governance, all Directors, with the exception of Marian and Helen, are standing for re-appointment at this year's AGM. Helen will be standing for appointment and her biography can be found on page 52.

Environmental, Social and Governance ("ESG")

You will see that the Investment Manager has provided a wealth of information on its approach to ESG matters in this Annual Report and how this is taken into account in the investment decision-making process.

The Board remains very comfortable with the Investment Manager's approach to ESG, with its strong emphasis upon engagement with companies hoping to bring about positive corporate change and improved investor outcomes. Recent geo-political events have highlighted that blanket exclusions may not be entirely wise when considering shareholder returns and that a more nuanced approach is more appropriate when considering issues such as energy security or even national security which are extremely important to society as a whole.

Annual General Meeting ("AGM") and Online Shareholder Presentation

The Company's AGM will take place at 12 noon on Wednesday 6 July 2022 at the offices of abrdn plc, Bow Bells House, 1 Bread Street, London, EC4M 9HH and will be followed by lunch.We are delighted to be able to finally meet with shareholders in person this year and hope to see many of you there.

Chairman's Statement

Continued

We encourage all shareholders to complete and return the Proxy Form enclosed with the Annual Report so as to ensure that your votes are represented at the meeting. If you hold your shares in the Company via a share plan or a platform and would like to attend and / or vote at the AGM, then you will need to make arrangements with the administrator of your share plan or platform. For this purpose, investors who hold their shares in the Company via the abrdn Investment Plan for Children, Share Plan or ISA will find a Letter of Direction enclosed. Shareholders are encouraged to complete and return their Proxy Forms / Letters of Direction in accordance with the instructions.

The Notice of the Meeting is contained on pages 114 to 117.

As you may recall, in the absence of a physical AGM last year, we held an Online Shareholder Presentation, at which a presentation was given by the Investment Manager, the Chairman and the Audit Committee Chairman, and attendees had the opportunity to ask questions of the Manager and the Board.

As this event proved very popular, we have decided to hold another Online Shareholder Presentation this year, in addition to the AGM, which will be held on Wednesday 22 June 2022 at 10:00 a.m.

Full details on how to register for the event can be found at:
www.workcast.com/register?cpak=4861163585974988

Details are also contained on the Company's website. Should you be unable to attend the online event, the Investment Manager's presentation will be made available on the Company's website shortly after the presentation.

You will be able to ask questions during the presentation, but you are also able to submit questions in advance at the following email address: **shires.income@abrdn.com.** We hope that for those unable to attend the AGM, this will be a useful way of communicating with the Manager and the Board.

Outlook

The war in Ukraine is starting to crystallise in many commentators' minds that there is a retreat from globalisation, and many of the benefits which had flowed from this, that had existed for the past few decades. Not only does this mean that geo-political risks to economies and financial markets have risen directly, but it is also leading businesses to re-evaluate their supply chains with a greater focus upon security rather than purely upon efficiency. Overall, the costs to business in conducting their operations are rising with as yet uncertain effects upon profitability. In addition, it now appears clear that inflation, at much higher levels than has been prevalent for decades, could well become embedded in economies for some time. The ability of companies to navigate rising cost inflation and pass this onto customers will be increasingly important to delivered profitability.

While there are a number of uncertainties clouding the investment outlook the Board believes that the Investment Manager's approach should provide shareholders with confidence in the future of the Company.

These changes, along with a shift in central bank policy towards a much tighter monetary stance, will likely lead to both greater head-winds to equity market advances and a change in market leadership: the pure 'growth' investment style that has worked best for the last ten years which relied partly on ultra-low interest rates, will not necessarily be as successful in the next cycle. Our expectation is that a more balanced approach encompassing growth and value names should be more successful. Your company's Investment Manager focuses on a bottom-up approach to investing, looking for undervalued companies with quality attributes and the ability to generate income. The commitment to detailed analysis and knowledge of the UK stock market supports the aim of the Company to deliver long-term capital growth and resilient income for our shareholders. Overall, while there are a number of uncertainties clouding the investment outlook the Board believes that the Investment Manager's approach should provide shareholders with confidence in the future of the Company.

Robert Talbut
Chairman
25 May 2022

Overview of Strategy

Business Model
The business of the Company is that of an investment company which qualifies as an investment trust for tax purposes. The Directors do not envisage any change in this activity in the foreseeable future.

Investment Objective
The Company's investment objective is to provide shareholders with a high level of income, together with the potential for growth of both income and capital, from a diversified portfolio substantially invested in UK equities but also in preference shares, convertibles and other fixed income securities.

Investment Policy
In pursuit of its objective, the Company's policy is to invest principally in the ordinary shares of UK quoted companies, and in preference shares, convertibles and other fixed income securities with above average yields.

The Company generates income primarily from ordinary shares, preference shares, convertibles and other fixed income securities. It also generates income by writing call and put options on shares owned, or shares the Company would like to own. By doing so, the Company generates premium income.

Risk Diversification
In order to ensure adequate diversification, the Board sets absolute limits on maximum holdings and exposures in the portfolio from time to time. These limits do not form part of the investment policy and can be changed or overridden with Board approval. The current limits are disclosed under the heading "Board Investment Limits" below.

Gearing
The Directors are responsible for determining the gearing strategy of the Company. Gearing is used with the intention of enhancing long-term returns. Gearing is subject to a maximum equity gearing level of 35% of net assets at the time of drawdown. Any borrowing, except for short-term liquidity purposes, is used for investment purposes.

Delivering the Investment Policy
The Directors are responsible for determining the investment objective and investment policy of the Company, although any significant changes are required to be approved by shareholders at a general meeting. Day-to-day management of the Company's assets has been delegated, via the Alternative Investment Fund Manager (the "AIFM"), to the Investment Manager.

Board Investment Limits
In order to ensure adequate diversification, the Board has set absolute limits on maximum holdings and exposures in the portfolio at the time of acquisition. These can only be overridden with Board approval. The current limits include the following:

- Maximum 10% of total assets invested in the equity securities of overseas companies;
- Maximum 7.5% of total assets invested in the securities of one company (excluding abrdn Smaller Companies Income Trust plc);
- Maximum 5% of quoted investee company's ordinary shares (excluding abrdn Smaller Companies Income Trust plc); and
- Maximum 10% of total assets invested directly in AIM holdings.

The Board assesses on a regular basis with the Manager the applicability of these investment limits, the use of gearing and risk diversification, whilst aiming to meet the overall investment objectives of the Company.

Preference Shares
The Company also invests in preference shares, primarily to enhance the income generation of the Company. The majority of these investments are in large financial institutions. Issue sizes are normally relatively small and the underlying securities are relatively illiquid by comparison with the equity component of the portfolio. A maximum of 7.5% of total assets may be invested in the preference shares of any one company. In addition, the Company cannot hold more than 10% of any investee company's preference shares.

Traded Options Contracts
The Company enters into traded option contracts, primarily to enhance the income generation of the Company. The risks associated with these option contracts are managed through the principal guidelines below, which operated in the year under review:

- Call options written to be covered by stock;
- Put options written to be covered by net current assets/borrowing facilities;
- Call options not to be written on more than 10% of the equity portfolio; and
- Put options not to be written on more than 10% of the equity portfolio.

Overview of Strategy

Continued

Investment Process

The investment process and risk controls employed by the Investment Manager are described on pages 102 to 103.

Benchmark

In assessing its performance, the Company compares its returns with the returns of the FTSE All-Share Index (total return).

Promoting the Success of the Company

The Board's statement on pages 19 to 21 describes how the Directors have discharged their duties and responsibilities over the course of the financial year under section 172 (1) of the Companies Act 2006 and how they have promoted the success of the Company.

Key Performance Indicators ("KPIs")

The Board uses a number of financial performance measures to assess the Company's success in achieving its objective and determining the progress of the Company in pursuing its investment policy. The main KPIs identified by the Board in relation to the Company, which are considered at each Board meeting, are shown in the table below:

KPI	Description
Performance of NAV	The Board considers the Company's NAV total return figures to be the best indicator of performance over time and this is therefore the main indicator of performance used by the Board. The figures for each of the past ten years are set out on page 25.
Revenue return per Ordinary share	The Board monitors the Company's net revenue return (earnings per share). The revenue returns per Ordinary share for each of the past ten years are set out on page 25.
Dividend per share	The Board monitors the Company's annual dividends per Ordinary share and the extent to which dividends are covered by current net revenue and revenue reserves. The dividends per share for each of the past ten years are set out on page 25.
Performance against benchmark index	The Board measures performance over the medium to long-term, on a total return basis against the benchmark index – the FTSE All-Share Index (total return). Cumulative performance figures for the past ten years are set out on page 25. The figures for this year and the past three and five years are set out on page 22 and a graph showing performance against the benchmark index over the past five years is shown on page 23.
Share price performance	The Board monitors the performance of the Company's share price on a total return basis. Cumulative performance figures for the past ten years are set out on page 25. The returns for this year and for the past three and five years are set out on page 22 and a graph showing the share price total return performance against the benchmark index over the past five years is included on page 23.
Premium/discount to NAV	The premium/discount relative to the NAV per share represented by the share price is closely monitored by the Board. A graph showing the history of the premium/discount for the past five years is included on page 23. The Board also monitors trading activity in the Company's shares on a regular basis.
Ongoing charges	The Board monitors the Company's operating costs carefully. Ongoing charges for the year and the previous year are disclosed on page 5. Some of the operating costs are fixed whilst the most significant cost, being the investment management fee, is variable depending on the net asset value of the Company.

Principal and Emerging Risks and Uncertainties

The Board carries out a regular review of the risk environment in which the Company operates, changes to that environment and to individual risks. The Board also identifies emerging risks which might impact on the Company. During the year, the most significant risks were inflation and the resultant volatility that it created in global stock markets. In addition, recent events in Ukraine have created geo-political uncertainty which has further increased market risk premia and volatility.

There are a number of other risks which, if realised, could have a material adverse effect on the Company and its financial condition, performance and prospects. The Board has carried out a robust assessment of the Company's principal and emerging risks, which include those that would threaten its business model, future performance, solvency, liquidity or reputation and has endeavoured to find means of mitigating those risks, wherever practical.

The principal risks and uncertainties faced by the Company are reviewed by the Audit Committee in the form of a risk matrix. The assessment of risks and their mitigation continues to be an area of significant focus for the Audit Committee.

The Board also regularly identifies and evaluates newly emerging risks, for example the impact of climate change, and monitors these closely, as appropriate for the Company. The impact of climate change is not considered to be material to the financial statements as the entire investment portfolio consists of listed equities and preference shares and the quoted market (being bid) price is expected to reflect market participants' view of climate change risk.

The principal risks and uncertainties facing the Company at the current time, together with a description of the mitigating actions the Board has taken, are set out in the table below.

The principal risks associated with an investment in the Company's shares are published monthly in the Company's factsheet and they can be found in the pre-investment disclosure document ("PIDD") published by the Manager, both of which are available on the Company's website.

Description	Mitigating Actions
Strategic objectives and investment policy – a lack of demand for the Company's shares due to its objectives becoming unattractive to investors, or a negative perception of investment trusts, could result in a widening of the discount of the share price to its underlying NAV and a fall in the value of its shares.	The Board formally reviews the Company's objectives and strategies for achieving them on an annual basis, or more regularly if appropriate. The Board is cognisant of the importance of regular communication with shareholders and knowledge of what encourages investment in the Company. Directors attend meetings with shareholders where practical, host the Annual General Meeting as a forum for shareholder contact and regularly discuss shareholder investment behaviour with the Manager, including trends on investment platforms and shareholder themes. The Board reviews shareholder feedback through reports provided by the Manager's Investor Relations team and also receives feedback from the Company's Stockbroker. The Board and Manager keep the level of discount under constant review, as well as changes to the Company's shareholder register.

Overview of Strategy

Continued

Description	Mitigating Actions
Investment performance – performance of the portfolio when measured against the benchmark.	The Board meets the Manager on a regular basis and keeps investment performance under close review. This includes performance attribution by sector and stock, and liquidity analysis, as well as the degree of diversification in the portfolio and income sustainability through examination of forward income projections. Representatives of the Investment Manager attend all Board meetings and a detailed formal appraisal of the abrdn Group is carried out annually by the Management Engagement Committee. The Board sets, and monitors, the investment restrictions and guidelines, and receives regular reports which include performance reporting on the implementation of the investment policy, the investment process, risk management and application of the guidelines. Investment risk within the portfolio is managed in four ways: · Adherence by the Investment Manager to the investment process in order to minimise investments in poor quality companies and/or overpaying for investments. · Diversification of investment – seeking to invest in a wide variety of companies with strong balance sheets and the earnings power to pay increasing dividends. In addition, investments are diversified by sector in order to reduce the risk of a single large exposure. The Company invests mainly in equities and preference shares. · Adherence by the Investment Manager to the investment limits set by the Board (see page 11). · Examination of changes to the portfolio and emerging investment themes, including relative to benchmark constituents. **Investment in UK smaller companies** In order to gain exposure to a higher growth sector, rather than holding a number of smaller companies' shares, the Company invests indirectly into this part of the equity market through one holding in abrdn Smaller Companies Income Trust plc, which is also managed by the Manager. Given its size (representing 8.8% of the Company's portfolio as at 31 March 2022) the Directors regularly review this holding, including its liquidity. All of the directors of abrdn Smaller Companies Income Trust PLC are independent of Shires Income plc. The Manager does not charge any management fee in respect of the amount of the Company's assets attributable to this holding. **Investment in preference shares** The Company has longstanding holdings in a number of preference shares with no fixed redemption dates, as detailed on page 43 (representing 24.1% of the Company's portfolio as at 31 March 2022). The Directors regularly review these investments, which are held primarily to enhance the income generation of the Company. By their nature, their price movements will be subject to a number of factors and, in normal market conditions, will tend to respond less to pricing movements in equity markets. Issue sizes of these preference shares are normally relatively small and with associated low secondary market liquidity by comparison with the equity component of the portfolio. The Board also considers the long-term nature of these investments and the impact of any potential changes on duration on the portfolio and its returns, as well as the sustainability of the dividends paid.

Description	Mitigating Actions
Failure to maintain, and grow the dividend over the longer term – the level of the Company's dividends and future dividend growth will depend on the performance of the underlying portfolio.	The Directors review detailed income forecasts at each Board meeting and discuss the Investment Manager's outlook for dividends. The Company has revenue reserves which it can draw upon should there be a shortfall in revenue returns in a year, and also has the ability to pay dividends from realised capital reserves. The Board regularly reviews forward net revenue projections and takes into account revenue reserves in setting quarterly dividend levels.
Widening of discount – a number of factors including the setting of an unattractive strategic investment proposition, changing investor sentiment and investment underperformance may lead to a decrease in demand for the Company's shares and a widening of the difference between the share price and the NAV per share.	The Board monitors the Company's Ordinary share price relative to the NAV per share and keeps the level of premium or discount at which the Company's shares trade under review. The Board also keeps the investment objective and policy under review and holds an annual strategy meeting where it reviews investor relations reports and updates from the Manager and the Company's Stockbroker. The Directors are updated at each Board meeting on the composition of, and any movements in, the shareholder register, which is retail investor dominated. The Board annually agrees a marketing programme and budget with the Manager, and receives updates regularly on both marketing and investor relations. The Board has a close focus on investor platform activity which has been the dominant change over recent years in how retail investors choose to acquire and hold their shares. This includes contact with the platform operators through the Manager.
Gearing – a fall in the value of the Company's investment portfolio could be exacerbated by the impact of gearing. It could also result in a breach of loan covenants and the forced sale of investments.	The Board sets the gearing limits within which the Investment Manager can operate. Gearing levels and compliance with loan covenants are monitored on an ongoing basis by the Manager and at regular Board meetings, or between scheduled Board meetings if required. In the event of a possible impending covenant breach, appropriate action would be taken to reduce borrowing levels. The financial covenants attached to the Company's borrowings currently provide for significant headroom. The maximum equity gearing level is 35% of net assets at the time of drawdown, which constrains the amount of gearing that can be invested in equities which are more volatile than the fixed interest part of the portfolio. The use of gearing has been an important facilitator of the income returns from the portfolio, particularly in financing the high yield preference share proportion of the portfolio which has historically provided significant dividend income for the Company. The Company's gearing includes a revolving credit facility which can be reduced without any significant financial penalties for early repayment and at relatively short notice.
Regulatory obligations – failure to comply with relevant laws and regulations could result in fines, loss of reputation and potentially loss of an advantageous tax regime.	The Board and Manager monitor changes in government policy and legislation which may have an impact on the Company, and the Audit Committee monitors compliance with regulations by reviewing internal control reports from the Manager. The Board is kept aware of proposed changes to laws and regulations, considers the changes and applies them as appropriate, if they are not already being met. From time to time the Board employs external advisers to advise on specific regulatory and governance matters.

Overview of Strategy

Continued

Description	Mitigating Actions
Operational – the Company is dependent on third parties for the provision of all systems and services (in particular, those of the abrdn Group) and any control failures and gaps in their systems and services, including in relation to cyber security, could result in a loss or damage to the Company.	The Board receives reports from the Manager on its internal controls and risk management processes and receives assurances from the Manager and all its other significant service providers on at least an annual basis, including on matters relating to operational resilience and cyber security. Written agreements are in place with all third party service providers. The Manager monitors closely the control environments and quality of services provided by third parties, including those of the Depositary and Custodian, through service level agreements, regular meetings and key performance indicators. The operational requirements of the Company, including its service providers, were subject to rigorous testing during the Covid-19 pandemic, including increased use of online communication and out of office working and reporting. The Board reviews management accounts and forecast revenue and expense statements at each Board meeting and the Audit Committee is closely involved in the financial reporting of the Company. Financial records are subject to an annual audit and the Audit Committee receives reports from the Manager on internal controls and is advised of any control breaches or reporting errors. Further details of the internal controls which are in place are set out in the Audit Committee's Report on pages 63 to 64.
Exogenous risks such as health, social, financial, economic and geo-political – the financial impact of such risks, associated with the portfolio or the Company itself, could result in losses to the Company.	At any given time, the Company has sufficient cash resources to meet its operating requirements. In common with most commercial operations, exogenous risks over which the Company has no control are always a risk. This includes the Covid-19 pandemic, current events in Ukraine and the impact of higher inflation. The Company does what it can to address these risks where possible and to try and meet the Company's investment objectives. In relation to the recent events in Ukraine, the Board has liaised closely with the Manager to establish the impact on the Company, including the performance of individual holdings within the portfolio. The Board is supportive of the Investment Manager's approach to environmental, social and governance ("ESG") risks and welcomes its active engagement with company management. Through this activity, the Investment Manager aims to identify and manage the exposure to such risks over time. The Investment Manager's Approach to ESG Matters is included on pages 31 to 35. The financial and economic risks associated with the Company include market risk, liquidity risk and credit risk, all of which the Investment Manager seeks to mitigate. Further details of the steps taken to mitigate the financial risks associated with the portfolio are set out in note 18 to the financial statements.

External Agencies

In addition to the services provided to the Company by the abrdn Group, the Board has contractually delegated certain services to external service suppliers, including: depositary services (which include the safekeeping of the Company's assets) (BNP Paribas Securities Services, London Branch) and share registration services (Equiniti Limited). Each of these services was entered into after full and proper consideration by the Board of the quality and cost of services offered. In addition, day-to-day accounting and administration services are provided, through delegation by the Manager, by BNP Paribas Securities Services.

Promotional Activities

The Board recognises the importance of promoting the Company to prospective investors both for improving liquidity and enhancing the rating of the Company's shares. The Board believes one effective way to achieve this is through subscription to, and participation in, the promotional programme run by the abrdn Group on behalf of a number of investment trusts under its management. The Company's financial contribution to the programme is matched by the abrdn Group. The Company also supports the Manager's investor relations programme which involves regional roadshows to existing and potential shareholders, promotional and public relations campaigns. During the Covid-19 pandemic, a number of events that were usually held physically were substituted with virtual events. The Manager's promotional and investor relations teams report to the Board on a quarterly basis giving analysis of the promotional activities as well as updates on the shareholder register and any changes in the make up of that register.

The purpose of the promotional and investor relations programmes is both to communicate effectively with existing shareholders and to gain new shareholders, with the aim of improving liquidity and enhancing the value and rating of the Company's shares. Communicating the long-term attractions of the Company is key. The promotional programme includes commissioning independent paid for research on the Company, most recently from Kepler Trust Intelligence. A copy of the latest research note is available from the Company's website.

Board Diversity

The Board recognises the importance of having a range of skilled, experienced individuals with the right knowledge represented on the Board in order to allow it to fulfil its obligations. The Board also recognises the benefits of, and is supportive of, the principle of diversity in its recruitment of new Board members. The Board will not display any bias for age, gender, race, sexual orientation, religion, ethnic or national origins, or disability in considering the appointment of its Directors. In view of its size, the Board will continue to ensure that all appointments are made on the basis of merit against the specification prepared for each appointment, with the aim of retaining a small, cohesive board with the requisite skills and experience to acquit the Board's responsibilities well. At 31 March 2022, there were two male Directors and three female Directors.

Environmental, Social and Human Rights Issues

The Company has no employees as the Board has delegated the day-to-day management and administrative functions to the Manager. There are therefore no disclosures to be made in respect of employees or environmental matters.

Modern Slavery Act

Due to the nature of the Company's business, being a company that does not offer goods and services to customers, the Board considers that it is not within the scope of the Modern Slavery Act 2015 because it has no turnover. The Company is therefore not required to make a slavery and human trafficking statement. In any event, the Board considers the Company's supply chains, dealing predominantly with professional advisers and service providers in the financial services industry, to be low risk in relation to this matter.

Environmental, Social and Governance ("ESG") Matters

The Board is supportive of the Investment Manager's approach to ESG issues, including climate change, and welcomes its active engagement with company management. The Investment Manager's Approach to ESG Matters is included on pages 31 to 35.

Overview of Strategy

Continued

The UK Stewardship Code and Proxy Voting

The Company supports the UK Stewardship Code, and seeks to play its role in supporting good stewardship of the companies in which it invests. Responsibility for actively monitoring the activities of portfolio companies has been delegated by the Board to the Manager which has sub-delegated that authority to the Investment Manager. abrdn plc is a tier 1 signatory of the UK Stewardship Code which aims to enhance the quality of engagement by investors with investee companies in order to improve their socially responsible performance and the long-term investment return to shareholders. While delivery of stewardship activities has been delegated to the Manager, the Board acknowledges its role in setting the tone for the effective delivery of stewardship on the Company's behalf.

The Board has also given discretionary powers to the Manager to exercise voting rights on resolutions proposed by the investee companies within the Company's portfolio. The Manager reports on a quarterly basis on stewardship (including voting) issues.

Global Greenhouse Gas Emissions

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Viability Statement

The Board considers the Company, with no fixed life, to be a long-term investment vehicle but, for the purposes of this viability statement, has decided that three years is an appropriate period over which to report, irrespective of any exogenous risks that the Company may face. The Board considers that this period reflects a balance between a longer-term investment horizon, the inherent uncertainties within equity markets and the specifics of a closed-end investment company where its central purpose is different from other listed commercial and industrial companies.

In assessing the viability of the Company over the review period, the Directors have focused upon the following factors:

- The principal risks and uncertainties detailed on pages 13 to 16 and the steps taken to mitigate these risks.
- The ongoing relevance of the Company's investment objective.
- The liquidity of the Company's portfolio. The majority of the portfolio is invested in readily realisable listed securities.
- The level of ongoing expenses. The Company's annual expenses, excluding the cost of the dividend, are expected to continue to be covered by annual investment income.
- The level of gearing. This is closely monitored and stress testing is carried out by the Manager. The financial covenants attached to the Company's borrowings provide for significant headroom. Since the year end, the Company's £20 million loan facility has been repaid and a new five year £20 million loan facility has been entered into.
- Regulatory or market changes.
- The robustness of the operations of the Company's third party service providers.

In making its assessment, the Board has considered that there are other matters that could have an impact on the Company's prospects or viability in the future, including the current events in Ukraine, economic shocks, significant stock market volatility, the emerging risk of climate change, and changes in regulation or investor sentiment, including on income propensities.

Taking into account the Company's current position and the potential impact of its principal risks and uncertainties and emerging risks, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of three years from the date of approval of this Report.

Outlook

The Board's view on the general outlook for the Company can be found in the Chairman's Statement on page 10 whilst the Investment Manager's views on the outlook for the portfolio are included on pages 29 to 30.

On behalf of the Board
Robert Talbut
Chairman
25 May 2022

Promoting the Success of the Company

How the Board Meets its Obligations Under Section 172 of the Companies Act

The Board is required to describe to the Company's shareholders how the Directors have discharged their duties and responsibilities over the course of the financial year under section 172 (1) of the Companies Act 2006 (the "Section 172 Statement"). The Board provides below an explanation of how the Directors have promoted the success of the Company for the benefit of its members as a whole, taking into account, amongst other things, the likely long-term consequences of decisions, the need to foster business relationships with all stakeholders and the impact of the Company's operations on the environment.

The Purpose of the Company and Role of the Board

The purpose of the Company is to act as an investment vehicle to provide, over time, financial returns (both income and capital) to its shareholders. Investment trusts, such as the Company, are long-term investment vehicles and are typically externally managed, have no employees, and are overseen by an independent non-executive board of directors.

The Board, which, at the year end, comprised five independent non-executive Directors with a broad range of skills and experience across all major functions that affect the Company, retains responsibility for taking all decisions relating to the Company's investment objective and policy, gearing, corporate governance and strategy, and for monitoring the performance of the Company's service providers.

The Board's philosophy is that the Company should operate in a transparent culture where all parties are treated with respect and provided with the opportunity to offer practical challenge and participate in positive debate which is focused on the aim of achieving the expectations of shareholders and other stakeholders alike.

The Board reviews the culture and manner in which the Manager and Investment Manager operate at its regular meetings and receives regular reporting and feedback from the other key service providers. The Board is very conscious of the ways it promotes the Company's culture and ensures as part of its regular oversight that the integrity of the Company's affairs is foremost in mind in the way that the activities are managed and promoted. The Board works very closely with the Manager and Investment Manager in reviewing how stakeholder issues are handled, ensuring good governance and responsibility in managing the Company's affairs, as well as visibility and openness in how the affairs are conducted.

The Company's main stakeholders have been identified as its shareholders, the Manager/Investment Manager, service providers, investee companies, its debt provider and, more broadly, the community at large and the environment.

How the Board Engages with Stakeholders

The Board considers its stakeholders at Board meetings and receives feedback on the Manager's interactions with them.

During the Covid-19 pandemic, direct interaction with stakeholders was more challenging, and a number of shareholder events that were usually held physically were substituted with virtual events. However, the Board, through the Manager and its other agents, endeavoured to maintain close contact and to analyse feedback, particularly from shareholders, given the potential changes in their aspirations in those challenging times.

The Board and Manager also continue to consider how best to engage with private investors who invest through platforms, not least to increase voting participation at general meetings of the Company.

Stakeholder	How We Engage
Shareholders	Shareholders are key stakeholders and the Board places great importance on communication with them. The Board welcomes all shareholders' views and aims to act fairly between all shareholders. The Company's shareholder register is retail dominated and the Manager and Company's Stockbroker regularly meet with current and prospective shareholders to discuss performance. Shareholder feedback is discussed by the Directors at each Board meeting. The Company subscribes to the Manager's investor relations programme in order to maintain communication channels with shareholders. Regular updates are provided to shareholders through the Annual Report, Half-Yearly Report, monthly factsheets, Company announcements, including daily NAV announcements, and through the Company's website.

Promoting the Success of the Company

Continued

Stakeholder	How We Engage
	The Company's Annual General Meeting provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Manager. The Board encourages as many shareholders as possible to attend the Company's Annual General Meeting and to provide feedback on the Company. In addition to the Annual General Meeting, there will be an Online Shareholder Presentation again this year following a favourable response last year (see comments in the Chairman's Statement on pages 9 to 10 regarding arrangements for the Annual General Meeting this year and the Online Shareholder Presentation). The Board welcomes contact with shareholders and has put in place ways of receiving shareholder questions and responding to them. During the year, the Investment Manager held meetings with a number of the Company's larger shareholders to update them on the Company and to receive any feedback or concerns. The Board is keen to have increased shareholder voting at general meetings of the Company and reviews ways in which there can be greater communication with the largely private investor shareholder base.
Manager/Investment Manager	The Investment Manager's Review on pages 26 to 30 details the key investment decisions taken during the year. The Investment Manager has continued to manage the Company's assets in accordance with the mandate agreed with shareholders, with the oversight of the Board. The Board regularly reviews the Company's performance against its investment objective and undertakes an annual strategy review meeting to ensure that the Company is positioned well for the future delivery of its objective for its shareholders. The Board receives presentations from the Investment Manager at every Board meeting to help it to exercise effective oversight of the Investment Manager and the Company's strategy. The Board, through the Management Engagement Committee, formally reviews the performance of the Manager and Investment Manager at least annually. More details are provided on page 56.
Service Providers	The Board seeks to maintain constructive relationships with the Company's suppliers either directly or through the Manager with regular communications and meetings. The Management Engagement Committee conducts an annual review of the performance, terms and conditions of the Company's main service providers to ensure they are performing in line with Board expectations, undertaking their responsibilities and providing value for money.
Investee Companies	Responsibility for actively monitoring the activities of portfolio companies has been delegated by the Board to the Manager which has sub-delegated that authority to the Investment Manager. The Board has also given discretionary powers to the Manager to exercise voting rights on resolutions proposed by the investee companies within the Company's portfolio. The Manager reports on a quarterly basis on stewardship (including voting) issues. Through engagement and exercising voting rights, the Investment Manager actively works with companies to improve corporate standards, transparency and accountability. Further details are provided on page 18. The Board monitors investments made and divested and questions the rationale for investment and voting decisions made.

Stakeholder	How We Engage
Debt Provider	On behalf of the Board, the Manager maintains a positive working relationship with the provider of the Company's loan facility, and provides regular updates to the Board on business activity and compliance with its loan covenants. Gearing is an important component of the Company's capital structure.
Environment and Community	The Board and Manager are committed to investing in a responsible manner and the Investment Manager embeds Environmental, Social and Governance ("ESG") considerations into its research and analysis as part of the investment decision-making process. Further details are provided on pages 31 to 35.

Specific Examples of Stakeholder Consideration During the Year

The Board is fully engaged in both oversight and the general strategic direction of the Company. During the year, the Board's main strategic discussions focussed around income management, with a portfolio consisting of various parts, including equities, fixed interest securities, options and exposure to UK smaller companies through abrdn Smaller Companies Income Trust plc, a closed-end investment company.

While the importance of giving due consideration to the Company's stakeholders is not a new requirement, and is considered during every Board decision, the Directors were particularly mindful of stakeholder considerations during the following decisions undertaken during the year ended 31 March 2022.

Management of the Portfolio

The Investment Manager's Review on pages 26 to 30 details the key investment decisions taken during the year. The overall shape and structure of the investment portfolio is an important factor in delivering the Company's stated investment objective.

The Board held its annual strategy meeting during the year at which it considered a number of factors, including the overall shape and composition of the portfolio, feedback from shareholders and the Company's Stockbroker, and medium term revenue forecasts.

As explained in more detail on page 26, during the year, the Management Engagement Committee decided that the continuing appointment of the Manager was in the best interests of shareholders.

Dividend

Following the payment of the final dividend for the year, of 4.20p per Ordinary share, total dividends for the year will amount to 13.80p per Ordinary share, representing a dividend yield of 4.9% based on the share price of 279.0p at the end of the financial year. This is in accordance with the Company's objective to provide shareholders with a high level of income.

In deciding on the level of dividend for the year, the Board took into account the revenue earnings per Ordinary share for the year, forecast revenues for subsequent years and the level of revenue reserves.

Through meetings with shareholders and feedback from the Manager and the Company's Stockbroker, the Board remains conscious of the importance that shareholders place on the level of dividends paid by the Company.

Online Shareholder Presentation

As explained in the Chairman's Statement on pages 9 and 10, to encourage and promote interaction and engagement with the Company's shareholders, the Board has again decided to hold an interactive Online Shareholder Presentation which will be held at 10.00am on Wednesday 22 June 2022. At the presentation, shareholders will receive updates from the Chairman and Investment Manager and there will be an interactive question and answer session. The online presentation is being held ahead of the AGM in order to allow shareholders to submit their proxy votes prior to the meeting.

On behalf of the Board
Robert Talbut
Chairman
25 May 2022

Performance

Performance (Total Return)

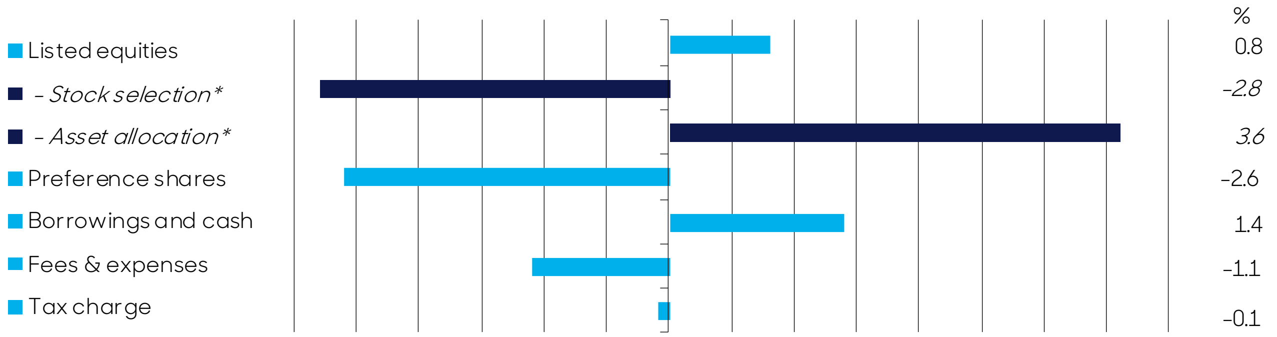
	1 year % return	3 year % return	5 year % return
Net asset value[A]	+11.4	+22.3	+31.4
Share price[A] (based on mid-market)	+18.4	+22.4	+48.4
FTSE All-Share Index	+13.0	+16.8	+25.8

[A] Considered to be an Alternative Performance Measure. See page 111 for further information.
All figures are for total return and assume re-investment of net dividends excluding transaction costs.
Source: abrdn plc, Morningstar & Factset

Analysis of Total Return Performance

	%
Gross assets total return	**10.3**
Total NAV return per share	11.4
Total return on FTSE All-Share Index	13.0
Relative performance of NAV compared to FTSE All-Share Index	**-1.6**

Analysis of Performance for the year relative to the FTSE All-Share Index

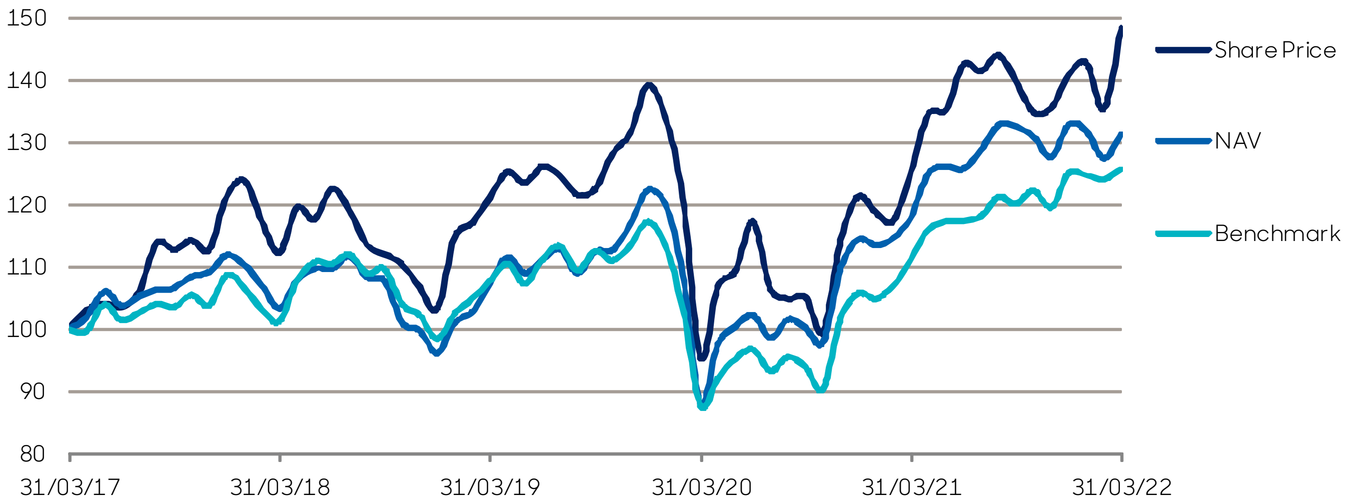


The above table shows the composition of the relative performance of the NAV total return compared to the benchmark index. In particular, it shows the contribution from the Listed Equities Portfolio and from the Preference shares. Within the Listed Equites Portfolio, the contributions to relative performance come from exposure to individual stocks (Stock Selection) and sectors (Asset Allocation).

* Further analysis of performance attributable to listed equities.

Total Return of NAV and Ordinary Share Price vs FTSE All-Share Index

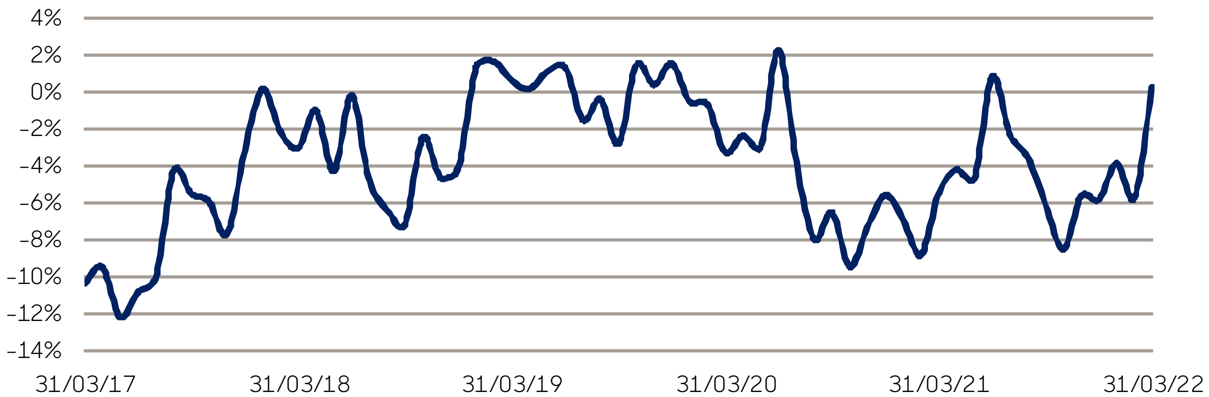
Five years to 31 March 2022. Figures are total return and have been rebased to 100 at 31 March 2017



Source: abrdn plc, Morningstar & Lipper

Ordinary Share Price Premium/(Discount) to NAV (cum-income)

Five years to 31 March 2022



Source: Morningstar & Lipper

Performance

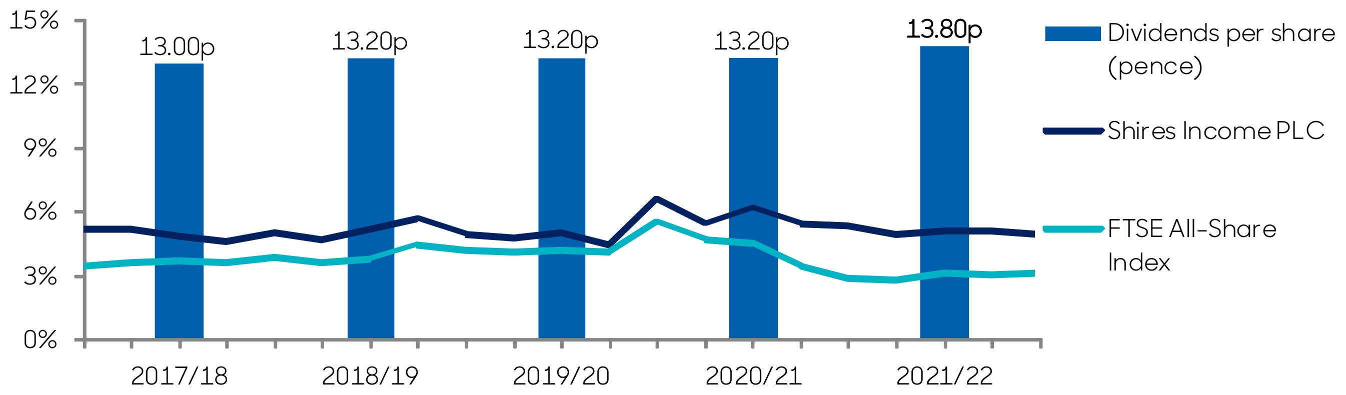
Continued

Dividends

	Rate per share	XD date	Record date	Payment date
First interim dividend	**3.20p**	**7 October 2021**	**8 October 2021**	**29 October 2021**
Second interim dividend	**3.20p**	**6 January 2022**	**7 January 2022**	**28 January 2022**
Third interim dividend	**3.20p**	**7 April 2022**	**8 April 2022**	**29 April 2022**
Proposed final dividend	**4.20p**	**7 July 2022**	**8 July 2022**	**29 July 2022**
2021/22	**13.80p**			
First interim dividend	3.00p	1 October 2020	2 October 2020	23 October 2020
Second interim dividend	3.00p	7 January 2021	8 January 2021	29 January 2021
Third interim dividend	3.00p	8 April 2021	9 April 2021	30 April 2021
Proposed final dividend	4.20p	8 July 2021	9 July 2021	30 July 2021
2020/21	13.20p			

Net Dividend Yield

Five years to 31 March 2022



Ten Year Financial Record

Year to 31 March	2013	2014	2015	2016	2017	2018	2019	2020*	2021*	2022*
Revenue available for ordinary dividends (£'000)	3,556	3,789	3,877	3,617	3,925	4,106	3,920	3,961	3,796	**4,379**
Per share (p)										
Net revenue earnings	11.9	12.6	12.9	12.1	13.1	13.7	13.1	13.0	12.3	**14.2**
Net dividends paid/proposed	12.00	12.00	12.25	12.25	12.75	13.00	13.20	13.20	13.20	**13.80**
Net total earnings	53.5	26.0	23.1	(17.8)	54.5	9.4	10.3	(45.4)	68.2	**29.5**
Net asset value	234.4	248.4	259.5	229.4	271.6	268.2	265.5	207.4	262.4	**278.3**
Share price (mid-market)	233.0	252.3	252.0	202.0	243.3	260.0	267.0	200.5	248.0	**279.0**
Shareholders' funds (£m)	70.3	78.7	77.8	68.8	81.5	80.5	80.1	63.9	80.9	**85.8**

* Net asset value per share is calculated after the repayment of the capital paid up on Cumulative Preference shares (see note 16 on page 92).

Cumulative Performance

Rebased to 100 at 31 March 2012

As at 31 March	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net asset value	100.0	121.5	128.8	134.5	118.9	140.8	139.1	137.6	107.5	136.0	**144.3**
Net asset value total return[A]	100.0	129.1	144.0	157.9	146.9	182.8	188.9	196.4	161.0	215.7	**240.2**
Share price performance	100.0	119.8	129.7	129.6	103.9	125.1	133.7	137.3	103.1	127.5	**143.4**
Share price total return[A]	100.0	127.2	145.0	152.1	128.6	163.9	184.0	198.6	156.5	205.4	**243.2**
Benchmark performance	100.0	112.6	118.4	122.0	113.1	132.9	129.7	132.5	103.5	127.6	**139.5**
Benchmark total return[A]	100.0	116.8	127.1	135.4	130.1	158.7	160.6	170.9	139.3	176.5	**199.5**

[A] Total return figures are based on reinvestment of net income.

Investment Manager's Review

Highlights

- NAV total return of 11.4% compared to the benchmark total return of 13.0%
- The equity portfolio again outperformed the benchmark (total return of 13.8%), offset by the more defensive preference share portfolio
- Revenue return per share increased by 15.3% to 14.21p
- Three and five year NAV performance remains ahead of the benchmark

Portfolio Strategy

We take a long-term approach to investing, believing that whilst there might be volatility in the short and even medium term, share prices will ultimately reflect the fundamental value of a company. Consequently, there has been no change to our approach to the construction of the portfolio during the year under review. The Company's investment portfolio is invested in equities and preference shares. At the year end 75.9% of the portfolio was invested in equities and 24.1% was invested in preference shares.

Equity Market Review

Equity markets were volatile over the year under review. On a positive note, after two years of disruption, markets continued to recover as the impact of the Covid-19 pandemic on the global economy lessened. Despite the sharp, but mercifully short, shock from the Omicron variant at the end of 2021, the severity of the pandemic has declined, allowing for restrictions to be lifted in the UK and for companies to return to more normal operations. Risks do still remain, however, and in some regions, such as Asia, where vaccination and acquired immunity is lower, restrictions remain in place.

As we exit the pandemic, the main driving forces of markets have been more traditional macro-economic debates. Inflation, something we have not had to contend with for a decade, has returned - at least partially driven by the pandemic, which resulted in tighter supply chains which are less able to cope with rebounding demand for energy and capital and consumer goods. Rising inflation expectations have led to more hawkish monetary policy, with central banks now required to pull back from quantitative easing programs and to raise interest rates. This is a marked change in policy since the financial crisis of 2008/09. At the start of 2022, these changes led to a rotation in markets, with value stocks outperforming growth by a wide margin for the first time in many years. Finally, the twelve month period ended with a rise in geopolitical risk following the Russian invasion of Ukraine. Along with the tragic human consequences of this event, it has also increased inflationary pressures on world economies, driving further rises in energy and food prices.

Despite the volatile economic and political backdrop, equity markets rose over the period. The MSCI World Index increased in value by 9%, although this reflects 15% appreciation in 2021 followed by a pullback in the year to date. The UK market (measured by the FTSE All-share Index) delivered a total return of 13.0%, outperforming the global equity benchmark for the first time in many years. The UK market is a natural beneficiary of the rotation we have seen in 2022, given its greater weighting to value sectors and a lower proportion of highly rated growth companies. Exposure to energy and materials have been particularly beneficial since the turn of the calendar year, and it is notable that, although the UK has outperformed, positive earnings revisions, particularly from these sectors, means that it remains on a record discount to European markets.

The UK market is a natural beneficiary of the rotation we have seen in 2022, given its greater weighting to value sectors and a lower proportion of highly rated growth companies.

By sector, the recent market rotation has dominated, meaning that the best performing companies over the year had a distinct value and commodity skew. Energy delivered a 49% return, followed by the large mining companies which delivered a +42% return. Defensive sectors such as utilities (+37%), healthcare (+35%) and tobacco (+23%) and those that act as an inflation hedge, such as real estate (+21%), also did well. Conversely, highly rated sectors underperformed, with technology returning -4%. The greatest pain was felt in consumer facing sectors, however, as the combination of supply chain tightness, rising input costs and a more difficult outlook for the consumer led to underperformance. Retail was down 11%, travel & leisure down 23% and household goods down 23%. Overall market strength has therefore come despite significant weakness in some areas and hides a marked change in direction compared to the preceding five to ten years.

Investment Performance

Over the year, the Company's net asset value ("NAV") delivered a total return of 11.4%, including dividends reinvested. That compares to the benchmark, the FTSE All-Share Index, which returned 13.0%, representing a 1.6% underperformance. The share price total return for the year was 18.4%, comfortably ahead of the benchmark. The Company has delivered superior performance over the longer term, with NAV total returns 5.5% ahead of the benchmark over three years and 5.6% ahead over five years.

Over the period the equity portfolio produced a total return of 13.8%, 0.8% ahead of the benchmark. The preference shares, as we would expect in a rising bond yield environment, were more stable but still delivered a positive total return of 2.8%. The positions that delivered the most positive relative returns for the portfolio were weighted towards more commodity sectors. The largest single contributor to outperformance was the holding in **BHP**, which benefited from rising metals prices. The shares increased in value by 46%. Energy exposure was also a distinct positive for the portfolio, with **Energean** (+40%), **Diversified Energy** (+20%) and **Total** (+22%) performing well as oil and gas prices rallied.

Revenue earnings per share increased by 15.3% over the year to 14.21p (2021: 12.33p).

Along with energy, utilities exposure was also beneficial, with UK utilities seeing rising income as gas prices rose. **SSE** increased in value by 27% as it continued to make progress with its renewables pipeline and benefited from weaker businesses exiting the higher gas prices in the UK. **Telecom Plus** also benefited from rising energy costs. Its offering, prioritising stable, competitive pricing, is now more attractive to consumers, allowing for better growth in customer numbers and leading to a share price rise of 26% in the year.

The best performance terms of share price appreciation in the portfolio was **Novo-Nordisk**, which rose by 75%. The company has delivered consistent growth and demonstrated the strength of its market position and pricing power – valuable attributes in today's market.

The greatest detractors from relative performance for the Company were not holding a number of large company commodity exposed stocks that performed strongly: Glencore, Anglo American and Shell all delivered positive returns. Of the companies held, the greatest detractor was **Ashmore**. The company is an emerging markets debt fund manager and the asset class has been out of favour this year, leading to under performance, with its shares down 37%. **Countryside Properties** was also weak, with the company downgrading guidance after missing build targets in early 2022 – its shares fell 47%.

Gearing and Preference Share Portfolio

Gearing (net of cash) increased during the year from 16.5% to 20.4%. The gearing is notionally invested in the preference share portfolio. At the year end these securities had a value of £24.7 million, materially in excess of net indebtedness (borrowings less cash) which stood at £17.5 million. This part of the portfolio provides a core level of high income and would, in normal conditions, be expected to be more resilient than equities in the event of a fall in the market.

The preference share portfolio lagged the equity market during the year, returning 2.8%. The preference shares will naturally correlate with bond yields, with rising yields resulting in lower valuations for bonds compared to equity. The preference shares are also naturally defensive, so would be expected to lag a rising market. Importantly, though these positions have continued to deliver a high level of reliable income for the Company and remain valuable to delivering our goal of resilient income to shareholders.

Revenue Account

Revenue earnings per share increased by 15.3% over the year to 14.21p (2021: 12.33p).

The increase in revenue reflected a recovery in ordinary dividend payments from the equity portfolio, which was combined with changes to the portfolio to enhance income. Of existing positions, there were notable increases in dividends from the miners, with both **Rio Tinto** and **BHP** increasing dividends to reflect high commodity prices. Utility companies also increased their dividends and financials delivered meaningful growth as the risk of balance sheet damage from the Covid-19 pandemic declined. Of the new positions added to the portfolio during the year, **Nordea**, **Bawag** and **Drax** were examples of higher yielding holdings that enhanced income. The income from the preference shares was fixed, and we saw a decline in the income from traded option premiums. This reflected our decision to write fewer options due to relatively unattractive pricing during a period of high market volatility.

Investment Manager's Review

Continued

The following table details the Company's main sources of income over the last five years.

	2022 %	2021 %	2020 %	2019 %	2018 %
Ordinary dividends	**66.5**	57.2	60.0	58.5	59.1
Preference dividends	**26.9**	33.2	31.0	34.4	33.0
abrdn Smaller Companies Income Trust	**5.2**	5.7	5.4	4.9	4.4
Fixed interest and bank interest	**-**	-	0.3	0.2	0.1
Traded option premiums	**1.4**	3.9	3.3	2.0	3.4
Total	**100.0**	100.0	100.0	100.0	100.0
Total income (£'000s)	**5,239**	4,529	4,807	4,712	4,916

Portfolio Activity

Compared to recent years, portfolio activity was more limited. After elevated turnover to protect income through the Covid-19 pandemic in the preceding financial year, the need to trade heavily was reduced. Much of the portfolio activity focused on topping up conviction ideas on weakness and trimming those stocks where valuation multiples began to look more full or where the dividend yield had compressed. The following paragraphs highlight the new positions and exits from the portfolio during the year.

In September we started a new position in **Bawag**, an Austrian bank. The main appeal of the holding is a very strong capital position which allows for meaningful dividends in the near term. The bank has come out of the last two years with a resilient balance sheet and this supports a special dividend. In the medium term, we see potential for continued growth and exposure to the central and Eastern European markets which is attractive for returns and loan growth. The bank is also a high return business, delivering 15% return on tangible equity.

Adding to the European banks exposure, we also took a position in **Nordea** in September. Similar to **Bawag**, the bank built up a very strong capital position during the pandemic period and is now set to return cash to shareholders over the next 12 months. The purchase helps to enhance income and gives the portfolio more exposure to banks, natural beneficiaries of a rising interest rate environment.

The third new holding that month was **Drax**. In the short-term, the UK power generator is positively exposed to rising gas prices and recent energy market tightness has highlighted its importance to the UK economy. Longer term, its biomass generation plan, named BECCS, has the potential to deliver relatively environmentally friendly power on a large scale. While this will take five to six years to deliver, it can be a source of meaningful value creation with a longer-term view. A dividend yield of over 4% at purchase is also attractive.

After a pause in trading during a period of high volatility in February, we took two new positions in the equity portfolio in March. Firstly, we started a new position in **NatWest**. The shares had fallen due to investor concerns around growth. This presented an opportunity for us to invest into a company with a high level of exposure to rising interest rates and a very attractive capital return program for the next three years as excess capital comes back to the market. We also see the risk to **NatWest** as limited – it is primarily a UK mortgage bank, with low levels of default and with a large provisioning buffer built up during the pandemic to cover losses in its corporate book. It is also much better run after a restructuring in recent years, with low return parts of the bank reduced.

Much of the portfolio activity focused on topping up conviction ideas on weakness and trimming those stocks where valuation multiples began to look more full or where the dividend yield had compressed.

Secondly, we started a new position in **Oxford Instruments**. The company provides high technology materials analysis products to the science and engineering communities and has clear quality characteristics, with high margins and a very strong market position that has resulted in steady growth over time. A recent bid to acquire the company by Spectris was withdrawn, causing the shares to fall, and this created an opportunity to invest in a high quality business with long-term growth prospects. Although there is limited yield from the holding, it diversifies risk and provides capital growth potential. One of the strengths of the Shires structure is that high yielding preference shares allow us to hold some growth equities and maintain a balanced portfolio.

Early in the period we exited **John Laing**. The company had been bid for by private equity at an attractive premium and we took profits on the position. We also exited the position in **Avast** during the year following a takeover of the company. UK companies remain attractive to overseas acquirers given their valuation discount. We also exited a small position in **Experian** where the valuation premium looked stretched.

We exited **Dechra Pharmaceuticals** in April 2021. Since our purchase of the position in June 2020 the shares had performed very well and the yield on the position had compressed. The valuation re-rated significantly and we felt it more fairly reflected the value of the company so chose to move on to invest in other ideas which provide more income.

Stewardship and ESG

We believe that, as long-term owners of the businesses in which we are invested, it is not sufficient merely to seek out assets that we believe to be undervalued. It is also incumbent upon us to take a proactive approach to our stewardship of these companies. Therefore, we engage extensively with investee companies. We have attended a range of meetings with chairmen, non-executive directors and other stakeholders. Other than performance and prospects, topics covered have included the composition of the board, environmental and social issues, and remuneration. Risk is a very broad subject that is interpreted in varying manners by different companies. However, by engaging on this subject we secure a deeper understanding of how the boards of investee companies perceive and seek to manage these issues. Such interactions also enable us to push for improved disclosure and better management practices and, on occasion, different decisions where appropriate. We have had conversations regarding companies' financing choices. We find that it is always worthwhile communicating our preference for conservatively structured balance sheets that place a company's long-term fortunes ahead of possible short-term share price gains. Such activity is by its nature time consuming but we regard it as an integral aspect of our role as long-term investors.

Consideration of Environmental, Social and Governance ("ESG") factors also forms an important part of our process. Whilst the management of the Company's investments is not undertaken with any specific instructions to exclude certain asset types or classes, we embed ESG into the company and sector specific research on all holdings as part of the investment process. ESG investment is about active engagement with the goal of improving the performance of assets held by the Company. We aim to make the best possible investment decissions for the Company by understanding the whole picture – before, during and after an investment is made. That includes understanding the ESG risks and opportunities they present, and how these could affect longer-term performance and valuations. With more than 1,000 investment professionals within the abrdn Group and more than 50 ESG specialists, we are able to take account of ESG factors in our company research, stock selection and portfolio construction. ESG considerations underpin all investment activities.

Outlook

The start of 2022 has been unusually volatile for equity markets, with macro and geopolitical events driving market direction. At the start of the year, rising bond yields and inflation expectations led to a de-rating of highly rated growth stocks and a rotation into value. While this rotation was quicker and more pronounced than we expected, we continue to see growth at a historically high premium to value and expect the recent trend will have some way to run. In February and March, the main event moving markets was the tragic invasion of Ukraine by Russia. Beyond the humanitarian impact, this will have a lasting impact on some important sectors of the UK market. Steps by the US and other Western countries to restrict access for Russia to international markets, goods and services will likely continue for some time, even if the conflict is hopefully resolved more quickly. Commodity markets in particular are therefore likely to remain tight as it is a very difficult task to replace Russian oil and gas supplies, particularly in continental Europe. Addressing this challenge will likely require some re-investment in alternative sources of supply, but also an acceleration of energy transition and a re-start of nuclear capacity additions. These decisions will have consequences for the energy sector but also for construction and industrial stocks to which the Company is exposed. Consumers and companies will also likely have to get accustomed to higher energy prices and input costs for some time to come. The conflict also reinforces current inflation expectations and adds more pressure to central banks to raise interest rates and normalise monetary policy after a period of easing.

Investment Manager's Review

Continued

The equity portfolio is overweight in energy and financials, two beneficiaries of the recent market rotation, while we are more cautious on sectors like consumer staples where we see pressure from rising input costs and slowing consumer demand.

Assessing these factors and their impact on the companies we invest in is not simple. However, we should be relatively optimistic and there are reasons to be positive. Both consumers and companies have very healthy financial positions to allow them to weather a period of higher costs. Economic activity will also continue to be well supported as consumers get back to normal life and companies invest after a three year hiatus in capital expenditure. The equity portfolio is overweight in energy and financials, two beneficiaries of the dynamic described above, while we are more cautious on sectors like consumer staples where we see pressure from rising input costs and slowing consumer demand. The focus on quality companies also works in our favour, as those with strong margins and market positions are better placed to absorb higher costs and to pass them onto their customers. It is also worth noting, that despite the outperformance of the UK market since the beginning of 2022, it is at its greatest ever discount to Europe (a price/earnings discount of 14% as at 31 March 2022) and has a much higher dividend yield (3.6% from the FTSE All-Share Index as at 31 March 2022, compared to a dividend yield of 3.3% from the MSCI Europe Index). We continue to believe that the Company is well placed to meet its performance objectives.

Iain Pyle and Charles Luke
Aberdeen Asset Managers Limited
25 May 2022

The Investment Manager's Approach to ESG

Introduction

The Board relies on its Investment Manager to apply appropriate Environment, Social and Governance ("ESG") principles to how the portfolio is constructed and managed within the confines of its investment objective and policy. Having an income objective means that the Company needs to acquire investments which typically provide a higher than average yield which in some cases means more exposure to older industries such as energy and consumables but, even here, ESG principles are applied in deciding on a specific investment within these more mature industries as it is evident that the possibility of engagement by the Investment Manager can lead to changes to their business models to account for social and environmental responsibilities, irrespective of government interventions.

Although ESG factors are not the overriding criteria in relation to the investment decisions taken by the Investment Manager, significant prominence is placed on ESG and climate-related factors throughout the investment process. The following pages highlight the way that ESG and climate change are considered by the Investment Manager.

Core beliefs: Assessing Risk, Enhancing Value

Whilst the management of the Company's investments is not undertaken with any specific instructions to exclude certain asset types or classes, the consideration of ESG factors is a fundamental part of the Investment Manager's process and has been so for over 30 years. It is one of the key criteria on which the Investment Manager assesses the investment case for any company in which it invests for three key reasons as set out in the table below.

Responsible Investing – Integration of ESG into the Investment Manager's Process

"By embedding ESG factors into our active equity investment process, we aim to reduce risk, enhance potential value for our investors and foster companies that can contribute positively to the world." abrdn

Financial Returns	ESG factors can be financially material – the level of consideration they are given in a company will ultimately have an impact on corporate performance, either positively or negatively. Those companies that take their ESG responsibilities seriously tend to outperform those that do not.
Fuller Insight	Systematically assessing a company's ESG risks and opportunities alongside other financial metrics allows the Investment Manager to make better investment decisions.
Corporate Advancement	Informed and constructive engagement helps foster better companies, protecting and enhancing the value of the Company's investments.

"We believe that the market systematically undervalues the importance of ESG factors. We believe that in-depth ESG analysis is part of both fundamental company research and portfolio construction and will lead to better client outcomes." abrdn

The Investment Manager's Approach to ESG

Continued

Researching Companies: Deeper Company Insights for Better Investor Outcomes

The Investment Manager conducts extensive and high-quality fundamental and first-hand research to fully understand the investment case for every company in its global universe. A key part of the Investment Manager's research involves focusing its extensive resources on analysis of ESG issues. As set out in more detail in the table below, the Investment Manager's portfolio managers, ESG equity analysts and central ESG Investment Team collaborate to generate a deep understanding of the ESG risks and opportunities associated with each company. Stewardship and active engagement with every company are also fundamental to the investment process, helping to produce positive outcomes that lead to better risk-adjusted returns.

Global ESG Infrastructure

The Investment Manager has around 150 equity professionals globally. Each systematically analyses ESG risks and opportunities as part of the research output for each company. Its central team and ESG equity analysts support the Investment Manager's first-hand company analysis, producing research into specific themes (e.g. labour relations or climate change), sectors (e.g. forestry) and ESG topics to understand and highlight best practice. Examples of thematic and sector research can be found on the Manager's website.

Portfolio Managers	All of the Investment Manager's equity portfolio managers seek to engage actively with companies to gain insight into their specific risks and provide a positive ongoing influence on their corporate strategy for governance, environmental and social impact.
ESG Equity Analysts	The Investment Manager has dedicated and highly experienced ESG equity analysts located across the UK, US, Asia and Australia. Working as part of individual investment teams, rather than as a separate department, these specialists are integral to pre-investment due diligence and post-investment ongoing company engagement. They are also responsible for reviewing thematic research produced by the central ESG Investment Team (see below), interpreting and translating it into actionable insights and engagement programmes for its regional investment strategies.
ESG Investment Team	This central team of more than 20 experienced specialists based in Edinburgh and London provides ESG consultancy and insight for all asset classes. Taking a global approach both identifies regions, industries and sectors that are most vulnerable to ESG risks and identifies those that can take advantage of the opportunities presented. Working with portfolio managers, the team is key to the Investment Manager's active stewardship approach of using shareholder voting and corporate engagement to drive positive change.

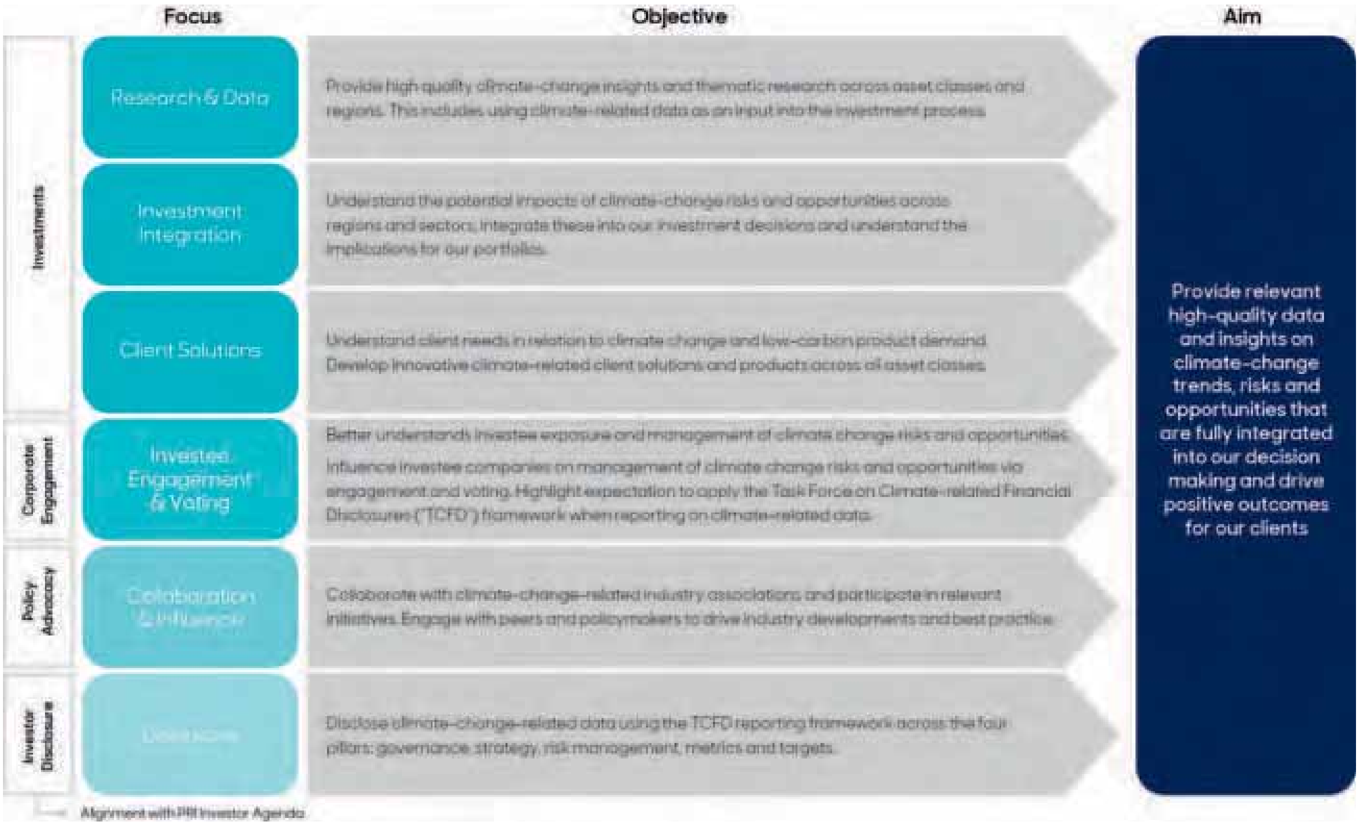
Climate Change

Climate change is one of the most significant challenges of the 21st century and has big implications for investors. The energy transition is underway in many parts of the world, and policy changes, falling costs of renewable energy, and a change in public perception are happening at a rapid pace. Assessing the risks and opportunities arising as a result of climate change is a core part of the investment process. In particular, the Investment Manager considers:

- **Transition risks and opportunities**
  Governments could take robust climate change mitigation actions to reduce emissions and transition to a low-carbon economy. This is reflected in targets, policies and regulation and can have a considerable impact on high-emitting companies.
- **Physical risks and opportunities**
  Insufficient climate change mitigation action will lead to more severe and frequent physical damage. This results in financial implications, including damage to crops and infrastructure, and the need for physical adaptation such as flood defences.

The Investment Manager has aligned its approach with that advocated by the investor agenda of the Principles for Responsible Investment ("PRI") – a United Nations-supported initiative to promote responsible investment as a way of enhancing returns and better managing risk.

PRI provides an intellectual framework to steer the massive transition of financial capital towards low-carbon opportunities. It also encourages fund managers to demonstrate climate action across four areas: investments; corporate engagement; investor disclosure; and policy advocacy as explained below:



The Investment Manager's Approach to ESG

Continued

From Laggards to Best in Class: Rating Company ESG Credentials

A systematic and globally-applied approach to evaluating stocks allows the Investment Manager to compare companies consistently on their ESG credentials – both regionally and against their peer group.

The Investment Manager captures the findings from its research and company engagement meetings in formal research notes.

Some of the key questions include:

- Which ESG issues are relevant for this company, how material are they, and how are they being addressed?
- What is the assessment of the quality of this company's governance, ownership structure and management?
- Are incentives and key performance indicators aligned with the company's strategy and the interests of shareholders?

Having considered the regional universe and peer group in which the company operates, the Investment Manager's equity team then allocates it an ESG rating between one and five (see below). This is applied across every company that the Investment Manager covers globally.

The Investment Manager also uses a combination of external and proprietary in-house quantitative scoring techniques to complement and cross-check analyst-driven ESG assessments. ESG analysis is peer-reviewed within the equities team, and ESG factors impacting both sectors and stocks are discussed as part of the formal sector reviews. To be considered 'best in class', the management of ESG factors must be a material part of the company's core business strategy. It must provide excellent disclosure of data on key risks. It must also have clear policies and strong governance structures, among other criteria.

1. Best in class	2. Leader	3. Average	4. Below average	5. Laggard
ESG considerations are material part of the company's core business strategy Excellent disclosure Makes opportunities from strong ESG risk management	ESG considerations not market leading Disclosure is good, but not best in class Governance is generally very good	ESG risks are considered as a part of principal business Disclosure in line with regulatory requirements Governance is generally good but some minor concerns	Evidence of some financially material controversies Poor governance or limited oversight of key ESG issues Some issues in treating minority shareholders poorly	Many financially material controversies Severe governance concerns Poor treatment of minority shareholders

Working with Companies: Staying Engaged, Driving Change

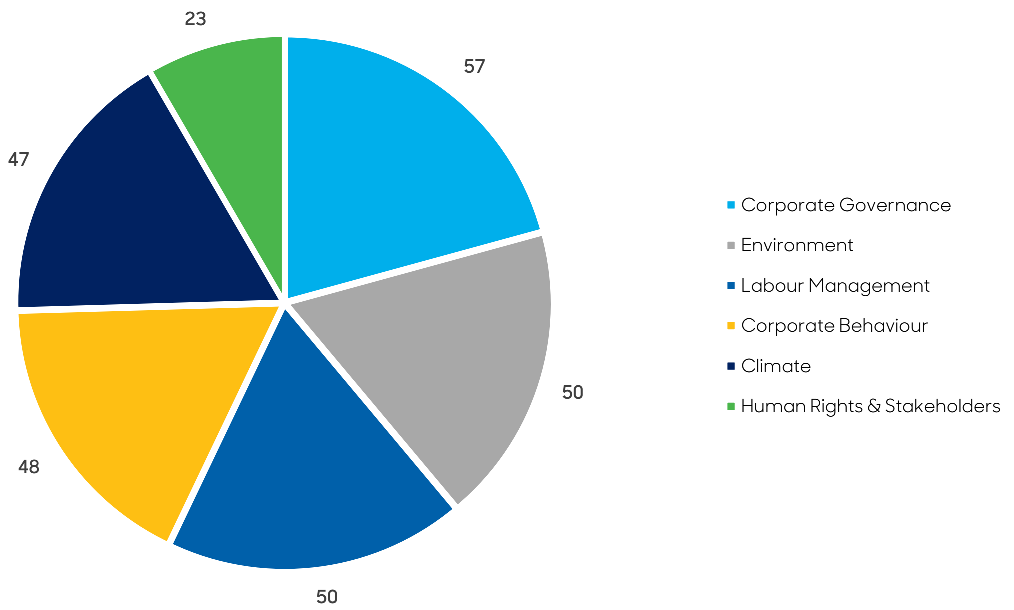
Once the Investment Manager invests in a company, it is committed to helping that company maintain or raise its ESG standards further, using the Investment Manager's position as a shareholder to press for action as needed. The Investment Manager actively engages with the companies in which it invests to maintain ESG focus and encourage improvement.

The Investment Manager views this programme of regular engagement as a necessary fulfilment of its duty as a responsible steward of clients' assets. It is also an opportunity to share examples of best practice seen in other companies and to use its influence to effect positive change. The Investment Manager's engagement is not limited to the company's management team. It can include many other stakeholders such as non-government agencies, industry and regulatory bodies, as well as activists and the company's clients. What gets measured gets managed, so the Investment Manager strongly encourages companies to set clear targets or key performance indicators on all material ESG risks.

The investment process consists of four interconnected and equally important stages.

Monitor	Contact	Engage	Act
Ongoing due diligence	**Frequent dialogue**	**Exercise rights**	**Consider all options**
· Business performance · Company financials · Corporate governance · Company's key risks and opportunities	· Senior executives · Board members · Heads of departments and specialists · Site visits	· Attend AGM/EGMs · Always vote · Explain voting decisions · Maximise influence to drive positive outcomes	· Increase or decrease shareholding · Collaborate with other investors · Take legal action if necessary

During the year ended 31 March 2022, the Investment Manager had 111 separate meetings with portfolio companies where ESG topics were raised. By topic, Corporate Governance was the area most discussed, but there was also significant focus on Climate and Environment and, increasingly, on Social Issues.



Investment Case Studies

AstraZeneca

AstraZeneca is a global biopharmaceutical company with a focus on research and development of innovative drugs. The company has a particular strength in oncology and in recent years has progressed a broad pipeline of treatments through the R&D process to commercial success. Recent development of an effective Covid-19 mRNA vaccine has again demonstrated the company's drug development capabilities. The visible pipeline of drugs currently under development supports a growth outlook ahead of the peer group. That growth is also likely to be defensive through the economic cycle, delivering resilient growth in cashflows and income to the portfolio.

From an ESG perspective, AstraZeneca screens well, with limited environmental concerns and positive impact through the development of life saving drugs.

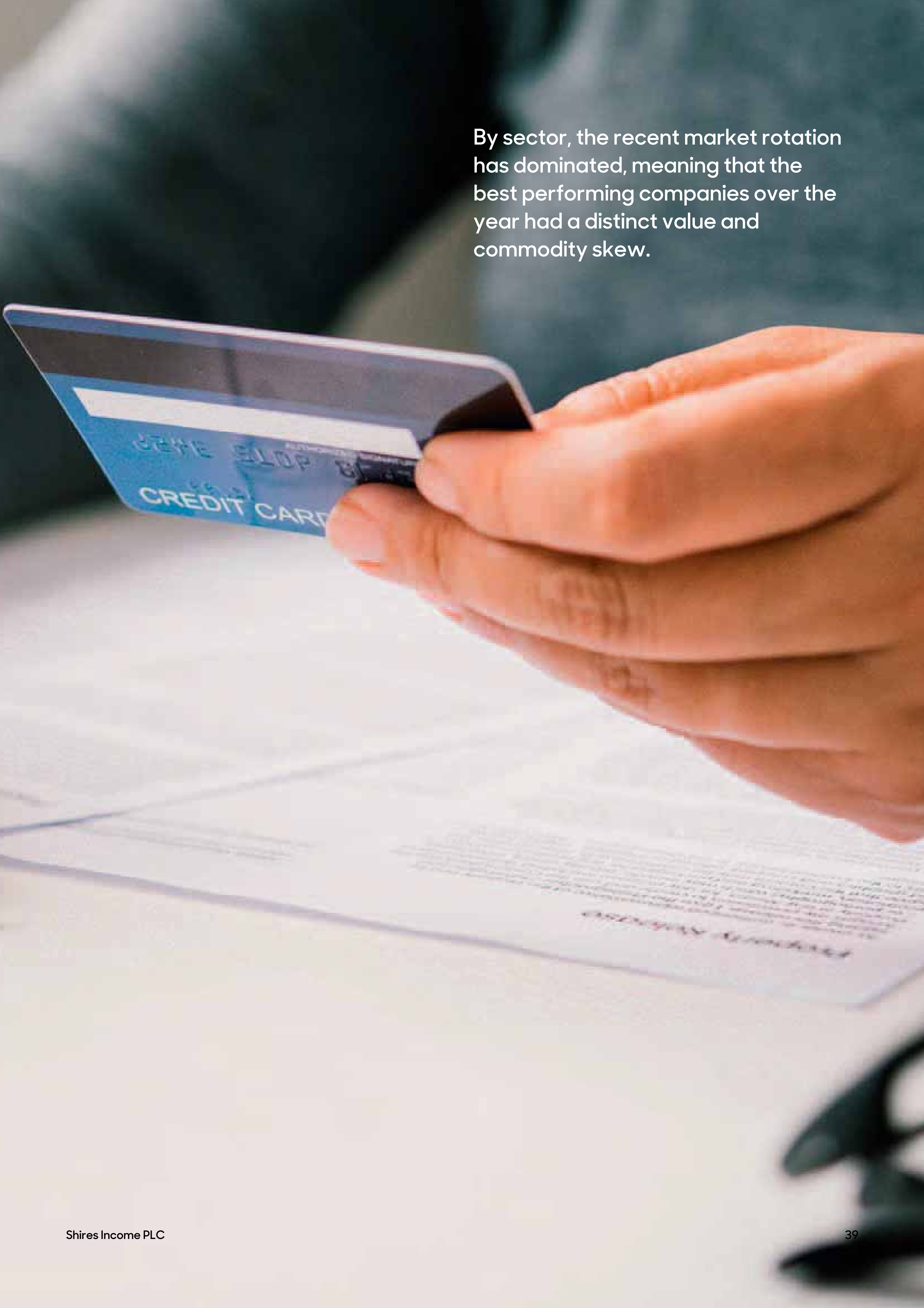
NatWest

NatWest is a recent addition to the portfolio, and is a domestic UK bank with a strong position in retail and corporate banking. UK domestic banks have underperformed for an extended period of time, with returns depressed by falling interest rates, increasing capital requirements and by a large volume of conduct charges. These headwinds have now abated and the sector is more attractive. After a period of restructuring, NatWest now targets returns above its cost of equity and will deliver growing earnings as interest rates rise. This improvement is not yet captured in the valuation. Importantly, the capital position is very strong allowing for a high level of distributions, and the company, along with the rest of the sector, is highly attractive from an income perspective.

NatWest scores highly from an ESG perspective, due to its investment into helping small businesses, especially through the Covid-19 pandemic, and its growing exposure to sustainable finance.

Portfolio

7.1% of the Company's listed equity portfolio is invested in the Banks sub-sector.



By sector, the recent market rotation has dominated, meaning that the best performing companies over the year had a distinct value and commodity skew.

Ten Largest Investments

As at 31 March 2022

abrdn Smaller Companies Income Trust

abrdn Smaller Companies Income Trust has an objective to provide a high and growing dividend and capital growth from a portfolio invested principally in smaller UK companies and UK fixed income securities. The holding provides the Company exposure to a portfolio of good quality smaller companies and a higher growth portion of the market.

AstraZeneca

AstraZeneca researches, develops, produces and markets pharmaceutical products. The company has a significant focus on oncology which offers significant growth potential over the medium term.

Shell

Shell is an integrated energy company. It produces and refines crude oil, produces chemicals and runs retail operations globally. It has particular strength in natural gas markets and is one of the world's leading energy traders.

Diageo

Diageo is one of the world's leading beverage companies. It produces and markets alcoholic drinks globally, with particular exposure to premium spirits and to higher growth emerging markets. It is set to benefit from stable consumption growth and the premiumisation of the market.

Diversified Energy

Diversified Energy is an operator of mature onshore gas production in the US. It delivers a stable production profile and generates significant cashflow and income. It has also grown materially over time through acquisition of older wells.

Standard Chartered

Standard Chartered is an international banking group operating principally in Asia, Africa, and the Middle East. The company offers its products and services in the personal, consumer, corporate, institutional and treasury areas.

SSE

SSE generates, transmits, distributes and supplies electricity to industrial, commercial and domestic customers in the UK and Ireland. The company's regulated utility returns support a high dividend yield, while its portfolio of offshore wind assets provide exposure to the fast growing renewable energy space.

British American Tobacco

British American Tobacco is the holding company for a group of companies that manufacture, market and sell cigarettes and next generation products. The company offers an attractive dividend yield with scope for good growth over time.

BP

BP is a fully integrated energy company involved in exploration, production, refining, transportation and marketing of oil and natural gas. The company provides an attractive dividend yield.

Rio Tinto

Rio Tinto is a leading global mining group that focuses on finding, mining and processing iron ore, copper, diamonds, gold and uranium. The business is highly cash generative and supports an attractive yield. Growth is supported by high demand for its products in emerging markets.

Investment Portfolio – Equities

As at 31 March 2022

Company	FTSE All-Share Index Sector	Valuation 2022 £'000	Total portfolio %	Valuation 2021 £'000
abrdn Smaller Companies Income Trust	Equity Investment Instruments	**9,041**	8.8	9,611
AstraZeneca	Pharmaceuticals & Biotechnology	**4,264**	4.1	2,711
Shell	Oil, Gas and Coal	**2,997**	2.9	1,375
Diageo	Beverages	**2,744**	2.7	1,393
Diversified Energy	Oil, Gas and Coal	**2,665**	2.6	1,642
Standard Chartered	Banks	**2,643**	2.6	1,098
SSE	Electricity	**2,537**	2.5	2,033
British American Tobacco	Tobacco	**2,424**	2.4	2,105
BP	Oil, Gas and Coal	**2,339**	2.3	1,836
Rio Tinto	Industrial, Metals & Mining	**2,152**	2.1	1,964
Ten largest investments		**33,806**	33.0	
TotalEnergies	Oil, Gas and Coal	**2,068**	2.0	1,801
National Grid	Gas Water & Multiutilities	**1,846**	1.8	1,635
BHP	Industrial, Metals & Mining	**1,751**	1.7	2,521
Energean	Oil, Gas and Coal	**1,733**	1.7	1,236
Chesnara	Life Insurance	**1,674**	1.6	1,577
Vodafone	Telecommunications Service Providers	**1,658**	1.6	1,751
Telecom Plus	Telecommunications Service Providers	**1,608**	1.6	1,336
Entain	Travel & Leisure	**1,528**	1.5	1,608
Sirius Real Estate	Real Estate Investment Services	**1,519**	1.5	1,406
M&G	Asset Management	**1,428**	1.4	1,205
Twenty largest investments		**50,619**	49.4	
Prudential	Life Insurance	**1,427**	1.4	2,755
Morgan Sindall	Construction and Materials	**1,262**	1.2	405
GlaxoSmithKline	Pharmaceuticals & Biotechnology	**1,203**	1.2	1,981
Imperial Brands	Tobacco	**1,167**	1.2	1,081
Howden Joinery	Retailers	**1,166**	1.1	740
Direct Line Insurance	Non-life Insurance	**1,146**	1.1	1,306
Unilever	Personal Care, Drug & Grocery Stores	**1,136**	1.1	1,334
Close Brothers	Banks	**1,071**	1.1	1,395
Inchcape	Industrial Support Services	**1,060**	1.0	1,192
OSB	Finance and Credit Services	**933**	0.9	–
Thirty largest investments		**62,190**	60.7	

Investment Portfolio – Equities

Continued

As at 31 March 2022

Company	FTSE All-Share Index Sector	Valuation 2022 £'000	Total portfolio %	Valuation 2021 £'000
Mondi	General Industrials	**919**	0.9	891
Novo-Nordisk	Pharmaceuticals & Biotechnology	**894**	0.9	769
RS Group	Industrial Support Services	**848**	0.8	–
AXA	Non-life Insurance	**821**	0.8	714
Telenor	Telecommunications Service Providers	**767**	0.7	1,078
Drax	Electricity	**747**	0.7	–
Bawag	Banks	**714**	0.7	–
Bodycote	Industrial, Metals & Mining	**688**	0.7	898
Ashmore	Investment Banking & Brokerage Services	**676**	0.7	687
Balfour Beatty	Construction & Materials	**668**	0.7	–
Forty largest investments		**69,932**	68.3	
Marshalls	Construction & Materials	**654**	0.6	346
NatWest	Banks	**625**	0.6	–
Coca-Cola Hellenic Bottling Company	Beverages	**621**	0.6	499
Urban Logistics	Real Estate Investment Trusts	**598**	0.6	–
Euromoney Institutional Investor	Industrial Support Services	**593**	0.6	701
Assura	Real Estate Investment Trusts	**576**	0.6	877
United Utilities	Gas Water & Multiutilities	**536**	0.5	527
Wood Group	Oil, Gas and Coal	**524**	0.5	431
Fortum	Electricity	**502**	0.5	782
Nordea	Banks	**480**	0.5	–
Fifty largest investments		**75,641**	73.9	
Countryside Properties	Household Goods & Home Construction	**477**	0.5	954
Schroders	Investment Banking & Brokerage Services	**426**	0.4	557
Softcat	Software & Computer Services	**402**	0.4	428
Bridge Point	Asset Management	**367**	0.4	–
Redrow	Household Goods & Home Construction	**351**	0.3	–
Oxford Instruments	Electronic & Electrical Equipment	**45**	–	–
Total equity investments		**77,709**	75.9	

Purchases and/or sales of portfolio holdings effected during the year result in 2022 and 2021 values not being directly comparable.

Investment Portfolio – Other Investments

As at 31 March 2022

Company	Valuation 2022 £'000	Total portfolio %	Valuation 2021 £'000
Preference shares[A]			
Ecclesiastical Insurance Office 8 5/8%	**5,936**	5.8	6,487
Royal & Sun Alliance 7 3/8%	**5,220**	5.1	5,394
Santander 10.375%	**4,491**	4.4	4,402
General Accident 7.875%	**4,364**	4.3	4,754
Standard Chartered 8.25%	**3,737**	3.6	3,746
R.E.A. Holdings 9%	**968**	0.9	704
Total Preference shares	**24,716**	24.1	
Total Investments	**102,425**	100.0	

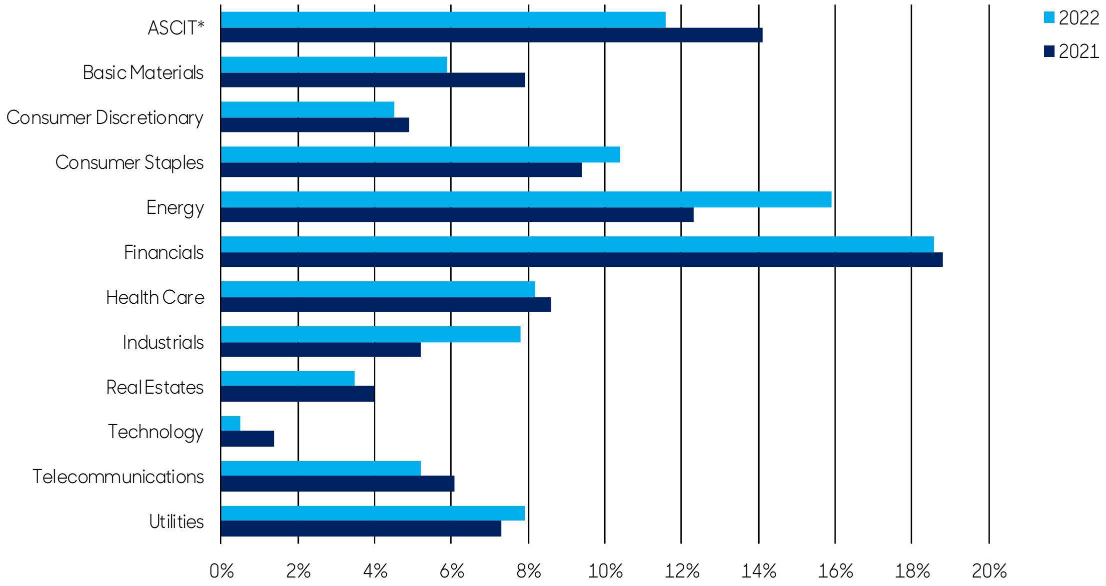
[A] None of the preference shares listed above have a fixed redemption date.
Purchases and/or sales of portfolio holdings effected during the year result in 2022 and 2021 values not being directly comparable.

Distribution of Assets and Liabilities

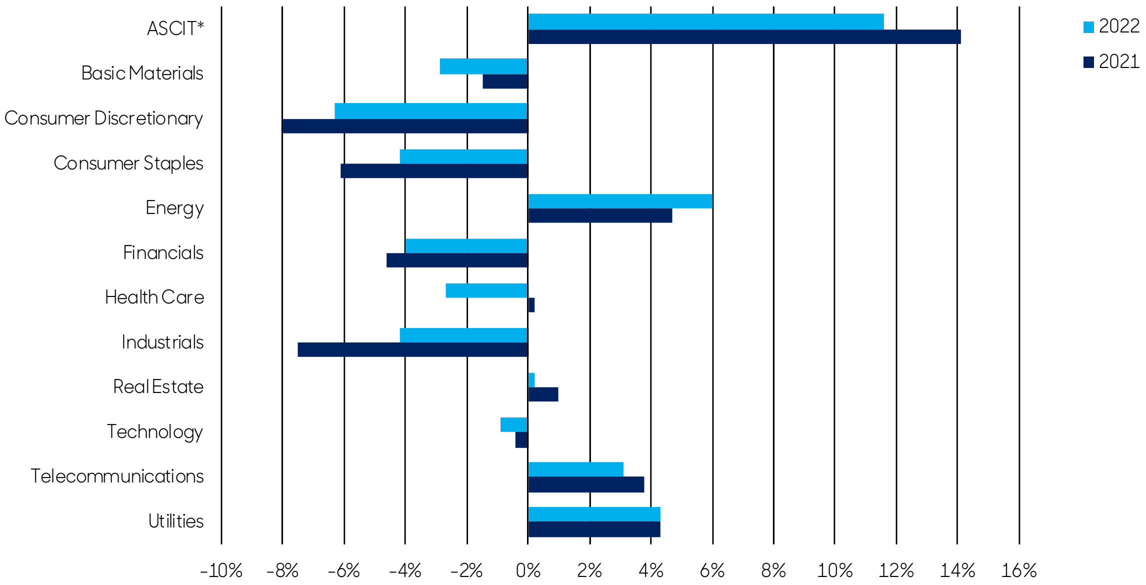
	Valuation at 31 March 2021 £'000	%	Purchases £'000	Sales £'000	Gains/ (losses) £'000	Valuation at 31 March 2022 £'000	%
			Movement during the year				
Listed investments							
Equities	68,058	84.2	13,554	(9,722)	5,819	**77,709**	**90.5**
Preference shares	25,487	31.5	–	–	(771)	**24,716**	**28.8**
Total investments	93,545	115.7	13,554	(9,722)	5,048	**102,425**	**119.4**
Current assets	6,642	8.2				**2,656**	**3.1**
Current liabilities	(9,331)	(11.5)				**(19,262)**	**(22.4)**
Non current liabilities	(9,999)	(12.4)				**-**	**-**
Net assets	80,857	100.0				**85,819**	**100.0**
Net asset value per Ordinary share	262.4p					**278.3p**	

Sector Analysis

Analysis of Listed Equity Portfolio



Shires Income PLC relative to the FTSE All-Share Index

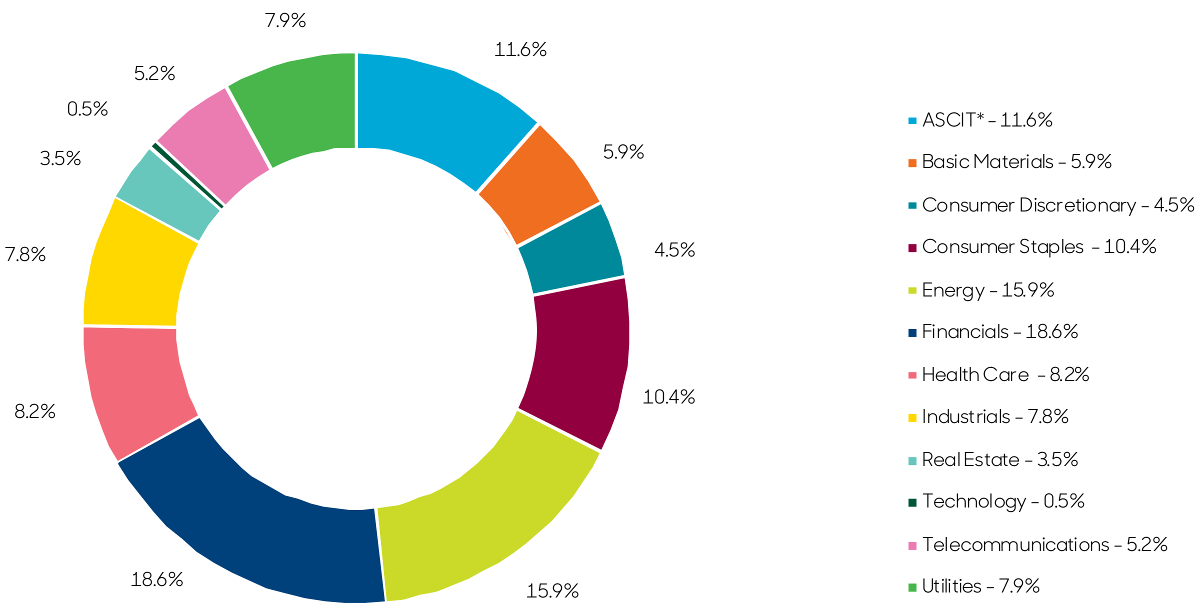


* While the Company's investment in abrdn Smaller Companies Income Trust plc ("ASCIT") is classified under "Financials" for FTSE classification purposes, it is shown separately in the above tables given its materiality to the Company.

Sector Analysis

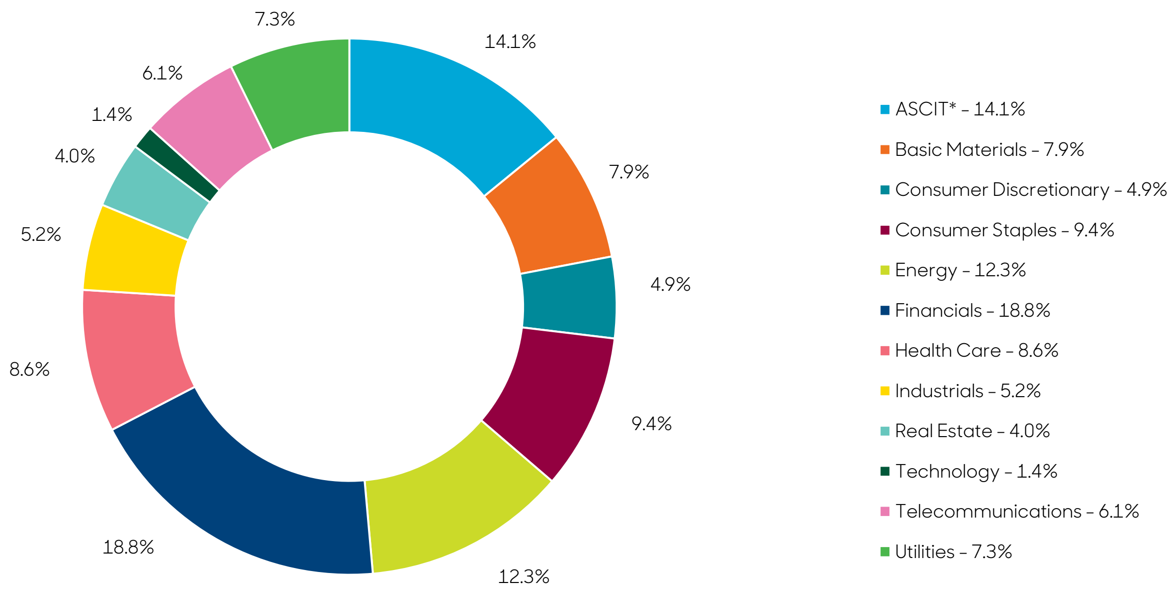
Continued

Listed equities sector allocation 2022



* While the Company's investment in abrdn Smaller Companies Income Trust plc ("ASCIT") is classified under "Financials" for FTSE classification purposes, it is shown separately in the above tables given its materiality to the Company.

Listed equities sector allocation 2021



* While the Company's investment in abrdn Smaller Companies Income Trust plc ("ASCIT") is classified under "Financials" for FTSE classification purposes, it is shown separately in the above tables given its materiality to the Company.

Governance

The Company is committed to high standards of corporate governance and applies the principles and provisions identified in the AIC Code of Corporate Governance.

All Directors are considered by the Board to be independent of the Company and the Manager and free of any material relationship with the Manager.

Board of Directors

Robert Talbut

Independent non-executive Chairman and
Chairman of the Management Engagement Committee

Experience:

Robert Talbut was formerly Chief Investment Officer of Royal London Asset Management and has over 30 years of financial services experience. He has represented the asset management industry through the chairmanship of both the ABI Investment Committee and the Asset Management Committee of the Investment Association. He has also been a member of the Audit & Assurance Council of the FRC and the Financial Conduct Authority's Listing Authority Advisory Panel. He is Chairman of Schroder UK Mid Cap Fund plc and a non-executive director of Pacific Assets Trust plc and JPMorgan American Investment Trust PLC.

Length of service:

7 years, appointed a Director in April 2015 and Chairman in July 2017

Last re-appointed to the Board:

7 July 2021

Committee member:

Audit Committee, Management Engagement Committee (Chairman), Remuneration Committee

Contribution:

The Board has reviewed the contribution of Robert Talbut in light of his proposed re-appointment at the AGM and has concluded that he has continued to chair the Company expertly, fostering a collaborative spirit between the Board and Manager whilst ensuring that meetings remain focused on the key areas of stakeholder relevance. In addition, with his investment management knowledge and experience of other current roles, he has continued to provide significant investment insight to the Board and knowledge of the investment management sector

Robin Archibald

Independent non-executive Director and
Chairman of the Audit Committee

Experience:

Robin Archibald has a wide range of experience in advising and managing transactions in the UK closed-end funds sector over his 35 year career as a corporate financier including with Samuel Montagu, S G Warburg and Natwest Markets. He retired from Winterflood Investment Trusts in May 2014, where he was formerly Head of Corporate Finance and Broking. He is currently Chairman of Albion Technology & General VCT PLC and a non-executive director of Ediston Property Investment Company PLC, Capital Gearing Trust PLC and Henderson European Focus Trust plc, and currently serves as audit chair on two of these other investment companies. He is a Chartered Accountant.

Length of service:

5 years, appointed a Director in May 2017

Last re-appointed to the Board:

7 July 2021

Committee member:

Audit Committee (Chairman), Management Engagement Committee, Remuneration Committee

Contribution:

The Board has reviewed the contribution of Robin Archibald in light of his proposed re-appointment at the AGM and has concluded that he has continued to chair the Audit Committee expertly and continues to provide significant corporate insight to the Board. In addition, his advisory experience and the benefits of his roles as a non-executive director, audit committee chairman and senior independent director of other investment company boards have contributed to his specific knowledge of investment companies to the benefit of the Company.

Marian Glen

Senior Independent non-executive Director and Chairman of the Remuneration Committee

Experience:

Marian Glen was formerly the General Counsel of AEGON UK and prior to that was a corporate partner and head of funds and financial services at Shepherd+ Wedderburn. She was also a non-executive director of Murray Income Trust PLC, as well as Friends Life Group Limited and certain other companies in the Friends Life group of companies. She is currently a non-executive director of Martin Currie Global Portfolio Trust PLC and The Medical and Dental Defence Union of Scotland.

Length of service:

9 years, appointed a Director in January 2013 and Senior Independent Director in July 2020

Last re-appointed to the Board:

7 July 2021

Committee member:

Audit Committee, Management Engagement Committee, Remuneration Committee (Chairman)

Contribution:

The Board has reviewed the contribution of Marian Glen and has concluded that she has continued to chair the Remuneration Committee expertly and continues to provide significant legal insight to the Board and knowledge of the investment trust sector. As explained in the Chairman's Statement, Marian Glen will retire at the Annual General Meeting and will not seek re-appointment.

Jane Pearce

Independent non-executive Director

Experience:

Jane Pearce had an executive career as an Equity Analyst at leading investment banks and latterly was an Equity Strategist at Lehman Brothers and Nomura International. She is a Co-opted External Member of the Audit and Risk Committee of the University of St Andrews and is also a non-executive director of Polar Capital Technology Trust PLC. She is a Chartered Accountant and was a Member of the Governing Council of the Institute of Chartered Accountants of Scotland from 1999-2000.

Length of service:

2 years, appointed a Director on 1 January 2020

Last re-appointed to the Board:

7 July 2021

Committee member:

Audit Committee, Management Engagement Committee, Remuneration Committee

Contribution:

The Board has reviewed the contribution of Jane Pearce in light of her proposed re-appointment at the AGM and has concluded that she has continued to provide significant financial and investment insight to the Board and knowledge of the investment management sector.

Board of Directors

Continued

Helen Sinclair

Independent non-executive Director

Experience:

Helen Sinclair began her career in investment banking and spent nearly eight years at 3i plc focusing on management buy-outs and growth capital investments. She later co-founded Matrix Private Equity (which became Mobeus Equity Partners) in 2000 and subsequently became Managing Director of the company before moving to take on a number of non-executive director roles. She is Chairman of British Smaller Companies VCT and a non-executive director of WH Ireland Group plc, BlackRock Smaller Companies Trust plc and Octopus Future Generations VCT plc.

Length of service:

Appointed a Director on 1 February 2022

Last re-appointed to the Board:

n/a

Committee member:

Audit Committee, Management Engagement Committee, Remuneration Committee

Contribution:

The Board has reviewed the contribution of Helen Sinclair in light of her proposed appointment at the AGM and has concluded that she has significant investment insight and knowledge of the investment management sector which is of value to the Board.

Directors' Report

The Directors present their report and audited financial statements for the year ended 31 March 2022.

Results and Dividends

The financial statements for the year ended 31 March 2022 are contained on pages 77 to 99. Dividends paid and proposed for the year amounted to 13.80p per Ordinary share.

First, second and third interim dividends for the year, each of 3.2p per Ordinary share, were paid on 29 October 2021, 28 January 2022 and 29 April 2022 respectively. The Directors recommend a final dividend of 4.20p per Ordinary share, payable on 29 July 2022 to shareholders on the register on 8 July 2022. The ex-dividend date is 7 July 2022. Under UK-adopted international accounting standards the third interim and final dividends will be accounted for in the financial year ended 31 March 2023. A resolution in respect of the final dividend will be proposed at the forthcoming Annual General Meeting.

Investment Trust Status

The Company is registered as a public limited company (registered in England and Wales No. 00386561) and is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company has been approved by HM Revenue & Customs as an investment trust subject to it continuing to meet the relevant eligibility conditions of Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements of Part 2 Chapter 3 Statutory Instrument 2011/2999 for all financial years commencing on or after 1 April 2012. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 March 2022 so as to enable it to comply with the ongoing requirements for investment trust status.

Individual Savings Accounts

The Company satisfies the requirements as a qualifying security for Individual Savings Accounts. The Directors intend that the Company will continue to conduct its affairs in this manner.

Capital Structure

During the year the Company issued 25,000 Ordinary shares of 50p each under its non pre-emptive allotment authority, raising £70,000 in aggregate on a non-dilutive basis. The issued Ordinary share capital at 31 March 2022 consisted of 30,819,580 Ordinary shares of 50p each and 50,000 3.5% Cumulative Preference Shares of £1 each.

Voting Rights

Each Ordinary and Cumulative Preference share carries one vote at general meetings of the Company. The Cumulative Preference shares carry a right to receive a fixed rate of dividend and, on a winding up of the Company, to the payment of such fixed cumulative preferential dividends to the date of such winding up and to the repayment of the capital paid up on such shares in priority to any payment to the holders of the Ordinary shares.

The Ordinary shares, excluding any treasury shares, carry a right to receive dividends and, on a winding up or other return of capital, after meeting the liabilities of the Company, the surplus assets will be paid to Ordinary shareholders in proportion to their shareholdings.

There are no restrictions on the transfer of Ordinary or Cumulative Preference shares in the Company other than certain restrictions which may from time to time be imposed by law.

Management Agreement

The Company has appointed Aberdeen Standard Fund Managers Limited ("ASFML"), a wholly owned subsidiary of abrdn plc, as its alternative investment fund manager. ASFML has been appointed to provide investment management, risk management, administration, company secretarial services and promotional activities to the Company. The Company's portfolio is managed by Aberdeen Asset Managers Limited ("AAML") by way of a group delegation agreement in place between ASFML and AAML. In addition, ASFML has sub-delegated administrative and company secretarial services to Aberdeen Asset Management PLC and promotional activities to AAML. Details of the management fee and fees payable for promotional activities are shown in notes 4 and 5 to the financial statements.

The management agreement is terminable on not less than six months' notice. In the event of termination by the Company on less than the agreed notice period, compensation is payable to the Manager in lieu of the unexpired notice period.

Directors' Report

Continued

Substantial Interests

As at 31 March 2022, the following interests in the issued Ordinary share capital of the Company had been disclosed in accordance with the requirements of the FCA's Disclosure Guidance and Transparency Rules:

Shareholder	Number of Ordinary shares held	% of Ordinary shares held
abrdn Retail Plans[A]	6,026,849	19.6

A Non-beneficial interest

There have been no changes notified to the Company between the year end and the date of approval of this Report.

Directors

Helen Sinclair was appointed as an independent non-executive Director on 1 February 2022. For the appointment of Ms Sinclair as a Director, the Board used the services of an external search consultant, Fletcher Jones Limited. Fletcher Jones Limited does not have any other connections with the Company or individual Directors.

At the end of the year the Board comprised five non-executive Directors, each of whom is considered by the Board to be independent of the Company and the Manager.

The Directors attended scheduled Board and Committee meetings during the year ended 31 March 2022 as follows (relevant meetings in brackets):

Director	Board	Audit Committee	Management Engagement Committee	Remuneration Committee
Robert Talbut	5 (5)	2 (2)	1 (1)	1 (1)
Robin Archibald	5 (5)	2 (2)	1 (1)	1 (1)
Marian Glen	5 (5)	2 (2)	1 (1)	1 (1)
Jane Pearce	5 (5)	2 (2)	1 (1)	1 (1)
Helen Sinclair[A]	1 (1)	- (-)	1 (1)	1 (1)

[A] Appointed on 1 February 2022

The Board meets more frequently when business needs require and has regular dialogue between formal Board meetings, including with the Manager.

Under the terms of the Company's Articles of Association, Directors must retire and be subject to appointment at the first Annual General Meeting after their appointment by the Board, and be subject to re-appointment every three years thereafter. Directors with more than nine years' service are subject to annual re-appointment. However, the Board has decided that all Directors will seek annual re-appointment after initial appointment to the Board.

Helen Sinclair will stand for appointment at the Annual General Meeting. Robin Archibald, Robert Talbut and Jane Pearce will seek re-appointment at the Annual General Meeting. As explained in the Chairman's Statement, Marian Glen will retire at the Annual General Meeting, having served on the Board for nine years, and will not seek re-appointment.

The Board believes that all the Directors seeking appointment/re-appointment remain independent of the Manager and free from any relationship which could materially interfere with the exercise of their judgement on issues of strategy, performance, resources and standards of conduct. The biographies of each of the Directors are shown on pages 50 to 52, setting out their range of skills and experience as well as length of service and contribution to the Board during the year. The Board believes that each Director has the requisite high level and range of business, investment and financial experience which enables the Board to provide clear and effective leadership, oversight and proper governance of the Company.

Following formal performance evaluations, the performance of each of the Directors seeking re-appointment continues to be effective. Each Director has demonstrated commitment to the role and the Board is satisfied that their individual performances contribute to the long-term sustainable success of the Company. All of the Directors have demonstrated that they have sufficient time and commitment to fulfil their directorial roles with the Company. The Board therefore recommends the appointment/re-appointment of each of the Directors (other than Marian Glen who is retiring) at the Annual General Meeting.

Board's Policy on Tenure

In normal circumstances, it is the Board's expectation that Directors will not serve beyond the Annual General Meeting following the ninth anniversary of their appointment. However, the Board takes the view that independence of individual Directors is not necessarily compromised by length of tenure on the Board and that continuity and experience can add significantly to the Board's strength. The Board believes that recommendation for re-election should be on an individual basis following a rigorous review which assesses the contribution made by the Director concerned, but also taking into account the need for regular refreshment and diversity.

It is the Board's policy that the Chairman of the Board will not normally serve as a Director beyond the Annual General Meeting following the ninth anniversary of his appointment to the Board. However, this may be extended in certain circumstances including the facilitation of effective succession planning and the development of a diverse Board. In such a situation the reasons for the extension will be fully explained to shareholders and a timetable for the departure of the Chairman clearly set out.

The Role of the Chairman and Senior Independent Director

The Chairman is responsible for providing effective leadership to the Board, by setting the tone of the Company, demonstrating objective judgement and promoting a culture of openness and debate. The Chairman facilitates the effective contribution and encourages active engagement by each Director. In conjunction with the Company Secretary, the Chairman ensures that Directors receive accurate, timely and clear information to assist them with effective decision-making. The Chairman acts upon the results of the Board evaluation process by recognising strengths and addressing any weaknesses and also ensures that the Board engages with major shareholders and that all Directors understand shareholder views.

The Senior Independent Director acts as a sounding board for the Chairman and acts as an intermediary for other Directors, when necessary. Working closely with the other Directors, the Senior Independent Director takes responsibility for an orderly succession process for the Chairman, and leads the annual appraisal of the Chairman's performance. The Senior Independent Director is also available to shareholders to discuss any concerns they may have.

Directors' and Officers' Liability Insurance

The Company maintains insurance in respect of Directors' and Officers' liabilities in relation to their acts on behalf of the Company. In addition, the Company has entered into a separate deed of indemnity with each of the Directors reflecting the scope of the indemnity in the Articles of Association. Under the Articles of Association, each Director is entitled to be indemnified out of the assets of the Company to the extent permitted by law against any loss or liability incurred by him or her in the proper execution of his or her duties in relation to the affairs of the Company.

Management of Conflicts of Interest

The Board has a procedure in place to deal with a situation where a Director has a conflict of interest. As part of this process, each Director prepares a list of other positions held and all other conflict situations that may need to be authorised either in relation to the Director concerned or his or her connected persons. The Board considers each Director's situation and decides whether to approve any conflict, taking into consideration what is in the best interests of the Company and whether the Director's ability to act in accordance with his or her wider duties is affected. Each Director is required to notify the Company Secretary of any potential, or actual, conflict situations that will need authorising by the Board. Authorisations given by the Board are reviewed at each Board meeting.

No Director has a service contract with the Company although all Directors are issued with letters of appointment, which may be amended from time to time to reflect regulatory and other changes. Other than the deeds of indemnity referred to above and the Directors' letters of appointment, there were no contracts during, or at the end of the year, in which any Director was interested.

The Company has a policy of conducting its business in an honest and ethical manner. The Company takes a zero-tolerance approach to bribery and corruption and has procedures in place that are proportionate to the Company's circumstances to prevent them. The Manager also adopts a group-wide zero-tolerance approach and has its own detailed policy and procedures in place to prevent bribery and corruption. Copies of the Manager's anti-bribery and corruption policies are available on its website.

In relation to the corporate offence of failing to prevent tax evasion, it is the Company's policy to conduct all business in an honest and ethical manner. The Company takes a zero-tolerance approach to facilitation of tax evasion whether under UK law or under the law of any foreign country and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships.

Directors' Report

Continued

Corporate Governance

The Company is committed to high standards of corporate governance and the Board is accountable to the Company's shareholders for good governance. The Board has considered the principles and provisions of the AIC Code of Corporate Governance as published in February 2019 (the "AIC Code"). The AIC Code addresses the principles and provisions set out in the UK Corporate Governance Code as published by the FRC in July 2018 (the "UK Code"), as well as setting out additional provisions on issues that are of specific relevance to investment trusts.

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the FRC, provides more relevant information to shareholders than if it had adopted the UK Code. The AIC Code is available on the AIC's website: **theaic.co.uk**. It includes an explanation of how the AIC Code adapts the principles and provisions set out in the UK Code to make them relevant for investment trusts.

The Board confirms that, during the year, the Company complied with the principles and provisions of the AIC Code.

Further details of the Company's compliance with the AIC Code can be found on its website.

The Board and its Committees

Mr Talbut is the Chairman of the Board and Ms Glen is the Senior Independent Director.

The Board has appointed committees with specific responsibilities as set out below. Copies of the terms of reference of each committee are available on the Company's website, or upon request from the Company.

Given the size of the Board and because all of the Directors are non-executive, the Board does not consider it appropriate for the Company to have a nominations committee. The business of nominations and succession planning, and Board evaluations, is covered by the full Board.

Audit Committee

The Audit Committee comprises all Directors and is chaired by Mr Archibald.

The Audit Committee's Report is contained on pages 62 to 65.

Management Engagement Committee

The Management Engagement Committee comprises all Directors and is chaired by Mr Talbut. The purpose of the Committee is to review the terms of the agreement with the Manager including, but not limited to, the management fee, and also to review the performance of the Manager in relation to the achievement of the Company's objectives. These reviews were conducted during the year and the outcomes are noted below. In addition, the Committee conducts an annual review of the performance, terms and conditions of the Company's other main service providers.

The key terms of the management agreement and fees payable to the Manager are set out on page 53 and in notes 4 and 5 to the financial statements. The Board believes the fee arrangements are competitive with reference to other investment trusts with a similar investment mandate and are priced appropriately given the level of service provided by the abrdn Group. As stated above, the Committee reviews the performance of the Manager annually. The Board is satisfied with the Company's performance since the appointment of the abrdn Group as Manager in 2008 and believes that the Investment Manager has positioned the portfolio well in order to seek to achieve good medium and long-term performance in line with the Company's investment objective. The Board is also satisfied with the standard of company secretarial, administration and promotional support provided by the Manager. It therefore considers the continuing appointment of the Manager on the terms agreed to be in the best interests of shareholders.

Remuneration Committee

The Remuneration Committee comprises all Directors and is chaired by Ms Glen who has relevant experience and understanding of the Company. The Committee's duties include reviewing the Company's remuneration policy and determining Directors' remuneration, including for the Chairman. The Committee also considers the need to appoint an external remuneration consultant.

Going Concern

The Company's assets consist mainly of equity shares in companies listed on the London Stock Exchange. The Board has performed stress testing and liquidity analysis on the portfolio and considers that, in most foreseeable circumstances, the majority of the Company's investments are realisable within a relatively short timescale.

The Board has set limits for borrowing and regularly reviews actual exposures, cash flow projections and compliance with banking covenants, including the headroom available. During the year, the Company had a £20 million loan facility which was due to mature in September 2022. Since the year end, the entire facility has been repaid and a new five year £20 million loan facility has been entered into. Further details are contained in note 13 to the financial statements.

Having taken these factors into account, the Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future and has the ability to meet its financial obligations as they fall due for the period to 30 June 2023, which is at least twelve months from the date of approval of this Report. For these reasons, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Accountability and Audit

The respective responsibilities of the Directors and the Auditor in connection with the financial statements appear on page 68, and pages 69 to 76.

Each Director confirms that, so far as he or she is aware, there is no relevant audit information of which the Company's Auditor is unaware, and they have taken all the steps that they could reasonably be expected to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Independent Auditor

The Company's Auditor, Ernst & Young LLP, has indicated its willingness to remain in office. The Board will place resolutions before the Annual General Meeting to re-appoint Ernst & Young LLP as Auditor for the ensuing year and to authorise the Directors to determine its remuneration.

Relations with Shareholders

The Directors place a great deal of importance on communications with shareholders. Shareholders and investors may obtain up to date information on the Company through its website and the Manager's information service.

The Board's policy is to communicate directly with shareholders and their representative bodies without the involvement of the management group (including the Company Secretary or the Manager) in situations where direct communication is required, and representatives from the Board and Manager meet with major shareholders on at least an annual basis in order to gauge their views. In addition, the Company Secretary only acts on behalf of the Board, not the Manager, and there is no filtering of communication. At each Board meeting the Board receives full details of any communication from shareholders to which the Chairman responds personally as appropriate.

Directors make themselves available to attend meetings with the Company's largest shareholders and meet other shareholders at the Annual General Meeting and, as explained in the Chairman's Statement, the Company will hold an Online Shareholder Presentation in advance of the Annual General Meeting this year including the opportunity for an interactive question and answer session.

The notice of the Annual General Meeting is, where practicable, sent out at least 20 working days in advance of the meeting. All shareholders have the opportunity to put questions to the Board and Manager at the meeting. Further details regarding the arrangements for this year's Annual General Meeting and separate Online Shareholder Presentation are set out in the Chairman's Statement on pages 9 and 10.

Annual General Meeting

The Annual General Meeting will be held at the offices of abrdn plc, Bow Bells House, 1 Bread Street, London EC4M 9HH on Wednesday 6 July 2022 at 12 noon. The Notice of Annual General Meeting is included on pages 114 to 117.

Should circumstances change significantly before the time of the Annual General Meeting, the Company will notify shareholders of any changes to the arrangements by updating the Company's website and through a stock exchange announcement, where appropriate, as early as is possible before the date of the meeting. Shareholders should note that if law or Government guidance so requires at the time of the meeting, the Chairman of the meeting will limit, in his or her sole discretion, the number of individuals in attendance at the meeting and may be required to impose entry restrictions on certain persons wishing to attend the meeting in order to ensure the safety of those attending.

There are 13 resolutions to consider, including three resolutions put as special resolutions which require the approval of 75% of the votes cast. The 10 ordinary resolutions include adopting the accounts and Auditor's report, adopting the Directors' Remuneration Report, approving the final dividend, the appointment/re-appointment of Directors, the re-appointment and determining the remuneration of the Auditor, and a general share allotment authority which is described more fully below together with details of the special resolutions.

Directors' Report

Continued

Allotment of Shares

Resolution 10, which is an ordinary resolution, will, if approved, give the Directors a general authority to allot new securities up to 10% of the issued Ordinary share capital of the Company as at the date of the passing of the resolution (up to a maximum aggregate nominal amount of £1,540,979 based on the number of Ordinary shares in issue as at the date of this Report), such authority to expire on 30 September 2023 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting).

Disapplication of Pre-emption Provisions

Resolution 11, which is a special resolution, will, if approved, give the Directors power to allot Ordinary shares (including Ordinary shares held in treasury) for cash, otherwise than pro-rata to existing shareholders, up to a maximum aggregate nominal amount representing 10% of the Company's issued Ordinary share capital as at the date of the passing of the resolution (up to an aggregate nominal amount of £1,540,979 based on the number of Ordinary shares in issue as at the date of this Report). Ordinary shares would only be issued for cash at a premium to the net asset value per share. This authority will expire on 30 September 2023 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting). As noted, this disapplication of pre-emption rights also applies in respect of treasury shares which the Company may sell. The Company has no shares held in treasury as at the date of this Report.

During the year the Company issued 25,000 Ordinary shares of 50p each under its non pre-emptive allotment authority, raising £70,000 in aggregate on a non-dilutive basis.

Purchase of the Company's own Ordinary Shares

Resolution 12, which is a special resolution, will, if approved, renew the Company's authority to make market purchases of its own shares. The maximum number of Ordinary shares which may be purchased pursuant to the authority is 14.99% of the issued share capital of the Company as at the date of the passing of the resolution (approximately 4.6 million Ordinary shares as at the date of this Report). The minimum price which may be paid for an Ordinary share (exclusive of expenses) is 50p. The maximum price which may be paid (exclusive of expenses) is an amount being not more than the higher of (i) 105% of the average of the middle market quotations for the Company's Ordinary shares for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid relating to an Ordinary share on the trading venue where the purchase is carried out.

This authority, if conferred, will only be exercised if shares are purchased for cash at a price below the prevailing net asset value per share and the Directors believe it is in the best interests of shareholders generally. Shares so repurchased may be held in treasury or cancelled. Any purchase of shares will be made within guidelines established from time to time by the Board. This authority will expire on 30 September 2023 or, if earlier, at the conclusion of the next Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting).

The Company did not purchase any of its own shares during the year.

Notice Period for General Meetings

The Company's Articles of Association enable the Company to call general meetings (other than an Annual General Meeting) on 14 clear days' notice. In order for this to be effective, the shareholders must also annually approve the calling of meetings on 14 days' notice by separate resolution. Resolution 13, which is a special resolution, seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Companies Act 2006 (as amended by the Shareholders' Rights Regulations) before it can call a general meeting on 14 days' notice. It is the Board's intention to only use this authority where it is merited by the purpose of the meeting.

Recommendation

The Directors believe that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders and recommend that shareholders vote in favour of the resolutions, as they intend to do in respect of their own beneficial shareholdings totalling 47,790 Ordinary shares, representing 0.15% of the issued share capital.

By order of the Board
Aberdeen Asset Management PLC
Company Secretary
1 George Street
Edinburgh EH2 2LL
25 May 2022

Directors' Remuneration Report

This Directors' Remuneration Report comprises three parts:

a) a Remuneration Policy which is subject to a binding shareholder vote every three years (or sooner if varied during this interval) - most recently voted on at the Annual General Meeting on 7 July 2021;

b) an Implementation Report which is subject to an advisory vote on the level of remuneration paid during the year; and

c) an Annual Statement.

The law requires the Company's Auditor to audit certain of the disclosures provided in the Directors' Remuneration Report. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included on pages 69 to 76.

The Directors' Remuneration Policy and level of Directors' remuneration are determined by the Remuneration Committee, which is chaired by Ms Glen and comprises all of the Directors. The Remuneration Policy is reviewed by the Remuneration Committee on an annual basis.

The Directors' Remuneration Policy takes into consideration the principles of the UK Corporate Governance Code and the AIC's recommendations regarding the application of those principles to investment companies.

No shareholder views have been sought in setting the Remuneration Policy although any comments received from shareholders are considered.

Remuneration Policy

The Board's policy is that the remuneration of non-executive Directors should reflect the nature of the Directors' duties, responsibilities, the value of their time spent and be fair and comparable to that of other investment trusts that are similar in size, and have similar capital structures and investment objectives. Remuneration should also be sufficient to attract Directors of the quality and with the skills required to oversee the Company's activities successfully.

Appointment Terms

- All the Directors are non-executive and are appointed under the terms of letters of appointment which are updated from time to time for updated regulatory provisions (the last such update was in 2020).
- Under the terms of the Company's Articles of Association, Directors must retire and be subject to appointment at the first Annual General Meeting after their appointment by the Board, and be subject to re-appointment every three years thereafter. However, the Board has decided that all Directors will seek annual re-appointment.
- Any Director newly appointed to the Board will receive the fee applicable to each of the other Directors at the time of appointment together with any other fee then currently payable in respect of a specific role which the new Director is to undertake for the Company.
- Additional fees may be payable to take account of specific circumstances that might arise where a Director is required to perform services (i) outside the scope of the ordinary duties of a Director; or (ii) outside the ordinary course of Company business, and in each case where this is exceptional in terms of time commitment.
- No incentive or introductory fees will be paid to encourage a person to become a Director.
- Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.
- Directors are entitled to re-imbursement of out-of-pocket expenses incurred in connection with the performance of their duties, including travel and accommodation expenses as necessary.
- The Company indemnifies its Directors under deeds of indemnity for all costs, charges, losses, expenses and liabilities which may be incurred in the discharge of duties as a Director of the Company.
- The Directors' remuneration is not subject to any performance related fee.
- No Director has a service contract.
- The terms of appointment provide that a Director may be removed without notice in certain circumstances.
- Compensation will not be due upon leaving office.
- No Director is entitled to any other monetary payment or any assets of the Company.
- Directors' & Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

Directors' Remuneration Report

Continued

Statement of Voting at General Meeting

At the Annual General Meeting held on 7 July 2021, shareholders approved the Directors' Remuneration Policy. 82.0% of proxy votes were in favour of the resolution, 12.5% were against and 5.5% abstained.

Implementation Report

Limit on Directors' Fees

Directors' fees are set within the limits of the Company's Articles of Association which limit the aggregate fees per annum payable to the Board of Directors. The current limit specified in the Articles of Association, as approved by shareholders at the Annual General Meeting on 7 July 2021, is £160,000 per annum (or such other amount as may from time to time be determined by ordinary resolution of the Company). This amount is considered sufficient at the current time to allow for modest fee increases in the future and also for a higher level of aggregate fees during years where new Directors are appointed as part of the Board's succession planning.

Review of Directors' Fees

The levels of fees for the year and the preceding year are set out in the table below.

	31 March 2022 £	31 March 2021 £
Chairman	**37,000**	35,500
Chairman of Audit Committee	**30,500**	29,000
Director	**26,500**	25,000

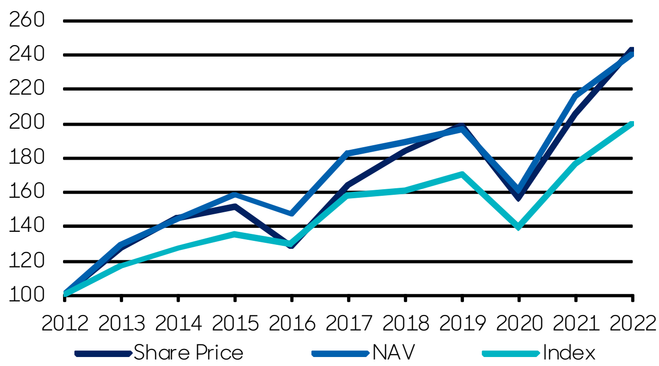
An additional fee of £1,000 per annum (2021: nil) is paid to the Senior Independent Director.

The Remuneration Committee carried out a review of the level of Directors' fees during the year by reference to peer group and sector comparisons. Following this review, it was decided that fees would be increased with effect from 1 April 2022 to £39,000 per annum for the Chairman, £32,000 per annum for the Audit Committee Chairman and £27,500 for the other Directors. It was also decided that a separate fee of £1,000 per annum would continue to be paid to the Senior Independent Director.

These fee levels are considered to reflect the responsibility, time commitment, experience, and skills and expertise required of a director of an investment trust company.

Company Performance

The graph below shows the share price and NAV total return (assuming all dividends are reinvested) to Ordinary shareholders compared to the total return from the FTSE All-Share Index for the ten year period to 31 March 2022 (rebased to 100 at 31 March 2012). This Index was chosen for comparison purposes, as it is the benchmark used for investment performance measurement purposes.



Spend on Pay

As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders. The total fees paid to Directors are shown below.

Fees Payable (Audited)

The Directors who served during the year received the following fees, which exclude employers' National Insurance contributions:

Director	2022 £	2021 £
Robert Talbut	**37,000**	35,500
Robin Archibald	**30,500**	29,000
Marian Glen	**27,500**	25,000
Jane Pearce	**26,500**	25,000
Andrew Robson[A]	**-**	7,191
Helen Sinclair[B]	**4,417**	-
Total	**125,917**	121,691

[A] Retired 14 July 2020
[B] Appointed 1 February 2022

Fees are pro-rated where a change takes place during a financial year. There were no payments to third parties included in the fees referred to in the table above.

Annual Percentage Change in Directors' Remuneration

The table below sets out the annual percentage change in Directors' fees for the past two years.

Director	Year ended 31 March 2022 %	Year ended 31 March 2021 %
Robert Talbut	4.2	–
Robin Archibald[A]	5.2	3.7
Marian Glen[B]	10.0	–
Jane Pearce[C]	6.0	300.0
Helen Sinclair[D]	n/a	–

[A] Appointed Chairman of the Audit Committee on 4 July 2019
[B] Fee payable to the Senior Independent Director for the first time with effect from 1 April 2021
[C] Appointed 1 January 2020
[D] Appointed 1 February 2022

Directors' Interests in the Company (Audited)

The Directors are not required to have a shareholding in the Company. The Directors (including their connected persons) at 31 March 2022 and 31 March 2021 had no interest in the share capital of the Company other than those interests, all of which are beneficial, shown in the table below.

	31 March 2022 Ordinary shares	31 March 2021 Ordinary shares
Robert Talbut	**18,496**	18,496
Robin Archibald	**20,294**	18,140
Marian Glen	**3,000**	3,000
Jane Pearce	**3,000**	3,000
Helen Sinclair[A]	**3,000**	n/a

[A] Appointed 1 February 2022

No Director had an interest in the 3.5% Cumulative Preference shares at any time during the year.

There have been no changes to the Directors' interests in the share capital of the Company since the end of the year.

Statement of Voting at General Meeting

At the Company's last Annual General Meeting, held on 7 July 2021, shareholders approved the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) in respect of the year ended 31 March 2021. 84.1% of proxy votes were in favour of the resolution, 9.7% were against and 6.2% abstained.

A resolution will be proposed at the Annual General Meeting to approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) in respect of the year ended 31 March 2022.

Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, it is confirmed that the above Remuneration Report summarises, as applicable, for the year to 31 March 2022:

- the major decisions on Directors' remuneration;
- any substantial changes relating to Directors' remuneration made during the year; and
- the context in which the changes occurred and decisions have been taken.

On behalf of the Board
Marian Glen
Director
25 May 2022

Audit Committee's Report

The Audit Committee presents its Report for the year ended 31 March 2022.

Committee Composition

The Audit Committee comprises all of the Directors of the Company with Mr Archibald acting as Chairman. Mr Archibald is a Chartered Accountant and has served as audit committee chair on other investment company boards for more than a decade. The Board is satisfied that he has recent and relevant financial experience and knowledge of the investment company sector, and that the Committee as a whole has competence relevant to the sector.

The Board considers that, given its size and the nature of the Company's activities, it is appropriate for the Chairman of the Board to be a member of the Committee. Mr Talbut was independent upon his appointment to the Board in April 2015.

Functions of the Audit Committee

The principal role of the Audit Committee is to assist the Board in relation to the reporting of financial information, the review of financial controls and the management of risk. The Committee has defined terms of reference which are reviewed and re-assessed for their adequacy on at least an annual basis. Copies of the terms of reference are published on the Company's website and are available from the Company on request.

The Committee's main functions are listed below:

- to review and monitor the internal control systems and risk management systems (including review of non-financial risks) on which the Company is reliant (the Directors' statement on the Company's internal controls and risk management is set out below);
- to consider whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the half-yearly and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Manager;
- to review, and report to the Board on, the significant financial reporting issues and judgements made in connection with the preparation of the Company's annual and half-yearly financial statements, announcements and related formal statements;
- to review the content of the Annual Report and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- to review the proposed audit programme and planning with the Auditor;
- to meet with the Auditor to review the audit results report;
- to develop and implement policy on the engagement of the Auditor to supply non-audit services. There were no fees for non-audit services paid to the Auditor during the year (2021: £nil). All non-audit services must be approved in advance by the Audit Committee and will be reviewed in the light of statutory requirements and the need to maintain the Auditor's independence;
- to review a statement from the abrdn Group detailing the arrangements in place within the group whereby staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters;
- to make recommendations to the Board in relation to the re-appointment of the Auditor or the appointment of a new Auditor and to approve the remuneration and terms of engagement of the Auditor; and
- to monitor and review the Auditor's independence, objectivity, effectiveness, resources and qualification.

Activities During the Year

The Audit Committee met twice during the year when, amongst other things, it considered the Annual Report and the Half-Yearly Financial Report. Representatives of the abrdn Group's internal audit, risk and compliance departments reported to the Committee at these meetings on matters such as internal control systems, risk and the conduct of the business in the context of its regulatory environment. The Audit Committee also meets privately with the Auditor to discuss issues arising from the audit. Members of the Audit Committee had regular meetings and communications with the Manager between these formal Committee meetings.

Internal Control

The Board confirms that there is an ongoing process for identifying, evaluating and managing the Company's significant business and operational risks, that it has been in place for the year ended 31 March 2022 and up to the date of approval of the Annual Report, that it is regularly reviewed by the Board and accords with the FRC's guidance on internal controls.

The Board has overall responsibility for ensuring that there is a system of internal controls in place and a process for reviewing its effectiveness. Any system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The design, implementation and maintenance of controls and procedures to safeguard the assets of the Company and to manage its affairs properly extends to operational and compliance controls and risk management. The Board, through the Audit Committee, has prepared its own risk register which identifies potential risks and it considers the potential cause and possible impact of these risks and changes to the individual risks as well as reviewing the controls in place to mitigate them. A risk is rated by having a likelihood and an impact rating and is plotted on a "heat map". There is also regular discussion and identification of emerging risks, including those of an exogenous nature.

Clear lines of accountability have been established between the Board and the Manager. The Board receives regular reports covering key performance and risk indicators and considers control and compliance issues brought to its attention. In carrying out its review, the Board has had regard to the activities of the abrdn Group, its internal audit and compliance functions and the Auditor.

The Audit Committee has reviewed the effectiveness of the abrdn Group's system of internal control including its annual internal controls report prepared in accordance with the International Auditing and Assurance Standards Board's International Standard on Assurance Engagements ("ISAE") 3402, "Assurance Reports on Controls at a Service Organization". The Committee has also reviewed the abrdn Group's process for identifying and evaluating the significant risks faced by the Company and the policies and procedures by which these risks are managed.

The Depositary, BNP Paribas Securities Services, London Branch, reports annually to the Board. Its services are monitored on an ongoing basis on behalf of the Company by the Manager, and the Manager meets with the Depositary on a regular basis and reviews internal control reports produced by the Depositary.

Risks are identified and documented through a risk management framework by each function within the abrdn Group's activities. Risk is considered in the context of the FRC's guidance on internal controls and includes financial, regulatory, market, operational and reputational risk. This helps the internal audit risk assessment model identify those functions for review. Any weaknesses identified are reported to the Board and timetables are agreed for implementing improvements to systems. The implementation of any remedial action required is monitored and feedback provided to the Board.

Audit Committee's Report

Continued

The key components designed to provide effective internal control are outlined below:

- the Board and Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers;
- the Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance; the emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception;
- as a matter of course the abrdn Group's compliance department continually reviews its operations; and
- at its meeting in May 2022, the Audit Committee carried out an annual assessment of internal controls for the year ended 31 March 2022 by considering documentation from the abrdn Group including the internal audit and compliance functions and taking account of events since 31 March 2022.

The Board has considered the need for an internal audit function but, given that the Audit Committee receives reports from the Company's key service providers on their internal controls and, because of the compliance and internal control systems in place within the abrdn Group, has decided to place reliance on those systems and internal audit procedures and concluded that it is not necessary for the Company to have its own internal audit function.

Financial Statements and Significant Issues

During its review of the Company's financial statements for the year ended 31 March 2022, the Audit Committee considered the following significant issues, in particular those communicated by the Auditor during its planning and reporting of the year end audit:

Valuation and Existence of Investments
How the issue was addressed – The Company's investments have been valued in accordance with the accounting policies as disclosed in note 1 (b) to the financial statements. All investments are in quoted securities in active markets, are considered to be liquid and have been categorised as Level 1 within the IFRS 13 fair value hierarchy. The portfolio holdings and their pricing are reviewed and verified by the Manager on a regular basis and management accounts, including a full portfolio listing, are prepared for each Board meeting. The Company uses the services of an independent depositary (BNP Paribas Securities Services, London Branch) to hold the assets of the Company. The Depositary checks the consistency of its records with those of the Manager on a monthly basis and reports to the Board on an annual basis.

Recognition of Investment Income
How the issue was addressed – The recognition of investment income is undertaken in accordance with the stated accounting policies. In addition, the Directors review the Company's income, including income received, revenue forecasts and dividend comparisons at each Board meeting. The Board also examines any unusual items of income or receipts which could be categorised as capital or income and how they should be treated for accounting purposes. The Committee notes that there was no significant accounting judgement required in relation to the classification of special dividends and option premiums received during the period.

Maintenance of Investment Trust Status
How the issue was addressed – Approval of the Company as an investment trust under Sections 1158 and 1159 of the Corporation Tax Act 2010 for financial years commencing on or after 1 April 2012 has been obtained and ongoing compliance with the eligibility criteria is monitored on a regular basis by the Manager and reported at each Board meeting.

Review of Auditor

The Audit Committee has reviewed the effectiveness of the Auditor, Ernst & Young LLP ("EY"), including:

- Independence – the Auditor discusses with the Audit Committee, at least annually, the steps it takes to ensure its independence and objectivity and makes the Committee aware of any potential issues, explaining all relevant safeguards.
- Quality of audit work – including the ability to resolve issues in a timely manner, its communications and presentation of outputs, and its working relationship with management.
- Quality of people and service – including continuity and succession plans.
- Fees – including current and proposed fees for future years.

The Committee has also reviewed developments in the audit of listed companies and in governance and how this impacts the audit function.

In common with all UK listed companies, including investment companies, there has been upward pressure on audit fees. The Audit Committee continues to monitor the fees paid and payable by the Company and has been satisfied that the continuity, experience and service levels have been important in approving increased fees paid to the Auditor in the past few years.

Tenure of the Auditor

EY was appointed as Auditor at the Annual General Meeting on 6 July 2016. In accordance with present professional guidelines the audit partner is rotated after no more than five years and the year ended 31 March 2022 is the first year for which the present partner, James Beszant, has served.

The Audit Committee is satisfied that EY is independent and therefore supports the recommendation to the Board that the re-appointment of EY be put to shareholders for approval at the Annual General Meeting.

Robin Archibald
Chairman of the Audit Committee
25 May 2022

Financial Statements

15.9% of the Company's listed equity portfolio is invested in the Oil, Gas & Coal sub-sector.

The NAV total return for the year was 11.4%, which compares to a total return of 13.0% from the benchmark, the FTSE All-Share Index.

The Company has delivered superior performance over the longer term, with NAV total returns 5.5% ahead of the benchmark over three years and 5.6% ahead over five years.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year, and under that law they have chosen to prepare the financial statements in accordance with UK-adopted international accounting standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in UK-adopted international accounting standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state whether the financial statements have been prepared in accordance with UK-adopted international accounting standards subject to any material departures disclosed and explained in the notes to the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Statement of Corporate Governance that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, but not for the content of any information included on the website that has been prepared or issued by third parties. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Board confirms that to the best of its knowledge:

- the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- in the opinion of the Directors, the Annual Report taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's position and performance, business model and strategy; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

On behalf of the Board
Robert Talbut
Chairman
25 May 2022

Independent Auditor's Report to the Members of Shires Income PLC

Opinion

We have audited the financial statements of Shires Income PLC (the "Company") for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.

Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Confirming our understanding of the Company's going concern assessment process by engaging with the Directors and the Company Secretary to determine if key factors were considered in their assessment.
- Inspecting the Directors' assessment of going concern, including the revenue forecast, for the period to 30 June 2023 which is at least 12 months from the date the financial statements were authorised for issue. In preparing the revenue forecast, the Company has concluded that it is able to continue to meet its ongoing costs as they fall due.
- Reviewing the factors and assumptions, including the impact of the Covid-19 pandemic, as applied to the revenue forecast and the Directors' assessment of liquidity of the portfolio. We considered the appropriateness of the methods used to prepare the revenue forecast and the liquidity assessment and determined, through testing of the methodology and calculations, that the methods, inputs and assumptions utilised were appropriate to be able to make an assessment for the Company.
- Considering the mitigating factors that are within the control of the Company in relation to their stress testing. We reviewed the Company's assessment of the liquidity of investments held and evaluated the Company's ability to sell those investments to cover the working capital requirements should revenue decline significantly.
- In relation to the Company's borrowing arrangements, we inspected the Directors' assessment of the risk of breaching the debt covenants as a result of a reduction in the value of the Company's portfolio. We recalculated the Company's compliance with debt covenants in the scenarios assessed by the Directors and performed reverse stress testing in order to identify which factors would lead to the Company breaching the financial covenants. We have assessed the liquidity of the portfolio and the Company's ability to sell investments to repay the loan should this be required.

Independent Auditor's Report to the Members of Shires Income PLC

Continued

- Reviewing the Company's going concern disclosures included in the Annual Report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period assessed by the Directors, being the period to 30 June 2023 which is at least 12 months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Overview of Our Audit Approach

Key audit matters	• Risk of incomplete or inaccurate revenue recognition, including classification of special dividends and option premiums as revenue or capital items in the Statement of Comprehensive Income • Risk of incorrect valuation or ownership of the investment portfolio
Materiality	• Overall materiality of £0.86 million (2021: £0.81 million) which represents 1% (2021: 1%) of shareholders' funds

An Overview of the Scope of our Audit

Tailoring the Scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Climate Change

There has been increasing interest from stakeholders as to how climate change will impact companies. The Company has determined that the impact of climate change could affect the long-term value of the Company's investments, and potentially shareholder returns. This is explained in the principal and emerging risks and uncertainties section on pages 13 to 16, which forms part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on the adequacy of the Company's disclosures in the financial statements as set out in note 1(a) and conclusion that there was no further impact of climate change to be taken into account as the investments are valued based on market pricing as required by UK adopted international accounting standards. We also challenged the Directors' considerations of climate change in their assessment of viability and associated disclosures.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete or inaccurate revenue recognition, including classification of special dividends and option premiums as revenue or capital items in the Statement of Comprehensive Income (as described on page 64 in the Audit Committee's Report and as per the accounting policy set out on page 82). The total revenue for the year to 31 March 2022 was £5.24million (2021: £4.53 million), consisting entirely of dividend income from listed investments and traded option premiums. The Company received six (2021: four) special dividends amounting to £0.18 million (2021: £0.11 million), all of which were classified as revenue. The total amount of revenue from traded option premiums was £0.07m. (2021: £0.18m). There is a risk of incomplete or inaccurate revenue recognition through the failure to recognise proper income entitlements or to apply an appropriate accounting treatment. In addition to the above, the Directors are required to exercise judgement in determining whether income receivable in the form of special dividends and option premiums should be classified as 'revenue' or 'capital' in the Statement of Comprehensive Income.	**We have performed the following procedures:** We obtained an understanding of Aberdeen Asset Managers Limited (the "Manager") and BNP Paribas Securities Services Limited's (the "Administrator") processes surrounding revenue recognition and classification of special dividends and option premiums by performing walkthrough procedures. For all dividends received and accrued we recalculated the dividend income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend per share, which was agreed to an independent data vendor. We also agreed all exchange rates to an external source and, for a sample of dividends received and dividends accrued, we agreed amounts to bank statements. For all accrued dividends, we assessed whether the dividend obligations arose prior to 31 March 2022 with reference to an external source. To test completeness of recorded income, we tested that all expected dividends for each investee company had been recorded as income with reference to an external source. For all investments held during the year, we reviewed the type of dividends paid with reference to an external data source to identify those which were special dividends. We tested the only special dividend in excess of our testing threshold and further randomly selected one special dividend as a representative sample. We recalculated the amount recognised and assessed the appropriateness of classification as revenue or capital by reviewing the underlying rationale for the payment of each of the special dividends selected for testing. The revenue from options is not material to our audit and the risk of material misstatement is therefore considered to be low.	The results of our procedures identified no material misstatement in relation to incomplete or inaccurate revenue recognition, including incorrect classification of special dividends and option premiums as revenue or capital items in the Statement of Comprehensive Income.

Independent Auditor's Report to the Members of Shires Income PLC

Continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incorrect valuation or ownership of the investment portfolio (as described on page 64 in the Audit Committee's Report and as per the accounting policy set out on page82). The valuation of the portfolio at 31 March 2022 was £102.43 million (2021: £93.55 million) consisting of listed investments. The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect investment pricing, or failure to maintain proper legal title of the investments held by the Company could have a significant impact on the net asset value and the return generated for shareholders. The fair value of listed investments is determined using quoted market bid prices at close of business on the reporting date.	**We performed the following procedures:** We obtained an understanding of the Administrator's processes surrounding the existence and pricing of listed securities by performing walkthrough procedures. For all listed investments in the portfolio, we compared the market prices and exchange rates applied to an independent pricing vendor and recalculated the investment valuations as at the year end. We inspected the security price movement reports produced by the Administrator to identify prices that have not changed within seven days from year end and verified whether the listed price is a valid fair value through review of trading activity. Our testing identified no prices which had not changed within seven days of the year end. We have agreed the Company's investment holdings at 31 March 2022 to independent confirmations received directly from the Company's Custodian and Depositary to confirm existence and legal title at year end.	The results of our procedures identified no material misstatement in relation to incorrect valuation or ownership of the investment portfolio.

Our Application of Materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £0.86 million (2021: £0.81 million), which is 1% (2021: 1%) of shareholders' funds. We believe that shareholders' funds provides us with materiality aligned to the key measurement of the Company's performance.

Performance Materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2021: 75%) of our planning materiality, namely £0.64 million (2021: £0.61 million). We have set performance materiality at this percentage due to our past experience of the audit that indicates lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate testing threshold for the revenue column of the Statement of Comprehensive Income of £0.22 million (2021: £0.19 million) being 5% (2021: 5%) of profit before tax.

Reporting Threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.04 million (2021: £0.04 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other Information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Members of Shires Income PLC

Continued

Opinions on Other Matters Prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on Which We Are Required to Report by Exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 56 and 57;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 18;
- Directors' statement on whether they have a reasonable expectation that the Company will be able to continue in operation and meets its liabilities set out on pages 56 and 57;
- Directors' statement on fair, balanced and understandable set out on page 68;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 13;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on pages 63 and 64; and;
- The section describing the work of the Audit Committee set out on pages 62 to 65.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 68, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to What Extent the Audit Was Considered Capable of Detecting Irregularities, Including Fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are UK adopted International Accounting Standards, the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code, the Statement of Recommended Practice for the Financial Statements of Investment Trust Companies as issued by the Association of Investment Companies, Section 1158 of the Corporation Tax Act 2010, and The Companies (Miscellaneous Reporting) Regulations 2018.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary, review of the Board and committee minutes and review of papers provided to the Audit Committee.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to the incomplete or inaccurate revenue recognition through incorrect classification of special dividends and option premiums as revenue or capital in the Statement of Comprehensive Income. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at **frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Independent Auditor's Report to the Members of Shires Income PLC

Continued

Other Matters we are Required to Address

- Following the recommendation from the Audit Committee, we were appointed by the Company on 6 July 2016 to audit the financial statements for the year ending 31 March 2017 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is six years, covering the years ending 31 March 2017 to 31 March 2022.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of Our Report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

James Beszant (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
25 May 2022

Statement of Comprehensive Income

		Year ended 31 March 2022			Year ended 31 March 2021		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments at fair value	11	**–**	**5,048**	**5,048**	–	17,514	17,514
Currency gains/(losses)		**–**	**3**	**3**	–	(5)	(5)
Income	3						
Dividend income		**4,974**	**–**	**4,974**	4,278	–	4,278
Stock dividends		**194**	**–**	**194**	75	–	75
Traded option premiums		**71**	**–**	**71**	176	–	176
		5,239	**5,051**	**10,290**	4,529	17,509	22,038
Expenses							
Management fee	4	**(212)**	**(212)**	**(424)**	(189)	(190)	(379)
Administrative expenses	5	**(440)**	**–**	**(440)**	(358)	–	(358)
Finance costs	7	**(135)**	**(135)**	**(270)**	(132)	(132)	(264)
		(787)	**(347)**	**(1,134)**	(679)	(322)	(1,001)
Profit before taxation		**4,452**	**4,704**	**9,156**	3,850	17,187	21,037
Taxation	8	**(73)**	**–**	**(73)**	(54)	–	(54)
Profit attributable to equity holders of the Company		**4,379**	**4,704**	**9,083**	3,796	17,187	20,983
Earnings per Ordinary share (pence)	10	**14.21**	**15.27**	**29.48**	12.33	55.82	68.15

The Company does not have any income or expense that is not included in profit for the year, and therefore the "Profit for the year" is also the "Total comprehensive income for the year", as defined in IAS 1 (revised).

The total column of this statement represents the Statement of Comprehensive Income of the Company, prepared in accordance with UK adopted International Accounting Standards. The revenue and capital columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

All items in the above statement derive from continuing operations.

The accompanying notes are an integral part of these financial statements.

Balance Sheet

	Notes	As at 31 March 2022 £'000	As at 31 March 2021 £'000
Non-current assets			
Ordinary shares		**77,709**	68,058
Preference shares		**24,716**	25,487
Securities at fair value	11	**102,425**	93,545
Current assets			
Other receivables	12	**1,173**	988
Cash at bank		**1,483**	5,654
		2,656	6,642
Creditors: amounts falling due within one year			
Other payables		**(262)**	(331)
Short-term borrowings		**(19,000)**	(9,000)
	13	**(19,262)**	(9,331)
Net current liabilities		**(16,606)**	(2,689)
Total assets less current liabilities		**85,819**	90,856
Non-current liabilities			
Long-term borrowings	13	**-**	(9,999)
Net assets		**85,819**	80,857
Share capital and reserves			
Called-up share capital	14	**15,460**	15,447
Share premium account		**21,109**	21,052
Capital reserve	15	**42,545**	37,841
Revenue reserve		**6,705**	6,517
Equity shareholders' funds		**85,819**	80,857
Net asset value per Ordinary share (pence)	16	**278.29**	262.41

The financial statements were approved by the Board of Directors and authorised for issue on 25 May 2022 and were signed on its behalf by:

Robert Talbut

Chairman

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Equity

Year ended 31 March 2022

	Share capital £'000	Share premium account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 31 March 2021	**15,447**	**21,052**	**37,841**	**6,517**	**80,857**
Issue of Ordinary shares	**13**	**57**	**–**	**–**	**70**
Profit for the year	**–**	**–**	**4,704**	**4,379**	**9,083**
Equity dividends (see note 9)	**–**	**–**	**–**	**(4,191)**	**(4,191)**
As at 31 March 2022	**15,460**	**21,109**	**42,545**	**6,705**	**85,819**

Year ended 31 March 2021

	Share capital £'000	Share premium account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 31 March 2020	15,435	21,005	20,654	6,770	63,864
Issue of Ordinary shares	12	47	–	–	59
Profit for the year	–	–	17,187	3,796	20,983
Equity dividends (see note 9)	–	–	–	(4,049)	(4,049)
As at 31 March 2021	15,447	21,052	37,841	6,517	80,857

The Company has aggregate realised and distributable reserves of £33,931,000 as at 31 March 2022 (2021 – £31,193,000), comprising capital reserve – realised of £27,226,000 (2021 – £24,676,000) and a revenue reserve of £6,705,000 (2021 – £6,517,000).

The accompanying notes are an integral part of these financial statements.

Cash Flow Statement

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Net cash inflow from operating activities		
Dividend income received[A]	**4,809**	4,105
Options premium received	**71**	172
Management fee paid	**(512)**	(281)
Other cash expenses	**(417)**	(353)
Cash generated from operations	**3,951**	3,643
Interest paid	**(280)**	(252)
Overseas tax paid	**(91)**	(58)
Net cash inflows from operating activities	**3,580**	3,333
Cash flows from investing activities		
Purchases of investments[A]	**(13,372)**	(10,252)
Sales of investments	**9,739**	12,777
Net cash (outflow)/inflow from investing activities	**(3,633)**	2,525
Cash flows from financing activities		
Equity dividends paid	**(4,191)**	(4,049)
Issue of Ordinary shares	**70**	59
Net cash outflow from financing activities	**(4,121)**	(3,990)
(Decrease)/increase in cash and cash equivalents	**(4,174)**	1,868
Reconciliation of net cash flow to movements in cash and cash equivalents		
(Decrease)/increase in cash and cash equivalents as above	**(4,174)**	1,868
Net cash and cash equivalents at start of year	**5,654**	3,791
Effect of foreign exchange rate changes	**3**	(5)
Net cash and cash equivalents at end of year	**1,483**	5,654

[A] Non-cash dividends during the year comprised stock dividends of £194,000 (2021 - £75,000).

Notes to the Financial Statements

For the year ended 31 March 2022

1. Principal activity.

The Company is a closed-end investment company, registered in England and Wales No. 00386561, with its Ordinary shares listed on the London Stock Exchange.

2. Accounting policies

(a) **Basis of accounting.** The financial statements of the Company have been prepared in accordance with UK adopted International Accounting Standards ("IAS").

The Company's assets consist mainly of equity shares in companies listed on the London Stock Exchange. The Board has performed stress testing and liquidity analysis on the portfolio and considers that, in most foreseeable circumstances, the majority of the Company's investments are realisable within a relatively short timescale. The Board has set limits for borrowing and regularly reviews actual exposures, cash flow projections and compliance with banking covenants, including the headroom available. During the year, the Company had a £20 million loan facility which was due to mature in September 2022. Since the year end, the entire facility has been repaid and a new five year £20 million loan facility has been entered into. Further details are contained in note 13 to the financial statements. Having taken these factors into account, the Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future and has the ability to meet its financial obligations as they fall due for the period to 30 June 2023, which is at least twelve months from the date of approval of this Report. For these reasons, they continue to adopt the going concern basis of accounting in preparing the financial statements.

In preparing these financial statements the Directors have considered the impact of climate change risk as an emerging risk as set out on page 13, and have concluded that it does not have a material impact on the Company's investments. In line with IFRS investments are valued at fair value, which for the Company are quoted bid prices for investments in active markets at the Balance Sheet date and therefore reflect market participants view of climate change risk.

The Company's financial statements are presented in sterling, which is also the functional currency as it is the currency in which shares are issued and expenses are generally paid. All values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

Where presentational guidance set out in the Statement of Recommended Practice ("SORP"): 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies ("AIC"), is consistent with the requirements of IAS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP issued in April 2021.

Significant accounting judgements, estimates and assumptions. The preparation of financial statements requires the use of certain significant accounting judgements, estimates and assumptions which requires management to exercise its judgement in the process of applying the accounting policies and are continually evaluated. The area requiring most significant judgement and assumption in the financial statements is the determination of the fair value hierarchy classification of traded options which have been assessed as being Level 2 due to them not being considered to trade in active markets. The Directors do not consider there to be any significant judgement and estimates within the financial statements for the year ended 31 March 2022. Special dividends are assessed and credited to capital or revenue according to their circumstances.

New and amended accounting standards and interpretations. At the date of authorisation of these financial statements, the following amendments to Standards and Interpretations were assessed to be relevant and are all effective for annual periods beginning on or after 1 January 2021:

- IAS 39, IFRS 4, 7, 9 and 16 Amendments (Interest Benchmark Reform Phase 2)

Notes to the Financial Statements

Continued

Future amendments to standards and interpretations. At the date of authorisation of these financial statements, the following amendments to Standards and Interpretations were assessed to be relevant and are all effective for annual periods beginning on or after 1 January 2022;

– IAS 1 Amendments Classification of Liabilities as current or non-current (effective from 1 January 2023)

– IAS 1 Amendments Disclosure of Accounting Policies (effective from 1 January 2023)

– IAS 8 Amendments Definition of Accounting Estimates (effective from 1 January 2023)

– IAS 12 Amendments (Deferred Tax related to Assets and Liabilities arising from a Single Transaction) (effective from 1 January 2023)

The Company intends to adopt the Standards and Interpretations in the reporting period when they become effective and the Board does not anticipate that the adoption of these Standards and Interpretations in future periods will materially impact the Company's financial results in the period of initial application although there may be revised presentations to the Financial Statements and additional disclosures.

(b) **Investments**. All investments are evaluated and managed on a fair value basis and are therefore classified as FVTPL ("Fair Value Through Profit or Loss").

Investments are recognised and de-recognised at the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are measured at fair value. For listed investments, this is deemed to be bid market prices or closing prices for SETS (London Stock Exchange's electronic trading service) stocks sourced from the London Stock Exchange.

Gains and losses arising from the changes in fair value are included in net profit or loss for the period as a capital item. Transaction costs are treated as a capital cost.

(c) **Income.** Dividend income from equity investments, including preference shares, which have a discretionary dividend, is recognised when the shareholders' rights to receive payment have been established, normally the ex-dividend date. Special dividends are allocated to revenue or capital based on their individual merits.

If a scrip dividend is taken in lieu of a cash dividend, the net amount of the cash dividend declared is credited to the revenue account. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised as capital.

Interest from deposits, interest from debt securities, and income from preference shares which do not have a discretionary dividend are accounted for on an accruals basis.

(d) **Expenses.** All expenses are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the Statement of Comprehensive Income, all expenses have been presented as revenue items except those where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated. Accordingly, the management fee and finance costs have been allocated 50% to revenue and 50% to capital, in order to reflect the Directors' expected long-term view of the nature of the future investment returns of the Company.

(e) **Borrowings**. Short-term borrowings, which comprise interest bearing bank loans are initially recognised at cost, being the fair value of the consideration received, net of any issue expenses. The finance costs, being the difference between the net proceeds of borrowings and the total amount of payments that require to be made in respect of those borrowings, are amortised over the life of the borrowings.

Long-term borrowings are measured initially at the fair value of the consideration received, net of any issue expenses, and subsequently at amortised cost using the effective interest method.

(f) Taxation. The tax payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expenditure that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company has no liability for current tax.

Deferred tax is recognised in respect of all temporary differences at the Balance Sheet date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the Balance Sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the temporary differences can be deducted. Deferred tax assets and liabilities are measured at the rates applicable to the legal jurisdictions in which they arise, using tax rates that are expected to apply at the date the deferred tax position is unwound.

Owing to the Company's status as an investment trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

(g) Foreign currencies. Monetary assets and liabilities, comprising current assets, current liabilities and non-current liabilities and non-monetary assets comprising non-current assets held at fair value which are denominated in foreign currencies are converted into sterling at the rate of exchange ruling at the reporting date. Transactions during the year in foreign currencies are converted at the rate of exchange ruling at the transaction date. Gains or losses on monetary assets and liabilities arising from a change in exchange rates subsequent to the date of a transaction are included as a currency gain or loss in revenue or capital column of the Statement of Comprehensive Income, depending on whether the gain or loss is of a revenue or capital nature. Gains or losses on non-monetary assets arising from a change in exchange rates subsequent to the date of a transaction are included as a gain or loss on investments in the capital column of the Statement of Comprehensive Income.

(h) Derivatives. The Company may enter into certain derivatives (e.g. traded options). Traded option contracts are restricted to writing out-of-the-money options with a view to generating income. Premiums received on traded option contracts are recognised as income evenly over the period from the date they are written to the date when they expire or are exercised or assigned. Losses on any movement in the fair value of open contracts at the year end and on the exercise of the contracts are recorded in the capital column of the Statement of Comprehensive Income as they arise.

(i) Cash and cash equivalents. Cash and cash equivalents comprise cash in hand and at banks and short-term deposits.

(j) Other receivables. Financial assets classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. As such they are measured at amortised cost. Other receivables do not carry any interest, they have been assessed for any expected credit losses over their lifetime due to their short-term nature.

(k) Other payables. Payables are non-interest bearing and are stated at their undiscounted cash flows.

(l) Dividends payable. Final dividends are recognised from the date on which they are approved by shareholders. Interim dividends are recognised when paid.

(m) Nature and purpose of reserves

Share premium account. The balance classified as share premium includes the premium above nominal value from the proceeds on issue of any equity share capital comprising Ordinary shares of 50p per share. This reserve is not distributable.

Notes to the Financial Statements

Continued

Capital reserve. This reserve reflects any realised gains or losses in the period together with any unrealised increases and decreases that have been recognised in the Statement of Comprehensive Income. These include gains and losses from foreign currency exchange differences. Additionally, expenses, including finance costs, are charged to this reserve in accordance with (d) above.

The capital reserve, to the extent that the gains are deemed realised, is distributable, including by way of dividend.

Revenue reserve. This reserve reflects all income and costs which are recognised in the revenue column of the Statement of Comprehensive Income. The revenue reserve is distributable, including by way of dividend.

(n) **Segmental reporting.** The Directors are of the opinion that the Company is engaged in a single segment of business activity, being investment business. Consequently, no business segmental analysis is provided.

3. Income

	2022 £'000	2021 £'000
Income from listed investments		
UK dividend income	**4,198**	3,884
Overseas dividend income	**776**	394
Stock dividends	**194**	75
	5,168	4,353
Other income from investment activity		
Traded option premiums	**71**	176
Total income	**5,239**	4,529

4. Management fees

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fees	**212**	**212**	**424**	189	190	379

The management fee is based on 0.45% per annum up to £100 million and 0.40% over £100 million, by reference to the net assets of the Company and including any borrowings up to a maximum of £30 million, and excluding commonly managed funds, calculated monthly and paid quarterly. The fee is allocated 50% to revenue and 50% to capital. The management agreement is terminable on not less than six months' notice. The total of the fees paid and payable during the year to 31 March 2022 was £424,000 (2021 – £379,000) and the balance due to Aberdeen Standard Fund Managers Limited ("ASFML") at the year end was £107,000 (2021 – £195,000). The Company held an interest in a commonly managed investment trust, abrdn Smaller Companies Income Trust plc, in the portfolio during the year to 31 March 2022 (2021 – same). The value attributable to this holding is excluded from the calculation of the management fee payable by the Company.

5. Administrative expenses

	2022 £'000	2021 £'000
Directors' remuneration	**126**	122
Auditor's remuneration: fees payable to the Company's Auditor for the audit of the Company's annual accounts	**45**	37
Promotional activities	**65**	49
Professional fees	**40**	–
Directors' & Officers' liability insurance	**7**	6
Trade subscriptions	**26**	20
Share plan costs	**22**	20
Registrar's fees	**43**	41
Printing, postage and stationery	**26**	27
Other administrative expenses	**40**	36
	440	358

The management agreement with ASFML also provides for the provision of promotional activities, which ASFML has delegated to Aberdeen Asset Managers Limited. The total fees paid and payable under the management agreement in relation to promotional activities were £65,000 (2021 - £49,000) inclusive of VAT. The Company's management agreement with ASFML also provides for the provision of company secretarial and administration services to the Company; no separate fee is charged to the Company in respect of these services, which have been delegated to Aberdeen Asset Management PLC.

With the exception of Directors' remuneration and Auditor's remuneration for the statutory audit, all of the expenses above include irrecoverable VAT where applicable.

6. Directors' remuneration.

The Company had no employees during the year (2021 – none). No pension contributions were paid for Directors (2021 – £nil). Further details on Directors' Remuneration can be found in the Directors' Remuneration Report on page 60.

7. Finance costs

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
On bank loans	**135**	**135**	**270**	132	132	264

Notes to the Financial Statements

Continued

8. Taxation

	2022			2021		
	Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
(a) Analysis of the charge for the year						
Overseas tax	**73**	**–**	**73**	54	–	54
Total tax charge	**73**	**–**	**73**	54	–	54

(b) Factors affecting the tax charge for the year. The tax assessed for the year is lower than the effective rate of corporation tax in the UK. The differences are explained in the reconciliation below:

	2022			2021		
	Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Profit before taxation	**4,452**	**4,704**	**9,156**	3,850	17,187	21,037
Corporation tax at an effective rate of 19% (2021 – 19%)	**846**	**894**	**1,740**	732	3,266	3,998
Effects of:						
Non-taxable UK dividend income	**(830)**	**–**	**(830)**	(730)	–	(730)
Excess management expenses not utilised	**131**	**66**	**197**	87	61	148
Overseas withholding tax	**73**	**–**	**73**	54	–	54
Non-taxable overseas dividends	**(147)**	**–**	**(147)**	(89)	–	(89)
Gains on investments not taxable	**–**	**(959)**	**(959)**	–	(3,328)	(3,328)
(Gains)/losses on currency movements	**–**	**(1)**	**(1)**	–	1	1
Total tax charge	**73**	**–**	**73**	54	–	54

At 31 March 2022 the Company had surplus management expenses and loan relationship debits with a tax value of £7,217,000 based on a corporation tax rate of 25% (2021 – £5,288,000 based on a corporation tax rate of 19%) in respect of which a deferred tax asset has not been recognised. This is because the Company is not expected to generate taxable income in a future period in excess of the deductible expenses of that future period and, accordingly, it is unlikely that the Company will be able to reduce future tax liabilities through the use of existing surplus expenses.

9. Dividends

	2022 £'000	2021 £'000
Amounts recognised as distributions to equity holders in the period:		
Third interim dividend for 2021 of 3.00p (2020 - 3.00p) per share	**924**	923
Final dividend for 2021 of 4.20p (2020 - 4.20p) per share	**1,293**	1,292
First two interim dividends for 2022 totalling 6.40p (2021 - 6.00p) per share	**1,972**	1,848
Refund of unclaimed dividends from previous periods	**-**	(16)
	4,189	4,047
3.5% Cumulative Preference shares	**2**	2
Total	**4,191**	4,049

The third interim dividend of 3.20p for the year to 31 March 2022, which was paid on 29 April 2022, and the proposed final dividend of 4.20p for the year to 31 March 2022, payable on 29 July 2022, have not been included as liabilities in these financial statements.

Set out below are the total ordinary dividends payable in respect of the financial year, which is the basis on which the requirements of Sections 1158-1159 of the Corporation Tax Act 2010 are considered:

	2022 £'000	2021 £'000
Three interim dividends for 2022 totalling 9.60p (2021 - 9.00p) per share	**2,959**	2,772
Proposed final dividend for 2022 of 4.20p (2021 – 4.20p) per share	**1,294**	1,293
	4,253	4,065

The amount reflected above for the cost of the proposed final dividend for 2022 is based on 30,819,580 Ordinary shares, being the number of Ordinary shares in issue at the date of this Report.

10. Earnings per Ordinary share

	2022 £'000	2021 £'000
Earnings per Ordinary share are based on the following figures:		
Revenue return	**4,379**	3,796
Capital return	**4,704**	17,187
Total return	**9,083**	20,983
Weighted average number of Ordinary shares	**30,812,251**	30,788,210

During the year there were no (2021 – same) potentially dilutive shares in issue.

Notes to the Financial Statements

Continued

11. Non-current assets – Securities at fair value

	2022 Listed investments £'000	2021 Listed investments £'000
Opening book cost	**80,380**	84,782
Opening investment holdings gains/(losses)	**13,165**	(6,381)
Opening valuation	**93,545**	78,401
Purchases	**13,554**	10,272
Sales – proceeds	**(9,722)**	(12,641)
Gains on investments	**5,048**	17,513
Total investments held at fair value through profit or loss	**102,425**	93,545

	2022 Listed investments £'000	2021 Listed investments £'000
Closing book cost	**87,106**	80,380
Closing investment holdings gains	**15,319**	13,165
Total investments held at fair value through profit or loss	**102,425**	93,545

Gains/(losses) on investments	2022 £'000	2021 £'000
Net realised gains/(losses) on sales of investments[A]	**2,984**	(1,830)
Cost of call options exercised	**(90)**	(203)
Net realised gains/(losses) on sales	**2,894**	(2,033)
Movement in fair value of investments	**2,171**	19,555
Cost of put options assigned	**(17)**	(9)
Movement in appreciation of traded options held	**–**	1
	5,048	17,514

[A] Includes losses realised on the exercise of traded options of £107,000 (2021 – £212,000) which are reflected in the capital column of the Statement of Comprehensive Income.

The cost of the exercising of call options and the assigning of put options is the difference between the market price of the underlying shares and the strike price of the options. The premiums earned on options expired, exercised or assigned of £71,000 (2021 – £176,000) have been dealt with in the revenue account.

The movement in the fair value of traded option contracts has been calculated in accordance with the accounting policy stated in note 2(h) and has been charged to the capital reserve.

The Company received £9,722,000 (2021 – £12,641,000) from investments sold in the period. The book cost of these investments when they were purchased was £6,828,000 (2021 – £14,674,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

During the year expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within losses on investments in the Statement of Comprehensive Income. The total costs on purchases of investments in the year was £59,000 (2021 – £42,000). The total costs on sales of investments in the year was £6,000 (2021 – £5,000). The above transaction costs are calculated in line with the AIC SORP. The transaction costs in the Company's Key Information Document are calculated on a different basis and in line with the PRIIPs regulations.

At 31 March 2022 the Company held the following investments comprising more than 3% of the class of share capital held:

Company	Country of Incorporation	Number of shares held	Class of shares held	Class held %
abrdn Smaller Companies Income Trust plc	Scotland	3,013,726	Ordinary	13.6
Ecclesiastical Insurance Office	England	4,240,000	8 5/8% Cum Pref	4.0
Royal & Sun Alliance	England	4,350,000	7 3/8% Cum Pref	3.5
General Accident	Scotland	3,548,000	7.875% Cum Pref	3.2

12. Other receivables

	2022 £'000	2021 £'000
Accrued income and prepayments	**1,173**	988
	1,173	988

None of the above amounts are overdue.

13. Current liabilities

	2022 £'000	2021 £'000
Short-term bank loans	**19,000**	9,000
Amount due to brokers	**5**	–
Other creditors	**257**	331
	19,262	9,331

Included above are the following amounts owed to ASFML for management and saving scheme services and for the promotion of the Company.

Notes to the Financial Statements

Continued

	2022 £'000	2021 £'000
Other creditors	**159**	225

Non-current liabilities	2022 £'000	2021 £'000
Long-term bank loan	**–**	10,000
Loan arrangement fees	**–**	(1)
	–	9,999

Throughout the year, the Company had an agreement with Scotiabank Europe PLC to provide a loan facility until 20 September 2022 for up to £20,000,000. A £10,000,000 fixed rate loan was drawn down on 20 September 2019 at a rate of 1.706%. This rate was fixed until maturity on 20 September 2022 and this loan moved from being long-term to short-term during the year. In addition, at the year end £9,000,000 had been drawn down at an all-in interest rate of 1.378%, maturing on 14 April 2022. At the date of signing this Report the amount drawn down was unchanged at £9,000,000 with an all-in interest rate of 2.3407%, maturing on 1 June 2022.

The terms of the Scotiabank Europe PLC facility contained covenants that gross borrowings may not exceed one-third of adjusted portfolio value and that adjusted portfolio value may not be less than £37 million. The Company met these covenants during the year and following the year end.

The arrangement expenses incurred on the drawdown of the loan were amortised over the term of the loan.

Since the year end, the Company has renewed the loan facility ahead of its expiry date on 20 September 2022 and entered into a new £20 million loan facility with The Royal Bank of Scotland International Limited, London Branch, on 3 May 2022. £10 million of the new loan facility has been drawn down and fixed at an all-in interest rate of 3.903%. £9 million of the facility has been drawn down on a short-term basis and can be repaid without incurring any financial penalties. The proceeds of the new loan were used to repay and cancel in full the Company's previous loan facilities. The Company's total borrowings are therefore unchanged following the re-financing. The new loan facility matures on 30 April 2027.

14. Called up share capital

	2022		2021	
	Number	£'000	Number	£'000
Authorised				
Ordinary shares of 50 pence each	**39,800,000**	**19,900**	39,800,000	19,900
3.5% Cumulative Preference shares of £1 each	**100,000**	**100**	100,000	100
		20,000		20,000
Allotted, called up and fully paid Ordinary shares of 50 pence each:				
Balance brought forward	**30,794,580**	**15,397**	30,769,580	15,385
Ordinary shares issued	**25,000**	**13**	25,000	12
Balance carried forward	**30,819,580**	**15,410**	30,794,580	15,397
Allotted, called up and fully paid 3.5% Cumulative Preference shares of £1 each:				
Balance brought forward and carried forward	**50,000**	**50**	50,000	50
		15,460		15,447

During the year the Company issued 25,000 (2021 - 25,000) Ordinary shares of 50p each for proceeds of £70,000 (2021 - £59,000).

Each Ordinary and Cumulative Preference share carries one vote at general meetings of the Company. The Cumulative Preference shares are considered to be equity. They have no fixed redemption date, carry a right to receive a fixed rate of dividend and, on a winding up of the Company, to the payment of such fixed cumulative preferential dividends to the date of such winding up and to the repayment of the capital paid up on such shares in priority to any payment to the holders of the Ordinary shares.

The Ordinary shares, excluding any treasury shares, carry a right to receive dividends and, on a winding up or other return of capital, after meeting the liabilities of the Company, the surplus assets will be paid to Ordinary shareholders in proportion to their shareholdings.

There are no restrictions on the transfer of Ordinary or Cumulative Preference shares in the Company other than certain restrictions which may from time to time be imposed by law.

Notes to the Financial Statements

Continued

15. Capital reserve

	2022 £'000	2021 £'000
At 31 March 2021	**37,841**	20,654
Net gains/(losses) on sales of investments during year	**2,894**	(2,033)
Movement in fair value increases of investments	**2,154**	19,546
Management fees	**(212)**	(190)
Interest on bank loans	**(135)**	(132)
Currency gains/(losses)	**3**	(5)
Capital gains on traded options	**-**	1
At 31 March 2022	**42,545**	37,841

The capital reserve includes gains of £15,319,000 (31 March 2021 - gains of £13,165,000), which relate to the revaluation of investments held at the reporting date.

16. Net asset value per Ordinary share

The net asset value per share and the net assets attributable to the Ordinary shareholders at the year end were as follows:

	2022	2021
Net assets per Balance Sheet	**£85,819,000**	£80,857,000
3.5% Cumulative Preference shares of £1 each	**£50,000**	£50,000
Attributable net assets	**£85,769,000**	£80,807,000
Number of Ordinary shares in issue	**30,819,580**	30,794,580
Net asset value per share	**278.29p**	262.41p

17. Analysis of changes in financial liabilities during the year

Financing activities	At 31 March 2021 £'000	Currency differences £'000	Cash flows £'000	Other movements[A] £'000	At 31 March 2022 £'000
Debt due within one year	**(9,000)**	**-**	**-**	**(10,000)**	**(19,000)**
Debt due after more than one year	**(9,999)**	**-**	**-**	**9,999**	**-**
	(18,999)	**-**	**-**	**(1)**	**(19,000)**

Financing activities	At 31 March 2020 £'000	Currency differences £'000	Cash flows £'000	Other movements[A] £'000	At 31 March 2021 £'000
Debt due within one year	(9,000)	–	–	–	(9,000)
Debt due after more than one year	(9,998)	–	–	(1)	(9,999)
	(18,998)	–	–	(1)	(18,999)

[A] The other movements column represents the fixed rate bank loan moving from long-term to short-term during the year and the amortisation of the loan arrangement fees.

18. Financial instruments

Risk management. The Company's investment activities expose it to various types of financial risk associated with the financial instruments and markets in which it invests. The Company's financial instruments comprise securities and other investments, cash balances, loans and debtors and creditors that arise directly from its operations; for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income.

The Company may also, subject to Board approval, enter into derivative transactions, in the form of traded options, for the purpose of enhancing income returns and portfolio management. During the year, the Company entered into certain derivative contracts. As disclosed in note 3, the premium received and fair value changes in respect of options written in the year were £71,000 (2021 – £176,000). Positions closed during the year realised a loss of £107,000 (2021 – £212,000). The largest position in derivative contracts held during the year at any given time was £26,000 (2021 – £70,000). The Company had no open positions in derivative contracts at 31 March 2022 (2021 – nil).

The Board has delegated the risk management function in relation to financial instruments to Aberdeen Standard Fund Managers Limited ("ASFML") under the terms of its management agreement with ASFML (further details of which are included under note 4). The Board regularly reviews and agrees policies for managing each of the key financial risks identified with the Manager. The types of risk and the Manager's approach to the management of each type of risk, are summarised below. Such approach has been applied throughout the year and has not changed since the previous accounting period. The numerical disclosures exclude short-term debtors and creditors given their relatively low value.

Risk management framework. The directors of ASFML collectively assume responsibility for ASFML's obligations under the AIFMD including reviewing investment performance and monitoring the Company's risk profile during the year.

Notes to the Financial Statements

Continued

ASFML is a fully integrated member of the abrdn Group (the "Group"), which provides a variety of services and support to ASFML in the conduct of its business activities, including in the oversight of the risk management framework for the Company. The AIFM has delegated the day to day administration of the investment policy to Aberdeen Asset Managers Limited, which is responsible for ensuring that the Company is managed within the terms of its investment guidelines and the limits set out in its pre-investment disclosures to investors (details of which can be found on the Company's website). The AIFM has retained responsibility for monitoring and oversight of investment performance, product risk and regulatory and operational risk for the Company.

The Group's Internal Audit Department is independent of the Risk Division and reports directly to the Group's CEO and to the Audit Committee of the Group's Board of Directors. The Internal Audit Department is responsible for providing an independent assessment of the Group's control environment.

The Manager conducts its risk oversight function through the operation of the Group's risk management processes and systems which are embedded within the Group's operations. The Group's Risk Division supports management in the identification and mitigation of risks and provides independent monitoring of the business. The Division includes Compliance, Business Risk, Market Risk, Risk Management and Legal. The team is headed up by the Group's Head of Risk, who reports to the Group's CEO. The Risk Division achieves its objective through embedding the Risk Management Framework throughout the organisation using the Group's operational risk management system ("SHIELD").

The Group's corporate governance structure is supported by several committees to assist the board of directors of abrdn, its subsidiaries and the Company to fulfil their roles and responsibilities. The Group's Risk Division is represented on all committees, with the exception of those committees that deal with investment recommendations. The specific goals and guidelines on the functioning of those committees are described on the committees' terms of reference.

Risk management. The main risks the Company faces from its financial instruments are (i) market risk (comprising interest rate risk, currency risk and price risk), (ii) liquidity risk and (iii) credit risk.

(i) **Market risk**. The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements - interest rate risk, currency risk and other price risk.

Interest rate risk. Interest rate movements may affect:

- the fair value of the investments in convertibles and preference shares;
- the level of income receivable on cash deposits; and
- interest payable on the Company's variable rate borrowings.

Management of the risk. The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment and borrowing decisions.

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. Borrowings comprise fixed rate, revolving, and uncommitted facilities. The fixed rate facilities are used to finance opportunities at low rates and, the revolving and uncommitted facilities to provide flexibility in the short-term. Current bank covenants state that the gross borrowings will not exceed one-third of adjusted portfolio value.

The Board reviews the value of investments in preference shares on a regular basis.

Interest rate profile. The interest rate risk profile of the portfolio of financial assets and liabilities (excluding ordinary shares) at the Balance Sheet date was as follows:

As at 31 March 2022	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
Assets				
UK preference shares	-	8.50	24,716	-
Cash and cash equivalents	-	0.01	-	1,483
Total assets			24,716	1,483
Liabilities				
Short-term bank loans	0.27	1.55	(19,000)	-
Long-term bank loans	-	-	-	-
Total liabilities			(19,000)	-

As at 31 March 2021	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
Assets				
UK preference shares	–	8.48	25,487	–
Cash and cash equivalents	–	0.01	–	5,654
Total assets			25,487	5,654
Liabilities				
Short-term bank loans	0.05	0.93	(9,000)	–
Long-term bank loans	1.47	1.71	(9,999)	–
Total liabilities			(18,999)	–

The weighted average interest rate is based on the current yield of each asset, weighted by its market value. The weighted average interest rate on bank loans is based on the interest rate payable, weighted by the total value of the loans.

The cash assets consist of cash deposits on call earning interest at prevailing market rates.

The UK preference shares assets have no maturity date.

Short-term debtors and creditors (with the exception of bank loans) have been excluded from the above tables.

Interest rate sensitivity. The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the Balance Sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

If interest rates had been 200 basis points higher or lower and all other variables were held constant, the Company's:

– profit before tax for the year ended 31 March 2022 would increase/decrease by £30,000 (2021 – £113,000). This is mainly attributable to the Company's exposure to interest rates on its floating rate cash balances. These figures have been calculated based on cash positions at each year end.

– the capital return would decrease/increase by £6,810,000 (2021 – increase/decrease by £3,288,000) using VaR ("Value at Risk") analysis based on 100 observations of monthly VaR computations of fixed interest portfolio positions at each year end.

Currency risk. A small proportion of the Company's investment portfolio is invested in overseas securities whose values are subject to fluctuation due to changes in exchange rates.

Management of the risk. The revenue account is subject to currency fluctuations arising on dividends received in foreign currencies and, indirectly, due to the impact of foreign exchange rates upon the profits of investee companies. The Company does not hedge this currency risk. The Company does not have any exposure to foreign currency liabilities. No currency sensitivity analysis has been prepared as the Company considers any impact to be immaterial to the financial statements.

Price risk. Price risks (ie changes in market prices other than those arising from interest rate or currency risk) may affect the value of the quoted investments.

Management of the risk. It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular sector. The allocation of assets to specific sectors and the stock selection process both act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The investments held by the Company are listed on recognised stock exchanges.

Price sensitivity. If market prices at the Balance Sheet date had been 20% higher or lower while all other variables remained constant, the profit before tax attributable to Ordinary shareholders for the year ended 31 March 2022 would have increased/decreased by £15,542,000 (2021 – increase/decrease of £13,612,000). This is based on the Company's portfolio of Ordinary shares held at each year end.

(ii) **Liquidity risk**. This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Management of the risk. Liquidity risk is not considered to be significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary.

Short-term flexibility is achieved through the use of loan facilities, details of which can be found in note 13. Under the terms of the loan facility, the Manager provides the lender with loan covenant reports on a monthly basis, to provide the lender with assurance that the terms of the facility are not being breached. The Manager will also review the credit rating of a lender on a regular basis.

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. Borrowings comprise a revolving loan facility and a fixed term loan facility. The Board has imposed a maximum equity gearing of 35% which constrains the amount of gearing that can be invested in equities which, in normal market conditions, are more volatile than the preference shares within the portfolio. Details of borrowings at 31 March 2022 are shown in note 13.

Maturity profile. The maturity profile of the Company's financial liabilities at the Balance Sheet date was as follows:

At 31 March 2022	Within 1 year £'000	Within 1-5 years £'000	More than 5 years £'000
Trade and other payables	**(262)**	-	-
Short-term bank loans	**(19,086)**	-	-
Long-term bank loans	-	-	-
	(19,348)	-	-

At 31 March 2021	Within 1 year £'000	Within 1-5 years £'000	More than 5 years £'000
Trade and other payables	(327)	-	-
Short-term bank loans	(9,021)	-	-
Long-term bank loans	(174)	(10,086)	-
	(9,522)	(10,086)	-

(iii) **Credit risk**. This is the risk of failure of the counterparty to a transaction to discharge its obligations under that transaction that could result in the Company suffering a loss.

Management of the risk. The risk is managed as follows:

- where the Investment Manager makes an investment in a bond, corporate or otherwise, the credit rating of the issuer is taken into account so as to minimise the risk to the Company of default;

- transactions involving derivatives are entered into only with investment banks, the credit rating of which is taken into account so as to minimise the risk to the Company of default;

- investment transactions are carried out with a large number of brokers, whose credit-standing is reviewed periodically by the investment manager, and limits are set on the amount that may be due from any one broker;

– the risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the review of failed trade reports on a daily basis. In addition, both stock and cash reconciliations to the Custodian's records are performed on a daily basis to ensure discrepancies are investigated on a timely basis. The Group's Compliance carries out periodic reviews of the Custodian's operations and reports its findings to the abrdn Group's Risk Management Committee and to the Board of the Company. This review will also include checks on the maintenance and security of investments held;

- transactions involving derivatives and other arrangements wherein the creditworthiness of the entity acting as broker or counterparty to the transaction is likely to be of sustained interest are subject to rigorous assessment by the Investment Manager of the credit worthiness of that counterparty. The Company's aggregate exposure to each such counterparty is monitored regularly by the Board; and

- cash is held only with reputable banks with high quality external credit enhancements.

It is the Investment Manager's policy to trade only with A- and above (Long Term rated) and A-1/P-1 (Short Term rated) counterparties.

Notes to the Financial Statements

Continued

None of the Company's financial assets is secured by collateral or other credit enhancements.

Credit risk exposure. In summary, compared to the amounts in the Balance Sheet, the maximum exposure to credit risk at 31 March 2022 and 31 March 2021 was as follows:

	2022		2021	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
Non-current assets				
Quoted preference shares at fair value through profit or loss	**24,716**	**24,716**	25,487	25,487
Current assets				
Accrued income	**1,158**	**1,158**	975	975
Cash and cash equivalents	**1,483**	**1,483**	5,654	5,654
	27,357	**27,357**	32,116	32,116

None of the Company's financial assets is past its due date.

Fair value of financial assets and liabilities. There were no long-term loans at the year end (2021 – fair value of £10,001,000 compared to an accounts value in the financial statements of £9,999,000) (note 13). The fair value of each loan is determined by aggregating the expected future cash flows for that loan discounted at a rate comprising the borrower's margin plus an average of market rates applicable to loans of a similar period of time and currency. The loan is considered to be classed as a Level 2 liability under IFRS 13. The carrying values of fixed asset investments are stated at their fair values, which have been determined with reference to quoted market prices. Traded options contracts are valued at fair value which have been determined with reference to quoted market values of the contracts. The contracts are tradeable on a recognised exchange. For all other short-term debtors and creditors, their book values approximate to fair values because of their short-term maturity.

19. Fair value hierarchy

IFRS 13 'Financial Value Measurement' requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy at 31 March 2022 as follows:

	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted investments	a)	**102,425**	**–**	**–**	**102,425**
Net fair value		**102,425**	**–**	**–**	**102,425**

As at 31 March 2021	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted investments	a)	93,545	–	–	93,545
Net fair value		93,545	–	–	93,545

a) **Quoted investments.** The fair value of the Company's quoted investments has been determined by reference to their quoted bid prices at the reporting date. Quoted investments included in Fair Value Level 1 are actively traded on recognised stock exchanges.

20. Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern; and
- to maximise the return to its equity shareholders through an appropriate balance of equity capital and debt.

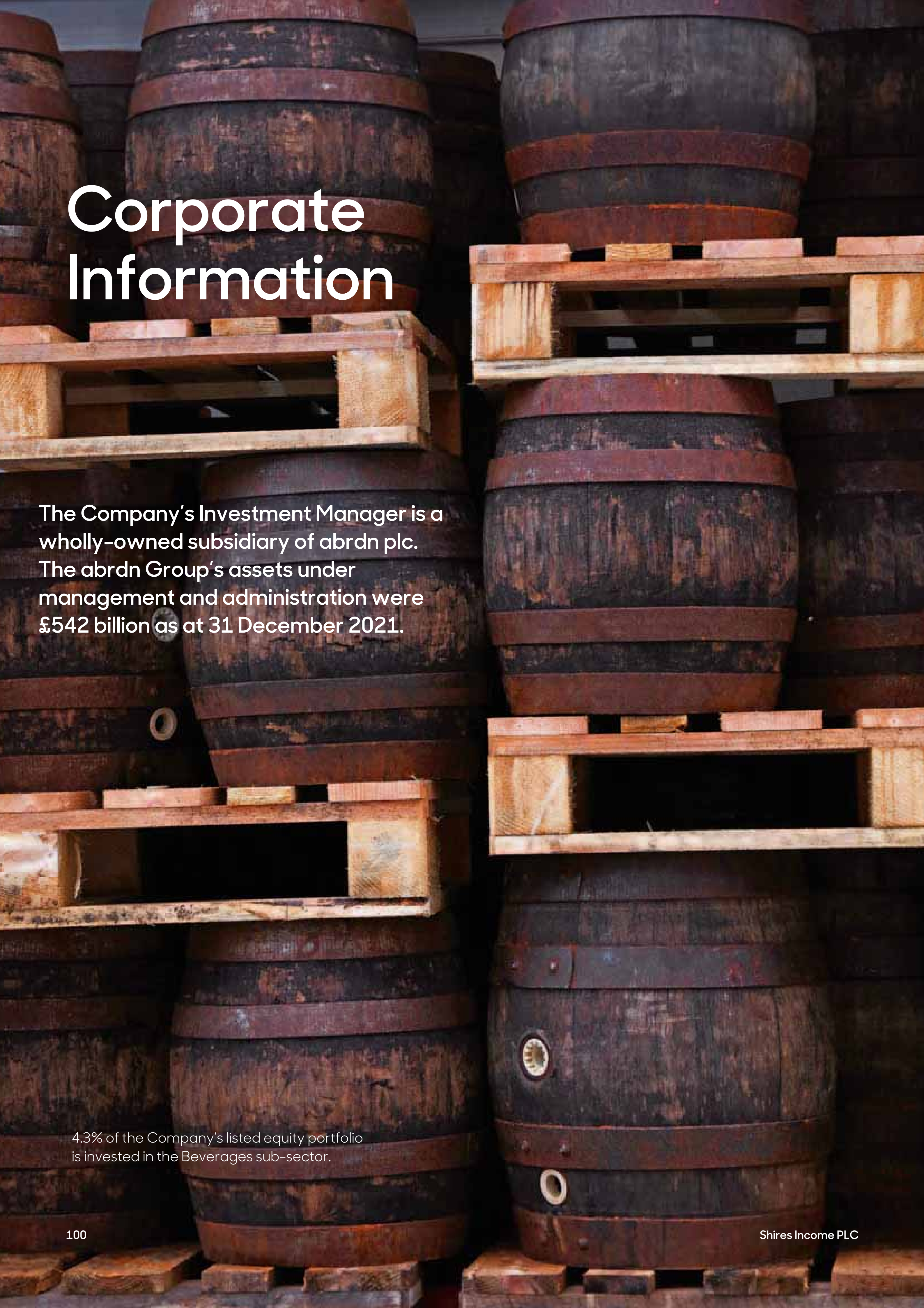
The capital of the Company consists of equity, comprising issued capital, reserves and retained earnings.

The Board monitors and reviews the broad structure of the Company's capital. This review includes the nature and planned level of gearing, which takes account of the Investment Manager's views on the market and the extent to which revenue in excess of that which is required to be distributed should be retained. The Company is not subject to any externally imposed capital requirements.

21. Related party transactions

Directors' fees and interests. Fees payable during the year to the Directors and their interests in shares of the Company are disclosed within the Directors' Remuneration Report on page 60.

Transactions with the Manager. The Company has an agreement with the abrdn Group for the provision of management, secretarial, accounting and administration services and for the carrying out of promotional activities in relation to the Company. Details of transactions during the year and balances outstanding at the year end are disclosed in notes 4 and 5.



Corporate Information

The Company's Investment Manager is a wholly-owned subsidiary of abrdn plc. The abrdn Group's assets under management and administration were £542 billion as at 31 December 2021.

4.3% of the Company's listed equity portfolio is invested in the Beverages sub-sector.

Information about the Investment Manager

Aberdeen Asset Managers Limited

The Company's Investment Manager is Aberdeen Asset Managers Limited which is a wholly-owned subsidiary of abrdn plc. The abrdn Group's assets under management and administration were £542 billion as at 31 December 2021, managed for a range of clients including 22 UK-listed closed-end investment companies.

The Investment Team Senior Managers

Iain Pyle

Investment Director, UK Equities

Iain is an Investment Director in the UK Equities team, having joined Standard Life Investments in 2015. Prior to joining, he was an analyst on the top-ranked Oil & Gas research team at Sanford Bernstein. Iain graduated with a MEng degree in Chemical Engineering from Imperial College and an MSc (Hons) in Operational Research from Warwick Business School. He is a Chartered Accountant and a CFA Charterholder.

Charles Luke

Senior Investment Director, UK Equities

Charles is a Senior Investment Director in the UK Equities team. He joined Aberdeen Asset Management's Pan European Equities team in 2000 and previously worked at Framlington Investment Management. He has a BA in Economics and Japanese Studies from Leeds University and an MSc in Business and Economic History from the London School of Economics.

Information about the Investment Manager

Continued

The Investment Process

Investment Philosophy and Style

The Investment Manager believes that company fundamentals ultimately drive stock prices but are often priced inefficiently. It believes that in-depth company research delivers insights that can be used to exploit these market inefficiencies. The Investment Manager focuses on investing in high-quality companies, with the market often underestimating the sustainability of their returns. Quality companies tend to produce more resilient earnings streams with fewer tail risks, allowing them to better navigate challenging market conditions whilst also capitalising on opportunities to create value. This makes the approach well suited to identifying companies with sustainable and growing income generation. Investment insights are generated by the extensive equity research platform at abrdn. Ideas are generated through frequent direct company contact, deep fundamental analysis and integrated ESG analysis with rigorous team debate strengthening analytical conclusions. The Investment Manager has a long-term approach, aiming to buy and hold companies for a multi-year time horizon although it has the ability to react quickly if necessary. The Investment Manager is willing to take sizeable deviations to the benchmark based on the companies where it finds the highest quality and most attractive valuations.

Investment Process

The investment process has three stages:

1. **Idea Generation and Research**. Comprehensive coverage of the UK equity market with a team of analysts generating investment ideas from company meetings, combined with corroborating evidence from competitors, suppliers and customers. External secondary research is also generated to gain insight on the consensus view and supplement proprietary research.
2. **Stock Selection**. Buy ideas are peer reviewed by the whole UK Equity team, evaluating the level of conviction and the materiality, corroboration and correlation of those investment opportunities. For the Company specifically, the Investment Manager aims to select high-quality stocks. Quality is defined by reference to management, business focus, balance sheet and corporate governance.
3. **Portfolio Construction and Risk Management**. Portfolio construction is undertaken in a disciplined way, prioritising the taking of company specific risk with a rigorous sell discipline. Non-proprietary and proprietary quantitative tools are used to identify and control risk factor exposures, including sector and geographic weights.

The Investment Manager believes that good investment decision-making requires clarity of responsibility for those decisions. Every stock has a named analyst responsible for its coverage, and every portfolio has a named fund manager responsible for its management. They make those decisions supported and challenged by the team, but accountability for the final decision is clear.

The investment process also leverages a wealth of knowledge, insight and expertise across asset classes and regions within abrdn. This allows the fund manager to take advantage of equity colleagues across the globe who are meeting companies and conducting research and sharing their insights using one common global research platform. This is invaluable when investing in the UK equity market, which is one of the most global markets in the world. Corporate level insights are shared with the credit team which enriches the equity view through an understanding of the full capital structure of the businesses invested in. Members of the Investment Manager's multi-asset and economics teams regularly attend the equity team's daily meeting to share macro level insights.

Approach to Income

The primary aim of the Company is to deliver a high level of income with the capacity for growth of both income and capital over time. Consideration of income therefore plays an important part in the Investment Manager's process. Research analysts are required to consider the prospects for dividend affordability and growth for each stock under coverage within the research process. For stock selection, the Investment Manager pays particular attention to measures relevant for income such as: cash flow outlook, balance sheet strength and intention to pay dividends. The Investment Manager looks for investment cases that deliver returns from income in a number of ways: high yielding stocks with potential for yield compression; stable high yield names to deliver resilient income; and growing companies with the potential for capital and dividend growth over time. Portfolio construction considers the required level of income to fund and, over time, grow the Company's dividend and the overall risk profile required to achieve this. Investment ideas and portfolio construction are reviewed by a group of income portfolio managers with significant experience in UK equity income.

ESG Integration

ESG integration means identifying and including all of the Investment Manager's ESG analysis in each investment decision and the Investment Manager is regarded as a leader in this area. A central ESG team supports investment teams across different asset classes with its thematic work on areas such as remuneration and climate change, as well as taking responsibility for voting policies. The Investment Manager's Approach to ESG is included on pages 31 to 35.

Preference Shares

Given the importance of the Preference Share portfolio to the Company, there is an additional process in place to monitor these holdings. Regular meetings are held, comprising analysts from the fixed income and equity teams responsible for coverage of issuing companies, along with the portfolio managers. The process ensures that the holdings are monitored closely and that there is timely visibility on any changes at issuing companies which could potentially impact their ability or intention to pay the dividends associated with the preference shares.

Risk Management

The Investment Manager utilises a number of quantitative risk tools to ensure it is fully aware of, and understands, all the risks prevalent in portfolios it manages. These risk management systems monitor and analyse active risk, the composition of portfolio positions, as well as contribution to risk and marginal contribution to risk of the portfolio's holdings. The systems break down the risk within the portfolio by industry and country factors, and highlight the stocks with the highest marginal contribution to risk and the largest diversification benefit. Sector, thematic and geographical positions are a residual of stock selection decisions, but are monitored to ensure excessive risk is not taken in any one area. The Investment Manager also makes use of pre-trade analytics to assess the impact of any trades on the portfolio risk metrics.

The Investment Process – Accountability and Performance Evaluated at Each Stage of the Process

Source: abrdn

Investor Information

Alternative Investment Fund Managers Directive ("AIFMD") and Pre-Investment Disclosure Document ("PIDD")

The Company has appointed Aberdeen Standard Fund Managers Limited as its alternative investment fund manager and BNP Paribas Securities Services, London Branch as its depositary under the AIFMD.

The AIFMD requires Aberdeen Standard Fund Managers Limited, as the Company's AIFM, to make available to investors certain information prior to such investors' investment in the Company. Details of the leverage and risk policies which the Company is required to have in place under the AIFMD are published in the Company's PIDD which can be found on its website: **shiresincome.co.uk**. The periodic disclosures required to be made by the AIFM under the AIFMD are set out on page 112.

Investor Warning: Be alert to share fraud and boiler room scams

abrdn has been contacted by investors informing us that they have received telephone calls and emails from people who have offered to buy their investment company shares, purporting to work for abrdn or for third party firms. abrdn has also been notified of emails claiming that certain investment companies under our management have issued claims in the courts against individuals. These may be scams which attempt to gain your personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from you is required to release the supposed payment for your shares. These callers/senders do not work for abrdn and any third party making such offers/claims has no link with abrdn.

abrdn does not 'cold-call' investors in this way. If you have any doubt over the veracity of a caller, do not offer any personal information, end the call and contact our Customer Services Department.

The Financial Conduct Authority provides advice with respect to share fraud and boiler room scams at: **fca.org.uk/consumers/scams.**

Shareholder Enquiries

For queries regarding shareholdings, lost certificates, dividend payments, registered details and related matters, shareholders holding their shares directly in the Company are advised to contact the Registrars (see Contact Addresses). Changes of address must be notified to the Registrars in writing.

Any general queries about the Company should be directed to the Company Secretary in writing (see Contact Addresses) or by email to: **CEF.CoSec@abrdn.com.**

For questions about an investment held through the abrdn Investment Plan for Children, Investment Trust Share Plan or Investment Trust Stocks and Shares ISA, please telephone the Manager's Customer Services Department on 0808 500 0040, email **inv.trusts@abrdn.com** or write to:

abrdn Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB

Dividend Tax Allowance

The annual tax-free personal allowance for dividend income for UK investors is £2,000 for the 2022/23 tax year. Above this amount, individuals pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company provides registered shareholders with a confirmation of dividends paid and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

How to Invest

Investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for retail clients, shares can be bought directly through the abrdn Investment Plan for Children, Investment Trust Share Plan or Investment Trust Stocks and Shares ISA, or through the many stockbroker platforms which offer the opportunity to acquire shares in investment companies.

abrdn Investment Plan for Children

abrdn operates an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management, including the Company. Anyone can invest in the Children's Plan (subject to the eligibility criteria as stated within the terms and conditions), including parents, grandparents and family friends. All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors only pay Government Stamp Duty (currently 0.5%) on entry where applicable. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing abrdn in writing at any time.

abrdn Investment Trust Share Plan

abrdn operates an Investment Trust Share Plan (the "Plan") through which shares in the Company can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors only pay Government Stamp Duty (currently 0.5%) on entry where applicable. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing abrdn in writing at any time.

abrdn Investment Trust Stocks and Shares ISA

abrdn operates an Investment Trust Stocks and Shares ISA ("ISA") through which an investment may be made of up to £20,000 in the 2022/23 tax year.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases where applicable. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the ISA prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the ISA, from the sale of investments held in the ISA. Under current legislation, investments in ISAs can grow free of capital gains tax.

ISA Transfer

Investors can choose to transfer previous tax year investments to abrdn, which can be invested in the Company while retaining their ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per trust of £250.

Nominee Accounts and Voting Rights

All investments in the abrdn Investment Plan for Children, Investment Trust Share Plan and Investment Trust Stocks and Shares ISA are held in nominee accounts and investors are provided with the equivalent of full voting and other rights of share ownership.

How to Attend and Vote at Company Meetings

Investors who hold their shares in the Company via the abrdn Investment Plan for Children, Investment Trust Share Plan and Investment Trust Stocks and Shares ISA and who would like to attend and vote at Company meetings (including AGMs) will be sent for completion and return a Letter of Direction in connection with the relevant meeting.

Investors who hold their shares via another platform or share plan provider (for example Hargreaves Lansdown, Interactive Investor or AJ Bell) and would like to attend and vote at Company meetings (including AGMs) should contact their platform or share plan provider directly to make arrangements.

Investors who hold their shares through platforms and have their shares held through platform nominees, may not necessarily receive notification of general meetings and are advised to keep themselves informed of Company business by referring to the Company's website. Where voting is required, and the Board encourages shareholders to vote at all general meetings of the Company, shareholders with their holdings in nominees, need to instruct the nominee to vote on their behalf and should do so in good time before the meetings.

Keeping You Informed

Further information about the Company may be found on its dedicated website: **shiresincome.co.uk**. This provides access to information on the Company's share price performance, capital structure, London Stock Exchange announcements, current and historic Annual and Half-Yearly Reports, and the latest monthly factsheet on the Company issued by the Manager.

Details are also available at: **invtrusts.co.uk.**

Twitter:

@abrdnTrusts

LinkedIn:

abrdn Investment Trusts

Investor Informaton

Continued

Key Information Document ("KID")

The KID relating to the Company and published by the Manager can be found on the Company's website.

Literature Request Service

For literature and application forms for abrdn Investment Trusts' products, please contact us through: **invtrusts.co.uk.**

Or telephone: **0808 500 4000**

Or write to:
abrdn Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB

Terms and Conditions

Terms and conditions for abrdn-managed savings products can also be found at: **invtrusts.co.uk.**

Suitable for Retail/NMPI Status

The Company's shares are intended for investors, primarily in the UK, including retail investors, professionally-advised private clients and institutional investors who are seeking a high level of income, together with the potential for growth of both income and capital from a diversified portfolio substantially invested in UK equities but also in preference shares, convertibles and other fixed income securities, and who understand and are willing to accept the risks of exposure to equities.

Investors should consider consulting a financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

The Company currently conducts its affairs so that the securities issued by the Company can be recommended by a financial adviser to ordinary retail investors in accordance with the Financial Conduct Authority's rules in relation to non-mainstream pooled investments ("NMPIs") and intends to continue to do so for the foreseeable future. The Company's securities are excluded from the Financial Conduct Authority's restrictions which apply to NMPIs because they are securities issued by an investment trust.

Online Dealing

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the Company. Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms.

Discretionary Private Client Stockbrokers

If you have a large sum to invest, you may wish to contact a discretionary private client stockbroker. They can manage your entire portfolio of shares and will advise you on your investments. To find a private client stockbroker visit The Personal Investment Management and Financial Advice Association at: **pimfa.co.uk.**

Financial Advisers

To find an adviser who recommends on investment trusts, visit: **unbiased.co.uk.**

Regulation of Stockbrokers

Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority at: **fca.org.uk/firms/financial-services-register.**

Note

Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested.

As with all equity investments, the value of investment trust shares purchased will immediately be reduced by the difference between the buying and selling prices of the shares, known as the market maker's spread.

Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and that tax rates and reliefs, as well as the tax treatment of ISAs, may be changed by future legislation.

The information on pages 104 to 106 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Glossary of Terms

abrdn Group or abrdn
The abrdn plc group of companies.

AIC
The Association of Investment Companies.

AIFMD
The Alternative Investment Fund Managers Directive. The AIFMD is European legislation which created a European-wide framework for regulating managers of 'alternative investment funds' ("AIFs"). It is designed to regulate any fund which is not a UCITS fund and which is managed and/or marketed in the EU. The Company has been designated as an AIF and the Manager acts as the AIFM.

Alternative Performance Measure or APM
A financial measure of historic or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

Benchmark
This is a measure against which an Investment Trust's performance is compared. The Company's benchmark is the FTSE All-Share Index. The index averages the performance of a defined selection of listed companies over specific time periods.

Call Option
An option contract which gives the buyer the right, but not the obligation, to purchase a specified amount of an asset at an agreed price by a future specified date.

Closed-End Fund
A collective investment scheme which has a fixed number of shares which are not redeemable from the fund itself. Unlike open-ended funds, new shares/units are not created by managers to meet demand from investors; instead, shares are purchased (or sold) only in the market. Closed-end funds are normally listed on a recognised stock exchange, such as the London Stock Exchange, and shares can be bought and sold on that exchange.

Convertibles
Fixed income securities, which can be converted into equity shares at a future date.

Discount
The amount by which the market price per share of an Investment Trust is lower than the Net Asset Value per share. The discount is normally expressed as a percentage of the Net Asset Value per share.

Dividend Cover
Earnings per share divided by the dividend per share, expressed as a ratio.

Dividend Yield
The annual dividend expressed as a percentage of the share price.

ESG
Environmental, Social and Governance.

FCA
Financial Conduct Authority.

Gearing and Equity Gearing
Net gearing is calculated by dividing total borrowings, less cash or cash equivalents, by shareholders' funds expressed as a percentage. Equity gearing is the sum of the investments in ordinary shares, both listed and unlisted, and convertibles, expressed as a proportion of shareholders' funds.

Investment Manager or AAML
Aberdeen Asset Managers Limited is a wholly owned subsidiary of abrdn plc and acts as the Company's investment manager. It is authorised and regulated by the FCA.

Investment Trust
A type of Closed-End Fund which invests in other securities, allowing shareholders to share the risks, and returns, of collective investment.

Key Information Document or KID
The Packaged Retail and Insurance-based Investment Products ("PRIIPS") Regulation requires the Manager, as the Company's PRIIP 'manufacturer', to prepare a Key Information Document ("KID") in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available via the Company's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

Glossary of Terms

Continued

Leverage
For the purposes of the AIFMD, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its Net Asset Value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

Manager, AIFM or ASFML
Aberdeen Standard Fund Managers Limited is a wholly owned subsidiary of abrdn plc and acts as the Alternative Investment Fund Manager for the Company. It is authorised and regulated by the FCA.

Net Asset Value or NAV
The value of total assets less liabilities. Liabilities for this purpose include current and long-term liabilities. The Net Asset Value divided by the number of shares in issue produces the Net Asset Value per share.

Ongoing Charges
Ratio of expenses of an Investment Trust expressed as a percentage of average daily shareholders' funds calculated annually per the AIC's industry standard method. More specifically, it is the annual percentage reduction in shareholder returns as a result of recurring operational expenses, assuming markets remain static and the portfolio is not traded. Although the Ongoing Charges figure is based on historical information, it provides shareholders with an indication of the likely level of costs that will be incurred in managing the Company in the future. The Board uses the Ongoing Charges Ratio as a Key Performance Indicator for the Company.

Preference Shares
These entitle the holder to a fixed rate of dividend out of the profits of a company, to be paid in priority to other classes of shareholder.

Pre-Investment Disclosure Document ("PIDD")
The AIFM and the Company are required to make certain disclosures available to investors in accordance with the AIFMD. Those disclosures that are required to be made pre-investment are included within a PIDD, which can be found on the Company's website.

Premium
The amount by which the market price per share of an Investment Trust exceeds the Net Asset Value per share. The premium is normally expressed as a percentage of the Net Asset Value per share.

Price/Earnings Ratio
This is calculated by dividing the market price per share by the earnings per share. The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a company's prospects and profit growth potential.

Prior Charges
The name given to all borrowings including debentures, loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital.

Put Option
An option contract which gives the buyer the right, but not the obligation, to sell a specified amount of an asset at an agreed price by a future specified date.

Total Assets
Total Assets as per the balance sheet less current liabilities (before deducting Prior Charges as defined above).

Total Return
Total Return involves reinvesting the net dividend in the month that the share price goes ex-dividend. The NAV Total Return involves investing the same net dividend in the NAV of the Company on the date on which that dividend was earned.

Alternative Performance Measures

Alternative performance measures are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes IAS and the AIC SORP. The Directors assess the Company's performance against a range of criteria which are viewed as particularly relevant for closed-end investment companies.

Premium/(discount) to net asset value per Ordinary share

The difference between the share price and the net asset value per Ordinary share expressed as a percentage of the net asset value per Ordinary share.

		2022	**2021**
Share price (p)	a	**279.00**	248.00
NAV per Ordinary share (p)	b	**278.29**	262.41
Premium/(discount)	(a-b)/a	**0.3%**	(5.5%)

Dividend Cover

Dividend cover measures the revenue return per share divided by total dividends per share, expressed as a ratio.

		2022	**2021**
Revenue return per share	a	**14.21p**	12.33p
Dividends per share	b	**13.80p**	13.20p
Dividend cover	a/b	**1.03x**	0.93x

Dividend Yield

The annual dividend divided by the share price, expressed as a percentage.

		2022	2021
Annual dividend per Ordinary share (p)	a	**13.80p**	13.20p
Share price (p)	b	**279.00p**	248.00p
Dividend yield	a/b	**4.9%**	5.3%

Alternative Performance Measures

Continued

Net Gearing

Net gearing measures total borrowings less cash and cash equivalents divided by shareholders' funds, expressed as a percentage. Under AIC reporting guidance, cash and cash equivalents includes net amounts due to and from brokers at the period end as well as cash and short-term deposits.

		2022	2021
Borrowings (£'000)	a	**19,000**	18,999
Cash (£'000)	b	**1,483**	5,654
Amounts due to brokers (£'000)	c	**5**	–
Amounts due from brokers (£'000)	d	**–**	–
Shareholders' funds (£'000)	e	**85,819**	80,857
Net gearing	(a-b+c-d)/e	**20.4%**	16.5%

Ongoing Charges Ratio

The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total of investment management fees and administrative expenses and expressed as a percentage of the average net asset values throughout the year.

	2022	2021
Investment management fees (£'000)	**424**	379
Administrative expenses (£'000)	**440**	358
Less: non-recurring charges[A] (£'000)	**(17)**	–
Ongoing charges (£'000)	**847**	737
Average net assets (£'000)	**86,114**	73,999
Ongoing charges ratio (excluding look-through costs)	**0.98%**	1.00%
Look-through costs[B]	**0.16%**	0.21%
Ongoing charges ratio (including look-through costs)	**1.14%**	1.21%

[A] Comprises promotional acitivity fees not expected to recur.
[B] Calculated in accordance with AIC guidance issued in October 2020 to include the Company's share of costs of holdings in investment companies on a look-through basis.

The ongoing charges ratio provided in the Company's Key Information Document is calculated in line with the PRIIPs regulations which amongst other things, includes the cost of borrowings and transaction costs.

Total Return

NAV and share price total returns show how the NAV and share price has performed over a period of time in percentage terms, taking into account both capital returns and dividends paid to shareholders. Share price and NAV total returns are monitored against open-ended and closed-ended competitors, and the Reference Index, respectively.

Year ended 31 March 2022		NAV	Share Price
Opening at 1 April 2021	a	**262.41p**	**248.00p**
Closing at 31 March 2022	b	**278.29p**	**279.00p**
Price movements	c=(b/a)-1	**6.1%**	**12.5%**
Dividend reinvestment[A]	d	**5.3%**	**5.9%**
Total return	c+d	**+11.4%**	**+18.4%**

Year ended 31 March 2021		NAV	Share Price
Opening at 1 April 2020	a	207.39p	200.50p
Closing at 31 March 2021	b	262.41p	248.00p
Price movements	c=(b/a)-1	26.5%	23.7%
Dividend reinvestment[A]	d	7.5%	7.5%
Total return	c+d	+34.0%	+31.2%

[A] NAV total return involves investing the net dividend in the NAV of the Company with debt at fair value on the date on which that dividend goes ex-dividend. Share price total return involves reinvesting the net dividend in the share price of the Company on the date on which that dividend goes ex-dividend.

AIFMD Disclosures (Unaudited)

Aberdeen Standard Fund Managers Limited and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). Those disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ("PIDD") which can be found on the Company's website.

There have been no material changes to the disclosures contained within the PIDD since its most recent update in June 2021.

The periodic disclosures as required under the AIFMD to investors are made below:

- information on the investment strategy and sector investment focus and principal stock exposures is included in the Strategic Report;
- none of the Company's assets are subject to special arrangements arising from their illiquid nature;
- the Strategic Report, note 18 to the financial statements and the PIDD, together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected;
- there are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by ASFML; and
- all authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the AIFM's remuneration policy is available from the Company Secretary, Aberdeen Asset Management PLC, on request and the remuneration disclosures in respect of the AIFM's reporting period for the year ended 31 December 2021 are available on the Company's website.

Leverage

The table below sets out the current maximum permitted limit and actual level of leverage for the Company:

	Gross Method	Commitment Method
Maximum level of leverage	2.50:1	2.00:1
Actual level at 31 March 2022	1.42:1	1.43:1

There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There have been no changes to the circumstances in which the Company may be required to post assets as collateral and no guarantees granted under the leveraging arrangement. Changes to the information contained either within this Annual Report or the PIDD in relation to any special arrangements in place, the maximum level of leverage which ASFML may employ on behalf of the Company; the right of use of collateral or any guarantee granted under any leveraging arrangement; or any change to the position in relation to any discharge of liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

The information on this page has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Standard Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

General

The Annual General Meeting will be held at Bow Bells House, 1 Bread Street, London EC4M 9HH on Wednesday 6 July 2022 at 12 noon.

The Company will also be hosting an online shareholder presentation, which will be held at 10.00am on Wednesday 22 June 2022. Full details on how to register for the online event can be found at:
www.workcast.com/register?cpak=4861163585974988

8.2% of the Company's listed equity portfolio is invested in the Pharmaceuticals & Biotechnology sub-sector.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the ninety fourth Annual General Meeting of Shires Income PLC (the "Company") will be held at the offices of abrdn plc, Bow Bells House, 1 Bread Street, London EC4M 9HH on Wednesday 6 July 2022 at 12 noon to transact the following business:

To consider and, if thought fit, pass the following as Ordinary Resolutions:

1. To receive and adopt the Directors' Report and audited financial statements of the Company for the year ended 31 March 2022 together with the Auditor's Report thereon.
2. To receive and adopt the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) for the year ended 31 March 2022.
3. To approve a final dividend of 4.20p per Ordinary share in respect of the year ended 31 March 2022.
4. To appoint Ms Helen Sinclair as a Director of the Company.
5. To re-appoint Ms Jane Pearce as a Director of the Company.
6. To re-appoint Mr Robin Archibald as a Director of the Company.
7. To re-appoint Mr Robert Talbut as a Director of the Company.
8. To re-appoint Ernst & Young LLP as Auditor of the Company.
9. To authorise the Directors to determine the remuneration of the Auditor for the year to 31 March 2023.
10. That, in substitution for any pre-existing power to allot or grant rights to subscribe for or to convert any security into shares in the Company, but without prejudice to the exercise of any such authority prior to the date of this resolution, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company ("relevant securities") up to an aggregate nominal amount of £1,540,979 or, if less, the number representing 10% of the issued Ordinary share capital of the Company as at the date of the passing of this resolution provided that such authorisation expires on 30 September 2023 or, if earlier, at the conclusion of the next Annual General Meeting of the Company to be held after the passing of this resolution, unless previously revoked, varied or extended by the Company in general meeting, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority, and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired.

To consider and, if thought fit, pass the following as Special Resolutions:

11. That, subject to the passing of Resolution 10 in the notice convening the meeting at which this resolution is to be proposed (the "Notice of Meeting") and in substitution for all existing powers, the Directors be and are hereby generally empowered pursuant to Section 570 of the Companies Act 2006 (the "Act") to allot equity securities (as defined in Section 560 (1) of the Act) for cash pursuant to the authority under Section 551 of the Act conferred by Resolution 10 in the Notice of Meeting as if Section 561 of the Act did not apply to any such allotment, provided that this power:

    i. expires on 30 September 2023 or, if earlier, at the conclusion of the next Annual General Meeting of the Company to be held after the passing of this resolution, but the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the Directors may allot equity securities in pursuance of that offer or agreement as if that power had not expired; and

    ii. shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £1,540,979 or, if less, the number representing 10% of the issued Ordinary share capital of the Company as at the date of the passing of this resolution.

This power applies in relation to the sale of shares which is an allotment of equity securities that immediately before the allotment are held by the Company as treasury shares as if in the opening paragraph of this resolution the words "subject to the passing of Resolution 10 in the notice convening the meeting at which this resolution is to be proposed (the "Notice of Meeting") and" and "pursuant to the authority under Section 551 of the Act conferred by Resolution 10 in the Notice of Meeting" were omitted.

12. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Company be generally and unconditionally authorised, in accordance with Section 701 of the Companies Act 2006 (the "Act"), to make market purchases (within the meaning of Section 693(4) of the Act) of fully paid Ordinary shares of 50p each in the capital of the Company ("shares"), and to cancel or hold in treasury such shares, provided that:

    i. the maximum aggregate nominal value of the Ordinary shares hereby authorised to be purchased shall be limited to £2,309,927 or, if less, the number representing 14.99% of the issued Ordinary share capital of the Company as at the date of the passing of this resolution;

    ii. the minimum price which may be paid for a share shall be 50p (exclusive of expenses);

    iii. the maximum price (exclusive of expenses) which may be paid for a share shall be an amount being not more than the higher of:

        a) 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the shares for the five business days immediately preceding the date of purchase; or

        b) the higher of the price of the last independent trade and the highest current independent bid relating to a share on the trading venue where the purchase is carried out; and

    iv. unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 30 September 2023 or, if earlier, at the conclusion of the next Annual General Meeting of the Company to be held after the passing of this resolution, save that the Company may, at any time prior to such expiry, enter into a contract or contracts to purchase shares under such authority which would or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of shares pursuant to any such contract or contracts as if the authority conferred hereby had not expired.

13. That a general meeting of the Company other than an Annual General Meeting may be called on not less than 14 clear days' notice provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company to be held after the passing of this resolution.

By order of the Board
Aberdeen Asset Management PLC
Company Secretary
1 George Street
Edinburgh EH2 2LL
25 May 2022

Registered Office:
Bow Bells House
1 Bread Street
London EC4M 9HH

Notes

i. A member is entitled to appoint a proxy or proxies to exercise all or any of their rights to attend, speak and vote on their behalf. A proxy need not be a member of the Company. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. If a member wishes to appoint more than one proxy, they should contact the Company's Registrars, Equiniti Limited, on 0371 384 2508 (charges for calling this number are determined by the caller's service provider. Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday excluding bank holidays in England and Wales). The Equiniti overseas helpline number is +44 (0)121 415 7047.

ii. A form of proxy for use by members is enclosed with the Annual Report. Completion and return of the form of proxy will not prevent any member from attending the meeting and voting in person. To be valid, the form of proxy should be lodged, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, at the address stated thereon, so as to be received not less than 48 hours (excluding non-working days) before the time of the meeting.

Notice of Annual General Meeting

Continued

iii. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, to have the right to attend and vote at the meeting a member must first have his or her name entered in the Company's register of members at 6.30 p.m. on 4 July 2022 (or, in the event that the meeting is adjourned, at 6.30 p.m. on the day which is two business days before the time of the adjourned meeting). Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the meeting.

iv. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the website: euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

v. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's Registrar (ID RA19) not less than 48 hours (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

vi. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

vii. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

viii. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 12 noon on 4 July 2022 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

ix. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146 of the Companies Act 2006 ("Nominated Persons"). Nominated Persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in notes (i) and (ii) above does not apply to Nominated Persons. The rights described in these notes can only be exercised by members of the Company.

x. No Director has a service contract with the Company but copies of Directors' letters of appointment will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this notice and for at least 15 minutes prior to the meeting and during the meeting.

xi. As at close of business on 25 May 2022 (being the latest practicable date prior to publication of this document), the Company's issued share capital comprised 30,819,580 Ordinary shares of 50p each and 50,000 Cumulative Preference shares of £1 each. Accordingly, the total number of voting rights in the Company as at 25 May 2022 is 30,869,580.

xii. Any person holding 3% of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the UK Disclosure Guidance and Transparency Rules.

xiii. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.

xiv. The members of the Company may require the Company to publish, on its website, a statement setting out any matter relating to the audit of the Company's accounts, including the Auditor's Report and the conduct of the audit, which they intend to raise at the next meeting of the Company. The Company will be required to do so once it has received such requests from either (i) members representing at least 5% of the total voting rights of the Company or (ii) at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address, and be sent to: the Company Secretary, Shires Income PLC, 1 George Street, Edinburgh EH2 2LL.

xv. Information regarding the meeting, including information required by Section 311A of the Companies Act 2006, is available from the Company's website: www.shiresincome.co.uk.

xvi. Under Section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the meeting put by a member attending the meeting unless:

(a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

(b) the answer has already been given on a website in the form of an answer to a question; or

(c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

xvii. Shareholders are advised that, unless otherwise stated, any telephone number, website or e-mail address which may be set out in this notice of Annual General Meeting or in any related documents (including the proxy form) is not to be used for the purposes of serving information or documents on, or otherwise communicating with, the Company for any purposes other than those expressly stated.

xviii. There are special arrangements for holders of shares through the abrdn Investment Plan for Children, abrdn Investment Trust Share Plan and abrdn Investment Trust ISA. These are explained in the 'Letter of Direction' which such holders will have received with this report.

xix. Should circumstances change significantly before the time of the Annual General Meeting, the Company will notify shareholders of any changes to the arrangements by updating the Company's website and through a stock exchange announcement, where appropriate, as early as is possible before the date of the meeting. Shareholders should note that if law or Government guidance so requires at the time of the meeting, the Chairman of the meeting will limit, in his/her sole discretion, the number of individuals in attendance at the meeting and may be required to impose entry restrictions on certain persons wishing to attend the meeting in order to ensure the safety of those attending.

Contact Addresses

Directors
Robert Talbut (Chairman)
Robin Archibald
Marian Glen
Jane Pearce
Helen Sinclair

Registered Office
Bow Bells House
1 Bread Street
London EC4M 9HH

Company Secretary
Aberdeen Asset Management PLC
1 George Street
Edinburgh EH2 2LL

Email: **CEF.CoSec@abrdn.com**

Alternative Investment Fund Manager
Aberdeen Standard Fund Managers Limited
Bow Bells House
1 Bread Street
London EC4M 9HH

Investment Manager
Aberdeen Asset Managers Limited
1 George Street
Edinburgh EH2 2LL

abrdn Customer Services Department, Investment Plan for Children, Share Plan and ISA Enquiries
abrdn Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB

Freephone: **0808 500 0040**
(open Monday to Friday, 9.00 a.m. to 5.00 p.m. excluding public holidays in England and Wales)

Email: **inv.trusts@abrdn.com**

Company Registration Number
00386561 (England & Wales)

Website
shiresincome.co.uk

MIX
Paper | Supporting responsible forestry
FSC® C005739

Registrar
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Shareholder help can be found at **shareview.co.uk.** Alternatively, you can contact the Shareholder Helpline: **0371 384 2508***

(*Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Charges for calling telephone numbers starting with '03' are determined by the caller's service provider.)

Overseas helpline number: **+44 (0)121 415 7047**

Depositary
BNP Paribas Securities Services, London Branch
10 Harewood Avenue
London NW1 6AA

Stockbroker
JPMorgan Cazenove
25 Bank Street
London E14 5JP

Auditor
Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh EH3 8EX

Solicitors
Dentons UK and Middle East LLP
One Fleet Place
London EC4M 7WS

Legal Entity Identifier ("LEI")
549300HVCIHNQNZAYA89

For more information visit **shiresincome.co.uk**

abrdn.com