



# Shires Income PLC

Annual Report 31 March 2023

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

[shiresincome.co.uk](https://shiresincome.co.uk)







"The year to 31 March 2023 proved to be another challenging year on many levels. I am pleased to report, however, that the portfolio continues to produce a high level of income, with the Company's revenue return per share exceeding returns of previous years."

Robert Talbut, Chairman



"In a period where equity market returns could pause after an unprecedented run since the global financial crisis, the focus on quality companies and the generation of resilient income remains to the fore and becomes more important than ever."

Iain Pyle and Charles Luke,  
abrdn Investments Limited

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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.

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# Performance Highlights

Net asset value per Ordinary share  
total return<sup>A</sup>

**-2.2%**

2022

+11.4%

Share price total return<sup>A</sup>

**-5.5%**

2022

+18.4%

Benchmark index total return

**+2.9%**

2022

+13.0%

Earnings per share (revenue)

**14.83p**

2022

14.21p

Dividends per Ordinary share

**14.20p**

2022

13.80p

Dividend yield<sup>A</sup>

**5.7%**

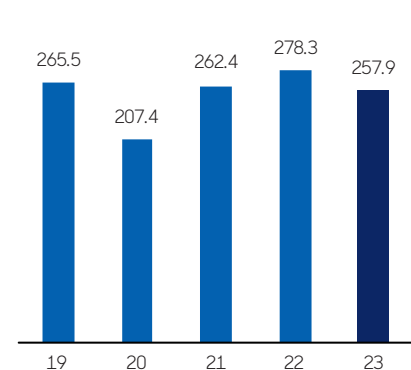
2022

4.9%

<sup>A</sup> Alternative Performance Measure (see pages 112 to 114).

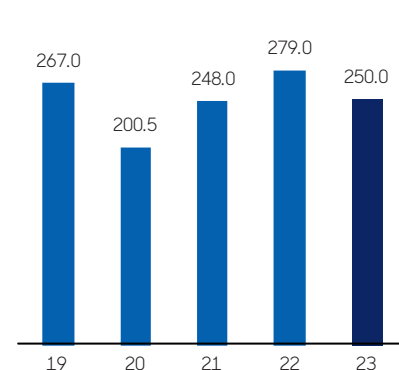
Net asset value per  
Ordinary share

At 31 March – pence



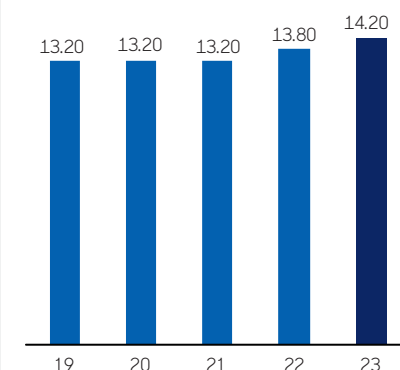
Ordinary share price

At 31 March – pence



Dividends per  
Ordinary share

Year ended 31 March – pence



# Financial Calendar and Highlights

## Financial Calendar

Online Shareholder Presentation	<b>22 June 2023</b>
Annual General Meeting	<b>6 July 2023</b>
Expected payment dates of quarterly dividends	<b>28 July 2023 27 October 2023 26 January 2024 26 April 2024</b>
Half year end	<b>30 September 2023</b>
Expected announcement of results for the six months ending 30 September 2023	<b>November 2023</b>
Financial year end	<b>31 March 2024</b>
Expected announcement of results for year ending 31 March 2024	<b>May 2024</b>

## Highlights

	31 March 2023	31 March 2022
Total assets (as defined on page 111)	£98,864,000	£104,819,000
Shareholders' funds	£79,913,000	£85,819,000
Market capitalisation <sup>A</sup>	£77,411,000	£85,987,000
Net asset value per Ordinary share (as defined on page 111) <sup>B</sup>	257.92p	278.29p
Share price	250.00p	279.00p
(Discount)/premium to NAV (cum-income) <sup>C</sup>	(3.1)%	0.3%
Net gearing <sup>C</sup>	22.2%	20.4%
<b>Dividend and earnings</b>		
Revenue return per share <sup>D</sup>	14.83p	14.21p
Dividend per share <sup>E</sup>	14.20p	13.80p
Dividend cover <sup>C</sup>	1.04	1.03
Revenue reserves <sup>F</sup>	£7,040,000	£6,705,000
Dividend yield <sup>C</sup>	5.7%	4.9%
<b>Operating costs</b>		
Ongoing charges ratio (excluding look-through costs) <sup>C</sup>	1.03%	0.98%
Ongoing charges ratio (including look-through costs) <sup>C</sup>	1.17%	1.14%

<sup>A</sup> Represents the number of Ordinary shares in issue in the Company multiplied by the Company's share price.

<sup>B</sup> 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 94).

<sup>C</sup> Considered to be an Alternative Performance Measure, as defined on pages 112 and 113.

<sup>D</sup> Measures the revenue earnings for the year divided by the weighted average number of Ordinary shares in issue (see Statement of Comprehensive Income).

<sup>E</sup> The figures for dividend per share reflect the years in which they were earned (see note 9 on page 89).

<sup>F</sup> The revenue reserve figure does not take account of payment of the third interim or final dividend amounting to £2,415,000 (2022 - £2,281,000) combined.



# Strategic Report





A close-up photograph of a person's hand holding a smartphone. The phone's screen is dark and reflects some light. The background is blurred, showing other people in a crowd. A semi-transparent teal overlay covers the right side of the image, where the company's investment objective is written in white text.

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 2023 proved to be another challenging year on many levels. The conflict between Russia and Ukraine continued to impact the geo-political landscape, and the cost of living crisis deepened, with higher food and energy costs, in addition to rising inflation, higher interest rates and UK Government instability. Despite the impact of these factors on global equity markets, the UK market showed some resilience, with the FTSE All-Share Index returning 2.9% for the year.

## Performance

Against this challenging economic backdrop, the Company's NAV performance for the year, on a total return basis, was -2.2%, an under performance of 5.1% compared to the FTSE All-Share Index benchmark return.

The Company's share price performance was also behind the benchmark, with a total return of -5.5% for the year.

While we did see strong performance from a number of holdings in the equity portfolio, the main detractors from performance were the preference share portfolio and the Company's holding in abrdn Smaller Companies Income Trust plc ("ASCIT"). I am pleased to report, however, that the portfolio continues to produce a high level of income, with the Company's revenue return per share exceeding returns of previous years.

Full details of performance for the year and portfolio activity are contained in the Investment Manager's Review on pages 26 to 32.

## Earnings and Dividends

The Company's revenue earnings per share for the year were 14.83p, compared to 14.21p last year, an increase of 4.4%, which is illustrative of the strong recovery we have continued to see since the declines experienced during the Covid-19 pandemic.

The Company has paid three interim dividends of 3.20p per Ordinary share (2022: 3.20p). The Board is proposing a final dividend of 4.60p per Ordinary share (2022: 4.20p), which will be paid on 28 July 2023 to shareholders on the register on 7 July 2023. This final dividend brings total Ordinary share dividends for the year to 14.20p per share, an increase of 2.9% compared to last year. Based on the year end share price of 250p, this equates to a dividend yield of 5.7%.

With the total dividends for the year covered by earnings, revenue reserves will stand at 1.05 times the current annual Ordinary share dividend cost. This allows the Company to support future dividend payments in times of economic difficulty. 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.

**The final dividend brings total Ordinary share dividends for the year to 14.20p per share, an increase of 2.9% compared to last year. Based on the year end share price of 250p, this equates to a dividend yield of 5.7%.**

## Premium/(Discount)

At the end of the year, the Company's Ordinary shares were trading at a discount of 3.1% to the NAV per share (including income) compared to a premium of 0.3% at the end of the previous year. The average discount for the year was 1.0%. Despite ending the year on a small discount, the Company did enjoy periods where its shares traded at a premium to NAV and, as a result, in response to investor demand, we were able to issue 145,000 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 22.2% as at 31 March 2023, compared to 20.4% at the end of the previous year, with the difference due to a lower amount of cash being held at the year end and a slightly lower net asset value compared to last year.

In May 2022, the Board made the decision, given the uncertain interest rate outlook, to renew the £20 million loan facility held with Scotia Bank Europe PLC, ahead of its maturity date of September 2022, which we believe proved to be the correct approach to take as interest rates continued to rise.

A new £20 million loan facility was therefore entered into with The Royal Bank of Scotland International Limited, London Branch, on 3 May 2022 for a five-year tenure.

£10 million of the new loan facility was drawn down for five years 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 with Scotia Bank Europe PLC. The Company's total borrowings were therefore unchanged following the re-financing.

Given the economic volatility we have seen since that time, the Board is pleased to have renewed the Company's debt early and for a longer tenure, in order to provide certainty over the funding cost in such an uncertain environment. 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. The Board believes that this combination should help enable the Company to achieve a high and potentially growing level of dividend, but also deliver some capital appreciation to shareholders.

## Board Composition

Following the appointment of Helen Sinclair as a Director in February 2022 and the retirement of Marian Glen at the AGM in July 2022, the Board is comprised of four independent Directors, two women and two men, all with a wide range of skills and relevant experience to oversee the Company's affairs. The Board regularly reviews its composition, with succession planning an important part of its deliberations. In accordance with the AIC Code of Corporate Governance, all Directors are standing for re-appointment at this year's AGM.

## Environmental, Social and Governance ("ESG")

Shareholders will note in this Annual Report that there is a wealth of information provided by the Investment Manager on its ESG approach, which continues to be a fundamental part of its investment process.

The Board endorses the level of focus the Investment Manager places on ESG, which entails significant levels of engagement with company management focused upon both the reduction of risk but also potentially enhanced returns. Further details can be found on pages 35 to 39.

## abrdn Smaller Companies Income Trust plc ("ASCIT")

As I have mentioned above, detractors from performance over the year included the Company's holding in ASCIT. This holding represented 7.8% of the portfolio at the year end and therefore its performance compared against the FTSE All-Share Index had a meaningful impact on the Company's own performance for the year. Shires, as a 13.6% shareholder in ASCIT, has been discussing for some time whether Shires' smaller company exposure could be delivered more efficiently and with less volatility.

In October 2022, the Board and its adviser, JPMorgan Cazenove, and after consultation with abrdn, put forward in their opinion what was a constructive and compelling proposal to the board of ASCIT and its advisers. This proposal envisaged consolidating the companies whilst maintaining small cap exposure and concentrating on providing above average income from a diversified portfolio of UK quoted securities, which is in line with Shires' existing investment objective.

Following this approach, the Board of ASCIT announced on 13 February 2023 that it was conducting a strategic review and we were pleased to note that the ASCIT discount partially narrowed following this announcement. We look forward to hearing the outcome of the review shortly and to a resolution of the current uncertainty surrounding that company, with an outcome that is favourable to all shareholders.



# Chairman's Statement

## Continued

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

The Company's AGM will take place at 12 noon on Thursday 6 July 2023 at Wallacespace Spitalfields, 15-25 Artillery Lane, London E1 7HA, and will be followed by lunch. As well as the formal business of the meeting, the Investment Manager will provide a short presentation on the Company and there will be an opportunity for shareholders to ask questions of the Manager and the Board. We do hope you are able to join us.

Irrespective of whether you are able to attend, we do encourage all shareholders to complete and return the Proxy Form enclosed with the Annual Report 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 117 to 121.

Given the popularity of our Online Shareholder Presentation in previous years, we have decided to hold another online presentation this year, in addition to the AGM. This will be held at 10.00am on Thursday 22 June 2023. A presentation will be given by the Investment Manager, and those in attendance will be given the opportunity to ask questions of the Chairman and Investment Manager both during the presentation and in advance.

Full details on how to register for the event can be found at: [bit.ly/Shires-Income-PLC](https://bit.ly/Shires-Income-PLC)

Details are also contained on the Company's website. Should you be unable to attend the online event, it will be made available on the Company's website shortly afterwards. For those wishing to submit questions in advance, you can do this at the following email address: [shires.income@abrdn.com](mailto:shires.income@abrdn.com)

### Outlook

With the challenges I outlined in my opening remarks still very much present, and likely to continue for some time, the Board is pleased to see that the Company's equity portfolio performance on the whole remains robust and, as outlined in the Investment Manager's Review, given greater stability in fixed income markets, we expect the preference share portfolio to show some recovery in the coming months while still continuing to provide a reliable and high source of income.

**The Board remains confident that the diverse sources of income in the portfolio and the flexibility to invest in both growth and value equities will continue to deliver the income and capital growth objectives of the Company over the longer term.**

In this environment, good stock selection is key, together with a focus on maintaining the Company's income objective, both of which the Investment Manager has a strong track-record of delivering. The Board remains confident that the diverse sources of income in the portfolio and the flexibility to invest in both growth and value equities will continue to deliver the income and capital growth objectives of the Company over the longer term.



**Robert Talbut**  
Chairman  
24 May 2023

# 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.

# Overview of Strategy

## Continued

### 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.

### Investment Process

The investment process and risk controls employed by the Investment Manager are described on pages 105 to 106.

### 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 for the benefit of the members as a whole.

### 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 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). 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. 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.
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.
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 increasing interest rates and the resultant volatility that this created in global stock markets. In addition, the conflict in Ukraine has 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 market 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
<b>Strategic objectives and investment policy</b> – 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.	<p>The Board formally reviews the Company's objectives and strategies for achieving them on an annual basis, or more regularly if appropriate.</p> <p>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.</p> <p>The Board and Manager keep the level of discount under constant review, as well as changes to the Company's shareholder register.</p>

# Overview of Strategy

## Continued

Description	Mitigating Actions
<b>Investment performance –</b> performance of the portfolio when measured against the benchmark.	<p>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.</p> <p>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.</p> <p>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.</p> <p>Investment risk within the portfolio is managed in four ways:</p> <ul style="list-style-type: none"><li>• Adherence by the Investment Manager to the investment process in order to minimise investments in poor quality companies and/or overpaying for investments.</li><li>• 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.</li><li>• Adherence by the Investment Manager to the investment limits set by the Board (see page 11).</li><li>• Examination of changes to the portfolio and emerging investment themes, including relative to benchmark constituents.</li></ul> <p><b>Investment in UK smaller companies</b></p> <p>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 7.8% of the Company's portfolio as at 31 March 2023) 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.</p> <p><b>Investment in preference shares</b></p> <p>The Company has longstanding holdings in a number of preference shares with no fixed redemption dates, as detailed on page 46 (representing 21.6% of the Company's portfolio as at 31 March 2023). 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, including prevailing and changing interest rates, 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.</p>

Description	Mitigating Actions
<b>Failure to maintain, and grow the dividend over the longer term</b> – 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.
<b>Share price and shareholder relations</b> – the adoption of an inappropriate marketing strategy, failure to address shareholder concerns or other 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.	<p>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.</p> <p>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 and communications programme and budget with the Manager, and receives updates regularly on both marketing and investor relations.</p> <p>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.</p>
<b>Gearing</b> – 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.	<p>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.</p> <p>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.</p>
<b>Accounting and financial reporting</b> – inadequate controls over financial record keeping and forecasting could result in inaccurate financial reporting, the Company being unable to meet its financial obligations or inability to pay a dividend, losses to the Company and impact its ability to continue trading as a going concern.	At each Board meeting, the Board reviews management accounts and receives a report from the Administrator, detailing any breaches during the period under review. The Company's annual financial statements are audited. The Audit Committee receives bi-annual compliance and internal reports from the Manager and meets a representative from its Internal Audit team on at least an annual basis and discusses any findings and recommendations relevant to the Company.



# Overview of Strategy

## Continued

Description	Mitigating Actions
<b>Regulatory and governance</b> – failure to comply with relevant laws and regulations could result in fines, loss of reputation and potentially loss of an advantageous tax regime.	<p>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. There is also a regular review of adherence to governance guidelines that affect investment companies and how the Company is meeting existing or proposed guidelines.</p> <p>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.</p> <p>From time to time the Board employs external advisers to advise on specific regulatory and governance matters.</p>
<b>Operational</b> – 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.	<p>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.</p>
<b>Exogenous risks such as health, social, financial, economic, climate and geo-political</b> – the financial impact of such risks, associated with the portfolio or the Company itself, could result in losses to the Company.	<p>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. The Company does what it can to address these risks where possible and to try and meet the Company's investment objectives.</p> <p>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 35 to 39.</p> <p>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.</p>

## 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 Trust Corporation UK Limited) 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. 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.

## 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 35 to 39.

### 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.

# Overview of Strategy

## Continued

### 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.

Under Listing Rule 15.4.29(R), the Company, as a closed ended investment company, is exempt from complying with the Task Force on Climate-related Financial Disclosures.

### Board Diversity

The Board's disclosures in relation to its diversity are included on page 57.

### 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.
- 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 31 to 32.

On behalf of the Board

**Robert Talbut**

Chairman

24 May 2023

# 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 four 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.

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	<p>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.</p> <p>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. 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,</p>



# Promoting the Success of the Company

## Continued

Stakeholder	How We Engage
	<p>there will be an Online Shareholder Presentation again this year following a favourable response in the past to this informal on-line event. 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.</p> <p>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.</p>
<b>Manager/Investment Manager</b>	<p>The Investment Manager's Review on pages 26 to 32 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 the Company, with the oversight of the Board.</p> <p>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.</p> <p>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 58.</p>
<b>Service Providers</b>	<p>The Board seeks to maintain constructive relationships with the Company's suppliers either directly or through the Manager with regular communications and meetings.</p> <p>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.</p>
<b>Investee Companies</b>	<p>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.</p> <p>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 17.</p> <p>The Board monitors investments made and divested and questions the rationale for investment and voting decisions made.</p>
<b>Debt Provider</b>	<p>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.</p>
<b>Environment and Community</b>	<p>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 35 to 39.</p>

## 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 equities, fixed interest securities, options and exposure to UK smaller companies through abrdn Smaller Companies Income Trust plc, a closed-end investment company. The impact of inflation and increasing interest rates was factored into these discussions.

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 2023.

### Management of the Portfolio

The Investment Manager's Review on pages 26 to 32 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, any feedback from shareholders and the Company's Stockbroker, and medium term revenue forecasts.

As explained in more detail on page 58, during the year, the Board, through 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 4.6p per Ordinary share, total dividends for the year will amount to 14.2p per Ordinary share, representing a dividend yield of 5.7% based on the share price of 250p 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, and sustainability, of dividends paid by the Company.

### Online Shareholder Presentation

As explained in the Chairman's Statement on page 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 22 June 2023. 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.

### Shareholder Engagement and Communication

During the year, through a mechanism provided by the Companies Act 2006, the Company wrote to a number of shareholders who hold their shares indirectly through retail platforms, to advise them how to register for updates relating to the Company and notifications of communications with shareholders.

A QR code is included on page 1 of this Annual Report to enable other shareholders or potential investors to register for email alerts relating to the Company.

The Company has a large retail shareholder base and the Board is keen to communicate with as many shareholders as possible and to encourage and increase voting participation at general meetings.

### On behalf of the Board

**Robert Talbut**

Chairman

24 May 2023

# Performance

## Performance (Total Return)

	1 year % return	3 year % return	5 year % return
Net asset value <sup>A</sup>	-2.2	+45.9	+24.3
Share price <sup>A</sup> (based on mid-market)	-5.5	+46.9	+24.9
FTSE All-Share Index	+2.9	+47.4	+27.9

<sup>A</sup> Considered to be an Alternative Performance Measure. See page 114 for further information.

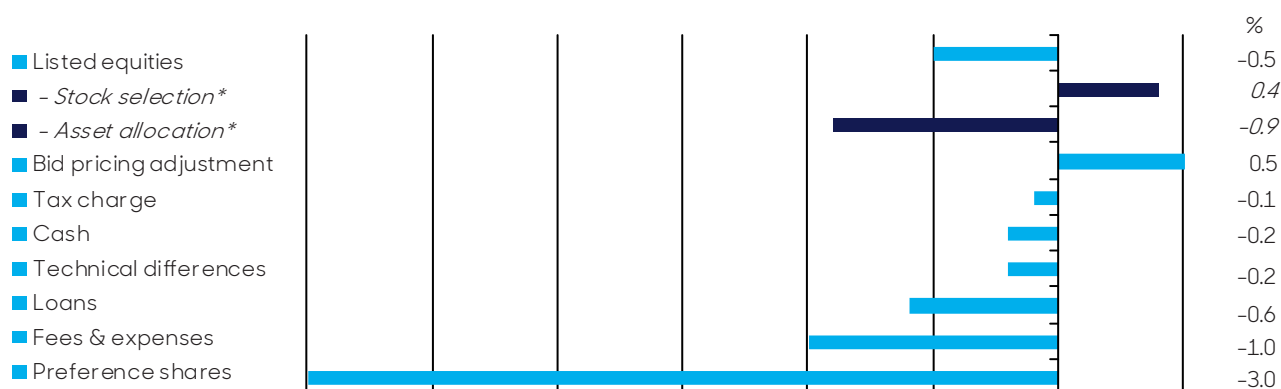
All figures are for total return and assume re-investment of net dividends excluding transaction costs.

Source: abrdn plc, Morningstar & Factset

## Analysis of Total Return Performance

<b>Gross assets total return</b>	<b>-0.3</b>
Total NAV return per share	-2.2
Total return on FTSE All-Share Index	2.9
<b>Relative performance of NAV compared to FTSE All-Share Index</b>	<b>-5.1</b>

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

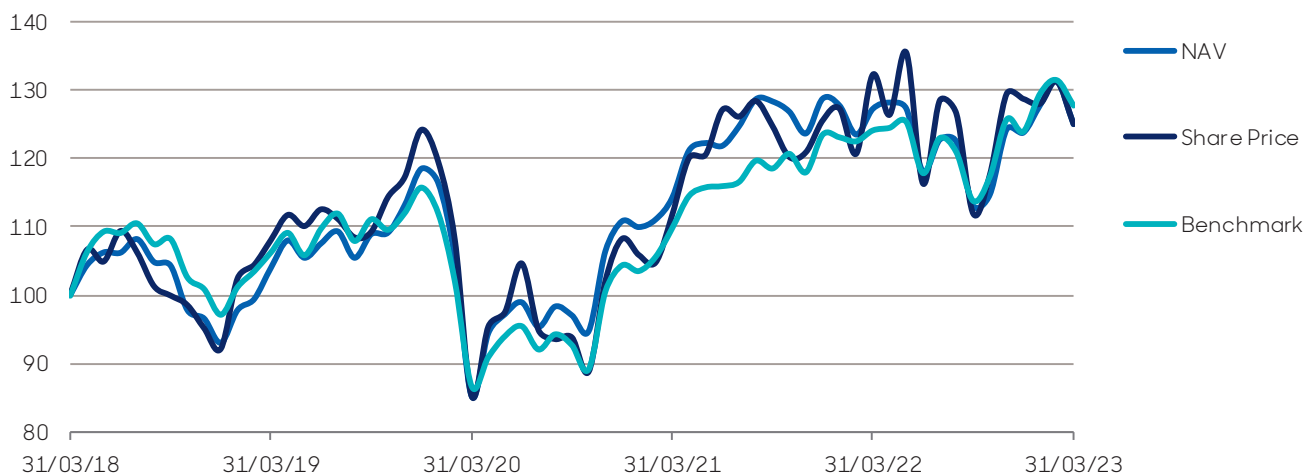


The above table shows the composition of the relative performance of the NAV total return compared to the benchmark index. In particular, it shows the contribution from the Listed Equities Portfolio and from the Preference shares. Within the Listed Equities Portfolio, the contributions to relative performance 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

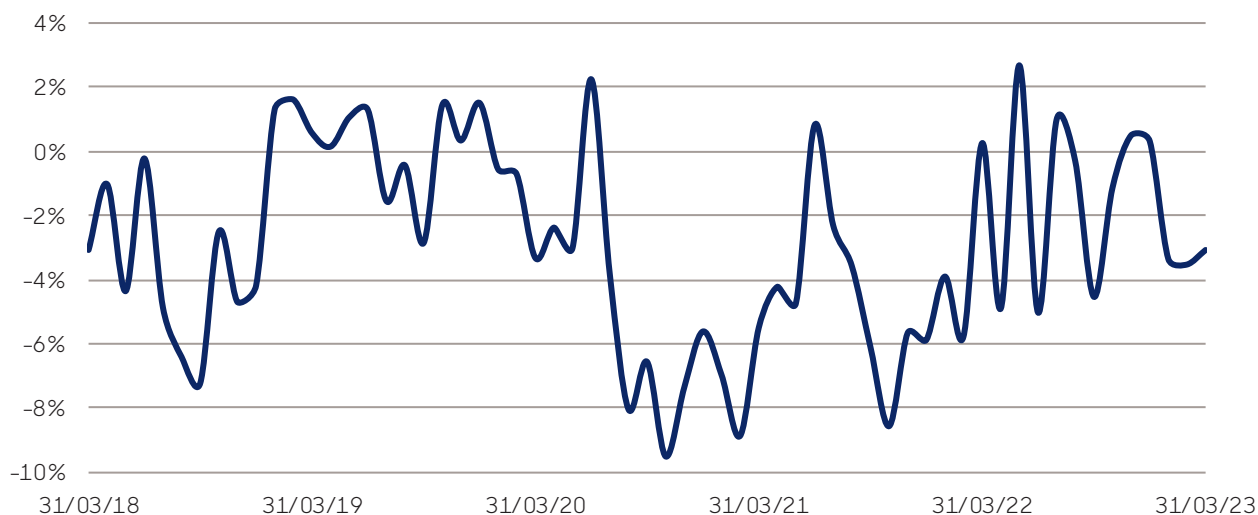
Five years to 31 March 2023. Figures are total return and have been rebased to 100 at 31 March 2018



Source: abrdn, Morningstar & Lipper

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

Five years to 31 March 2023



Source: Morningstar & Lipper



# Performance

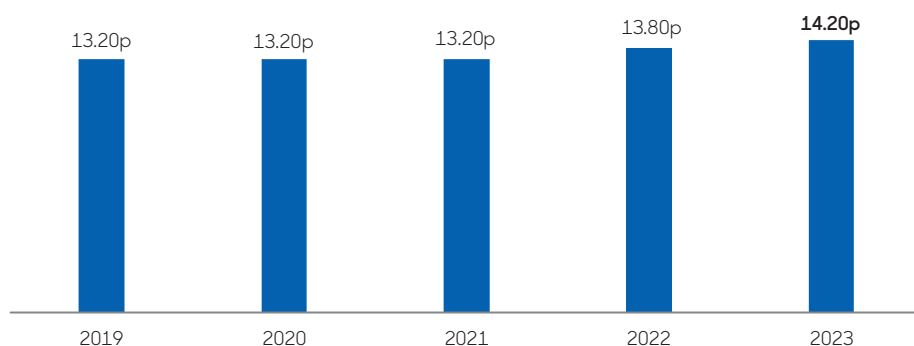
## Continued

### Dividends

	Rate per share	XD date	Record date	Payment date
First interim dividend	3.20p	6 October 2022	7 October 2022	28 October 2022
Second interim dividend	3.20p	5 January 2023	6 January 2023	27 January 2023
Third interim dividend	3.20p	6 April 2023	11 April 2023	28 April 2023
Proposed final dividend	4.60p	6 July 2023	7 July 2023	28 July 2023
<b>2022/23</b>	<b>14.20p</b>			
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
<b>2021/22</b>	<b>13.80p</b>			

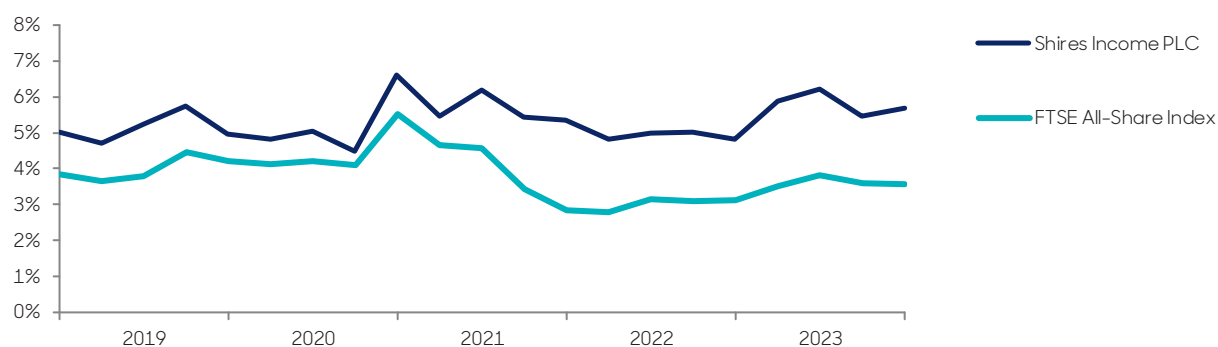
### Dividends Per Share

Five years to 31 March 2023



### Dividend Yield

Five years to 31 March 2023



## Ten Year Financial Record

Year to 31 March	2014	2015	2016	2017	2018	2019	2020	2021*	2022*	2023*
Revenue available for ordinary dividends (£'000)	3,789	3,877	3,617	3,925	4,106	3,920	3,961	3,796	4,379	<b>4,584</b>
Per share (p)										
Net revenue earnings	12.6	12.9	12.1	13.1	13.7	13.1	13.0	12.3	14.2	<b>14.8</b>
Net dividends paid/proposed	12.00	12.25	12.25	12.75	13.00	13.20	13.20	13.20	13.80	<b>14.20</b>
Net total earnings	26.0	23.1	(17.8)	54.5	9.4	10.3	(45.4)	68.2	29.5	<b>(6.6)</b>
Net asset value	248.4	259.5	229.4	271.6	268.2	265.5	207.4	262.4	278.3	<b>257.9</b>
Share price (mid-market)	252.3	252.0	202.0	243.3	260.0	267.0	200.5	248.0	279.0	<b>250.0</b>
Shareholders' funds (£m)	78.7	77.8	68.8	81.5	80.5	80.1	63.9	80.9	85.8	<b>79.9</b>

\* Net asset value per share is calculated after the repayment of the capital paid up on Cumulative Preference shares (see note 16 on page 94).

## Cumulative Performance

Rebased to 100 at 31 March 2013

As at 31 March	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net asset value	100.0	106.0	110.7	97.9	115.9	114.4	113.3	88.5	112.0	118.7	<b>110.0</b>
Net asset value total return <sup>A</sup>	100.0	111.5	122.3	113.8	141.6	146.3	152.2	124.7	167.1	186.1	<b>181.9</b>
Share price performance	100.0	108.3	108.2	86.7	104.4	111.6	114.6	86.1	106.4	119.7	<b>107.3</b>
Share price total return <sup>A</sup>	100.0	114.0	119.6	101.1	128.9	144.7	156.2	123.1	161.5	191.2	<b>180.7</b>
Benchmark performance	100.0	105.2	108.4	100.4	118.0	115.2	117.7	91.9	113.3	123.9	<b>123.0</b>
Benchmark total return <sup>A</sup>	100.0	108.8	116.0	111.4	135.9	137.6	146.3	119.3	151.2	170.9	<b>175.9</b>

<sup>A</sup> Total return figures are based on reinvestment of net income.

# Investment Manager's Review

## 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 78.4% of the portfolio was invested in equities and 21.6% was invested in preference shares.

## Equity Market Review

Global equity markets fell over the 12 month period to 31 March 2023, with the MSCI World Index down by around 9% in US Dollar terms. While that marks a poor return for global equities, it could have been worse, with the index down by 22% in mid-October last year. Since then, we have seen a recovery in valuations and the financial year has ended with markets in a more optimistic mood.

Market direction over the year was dominated by macroeconomic factors, with the interplay between inflation, economic growth, and central bank policy setting the tone for equities. At the start of the Company's financial year, from April to June, the direction of travel continued very much as it was in the first quarter of 2022. Inflation expectations were increasing, driven by post-Covid tightness in many markets and exacerbated by the start of the Russia-Ukraine conflict. Indeed, some of the economic data was historic, with US inflation reaching a 40 year high and UK unemployment a 48 year low. This resulted in more hawkish central bank policy and rising interest rate expectations, with the clear impact of higher discount rates translating into lower equity valuations across the market, but especially in higher growth sectors. Investors also worried that higher interest rates would lead to a recession and, although the impact from Covid-19 had reduced significantly compared to the prior year, China's zero-Covid policy continued to weigh on global economic growth.

In July, there was some respite, with global equities increasing by almost 10% in a month – although even this did not quite offset the declines seen in the prior month. The increase came despite the ongoing and increasing fears of a recession and a warning at the start of the month from the Bank of England that the economic outlook for the UK had "deteriorated materially", matching similar comments from the International Monetary Fund ("IMF"). This view of underlying economic weakness was supported by data, with inflation continuing to rise and

GDP growth slowing. UK consumer confidence in June remained at its lowest level since records began in 1974. The UK also faced increased political uncertainty as Prime Minister Boris Johnson finally announced his resignation. Despite the weak macro backdrop, corporate earnings results were generally strong at the half year stage, with many cyclical companies beating reduced expectations. Throughout the course of the year, fundamental corporate earnings remained robust, with limited signs of weakness.

**Market direction over the year was dominated by macroeconomic factors, with the interplay between inflation, economic growth, and central bank policy setting the tone for equities.**

July proved to be a false dawn for equity markets, however, with continued high levels of inflation pushing central banks to double down on more hawkish messaging and on interest rate rises. The Federal Reserve implemented a large 0.75% rise in interest rates, while the Bank of England raised interest rates by 0.5% at its September meeting. A few days later, UK Chancellor Kwarteng's mini-budget surprised investors with widespread unfunded tax cuts, which were partially reversed in early October. The £45 billion package prompted a wave of selling in bond and currency markets, driving gilt yields higher. The IMF warned that it did not recommend "large and untargeted" measures and that the proposals could fuel inflation and inequality. The 10-year gilt yield finished the month above 4% and the Bank of England was forced to launch emergency measures to stabilise markets, delaying a planned gilt sale and committing to buy up to £65 billion of gilts over a 13-day period. After the end of the period, the turmoil caused by the budget forced Prime Minister Liz Truss to resign, setting a record for the shortest premiership in history, at 45 days.

After a strong start to the year, the summer months also saw commodity price pull back. The combination of recession fears and resilient production from Russia meant that the oil price declined, with the West Texas Intermediate benchmark back under \$80 per barrel,

having peaked at over \$120 per barrel as recently as June. At the same time, a period of warmer and windier weather led to a pullback in European natural gas prices, mitigating a major source of concern for the European economy since the Russian invasion of Ukraine.

The US economy outperformed expectations, reporting annualised growth of 2.6% in the third quarter, having been in a technical recession during the first half of the year. In the UK, Gilt markets settled after the volatility arising from the mini-Budget. In particular, government bond prices rose as former chancellor Rishi Sunak succeeded Liz Truss as Prime Minister and quickly implemented a more pragmatic fiscal policy.

## **With the dominant theme for the year being one of rising interest rates, sector leadership in the UK market remained more with the value-orientated sectors, despite these being more economically sensitive.**

Equity markets turned more positive in October, as investors became optimistic that central banks could slow the pace of future interest rate increases. The US was one of the top-performing markets, with the Dow Jones Industrial Average posting its best monthly gain since 1987, having risen for four consecutive weeks. Markets rose again in November, as US data showed decelerating inflation, adding to investor expectations for a change in Federal Reserve policy. Markets also responded positively to the announcement from the Chinese government that it would start to ease Covid-19 restrictions.

That optimism reversed slightly in December as recession fears increased and the relaxation of Covid-19 restrictions in China led to a spike in cases, yet this concern was relatively short lived. 2022 closed with more interest rate rises: the Federal Reserve, European Central Bank, Swiss Central Bank and Bank of England all raised interest rates by 0.50% in their December meetings. The moves marked a deceleration in the pace of monetary tightening, however, and equities recovered into the calendar year end, helped by better than expected macro data.

The first quarter of 2023 saw continued volatility in equity markets, yet despite some marked swings, all major asset classes except the US Dollar and commodities delivered positive returns – a contrast to 2022 which was a rare year when both bonds and equities declined. The quarter started with a 'risk-on' mood due to better than expected economic data and falling recession worries, as gas prices fell in Europe and there were signs of a rapid reopening in China, with no persistent rise in infections, and a resilient US consumer sector. This led to short covering and a rebound in economically sensitive sectors, especially Consumer Discretionary. However, it also drove a resurgence in inflation pressures and incrementally hawkish rhetoric from central banks.

Market dynamics reversed sharply in March, with the collapse of Silicon Valley Bank in the US and the subsequent issues with Credit Suisse in Europe. This led to a 'risk-off' environment, with bonds rising and risk assets falling. Equities, especially in Europe, bore the brunt of the pain given the higher exposure of that region's banking sector to the economy and equity markets relative to the US. Still, signs that the crisis was under control as we moved through March meant that risk assets reversed direction again. Strong underlying fundamentals of the banking sector supported the view that Silicon Valley Bank and Credit Suisse were exceptions rather than the start of a broader sector issue.

Over the course of the 12 month period, UK equities performed relatively well compared to other global markets. The FTSE All-Share Index delivered a total return of 2.9% and the large cap FTSE 100 Index returned 5.2%. The performance was better than the US S&P 500 index returning -8.1% and the MSCI Europe Index at 3.9%. Generally, the weighting of the UK market towards more defensive and less growth-orientated sectors has worked in its favour during a period of rising interest rates. It is also notable, however, that in a time of flat / falling equity markets, a higher dividend yield enhances total return noticeably.



# Investment Manager's Review

## Continued

With the dominant theme for the year being one of rising interest rates, sector leadership in the UK market remained more with the value-orientated sectors, despite these being more economically sensitive. Energy was the top performing sector, with gains largely concentrated in the first part of the year. Consumer Discretionary and Industrials also performed well, despite rising recession concerns. At the other end of the spectrum, the Property sector performed particularly poorly, falling by around 30%. UK property companies have operated with higher levels of leverage than most sectors, and so rising interest rates put pressure on returns at the same time that their ability to grow rental yield is constrained by demand. Materials were also weak, with the boost from China reopening not enough to offset a pull-back in valuations earlier in the year.

### Investment Performance

Over the year ended 31 March 2023, the Net Asset Value ("NAV") of the Company declined by 2.2% on a total return basis. This compares to the benchmark FTSE All-Share Index total return of 2.9%. The under performance was concentrated in two areas: the preference share portfolio and the holding in abrdn Smaller Companies Income Trust ("ASCIT"). The preference shares declined in value by 10.2% and detracted 3.0% from performance – we discuss the reasons for this in more detail below. The ASCIT share price declined by almost 12% (in total return terms) over twelve months, even following the re-rating of its shares after its announcement of a strategic review, and contributed around 1% of the under performance.

This under performance should largely be expected in the investment environment we saw during the year. Rising interest rates benefit less growth-orientated investments and smaller companies as an asset class under-performed larger companies during the year. Furthermore, ASCIT follows a momentum strategy, which is disadvantaged in such an environment.

Within the core equity portfolio, there were a number of very strong performers. These included a number of recent purchases. **Games Workshop Group** (+58%) recovered well after our investment, as did **Vistry Group** (+35%), **NatWest** (+29%), **Hiscox** (+25%), **Oxford Instruments** (+19%) and **Smith & Nephew** (+14%). Energy stocks continued to be strong contributors to overall performance, with **BP** (+42%) and **TotalEnergies** (+31%) standing out. **TotalEnergies** was also an example of a European holding in the portfolio that performed well. **Novo-Nordisk** (+52%) continued to deliver upgrades to revenue as new product launches beat expectations, while **Kone** (+20%), **Nordea** (+18%), **AXA** (+18%) and **Engie** (+13%) all delivered positive returns. Another trend we benefited from (and which seems to be only increasing) was the rise in bids for UK listed companies, reflecting the discount many trade at compared to international peers. **Euromoney Institutional Investor** (+48%) and **Wood Group** (+24%) were subject to bids in the year.

Some other positions did not work out as well as we had hoped. The most concentrated under performance came in the Real Estate sector, with the impact of rising yields dragging down asset values and increasing interest costs. **Sirius Real Estate** (-41%), **Urban Logistics** (-29%), **Supermarket Income REIT** (-21%) and **Assura** (-17%) all under performed in share price terms although the underlying businesses continued to perform as expected.

The number of companies missing our expectations on underlying performance was small, although there were some notable disappointments. **Marshalls** (-52%) had two profit warnings after failing to offset the slow down in consumer demand for its products. **Direct Line Insurance** (-45%) was impacted by a high level of claims inflation in the winter months, putting its capital ratio under pressure and leading to a cut in the dividend. **Close Brothers** (-19%) disclosed a write down to the value of a recent acquisition. In each case we have retained the holding, and in the cases of Marshalls and Close Brothers increased the positions – we see these as strong long term businesses which will regain lost value over time. In the case of Direct Line Insurance, signs that the pricing cycle is improving cause us to hold on to the position for now.

**Within the core equity portfolio, there were a number of very strong performers.**

## Gearing and Preference Share Portfolio

As stated above, the preference shares declined in value in the year. This performance is very much as expected – during a period of rapidly rising interest rates we would expect the bond like characteristics of preference shares to mean they decline in value. Our view on the long term attractions of the preference shares has not changed. Firstly, it is unlikely that we will see a period of such rapid rises in interest rates repeated this cycle – indeed it is more likely that interest rates will eventually decline, acting as a tailwind for the valuations of the preference shares. Secondly, the attraction of these instruments is their high, dependable yield. This has not changed and the preference share portfolio offered a forward yield of almost 7.5% at the year end.

Gearing (net of cash) increased during the year, from 20.4% to 22.2%. The gearing is notionally invested in the preference share portfolio. At the year end these securities had a value of £20.9 million, exceeding the net indebtedness which stood at £17.8 million.

## Revenue Account

Revenue earnings per share increased by 4.4% over the year to 14.83p (2022: 14.21p). This continues the strong recovery we have seen in dividends since the Covid-19 pandemic. The Company aims to invest in companies with the ability to grow dividends over time and it is encouraging to see revenue growth delivered. This is an important target for the Company.

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

	2023	2022	2021	2020	2019
	%	%	%	%	%
Ordinary dividends	62.8	66.5	57.2	60.0	58.5
Preference dividends	29.1	26.9	33.2	31.0	34.4
abrdn Smaller Companies Income Trust	6.6	5.2	5.7	5.4	4.9
Fixed interest and bank interest	0.2	-	-	0.3	0.2
Traded option premiums	1.3	1.4	3.9	3.3	2.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Total income (£'000s)</b>	<b>5,673</b>	<b>5,239</b>	<b>4,529</b>	<b>4,807</b>	<b>4,712</b>

## Portfolio Activity

Changes to the portfolio during the year were, as ever, driven by fundamental analysis and by our views on the merits of individual companies. However, it is useful to try to explain some trends behind our trading activity over the course of the year. In the prior year, there was a clear move to add value to the portfolio, reflecting our view that the growth premium in equities was too high and that interest rates were likely to rise. In this financial year, the main drivers, such as they are, were different – although we retain a slight preference for value within the portfolio, we have been looking to add income and quality. Our broad view is that market levels look high and the economic outlook is uncertain. In this scenario we see income as an increasingly important part of total return and have been taking action to enhance this.

In April 2022, we initiated a position in **Supermarket Income REIT**. The company invests in supermarket real estate, with long term tenancy agreements and inflation linked pricing. This provides a reliable, and defensive, source of income, with a 5% headline yield and with the inflation linkage making cashflows reliable through the cycle. We sold out of one position in the month. Last year's purchase of the **Schroders-Non Voting shares** was based on a view that the discount of that instrument to the voting shares was too wide and would close over time. The announcement in March 2022 that the company would combine the two lines of shares caused the discount to close, resulting in a 29% increase in the value of our holding. With the investment case having played out we chose to move on to other ideas.

During July, we started a new position in **Legal & General**. The share price had fallen given concerns about how rising rates impact credit quality. In our view, Legal & General has a secure outlook and actually benefits from rising interest rates through its stronger Solvency 2 position (a measure of balance sheet strength for insurance companies). This means the dividend, with an 8% dividend yield, is secure and the company can continue to grow, using an integrated approach and, for example, through its strong market position in bulk annuities. We see it as an undervalued company that should deliver resilient income through cycle.

# Investment Manager's Review

## Continued

To fund this trade, we sold out of a number of positions. **Fortum** had performed poorly due to its exposure to Russia and the risks to the business from higher European gas prices. While we think much of the risk is in the price, uncertainty remained very high and we could find similarly high yields which are likely to be more secure, so chose to move on. We also sold **United Utilities**, which held up well as a source of defensive exposure, but looked fairly priced. We also sold out of **Euromoney Institutional Investor** following a bid for the company at a reasonably attractive price.

During the third quarter of 2022 we introduced three new holdings. The first of these was lift manufacturer **Kone**, listed in Finland. The shares had de-rated on China growth concerns and looked attractively valued given the quality of the business with a very secure balance sheet. The weighting of earnings to recurring service revenue should make it resilient and 4.4% dividend yield is a premium to the market.

We also started a new position in French utility **Engie**. The implementation of a power price cap in Europe above market expectations and the company's business plan provides confidence in the dividend at an attractive yield of approximately 8%. The company also has an attractive long term renewable growth story.

The third new position was in reinsurer **Hiscox**, started after a positive meeting with the management team. After weak performance post-2019 a confident new CEO has put the balance sheet in a strong position and has sorted out legacy issues in the portfolio. The company is well positioned for better underwriting conditions and higher investment returns, both of which should drive strong earnings growth in the next few years. Hiscox is also less at risk from inflation concerns than its peers. The shares trade on an attractive valuation and US retail has the potential to be a much larger business if it can deliver as management expects. Its forward yield is marginally above the market level with the ability to grow.

We sold out of two positions, both of which were inherited as spin outs from other holdings and were subscale in the portfolio. **Haleon** was spun out of GlaxoSmithKline and has an attractive end market position, but high debt and litigation risk combined with a low dividend yield make it less appropriate for this portfolio. We also sold out of **Woodside Energy**, another subscale inherited position from BHP, after it went ex-dividend.

We started new positions in two companies in October. The first was medical services company **Smith & Nephew**. The stock has de-rated to 12x earnings, well below its long term average of 17x, but has a new CEO with a credible plan to fix the business. A 3% dividend yield is not large but has potential to grow over time and the company remains a potential take out candidate at this valuation. Income is likely to be defensive and relatively insulated from macro turbulence.

We also started a new position in **Games Workshop Group**. The shares have de-rated, but it has all the characteristics of a quality company with a high return on capital, a net cash balance sheet and a very strong track record of growth. Recent dividend increases provide reassurance on the commitment to distribute excess cash and the business should be resilient through any recession. Longer term, growth potential comes from expansion in foreign markets and consistent product roll out to a loyal customer base.

After a review of the property sector in October, we decided to focus our exposure. We consequently reduced the number of holdings within the sector, selling out of **Sirius Real Estate**, **Assura** and **SuperMarket Income REIT**. In each case, we see a risk to income from higher interest rates which may compress margins and lead to lower cash generation.

During November, we sold out of **Entain**. This has been a long term holding in the portfolio, with a positive return over that period. However, we see less chance of the company paying a material dividend in the near term and there is a high degree of uncertainty on growth and regulation in the US, meaning it is not a natural holding in the portfolio. We therefore choose to move on. The proceeds were used to start a new position in **Dechra Pharmaceuticals**, the veterinary pharmaceutical business. We sold out of this company in April 2021, but given its recent under performance it now looks good value again, with the earnings multiple 35% lower and the dividend yield 65% higher than when we sold. The quality characteristics remain very much in place, with strong barriers to entry and structural growth in end markets, and recent deals have built out the research pipeline to support future earnings growth.

During January we started two new positions. The first was in **XP Power**. The company designs and produces power supply products, often used in highly sensitive manufacturing processes. It has 4% yield and the potential to deliver attractive growth, with the current valuation at less than a 14x earnings multiple, reflecting some cyclical weakness and recent legal costs. Recent downgrades should now be close to an end and resolution of supply chain issues and litigation could be positive catalysts for the company within our investment time horizon.

Secondly, we started a new position in **Dr. Martens**. The iconic shoe brand is currently delivering steady top line growth, with more to play for in emerging markets and the potential for margins to improve as the sales mix shifts away from wholesale. The shares have de-rated on issues around a change in the company's US distribution centre which have hit profits in the short term. We believe this is an opportunity to buy a solid brand with earnings growth from market expansion and the direct to consumer mix shift, which delivers 4x higher margins than wholesale over the next five years. The current multiple of 8x earnings is an opportunity to buy for the long term in our view and a 4% dividend yield (which is very well covered) is attractive for the portfolio. It is also a diversifier, given our underweight exposure to the Fashion and Consumer Discretionary sectors.

In March, we made a number of portfolio adjustments to enhance income. In the Mining sector, we exited **BHP** and continued to reduce the weighting to **Rio Tinto**, reflecting our view that a recovery in Chinese demand is now largely priced in to the share price. We continued to reinvest some proceeds in **Anglo American**. We also topped up the position in **Diversified Energy** which has been weak on lower US gas prices, despite being well hedged – the yield of 15% is well covered and very attractive in our view. We started a new position in **HSBC**. The shares have pulled back in response to the recent "banking crisis" but we see the company as a natural beneficiary of a flight to quality for deposits and of reduced competition in the attractive Asian wealth market following the UBS purchase of Credit Suisse. The dividend is now well on its way to recovering to pre-Covid levels and the 8% yield is highly attractive given exposure to growing Asian markets. We funded the purchase with a small reduction in the holding in **Standard Chartered** – the move helps diversify the portfolio's exposure to banks and enhances income.

Finally, we sold out of the position in **Kone** – a purchase form earlier in the year. The shares had risen by 15% in a flat market since we purchased them in September, providing an attractive annualised return. We now see the company as more fairly valued so have taken profits and are moving on, hopefully to better ideas.

## 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 our investee companies. We have attended a range of meetings with chairmen, non-executive directors and other stakeholders. Topics covered have included the composition of boards, 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 our 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 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 portfolio and sector specific research on all positions in the portfolio 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 investments for the Company by understanding the whole picture of the companies invested in – 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 valuation. With in excess of 1,000 investment professionals 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.



# Investment Manager's Review

## Continued

**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 portfolio and sector specific research on all positions in the portfolio as part of the investment process.**

### Outlook

After the first quarter of 2023, anyone hoping for calmer markets after a turbulent 2022 would have been disappointed, with a sharp equity rally to start the year followed by a banking "crisis" which has hopefully largely passed by already. It has been a surprising start to the year in two ways. Firstly, fundamentals have so far been better than expected, with economic data proving resilient. A recession has so far been avoided and consensus forecasts have been upgraded from outright bearish to just slightly gloomy. Company results have proved to be better than expected, particularly in more cyclical areas of the market, with retailers and industrial companies rallying in recent months.

That should all support higher equity markets, but the second surprise in our view is that equities have risen as strongly as they have done. While the fundamentals have been less bad than feared, valuations already looked generous and it is notable that the market now prices in the lowest equity risk premium for many years once we account for impact of higher interest rates and slower profit growth based on consensus forecasts.

Interest rate expectations continue to drive the market direction, and we should not expect a pivot from central banks soon – falling energy costs have helped confidence rebound, but core inflation remains stubbornly high globally. Wage growth continues to surprise to the upside and, until this adjusts, central banks are unlikely to risk the rate cuts the market seems to be expecting. A correction in market levels is therefore likely in our view, especially as Q1 earnings could be a source of downgrades given that aggregate company margins remain close to all-time highs, something that should simply not persist with higher interest charges and wage inflation.

How do we reflect this outlook in the portfolio? The focus on quality companies and the generation of resilient income remains to the fore and becomes more important than ever. In a period where equity market returns could pause after an unprecedented run since the global financial crisis, income is likely to be a more important part of total return.

It is also worth noting that not all parts of the equity market are equally valued: the UK market remains at a record discount to other developed markets. In the last month we have started to see this reflected in a notable increase in acquisitions of UK listed companies (Wood Group and Dechra Pharmaceuticals are examples within the portfolio that have been bid for in the last few months). Unless the valuation gap closes, this is likely to continue and could be an additional tailwind, especially for UK companies with genuine barriers to entry and scarcity value which is underappreciated in public markets. For overseas investors, the need to deliver growth and margin improvement as organic opportunities reduce will likely compel further deals. So overall, a focus on income and stock selection is more important than ever as we look to generate returns.



**Iain Pyle and Charles Luke**  
abrdn Investments Limited  
24 May 2023

# Investment Case Studies

## HSBC

HSBC is a mega-cap UK listed bank, but with operations focused in Hong Kong and neighbouring areas. As one of the largest banks in the world, it benefits from scale advantages in its home markets and is a likely beneficiary of a flight to quality of deposits in the short term, and of structural growth of Asian wealth balances in the medium term. Its geographic focus gives it exposure to one of the highest growth regions in the world, differentiating it from UK or European peers. Despite this, HSBC trades on an attractive valuation at 6.5x price to forward earnings and with an 8% dividend yield, with share buybacks increasing capital return to around 25% in 2023/24. The mix of quality, growth potential and capital return makes it an attractive entry point.



# Investment Case Studies

## Continued



### **Dr. Martens**

The iconic shoe brand has had a strong track record of growth in recent years, with the potential for this to continue as it grows brand awareness in the US and Asian markets. The Investment Manager also expects to see improved margins as the company shifts sales from wholesale to direct-to-consumer channels, with a resultant significant improvement in profitability. Recent issues with the company's new distribution centre in the US have depressed the valuation and enhanced the dividend yield. With income well covered and long term growth potential, the Investment Manager sees this as an attractive opportunity.

# 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

<b>Financial Returns</b>	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.
<b>Fuller Insight</b>	Systematically assessing a company's ESG risks and opportunities alongside other financial metrics allows the Investment Manager to make better investment decisions.
<b>Corporate Advancement</b>	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.

<b>Portfolio Managers</b>	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.
<b>ESG Equity Analysts</b>	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.
<b>ESG Investment Team</b>	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

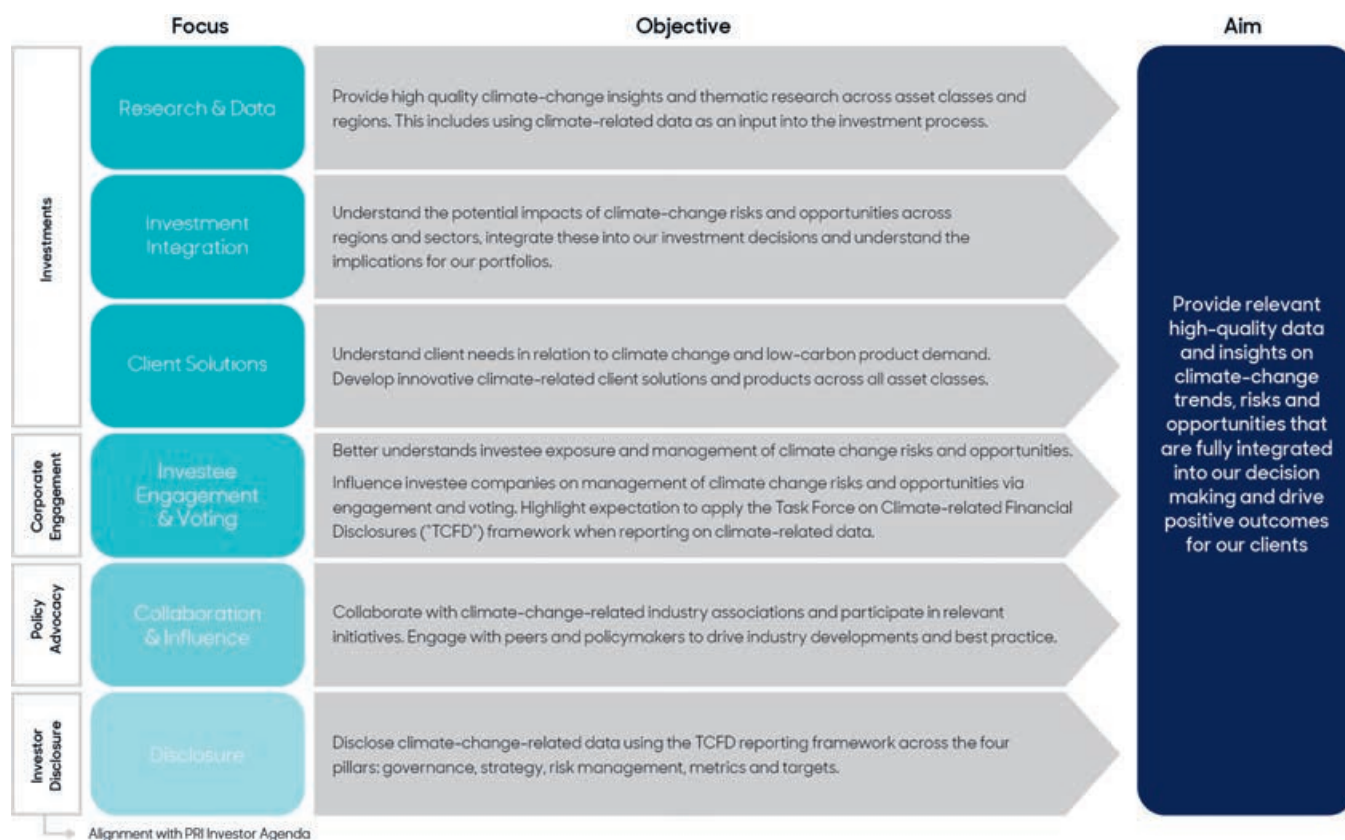
Governments could take robust climate change mitigation actions to reduce emissions and transition to a low-carbon economy. This is reflected in targets, policies and regulation and can have a considerable impact on high-emitting companies.

### · 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	ESG considerations not market leading	ESG risks are considered as a part of principal business	Evidence of some financially material controversies	Many financially material controversies
Excellent disclosure	Disclosure is good, but not best in class	Disclosure in line with regulatory requirements	Poor governance or limited oversight of key ESG issues	Severe governance concerns
Makes opportunities from strong ESG risk management	Governance is generally very good	Governance is generally good but some minor concerns	Some issues in treating minority shareholders poorly	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.

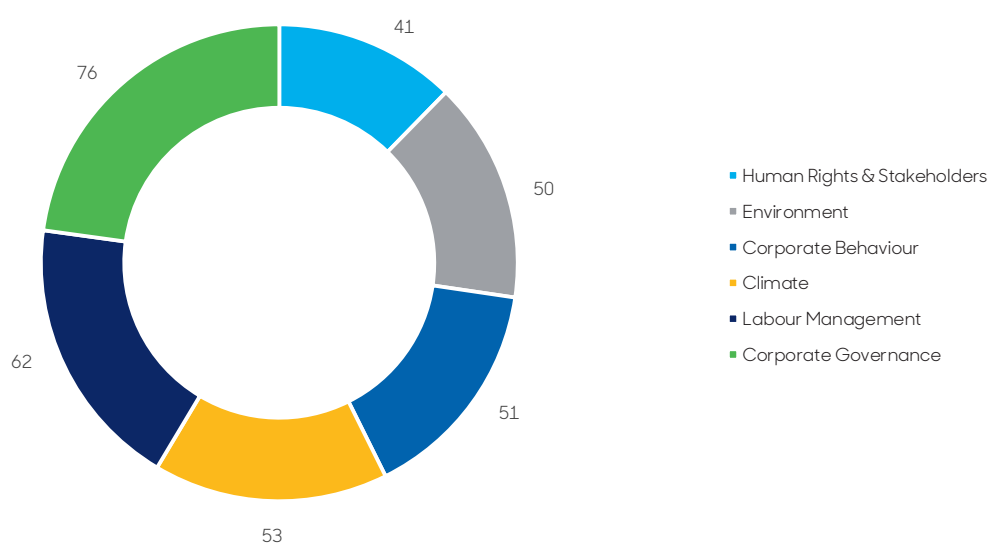
The Investment Manager views this programme of regular engagement as a necessary fulfilment of its duty as a responsible steward of clients' assets. It is also an

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
<b>Ongoing due diligence</b> <ul style="list-style-type: none"> <li>• Business performance</li> <li>• Company financials</li> <li>• Corporate governance</li> <li>• Company's key risks and opportunities</li> </ul>	<b>Frequent dialogue</b> <ul style="list-style-type: none"> <li>• Senior executives</li> <li>• Board members</li> <li>• Heads of departments and specialists</li> <li>• Site visits</li> </ul>	<b>Exercise rights</b> <ul style="list-style-type: none"> <li>• Attend AGM/EGMs</li> <li>• Always vote</li> <li>• Explain voting decisions</li> <li>• Maximise influence to drive positive outcomes</li> </ul>	<b>Consider all options</b> <ul style="list-style-type: none"> <li>• Increase or decrease shareholding</li> <li>• Collaborate with other investors</li> <li>• Take legal action if necessary</li> </ul>

During the year ended 31 March 2023, the Investment Manager had 118 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. The pie chart below shows the overlapping topics covered at the meetings held during the year.



# Portfolio

A close-up photograph of a person's hand holding a gold-colored smartphone. The hand is positioned over a silver laptop, with a black and silver pen resting on the desk in the foreground. The background is softly blurred, showing a desk environment. The word "Portfolio" is overlaid in white text on the upper left side of the image.





Changes to the portfolio during the year were, as ever, driven by fundamental analysis and by our views on the merits of individual companies.

# Ten Largest Investments

As at 31 March 2023



## 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 with 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.



## 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.



## Anglo American

Anglo American is a global mining company. The Company's mining portfolio includes bulk commodities including iron ore, manganese, and metallurgical coal, base metals including copper and nickel and precious metals and minerals including platinum and diamonds. Anglo American has mining operations in Africa, Europe, North and South America, Asia, and Australia.



## 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.



## 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, especially at the premium end of the market where it has a strong brand presence.



## Diversified Energy

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



## 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.



## Energean

Energean is a gas producer with operations focused in the Eastern Mediterranean region. It has developed the Karish project offshore Israel, with long term gas sales agreements in place to protect cashflows and allow for the payment of an attractive dividend. In addition, it has assets in Egypt and Italy and is developing a carbon capture and storage project offshore Greece.

# Investment Portfolio – Equities

As at 31 March 2023

Company	FTSE All-Share Index Sector	Valuation 2023 £'000	Total portfolio %	Valuation 2022 £'000
abrdn Smaller Companies Income Trust	Closed End Investments	7,534	7.8	9,041
AstraZeneca	Pharmaceuticals and Biotechnology	4,136	4.3	4,264
Shell	Oil, Gas and Coal	3,931	4.0	2,997
BP	Oil, Gas and Coal	3,184	3.3	2,339
Anglo American	Industrial, Metals and Mining	2,748	2.8	-
SSE	Electricity	2,661	2.7	2,537
Diageo	Beverages	2,566	2.7	2,744
Diversified Energy	Oil, Gas and Coal	2,499	2.6	2,665
British American Tobacco	Tobacco	1,913	2.0	2,424
Energear	Oil, Gas and Coal	1,894	2.0	1,733
<b>Ten largest investments</b>		<b>33,066</b>	<b>34.2</b>	
TotalEnergies	Oil, Gas and Coal	1,839	1.9	2,068
National Grid	Gas, Water and Multiutilities	1,726	1.7	1,846
Standard Chartered	Banks	1,526	1.6	2,643
Unilever	Personal Care, Drug and Grocery Stores	1,378	1.4	1,136
Imperial Brands	Tobacco	1,351	1.4	1,167
Novo-Nordisk	Pharmaceuticals and Biotechnology	1,272	1.3	894
Inchcape	Industrial Support Services	1,226	1.3	1,060
Chesnara	Life Insurance	1,222	1.3	1,674
Rio Tinto	Industrial, Metals and Mining	1,152	1.2	2,152
Prudential	Life Insurance	1,149	1.2	1,427
<b>Twenty largest investments</b>		<b>46,907</b>	<b>48.5</b>	

# Investment Portfolio – Equities

Continued

As at 31 March 2023

Company	FTSE All-Share Index Sector	Valuation 2023 £'000	Total portfolio %	Valuation 2022 £'000
Marshalls	Construction and Materials	1,123	1.2	654
Intermediate Capital Group	Investment Banking and Brokerage Services	1,078	1.1	–
M&G	Investment Banking and Brokerage Services	1,051	1.1	1,428
NatWest	Banks	1,042	1.1	625
OSB	Finance and Credit Services	995	1.0	933
Hiscox	Non-life Insurance	982	1.0	–
Engie	Gas, Water and Multiutilities	981	1.0	–
Balfour Beatty	Construction and Materials	967	1.0	668
Vodafone	Telecommunications Service Providers	939	1.0	1,658
Howden Joinery	Retailers	938	1.0	1,166
<b>Thirty largest investments</b>		<b>57,003</b>	<b>59.0</b>	
AXA	Non-life Insurance	906	0.9	821
HSBC	Banks	903	0.9	–
Morgan Sindall	Construction and Materials	883	0.9	1,262
Coca-Cola HBC	Beverages	859	0.9	621
Mondi	General Industrials	855	0.9	919
GSK	Pharmaceuticals and Biotechnology	835	0.9	1,203
Oxford Instruments	Electronic and Electrical Equipment	833	0.9	45
Close Brothers	Banks	810	0.8	1,071
Telecom Plus	Telecommunications Service Providers	754	0.8	1,608
Legal & General	Life Insurance	734	0.7	–
<b>Forty largest investments</b>		<b>65,375</b>	<b>67.6</b>	

## As at 31 March 2023

Company	FTSE All-Share Index Sector	Valuation 2023 £'000	Total portfolio %	Valuation 2022 £'000
Bawag	Banks	722	0.7	714
XP Power	Electronic and Electrical Equipment	713	0.7	–
Direct Line Insurance	Non-life Insurance	705	0.7	1,146
Dr. Martens	Personal Goods	673	0.7	–
Games Workshop	Leisure Goods	654	0.7	–
Wood	Oil, Gas and Coal	648	0.7	524
Ashmore	Investment Banking and Brokerage Services	641	0.7	676
Telenor	Telecommunications Service Providers	584	0.6	767
Drax	Electricity	578	0.6	747
Softcat	Software and Computer Services	563	0.6	402
<b>Fifty largest investments</b>		<b>71,856</b>	<b>74.3</b>	
Bodycote	Industrial Engineering	553	0.6	688
RS Group	Industrial Support Services	549	0.6	848
Vistry Group	Household Goods and Home Construction	549	0.6	–
Dechra Pharmaceuticals	Pharmaceuticals and Biotechnology	533	0.6	–
Nordea	Banks	522	0.5	480
Smith & Nephew	Medical Equipment and Services	475	0.5	–
Urban Logistics	Real Estate Investment Trusts	403	0.4	598
Redrow	Household Goods and Home Construction	320	0.3	351
<b>Total equity investments</b>		<b>75,760</b>	<b>78.4</b>	

Purchases and/or sales of portfolio holdings effected during the year result in 2023 and 2022 values not being directly comparable.



# Investment Portfolio – Other Investments

As at 31 March 2023

Company	Valuation 2023 £'000	Total portfolio %	Valuation 2022 £'000
<b>Preference shares<sup>A</sup></b>			
Ecclesiastical Insurance Office 8 5/8%	5,512	5.7	5,936
Royal & Sun Alliance 7 3/8%	4,437	4.6	5,220
General Accident 7.875%	3,654	3.8	4,364
Santander 10.375%	3,616	3.7	4,491
Standard Chartered 8.25%	2,900	3.0	3,737
R.E.A. Holdings 9%	776	0.8	968
<b>Total Preference shares</b>	<b>20,895</b>	<b>21.6</b>	
<b>Total Investments</b>	<b>96,655</b>	<b>100.0</b>	

<sup>A</sup> None of the preference shares listed above have a fixed redemption date.

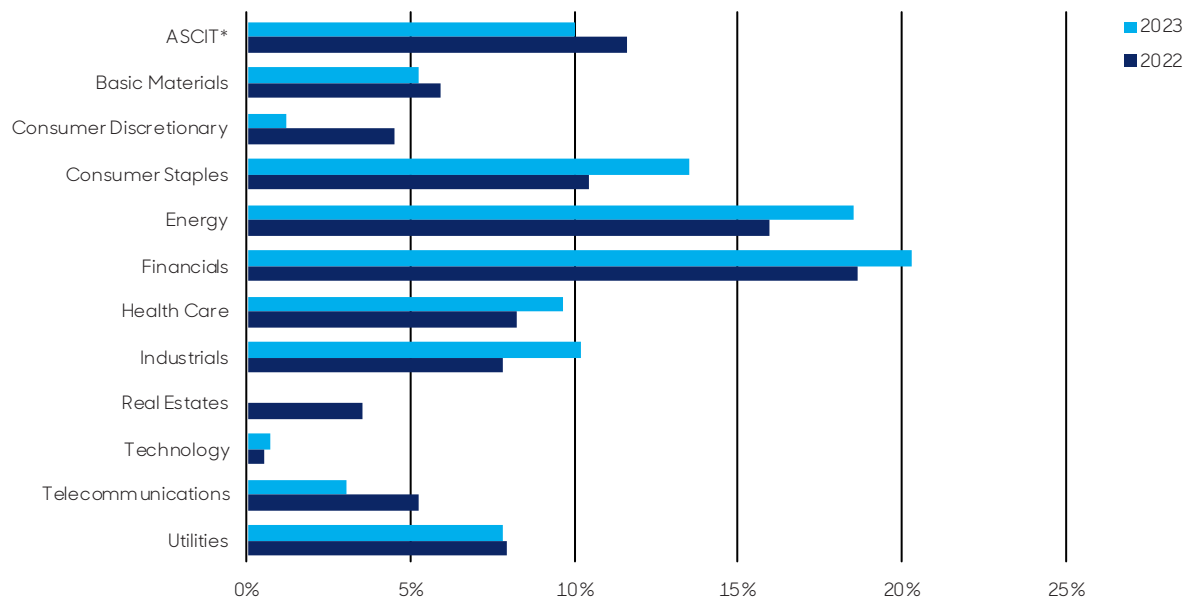
Purchases and/or sales of portfolio holdings effected during the year result in 2023 and 2022 values not being directly comparable.

# Distribution of Assets and Liabilities

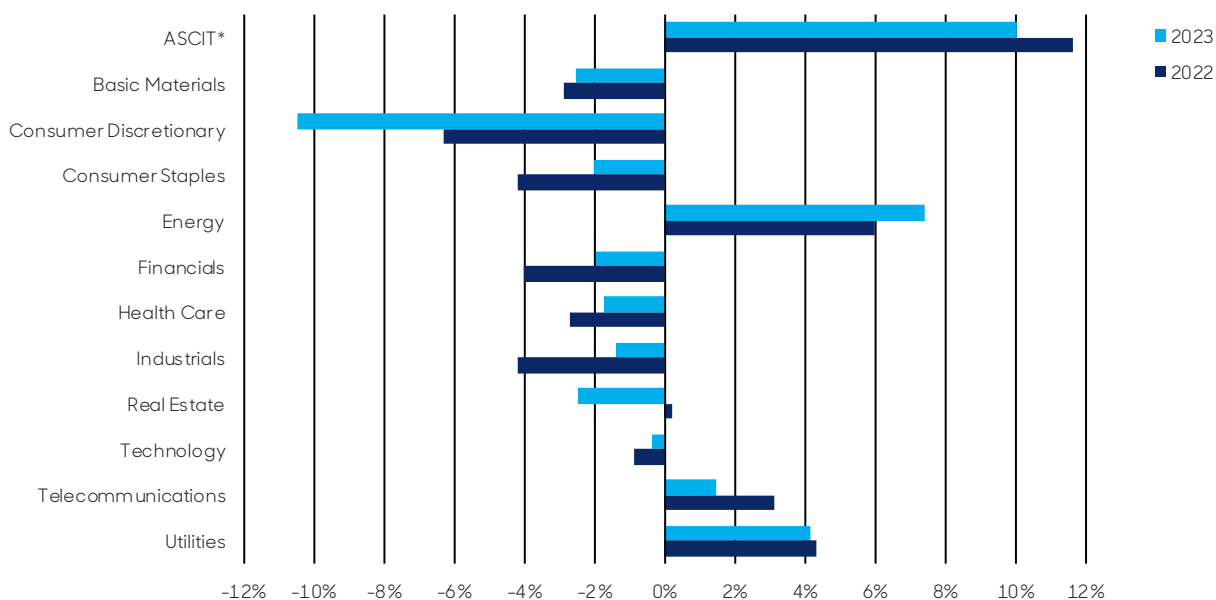
	Movement during the year						
	Valuation at 31 March 2022		Purchases	Sales	Gains/ (losses)	Valuation at 31 March 2023	
	£'000	%	£'000	£'000	£'000	£'000	%
<b>Listed investments</b>							
Equities	77,709	90.5	16,513	(16,199)	(2,263)	75,760	94.8
Preference shares	24,716	28.8	–	–	(3,821)	20,895	26.2
<b>Total investments</b>	102,425	119.3	16,513	(16,199)	(6,084)	96,655	121.0
Current assets	2,656	3.1				2,559	3.2
Current liabilities	(19,262)	(22.4)				(9,350)	(11.7)
Non-current liabilities	–	–				(9,951)	(12.5)
<b>Net assets</b>	85,819	100.0				79,913	100.0
<b>Net asset value per Ordinary share</b>	278.3p					257.9p	

# Sector Analysis

## Analysis of Listed Equity Portfolio

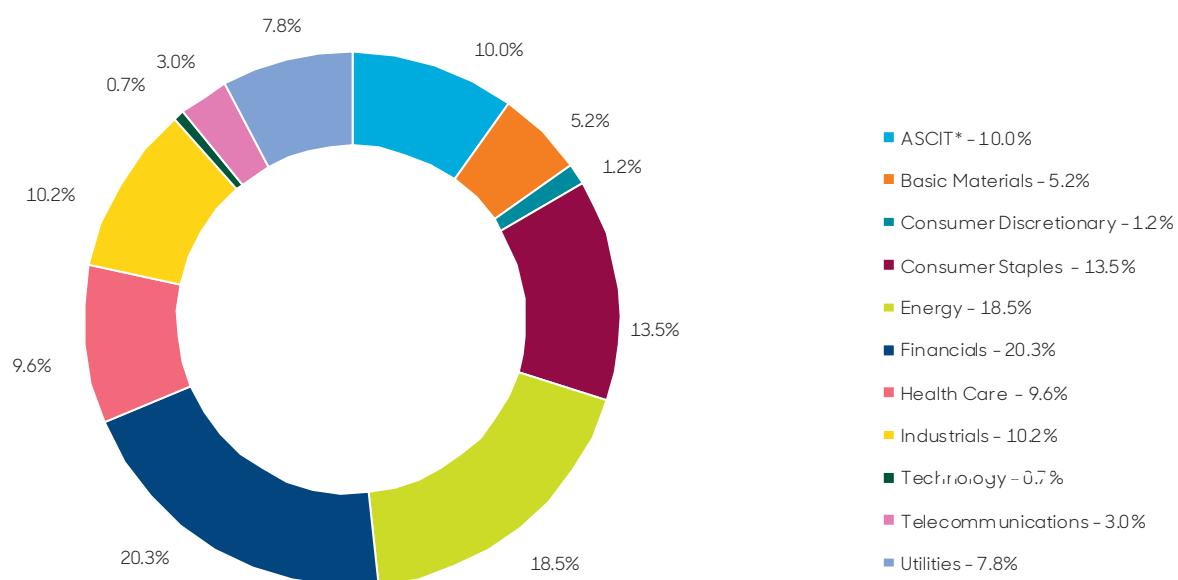


## Shires Income PLC relative to the FTSE All-Share Index

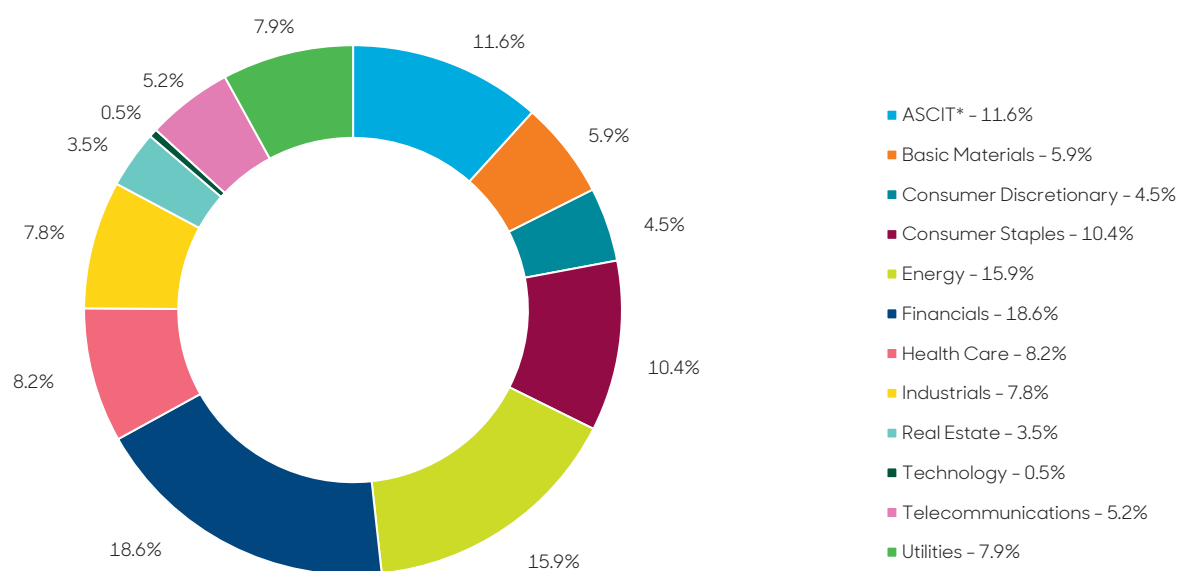


\* While the Company's investment in abrdn Smaller Companies Income Trust plc ("ASCIT") is classified under "Financials" for FTSE classification purposes, it is shown separately in the above tables given its materiality to the Company.

## Listed equities sector allocation 2023



## 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.

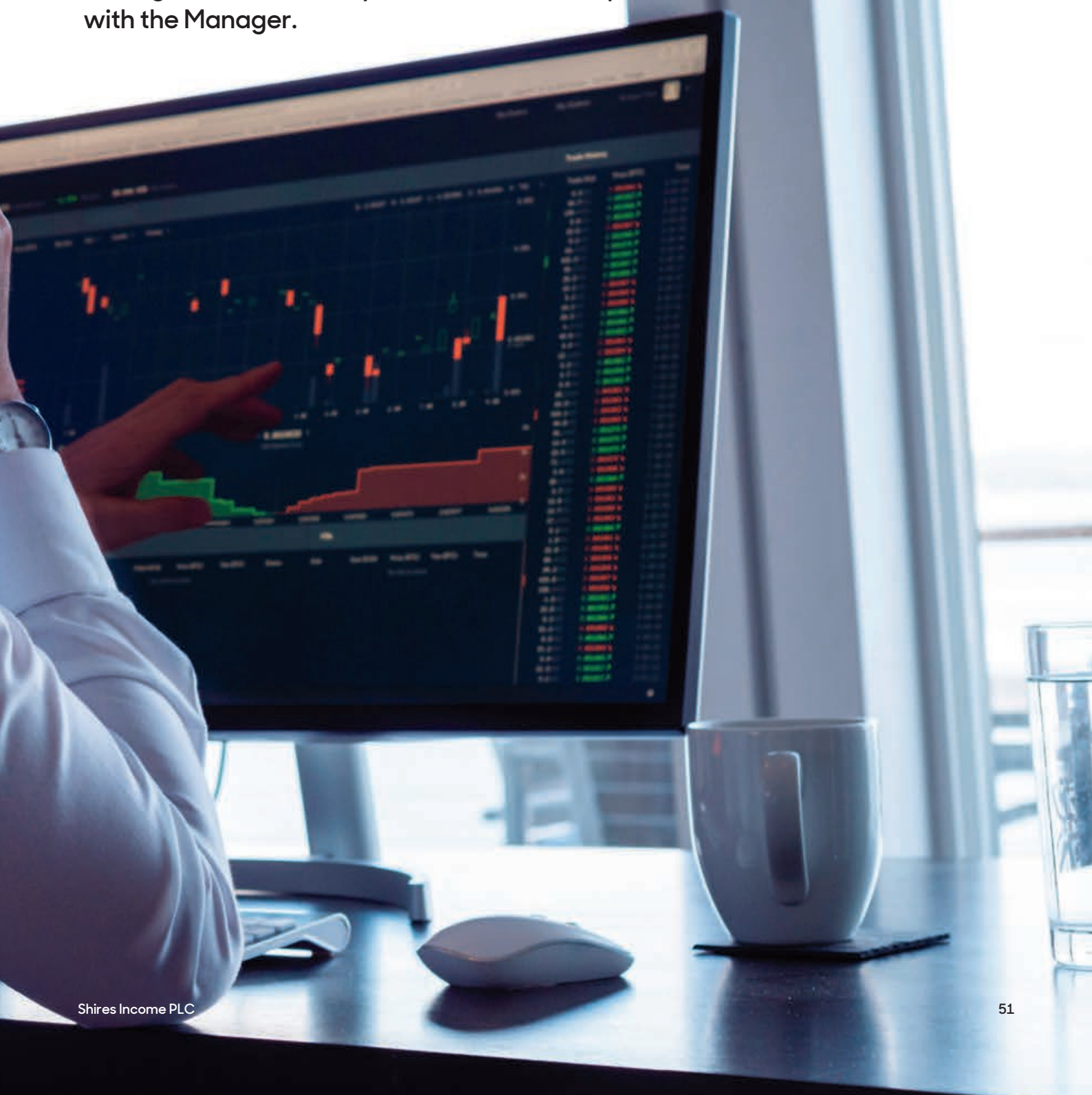
# Governance





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:

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

### Last re-appointed to the Board:

6 July 2022

### 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

Senior 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 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:

6 years, appointed a Director in May 2017

### Last re-appointed to the Board:

6 July 2022

### 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.



### Jane Pearce

Independent non-executive Director and Chairman of the Remuneration Committee

#### 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 non-executive director of three UK subsidiaries of Morgan Stanley 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:

3 years, appointed a Director in January 2020

#### Last re-appointed to the Board:

6 July 2022

#### Committee member:

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

#### 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.



### 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 a non-executive director of WH Ireland Group plc, Sherborne Investors (Guernsey) C Limited, BlackRock Smaller Companies Trust plc and Chairman of Octopus Future Generations VCT plc.

#### Length of service:

1 year, appointed a Director in February 2022

#### Appointed to the Board:

6 July 2022

#### Committee member:

Audit Committee, Management Engagement Committee, Remuneration Committee

#### Contribution:

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

# Directors' Report

The Directors present their report and audited financial statements for the year ended 31 March 2023.

## Results and Dividends

The financial statements for the year ended 31 March 2023 are contained on pages 79 to 102. Dividends paid and proposed for the year amounted to 14.20p per Ordinary share.

First, second and third interim dividends for the year, each of 3.20p per Ordinary share, were paid on 28 October 2022, 27 January 2023 and 28 April 2023 respectively. The Directors recommend a final dividend of 4.60p per Ordinary share, payable on 28 July 2023 to shareholders on the register on 7 July 2023. The ex-dividend date is 6 July 2023. Under UK-adopted international accounting standards the third interim and final dividends will be accounted for in the financial year ended 31 March 2024. 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 2023 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 145,000 Ordinary shares of 50p each under its non pre-emptive allotment authority, raising £374,000 in aggregate on a non-dilutive basis. The issued Ordinary share capital at 31 March 2023 consisted of 30,964,580 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 abrdr Fund Managers Limited ("aFML"), a wholly owned subsidiary of abrdr plc, as its alternative investment fund manager. aFML 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 abrdr Investments Limited by way of a group delegation agreement in place between aFML and abrdr Investments Limited. In addition, aFML has sub-delegated administrative and company secretarial services to abrdr Holdings Limited and promotional activities to abrdr Investments Limited. 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.

## Substantial Interests

As at 31 March 2023, 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 <sup>A</sup>	5,986,289	19.3

<sup>A</sup> 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

Marian Glen retired as a Director on 6 July 2022. At the end of the year the Board comprised four 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 2023 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 <sup>A</sup>	2 (2)	1 (1)	- (-)	- (-)
Jane Pearce	5 (5)	2 (2)	1 (1)	1 (1)
Helen Sinclair	5 (5)	2 (2)	1 (1)	1 (1)

<sup>A</sup> Retired 6 July 2022

The Board meets more frequently when business needs require and has regular dialogue between formal Board meetings, including with the Manager. There were two additional Board meetings and a number of committee meetings during the year, including to approve the new loan facility.

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.

Each of Helen Sinclair, Robin Archibald, Robert Talbut and Jane Pearce will seek re-appointment at the Annual General Meeting.

The Board believes that all the Directors seeking 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 52 to 53, 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 re-appointment of each of the Directors 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, as well as providing continuity of experience of the Company.



# Directors' Report

## Continued

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.

## Board Diversity

The Board recognises the importance of having a range of skilled and 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 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, socio-economic background, 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. In doing so, the Board will take account of the targets set out in the FCA's Listing Rules, which are set out in the tables below.

As an externally managed investment company, the Board employs no executive staff, and therefore does not have a chief executive officer or a chief financial officer, both of which are deemed Senior Board Positions by the FCA. However, the Directors considers the chairmen of the Board committees to be Senior Board Positions and the following disclosures are made on this basis. Other Senior Board Positions recognised by the FCA are the Chairman of the Board and Senior Independent Director.

The Board has resolved that the Company's year end date is the most appropriate date for disclosure purposes. The following information has been provided by each Director through the completion of questionnaires. There have been no changes since the year end.

### Board Gender as at 31 March 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board	Number in executive management	Percentage of executive management
Men	2	50%	4 <sup>B</sup>	n/a	n/a
Women	2	50% <sup>A</sup>	1 <sup>CD</sup>	n/a	n/a
Not specified/prefer not to say	-	-	-	n/a	n/a

<sup>A</sup> Meets target of at least 40% as set out in LR 9.8.6R (9)(a)(i)

<sup>B</sup> Chairman of the Board, Senior Independent Director, Chairman of the Audit Committee & Chairman of the Management Engagement Committee

<sup>C</sup> Chairman of the Remuneration Committee

<sup>D</sup> Meets target of at least 1 as set out in LR 9.8.6R (9)(a)(ii)

### Board Ethnic Background as at 31 March 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	4	100%	5	n/a	n/a
Other ethnic group	- <sup>E</sup>	-	-	n/a	n/a
Not specified/prefer not to say	-	-	-	n/a	n/a

<sup>E</sup> Does not meet target of at least 1 as set out in LR 9.8.6R (9)(a)(iii)

In relation to the ethnic diversity of the Board, the Directors recognise that this does not meet the target set out in the Listing Rules, as shown in the table above. The Directors will take this into account when making future Board appointments.

# 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](http://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 Mr Archibald is the Senior Independent Director, having replaced Ms Glen who retired from the Board on 6 July 2022.

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 64 to 67.

### 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 54 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 Pearce 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. At the year end, the Company had a £20 million loan facility which is due to mature in May 2027.

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 2024, 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 70, and pages 71 to 78.

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 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 page 10.

## Annual General Meeting

The Annual General Meeting will be held at Wallacespace Spitalfields, 15-25 Artillery Lane, London E1 7HA on Thursday 6 July 2023 at 12 noon. The Notice of Annual General Meeting is included on pages 117 to 121.

There are 14 resolutions to consider, including three resolutions put as special resolutions which require the approval of 75% of the votes cast. The 11 ordinary resolutions include adopting the accounts and Auditor's report, adopting the Directors' Remuneration Report, approving the final dividend, the re-appointment of Directors, the re-appointment and determining the remuneration of the Auditor, increasing the limit on Directors' remuneration, and a general share allotment authority, the latter two of which are described more fully below together with details of the special resolutions.

### 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 £1,548,229 based on the number of Ordinary shares in issue as at the date of this Report), such authority to expire on 30 September 2024 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).

# Directors' Report

## Continued

### Limit on Directors' Fees

Resolution 11, which is an ordinary resolution, will, if approved, increase the annual limit on aggregate Directors' fees from £160,000 to £175,000. The proposal is explained in more detail in the Directors' Remuneration Report on page 62 and is permitted under Article 80 of the Company's Articles of Association. If Resolution 11 is passed, the increase to the annual limit will take effect from the conclusion of the Annual General Meeting.

### Disapplication of Pre-emption Provisions

Resolution 12, 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 £1,548,229 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 2024 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 145,000 Ordinary shares of 50p each under its non pre-emptive allotment authority, raising £374,000 in aggregate on a non-dilutive basis.

### Purchase of the Company's own Ordinary Shares

Resolution 13, 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 2024 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 it 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 14, 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 abrdr Holdings Limited

Company Secretary  
1 George Street  
Edinburgh EH2 2LL  
24 May 2023



# 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 71 to 78.

The Directors' Remuneration Policy and level of Directors' remuneration are determined by the Remuneration Committee, which is chaired by Ms Pearce, who was appointed to this role following the retirement of Ms Glen as a Director on 6 July 2022, 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 (approved by shareholders at the Annual General Meeting in 2021) 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 on the Remuneration Policy

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).

An ordinary resolution will be proposed at the Annual General Meeting on 6 July 2023 to increase the annual limit on aggregate Directors' fees from £160,000 to £175,000. This higher amount is considered necessary 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. If the resolution is passed, the increase to the annual limit will take effect from the conclusion of the Annual General Meeting.

#### Review of Directors' Fees

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

	31 March 2023 £	31 March 2022 £
Chairman	39,000	37,000
Chairman of Audit Committee	32,000	30,500
Director	27,500	26,500

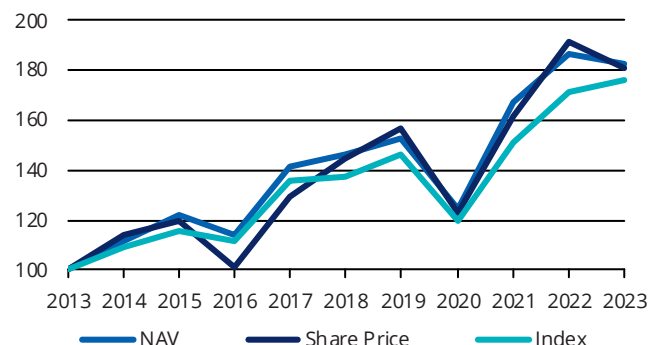
An additional fee of £1,000 per annum (2022: £1,000) is paid to the Senior Independent Director.

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 2023 to £41,000 per annum for the Chairman, £33,500 per annum for the Audit Committee Chairman and £29,000 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 2023 (rebased to 100 at 31 March 2013). 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	2023 £	2022 £
Robert Talbut	39,000	37,000
Robin Archibald <sup>A</sup>	32,553	30,500
Marian Glen <sup>B</sup>	7,585	27,500
Jane Pearce	27,500	26,500
Helen Sinclair <sup>C</sup>	27,500	4,417
<b>Total</b>	<b>134,138</b>	<b>125,917</b>

<sup>A</sup> Appointed Senior Independent Director 12 September 2022

<sup>B</sup> Retired 6 July 2022

<sup>C</sup> 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 2023	Year ended 31 March 2022	Year ended 31 March 2021
Director	%	%	%
Robert Talbut	5.4	4.2	-
Robin Archibald <sup>A</sup>	6.7	5.2	3.7
Jane Pearce <sup>B</sup>	3.8	6.0	n/a
Helen Sinclair <sup>C</sup>	n/a	n/a	-

<sup>A</sup> Appointed Chairman of the Audit Committee on 4 July 2019 and Senior Independent Director on 12 September 2022

<sup>B</sup> Appointed 1 January 2020

<sup>C</sup> 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 2023 and 31 March 2022 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 2023 Ordinary shares	31 March 2022 Ordinary shares
Robert Talbut	18,496	18,496
Robin Archibald	20,294	20,294
Marian Glen <sup>A</sup>	3,000	3,000
Jane Pearce	3,000	3,000
Helen Sinclair	3,000	3,000

<sup>A</sup> At date of retirement on 6 July 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 on the Remuneration Report

At the Company's last Annual General Meeting, held on 6 July 2022, shareholders approved the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) in respect of the year ended 31 March 2022. 85.1% of proxy votes were in favour of the resolution, 9.2% were against and 5.7% 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 2023.

## 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 2023:

- 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

**Jane Pearce**

Director

24 May 2023

# Audit Committee's Report

The Audit Committee presents its Report for the year ended 31 March 2023.

## 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 (2022: £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 2023 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 Trust Corporation UK Limited, 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 2023, the Audit Committee carried out an annual assessment of internal controls for the year ended 31 March 2023 by considering documentation from the abrdn Group including the internal audit and compliance functions and taking account of events since 31 March 2023.

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 2023, 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 2 (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 depository (BNP Paribas Trust Corporation UK Limited) to hold the assets of the Company. The Depository 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 2023 is the second 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  
24 May 2023

# Financial Statements







# 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

24 May 2023



# 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 2023 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 2023 and of its loss 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:

- Confirmation of our understanding of the Company's going concern assessment process. We engaged with the Directors and the Company Secretary to determine if the key factors that we have become aware of during our audit were considered in their assessment.
- Inspection of the Directors' assessment of going concern, including the liquidity assessment of the investment portfolio and the revenue forecast, for the period to 30 June 2024 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.
- Review of the factors and assumptions, including the impact of the current economic environment, as applied to the revenue forecast and the liquidity assessment of the investment portfolio. We considered the appropriateness of the methods used to calculate 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.
- Assessment of the risk of breaching the debt covenants as a result of a reduction in the value of the Company's portfolio. We calculated the Company's compliance with debt covenants and we performed reverse stress testing in order to identify what factors would lead to the Company breaching the financial covenants.
- Consideration of the mitigating factors included in the revenue forecasts and covenant calculations 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 in order to cover the working capital requirements should revenue decline significantly.

# Independent Auditor’s Report to the Members of Shires Income PLC

## Continued

- Review of 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 2024.
- 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	<ul style="list-style-type: none"><li>· Risk of incomplete or inaccurate revenue recognition, including the classification of special dividends and option premiums as revenue or capital items in the Statement of Comprehensive Income</li><li>· Risk of incorrect valuation or ownership of the investment portfolio</li></ul>
Materiality	<ul style="list-style-type: none"><li>· Overall materiality of £0.80 million (2022: £0.86 million) which represents 1% (2022: 1%) of shareholder’s funds</li></ul>

## 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, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed.

### Climate Change

The Company has determined that the most significant future impacts from climate change on its operations will be from how climate change could affect the Company’s investments and overall investment process. This is explained on page 16 in the principal and emerging risks and uncertainties. This disclosure forms part of the “Other information,” rather than the audited financial statements. Our procedures on these unaudited 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, in line with our responsibilities on “Other information”.

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 2a 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
<p><b>Incomplete or inaccurate revenue recognition, including the classification of special dividends and option premiums as revenue or capital items in the Statement of Comprehensive Income</b> (as described on page 66 in the Audit Committee's Report and as per the accounting policy set out on page 84).</p> <p>The total revenue for the year to 31 March 2023 was £5.67 million (2022: £5.24 million), consisting entirely of dividend income from listed investments and traded option premiums.</p> <p>The Company received four (2022: six) special dividends amounting to £0.12 million (2022: £0.18 million), all of which were classified as revenue. The total amount of revenue from traded option premiums was £0.07 million. (2022 £0.07 million).</p> <p>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.</p> <p>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.</p>	<p><b>We have performed the following procedures:</b></p> <p>We obtained an understanding of the processes and controls surrounding revenue recognition and classification of special dividends and option premiums by performing walkthrough procedures.</p> <p>For all dividends received, 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. For a sample of dividends received, we agreed amounts to bank statements and agreed the exchange rates used to an external source.</p> <p>For all accrued dividends, we reviewed the investee Company announcements to assess whether the dividend entitlements arose prior to 31 March 2023. We agreed the dividend rate to corresponding announcements made by the investee Company, recalculated the dividend amount receivable by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, and confirmed this was consistent with cash received as shown on post year end bank statements, where paid.</p> <p>To test completeness of recorded income, we verified that expected dividends for each investee Company held during the year had been recorded as income with reference to investee Company announcements obtained from an independent data vendor.</p> <p>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'. We identified four special dividends, amounting to £0.12 million, were received during the year. We have tested one special dividend, amounting to £0.05 million, by assessing the appropriateness of classification as revenue or capital by reviewing the underlying rationale of the distribution.</p>	<p>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.</p>

# 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
	<p>The revenue from options is not material to our audit and the risk of material misstatement is therefore considered to be low. We have performed a test of one to ensure that the process of recognising option premiums was applied correctly.</p>	
<p><b>Incorrect valuation or ownership of the investment portfolio</b> (as described on page 66 in the Audit Committee's Report and as per the accounting policy set out on page 84).</p> <p>The valuation of the portfolio at 31 March 2023 was £96.65 million (2022: £102.43 million) consisting of listed investments.</p> <p>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.</p> <p>The fair value of listed investments is determined using quoted market bid prices at close of business on the reporting date.</p>	<p><b>We performed the following procedures:</b></p> <p>We obtained an understanding of the processes surrounding investment pricing and legal title of listed investments by performing walkthrough procedures.</p> <p>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.</p> <p>We confirmed with the Administrator that there were no investments with stale prices as at the year-end and therefore no stale pricing report produced. For all investments we obtained the market prices, from an independent pricing vendor, for five business days pre and post the year end date and calculated the day-on-day movement and confirmed there are no stale prices.</p> <p>We compared the Company's investment holdings at 31 March 2023 to the independent confirmation received directly from the Company's Depositary</p>	<p>The results of our procedures identified no material misstatement in relation to the risk of incorrect valuation or ownership of the investment portfolio.</p>

There have been no changes to the areas of audit focus raised in the above risk table from the prior year.

## 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 £0.80 million (2022: £0.86 million), which is 1% (2022: 1%) of shareholders' funds. We believe that shareholders' funds provides us with materiality aligned to the key measure 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 £0.60 million (2022: £0.64 million). We have set performance materiality at this percentage due to the fact that there have been no misstatements in prior periods.

Given the importance of the distinction between revenue and capital for investment trusts, we have also applied a separate testing threshold for the revenue column of the Statement of Comprehensive Income of £0.23 million (2022: £0.22 million) being 5% (2022: 5%) of revenue 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 (2022: £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 58 and 59;
- 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 58 and 59;
- Directors' statement on fair, balanced and understandable set out on page 70;
- 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 65 and 66; and;
- The section describing the work of the Audit Committee set out on pages 64 to 67.

## Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 70, 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](https://www.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 seven years, covering the years ending 31 March 2017 to 31 March 2023.
- 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

24 May 2023

# Statement of Comprehensive Income

		Year ended 31 March 2023			Year ended 31 March 2022		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments at fair value	11	-	(6,084)	(6,084)	-	5,048	5,048
Currency gains		-	39	39	-	3	3
<b>Income</b>	3						
Dividend income		5,586	-	5,586	4,974	-	4,974
Interest income		7	-	7	-	-	-
Scrip dividends		-	-	-	194	-	194
Traded option premiums		73	-	73	71	-	71
Money market interest		7	-	7	-	-	-
		5,673	(6,045)	(372)	5,239	5,051	10,290
<b>Expenses</b>							
Management fee	4	(207)	(207)	(414)	(212)	(212)	(424)
Administrative expenses	5	(417)	-	(417)	(440)	-	(440)
Finance costs	7	(363)	(363)	(726)	(135)	(135)	(270)
		(987)	(570)	(1,557)	(787)	(347)	(1,134)
<b>Profit/(loss) before taxation</b>		4,686	(6,615)	(1,929)	4,452	4,704	9,156
Taxation	8	(102)	-	(102)	(73)	-	(73)
<b>Profit/(loss) attributable to equity holders of the Company</b>		4,584	(6,615)	(2,031)	4,379	4,704	9,083
<b>Earnings per Ordinary share (pence)</b>	10	14.83	(21.40)	(6.57)	14.21	15.27	29.48

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 2023 £'000	As at 31 March 2022 £'000
<b>Non-current assets</b>			
Ordinary shares		75,760	77,709
Preference shares		20,895	24,716
<b>Securities at fair value</b>	11	<b>96,655</b>	102,425
<b>Current assets</b>			
Other receivables	12	1,383	1,173
Cash at bank		1,176	1,483
		<b>2,559</b>	2,656
<b>Creditors: amounts falling due within one year</b>			
Other payables		(350)	(262)
Short-term borrowings		(9,000)	(19,000)
	13	<b>(9,350)</b>	(19,262)
<b>Net current liabilities</b>		<b>(6,791)</b>	(16,606)
<b>Total assets less current liabilities</b>		<b>89,864</b>	85,819
<b>Non-current liabilities</b>			
Long-term borrowings	13	(9,951)	-
<b>Net assets</b>		<b>79,913</b>	85,819
<b>Share capital and reserves</b>			
Called-up share capital	14	15,532	15,460
Share premium account		21,411	21,109
Capital reserve	15	35,930	42,545
Revenue reserve		7,040	6,705
<b>Equity shareholders' funds</b>		<b>79,913</b>	85,819
<b>Net asset value per Ordinary share (pence)</b>	16	<b>257.92</b>	278.29

The financial statements were approved by the Board of Directors and authorised for issue on 24 May 2023 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 2023

	Note	Share capital £'000	Share premium account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 31 March 2022		15,460	21,109	42,545	6,705	85,819
Issue of Ordinary shares		72	302	-	-	374
(Loss)/profit for the year		-	-	(6,615)	4,584	(2,031)
Equity dividends	9	-	-	-	(4,249)	(4,249)
<b>As at 31 March 2023</b>		<b>15,532</b>	<b>21,411</b>	<b>35,930</b>	<b>7,040</b>	<b>79,913</b>

## 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	9	-	-	-	(4,191)	(4,191)
<b>As at 31 March 2022</b>		<b>15,460</b>	<b>21,109</b>	<b>42,545</b>	<b>6,705</b>	<b>85,819</b>

The Company has aggregate realised and distributable reserves of £35,925,000 as at 31 March 2023 (2022 – £33,931,000), comprising capital reserve – realised of £28,885,000 (2022 – £27,226,000) and a revenue reserve of £7,040,000 (2022 – £6,705,000).

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

# Cash Flow Statement

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
<b>Net cash inflow from operating activities</b>		
Dividend income received <sup>A</sup>	5,478	4,809
Interest income received	7	-
Options premium received	71	71
Interest received from money market funds	7	-
Management fee paid	(415)	(512)
Other cash expenses	(432)	(417)
<b>Cash generated from operations</b>	<b>4,716</b>	<b>3,951</b>
Interest paid	(684)	(280)
Overseas tax paid	(184)	(91)
<b>Net cash inflows from operating activities</b>	<b>3,848</b>	<b>3,580</b>
<b>Cash flows from investing activities</b>		
Purchases of investments <sup>A</sup>	(16,518)	(13,372)
Sales of investments	16,199	9,739
<b>Net cash outflow from investing activities</b>	<b>(319)</b>	<b>(3,633)</b>
<b>Cash flows from financing activities</b>		
Equity dividends paid	(4,249)	(4,191)
Issue of Ordinary shares	374	70
Loan repayment	(19,000)	-
Loan drawdown	19,000	-
<b>Net cash outflow from financing activities</b>	<b>(3,875)</b>	<b>(4,121)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(346)</b>	<b>(4,174)</b>
<b>Reconciliation of net cash flow to movements in cash and cash equivalents</b>		
Decrease in cash and cash equivalents as above	(346)	(4,174)
Net cash and cash equivalents at start of year	1,483	5,654
Effect of foreign exchange rate changes	39	3
<b>Net cash and cash equivalents at end of year</b>	<b>1,176</b>	<b>1,483</b>

<sup>A</sup> Non-cash dividends during the year comprised scrip dividends of £nil (2022 – £194,000).

<sup>B</sup> Cash flows are net of repayment of loan from Scotiabank Europe PLC and a drawdown of the short and long term loan from Royal Bank of Scotland International Limited.

# Notes to the Financial Statements

For the year ended 31 March 2023

## 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").

In preparing these financial statements the Directors have considered the impact of climate change risk as an emerging risk as set out on page 16, 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 July 2022.

**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. At the year end, the Company had a £20 million loan facility which is due to mature in May 2027. 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 2024, 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.

**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 Directors do not consider there to be any significant judgement and estimates within the financial statements for the year ended 31 March 2023. 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 2022 but are considered to not have a material impact on the financial statements:

– IAS 37 (provisions, Contingent Liabilities and Contingent Assets), IFRS 9 (Financial Instruments), IFRS 16 Amendments (Annual improvements 2018–2020), and IFRS 3 Amendments (Conceptual Framework)

# 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 2023;

– IAS 1 Amendments (Non-current Liabilities with Covenants) (effective from 1 January 2024)

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.

The premium received from traded options is recognised in the revenue column of the Statement of Comprehensive Income.

- (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.** Both short-term and long-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 and subsequently measured at amortised cost using the effective interest method. 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.
- (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. Non-monetary assets that are measured at fair value and gains or losses 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 with an original maturity of less than 90 days.
- (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.

**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.



# Notes to the Financial Statements

## Continued

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

	2023 £'000	2022 £'000
<b>Income from listed investments</b>		
UK dividend income	4,784	4,198
Overseas dividend income	802	776
Interest from investment in money market funds	7	-
Scrip dividends	-	194
	5,593	5,168
<b>Other income from investment activity</b>		
Deposit interest	7	-
Traded option premiums	73	71
<b>Total income</b>	<b>5,673</b>	<b>5,239</b>

### 4. Management fees

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fees	207	207	414	212	212	424

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 2023 was £414,000 (2022 - £424,000) and the balance due to abrdn Fund Managers Limited ("afML") at the year end was £105,000 (2022 - £107,000). 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 2023 (2022 - same). The value attributable to this holding is excluded from the calculation of the management fee payable by the Company.

## 5. Administrative expenses

	2023 £'000	2022 £'000
Directors' remuneration	134	126
Auditor's remuneration: fees payable to the Company's Auditor for the audit of the Company's annual accounts	53	45
Promotional activities	40	65
Professional fees	19	40
Directors' & Officers' liability insurance	10	7
Trade subscriptions	27	26
Share plan costs	18	22
Registrar's fees	39	43
Printing, postage and stationery	31	26
Custody fees	7	6
Other administrative expenses	39	34
	<b>417</b>	<b>440</b>

The management agreement with aFML also provides for the provision of promotional activities, which aFML has delegated to abrdn Investments Limited. The total fees payable under the management agreement in relation to promotional activities were £40,000 (2022 – £65,000) with a balance due to aFML at the year end of £10,000 (2022 – £10,000). The Company's management agreement with aFML 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 abrdn Holdings Limited.

## 6. Directors' remuneration

The Company had no employees during the year (2022 – none). No pension contributions were paid for Directors (2022 – £nil). Further details on Directors' Remuneration can be found in the Directors' Remuneration Report on page 63.

## 7. Finance costs

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
On bank loans	363	363	726	135	135	270

# Notes to the Financial Statements

## Continued

### 8. Taxation

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>(a) Analysis of the charge for the year</b>						
Overseas tax	102	-	102	73	-	73
<b>Total tax charge</b>	<b>102</b>	<b>-</b>	<b>102</b>	<b>73</b>	<b>-</b>	<b>73</b>

- (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:

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profit before taxation	4,686	(6,615)	(1,929)	4,452	4,704	9,156
Corporation tax at an effective rate of 19% (2022 – 19%)	890	(1,257)	(367)	846	894	1,740
Effects of:						
Non-taxable UK dividend income	(903)	-	(903)	(830)	-	(830)
Excess management expenses not utilised	162	108	270	131	66	197
Overseas withholding tax	102	-	102	73	-	73
Non-taxable overseas dividends	(149)	-	(149)	(147)	-	(147)
Losses/(gains) on investments not taxable	-	1,156	1,156	-	(959)	(959)
Gains on currency movements	-	(7)	(7)	-	(1)	(1)
<b>Total tax charge</b>	<b>102</b>	<b>-</b>	<b>102</b>	<b>73</b>	<b>-</b>	<b>73</b>

At 31 March 2023 the Company had surplus management expenses and loan relationship debits with a tax value of £7,572,000 based on a corporation tax rate of 25% (2022 – £7,217,000 based on a corporation tax rate of 25%) 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

	2023 £'000	2022 £'000
Amounts recognised as distributions to equity holders in the period:		
Third interim dividend for 2022 of 3.20p (2021 – 3.00p) per share	986	924
Final dividend for 2022 of 4.20p (2021 – 4.20p) per share	1,294	1,293
First two interim dividends for 2023 totalling 6.40p (2022 – 6.40p) per share	1,982	1,972
Refund of unclaimed dividends from previous periods	(15)	–
	4,247	4,189
3.5% Cumulative Preference shares	2	2
<b>Total</b>	<b>4,249</b>	<b>4,191</b>

The third interim dividend of 3.20p for the year to 31 March 2023, which was paid on 28 April 2023, and the proposed final dividend of 4.60p for the year to 31 March 2023, payable on 28 July 2023, 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:

	2023 £'000	2022 £'000
Three interim dividends for 2023 totalling 9.60p (2022 – 9.60p) per share	2,973	2,959
Proposed final dividend for 2023 of 4.60p (2022 – 4.20p) per share	1,424	1,294
	4,397	4,253

The amount reflected above for the cost of the proposed final dividend for 2023 is based on 30,964,580 Ordinary shares, being the number of Ordinary shares in issue at the date of this Report.

# Notes to the Financial Statements

## Continued

### 10. Earnings per Ordinary share

	2023 £'000	2022 £'000
Earnings per Ordinary share are based on the following figures:		
Revenue return	4,584	4,379
Capital return	(6,615)	4,704
<b>Total return</b>	<b>(2,031)</b>	<b>9,083</b>
<b>Weighted average number of Ordinary shares</b>	<b>30,919,854</b>	<b>30,812,251</b>

During the year there were no (2022 – same) potentially dilutive shares in issue.

### 11. Non-current assets – Securities at fair value

	2023 Listed investments £'000	2022 Listed investments £'000
Opening book cost	87,106	80,380
Opening investment holdings gains	15,319	13,165
<b>Opening valuation</b>	<b>102,425</b>	<b>93,545</b>
Purchases	16,513	13,554
Sales – proceeds	(16,199)	(9,722)
(Losses)/gains on investments	(6,084)	5,048
<b>Total investments held at fair value through profit or loss</b>	<b>96,655</b>	<b>102,425</b>
	2023 Listed investments £'000	2022 Listed investments £'000
Closing book cost	89,610	87,106
Closing investment holdings gains	7,045	15,319
<b>Total investments held at fair value through profit or loss</b>	<b>96,655</b>	<b>102,425</b>



	2023 £'000	2022 £'000
<b>(Losses)/gains on investments</b>		
Net realised gains on sales of investments <sup>A</sup>	2,210	2,984
Cost of call options exercised	(20)	(90)
<b>Net realised gains on sales</b>	<b>2,190</b>	<b>2,894</b>
Movement in fair value of investments	(8,274)	2,171
Cost of put options assigned	-	(17)
	<b>(6,084)</b>	<b>5,048</b>

<sup>A</sup> Includes losses realised on the exercise of traded options of £20,000 (2022 – £107,000) which are reflected in the capital column of the Statement of Comprehensive Income.

The cost of exercising of call options and assigning 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 £73,000 (2022 – £71,000) 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 £16,199,000 (2022 – £9,722,000) from investments sold in the period. The book cost of these investments when they were purchased was £14,009,000 (2022 – £6,828,000). 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 £78,000 (2022 – £59,000). The total costs on sales of investments in the year was £11,000 (2022 – £6,000). 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 2023 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

# Notes to the Financial Statements

## Continued

### 12. Other receivables

	2023 £'000	2022 £'000
Accrued income and prepayments	1,381	1,173
Option contract premium	2	-
	<b>1,383</b>	<b>1,173</b>

None of the above amounts are overdue.

### 13. Current liabilities

	2023 £'000	2022 £'000
Short-term bank loan	9,000	19,000
Amount due to brokers	-	5
Other creditors	350	257
	<b>9,350</b>	<b>19,262</b>

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

	2023 £'000	2022 £'000
Other creditors	123	159

<b>Non-current liabilities</b>	<b>2023 £'000</b>	<b>2022 £'000</b>
Long-term bank loan	10,000	-
Loan arrangement fees	(49)	-
	<b>9,951</b>	<b>-</b>

On 3 May 2022, the Company entered into a new five year £20 million loan facility with The Royal Bank of Scotland International Limited, London Branch. £10 million of the new loan facility has been drawn down and fixed at an all-in interest rate of 3.903% until 30 April 2027. £9 million of the facility has been drawn down on a short-term basis at an all-in interest rate of 5.577%, maturing 3 April 2023. The proceeds of the new loan were used to repay and cancel in full the Company's previous loan facility with Scotiabank Europe PLC.

The terms of The Royal Bank of Scotland International Limited facility contain covenants that consolidated gross borrowings do not exceed 33% of the adjusted portfolio value ("Securities at fair value" per the Balance Sheet adjusted for any ineligible investments) at any time, the number of eligible investments shall not be less than 30 at any time and the portfolio value shall at all times be equal to or more than £40 million. The Company met these covenants during the year and following the year end.

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

## 14. Called up share capital

	2023		2022	
	Number	£'000	Number	£'000
<b>Authorised</b>				
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
<b>Allotted, called up and fully paid Ordinary shares of 50 pence each:</b>				
Balance brought forward	30,819,580	15,410	30,794,580	15,397
Ordinary shares issued	145,000	72	25,000	13
<b>Balance carried forward</b>	<b>30,964,580</b>	<b>15,482</b>	<b>30,819,580</b>	<b>15,410</b>
<b>Allotted, called up and fully paid 3.5% Cumulative Preference shares of £1 each:</b>				
Balance brought forward and carried forward	50,000	50	50,000	50
		15,532		15,460

During the year the Company issued 145,000 (2022 – 25,000) Ordinary shares of 50p each for proceeds of £374,000 (2022 – £70,000).

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

	2023 £'000	2022 £'000
At 31 March 2022	42,545	37,841
Net gains on sales of investments during year	2,190	2,894
Movement in fair value (decreases)/increases of investments	(8,274)	2,154
Management fees	(207)	(212)
Interest on bank loans	(363)	(135)
Currency gains	39	3
<b>At 31 March 2023</b>	<b>35,930</b>	<b>42,545</b>

The capital reserve includes gains of £7,045,000 (31 March 2022 – gains of £15,319,000), 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:

	2023	2022
Net assets per Balance Sheet	£79,913,000	£85,819,000
3.5% Cumulative Preference shares of £1 each	£50,000	£50,000
<b>Attributable net assets</b>	<b>£79,863,000</b>	<b>£85,769,000</b>
<b>Number of Ordinary shares in issue</b>	<b>30,964,580</b>	<b>30,819,580</b>
<b>Net asset value per share</b>	<b>257.92p</b>	<b>278.29p</b>

## 17. Analysis of changes in financial liabilities during the year

	At 31 March 2022 £'000	Cash flows £'000	Other movements <sup>A</sup> £'000	At 31 March 2023 £'000
<b>Financing activities</b>				
Debt due within one year	(19,000)	10,000	-	(9,000)
Debt due after more than one year	-	(10,000)	49	(9,951)
	(19,000)	-	49	(18,951)

	At 31 March 2021 £'000	Cash flows £'000	Other movements <sup>A</sup> £'000	At 31 March 2022 £'000
<b>Financing activities</b>				
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)

<sup>A</sup> The other movements column represents the amortisation of the loan arrangement fees (2022 – movement in maturity profile and amortisation of 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. The risks associated with these option contracts are detailed on pages 11 and 12. 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 £73,000 (2022 – £71,000). Positions closed during the year realised a loss of £20,000 (2022 – £107,000). The largest position in derivative contracts held during the year at any given time was £40,000 (2022 – £26,000). The Company had no open positions in derivative contracts at 31 March 2023 (2022 – nil).

The Board has delegated the risk management function in relation to financial instruments to abrdn Fund Managers Limited ("aFML") under the terms of its management agreement with aFML (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 aFML collectively assume responsibility for aFML'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

aFML is a fully integrated member of the abrdn Group (the "Group"), which provides a variety of services and support to aFML 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 abrdn 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 Chief Risk Officer, 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:

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
<b>As at 31 March 2023</b>				
<b>Assets</b>				
UK preference shares	-	8.49	20,895	-
Cash and cash equivalents	-	3.97	-	1,176
<b>Total assets</b>			20,895	1,176
<b>Liabilities</b>				
Short-term bank loans	0.01	5.58	(9,000)	-
Long-term bank loans	4.01	3.90	(9,951)	-
<b>Total liabilities</b>			(18,951)	-

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

# Notes to the Financial Statements

## Continued

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 2023 would increase/decrease by £24,000 (2022 – £30,000). 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 £3,342,000 (2022 – increase/decrease by £6,810,000) 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 2023 would have increased/decreased by £15,152,000 (2022 – increase/decrease of £15,542,000). 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 level 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 2023 are shown in note 13.

**Maturity profile.** The maturity profile of the Company's financial liabilities at the Balance Sheet date, with amounts undiscounted and order by contractual maturity, was as follows:

	Within 1 year £'000	Within 1-5 years £'000	More than 5 years £'000
<b>At 31 March 2023</b>			
Trade and other payables	(350)	-	-
Short-term bank loans	(9,044)	-	-
Long-term bank loans	(392)	(11,262)	-
	(9,786)	(11,262)	-
	Within 1 year £'000	Within 1-5 years £'000	More than 5 years £'000
<b>At 31 March 2022</b>			
Trade and other payables	(262)	-	-
Short-term bank loans	(19,086)	-	-
	(19,348)	-	-

- (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;

# Notes to the Financial Statements

## Continued

- 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.

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 2023 and 31 March 2022 was as follows:

	2023		2022	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
<b>Non-current assets</b>				
Quoted preference shares at fair value through profit or loss	20,895	20,895	24,716	24,716
<b>Current assets</b>				
Accrued income	1,363	1,363	1,158	1,158
Option contract premium	2	2	–	–
Cash and cash equivalents	1,176	1,176	1,483	1,483
	<b>23,436</b>	<b>23,436</b>	<b>27,357</b>	<b>27,357</b>

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

**Fair value of financial assets and liabilities.** The fair value of the long-term loan has been calculated at £9,097,000 as at 31 March 2023 (2022 – none) compared to an accounts value in the financial statements of £9,951,000 (2022 – none) (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 Balance Sheet are grouped into the fair value hierarchy at 31 March 2023 as follows:

	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets at fair value through profit or loss</b>					
Quoted investments	a)	96,655	-	-	96,655
<b>Net fair value</b>		96,655	-	-	96,655

	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>As at 31 March 2022</b>					
<b>Financial assets at fair value through profit or loss</b>					
Quoted investments	a)	102,425	-	-	102,425
<b>Net fair value</b>		102,425	-	-	102,425

- 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.

# Notes to the Financial Statements

## Continued

### 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 63.

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.



The background of the page is a photograph of numerous wooden barrels, likely for aging spirits, stacked in rows on wooden pallets. The barrels are made of dark wood with metal hoops and are arranged in a way that creates a sense of depth and repetition. The lighting is warm, highlighting the textures of the wood and metal.

# 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 £500 billion as at 31 December 2022.

# Information about the Investment Manager

## **abrdn Investments Limited**

The Company's Investment Manager is abrdn Investments Limited which is a wholly-owned subsidiary of abrdn plc. The abrdn Group's assets under management and administration were £500 billion as at 31 December 2022, 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 abrdn 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 abrdn'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.



## 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.

# Information about the Investment Manager

## Continued

### 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 35 to 39.

### 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 abrdn Fund Managers Limited as its alternative investment fund manager and BNP Paribas Trust Corporation UK Limited as its depositary under the AIFMD.

The AIFMD requires abrdn 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](https://shiresincome.co.uk). The periodic disclosures required to be made by the AIFM under the AIFMD are set out on page 115.

## 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](https://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 Registrar (see Contact Addresses). Changes of address must be notified to the Registrar 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](mailto:CEF.CoSec@abrdn.com)

For questions about an investment held through the abrdn Investment Plan for Children, Investment Trust Share Plan or Investment Trust ISA, please telephone the Manager's Customer Services Department on **0808 500 0040**, email [inv.trusts@abrdn.com](mailto: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 £1,000 for the 2023/24 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 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

# Investor Information

## Continued

(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 ISA

abrdn operates an Investment Trust ISA ("ISA") through which an investment may be made of up to £20,000 in the 2023/24 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 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 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 will need to instruct the nominee to vote on their behalf and should do so in good time before the meetings.

### Keeping You Informed

Information about the Company can be found on its website: [shiresincome.co.uk](https://shiresincome.co.uk), including share price and performance data as well as London Stock Exchange announcements, current and historic Annual and Half-Yearly Reports, and the latest monthly factsheet on the Company issued by the Manager. **Investors can receive updates via email by registering on the home page of the website.**

Details are also available at: [invtrusts.co.uk](https://invtrusts.co.uk)

Twitter:

[@abrdnTrusts](https://twitter.com/abrdnTrusts)

LinkedIn:

[abrdn Investment Trusts](https://www.linkedin.com/company/abrdn-investment-trusts)



## 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's investment trust products, please contact us through: [invtrusts.co.uk](http://invtrusts.co.uk), 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 on the Manager's website at: [invtrusts.co.uk](http://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 its securities 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](http://pimfa.co.uk)

## Financial Advisers

To find an adviser who recommends on investment trusts, visit: [unbiased.co.uk](http://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](http://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 107 to 109 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 abrdn Investments 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 UK version of the Alternative Investment Fund Managers Directive and all implementing and delegating legislation thereunder, as it forms part of UK law following the UK's departure from the EU. The AIFMD was originally 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 (and, now separately, the UK). The Company has been designated as an AIF.

## **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**

abrdn Investments 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 UK version of the Packaged Retail and Insurance-based Investment Products ("PRIIPS") Regulation (as it forms part of UK law following the UK's departure from the EU) 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.

## 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 aFML

abrdn 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.

## (Discount)/premium 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.

		2023	2022
Share price (p)	a	250.00	279.00
NAV per Ordinary share (p)	b	257.92	278.29
(Discount)/premium	(a-b)/a	(3.1%)	0.3%

## Dividend Cover

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

		2023	2022
Revenue return per share	a	14.83p	14.21p
Dividends per share	b	14.20p	13.80p
Dividend cover	a/b	1.04x	1.03x

## Dividend Yield

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

		2023	2022
Annual dividend per Ordinary share (p)	a	14.20p	13.80p
Share price (p)	b	250.00p	279.00p
Dividend yield	a/b	5.7%	4.9%

## 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.

		2023	2022
Borrowings (£'000)	a	18,951	19,000
Cash (£'000)	b	1,176	1,483
Amounts due to brokers (£'000)	c	-	5
Amounts due from brokers (£'000)	d	-	-
Shareholders' funds (£'000)	e	79,913	85,819
<b>Net gearing</b>	<b>(a-b+c-d)/e</b>	<b>22.2%</b>	<b>20.4%</b>

## 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.

	2023	2022
Investment management fees (£'000)	414	424
Administrative expenses (£'000)	417	440
Less: non-recurring charges <sup>A</sup> (£'000)	-	(17)
<b>Ongoing charges (£'000)</b>	<b>831</b>	<b>847</b>
<b>Average net assets (£'000)</b>	<b>80,617</b>	<b>86,114</b>
<b>Ongoing charges ratio (excluding look-through costs)</b>	<b>1.03%</b>	<b>0.98%</b>
<b>Look-through costs<sup>B</sup></b>	<b>0.14%</b>	<b>0.16%</b>
<b>Ongoing charges ratio (including look-through costs)</b>	<b>1.17%</b>	<b>1.14%</b>

<sup>A</sup> Comprises promotional activities fees not expected to recur.

<sup>B</sup> 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.

# Alternative Performance Measures

## Continued

### 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 2023		NAV	Share Price
Opening at 1 April 2022	a	278.29p	279.00p
Closing at 31 March 2023	b	257.92p	250.00p
Price movements	$c=(b/a)-1$	-7.3%	-10.4%
Dividend reinvestment <sup>A</sup>	d	5.1%	4.9%
<b>Total return</b>	c+d	-2.2%	-5.5%

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 <sup>A</sup>	d	5.3%	5.9%
<b>Total return</b>	c+d	+11.4%	+18.4%

<sup>A</sup> 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)

abrdn Fund Managers Limited ("aFML") 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 May 2022.

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 aFML; 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, abrdn Holdings Limited, on request and the remuneration disclosures in respect of the AIFM's reporting period for the year ended 31 December 2022 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 2023	1.45:1	1.46:1

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 aFML 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 abrdn 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 Wallacespace Spitalfields, 15-25 Artillery Lane, London E1 7HA on Thursday 6 July 2023 at 12 noon.

The Company will also be hosting an online shareholder presentation, which will be held at 10.00am on Thursday 22 June 2023. Full details on how to register for the online event can be found at: [bit.ly/Shires-Income-PLC](https://bit.ly/Shires-Income-PLC)

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the ninety fifth Annual General Meeting of Shires Income PLC (the "Company") will be held at Wallacespace Spitalfields, 15-25 Artillery Lane, London E1 7HA on Thursday 6 July 2023 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 2023 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 2023.
3. To approve a final dividend of 4.60p per Ordinary share in respect of the year ended 31 March 2023.
4. To re-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 2024.
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 £1,548,229 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 2024 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.
11. To increase the limit on the Directors' aggregate ordinary remuneration, in accordance with Article 80 of the Company's Articles of Association, to £175,000 per annum.

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

12. 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 2024 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

# Notice of Annual General Meeting

## Continued

- ii. shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £1,548,229 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.

- 13. 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 £2,320,795 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 2024 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.

- 14. 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**  
**abrdn Holdings Limited**  
Company Secretary  
1 George Street  
Edinburgh EH2 2LL  
24 May 2023

**Registered Office:**  
280 Bishopsgate  
London EC2M 4AG



## 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 +44 (0)371 384 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). If calling from outside the UK, please ensure the country code is used.
- 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.
- 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 2023 (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.

# Notice of Annual General Meeting

## Continued

- 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](http://www.proxymity.io). Your proxy must be lodged by 12 noon on 4 July 2023 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 24 May 2023 (being the latest practicable date prior to publication of this document), the Company's issued share capital comprised 30,964,580 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 24 May 2023 is 31,014,580.
- 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](http://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.







# Contact Addresses

## Directors

Robert Talbut (Chairman)  
Robin Archibald  
Jane Pearce  
Helen Sinclair

## Registered Office

280 Bishopsgate  
London EC2M 4AG

## Company Secretary

abrdr Holdings Limited  
1 George Street  
Edinburgh EH2 2LL

Email: [CEF.CoSec@abrdr.com](mailto:CEF.CoSec@abrdr.com)

## Alternative Investment Fund Manager

abrdr Fund Managers Limited  
280 Bishopsgate  
London EC2M 4AG

## Investment Manager

abrdr Investments Limited  
1 George Street  
Edinburgh EH2 2LL

## abrdr Customer Services Department, Investment Plan for Children, Share Plan and ISA Enquiries

abrdr 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@abrdr.com](mailto:inv.trusts@abrdr.com)

## Company Registration Number

00386561 (England & Wales)

## Website

[shiresincome.co.uk](http://shiresincome.co.uk)

## Registrar

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

Shareholder help can be found at [shareview.co.uk](http://shareview.co.uk).

Alternatively, you can contact the Shareholder Helpline:

**+44 (0)371 384 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.)

If calling from outside the UK, please ensure the country  
code is used.

## Depository

BNP Paribas Trust Corporation UK Limited  
10 Harewood Avenue  
London NW1 6AA

## Stockbroker

JPMorgan Cazenove  
25 Bank Street  
London E14 5JP

## Auditor

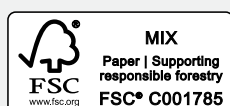
Ernst & Young LLP  
Atria One  
144 Morrison Street  
Edinburgh EH3 8EX

## Solicitors

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

## Legal Entity Identifier ("LEI")

549300HVCIHQNQZAYA89



For more information visit [shiresincome.co.uk](https://shiresincome.co.uk)

**abrdn.com**