



# Shires Income PLC

Half Yearly Report 30 September 2023

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

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

# Contents

## Overview

Performance Highlights	1
Financial Calendar and Financial Highlights	2
Chairman's Statement	4
Interim Management Statement	9

## Portfolio

Ten Largest Investments	10
Investment Portfolio – Equities	11
Investment Portfolio – Other Investments	13
Distribution of Assets and Liabilities	14
Investment Case Studies	15

## Financial Statements

Condensed Statement of Comprehensive Income	17
Condensed Balance Sheet	18
Condensed Statement of Changes in Equity	19
Condensed Cash Flow Statement	20
Notes to the Financial Statements	21
Alternative Performance Measures	27

## General Information

Investor Information	30
Contact Addresses	33

## 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.

## Benchmark Index

The Company's benchmark index is the FTSE All-Share Index (total return).

Scan the QR Code below to register for email alerts relating to the Company:



# Performance Highlights

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

Six months ended 30 September 2023

**+0.9%**

Year ended 31 March 2023

(2.2)%

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

Six months ended 30 September 2023

**(3.1)%**

Year ended 31 March 2023

(5.5)%

## Benchmark index total return

Six months ended 30 September 2023

**+1.4%**

Year ended 31 March 2023

+2.9%

## Earnings per Ordinary share (revenue)

Six months ended 30 September 2023

**7.66p**

Six months ended 30 September 2022

7.50p

## Dividend yield<sup>A</sup>

As at 30 September 2023

**6.1%**

As at 31 March 2023

5.7%

## Discount to net asset value<sup>A</sup>

As at 30 September 2023

**(7.0)%**

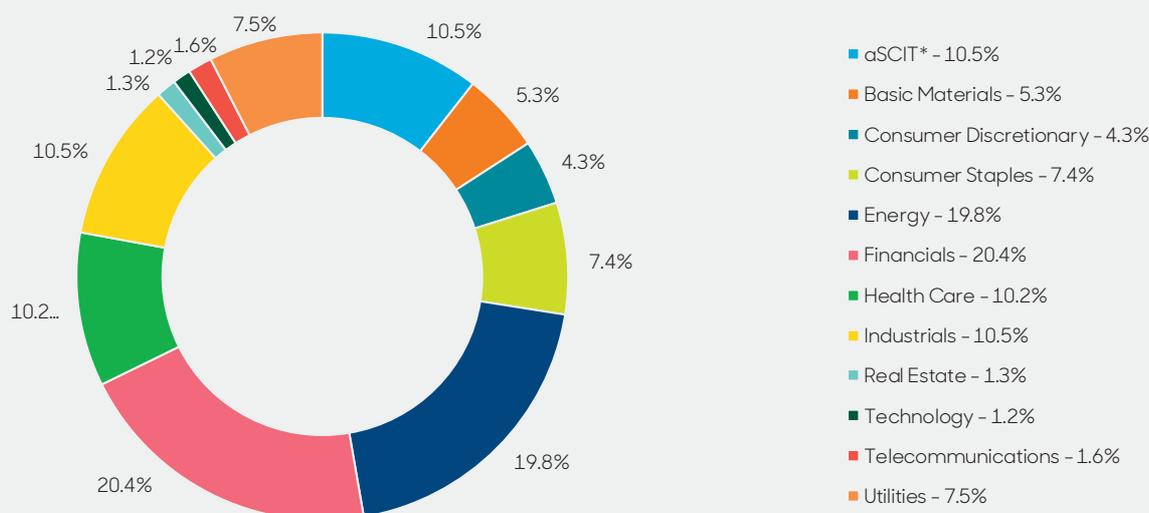
As at 31 March 2023

(3.1)%

<sup>A</sup> Considered to be an Alternative Performance Measure.

An explanation of the Alternative Performance Measures is provided on pages 27 and 28.

## Analysis of Listed Equity Portfolio



\* While the Company's investment in aSDN Smaller Companies Income Trust plc ("aSCIT") is classified under "Financials" for FTSE classification purposes, it is shown separately in the above chart given its materiality to the Company. Further information about the holding, which no longer exists, is contained in the Chairman's Statement.

# Financial Calendar and Financial Highlights

## Financial Calendar

Expected payment dates of quarterly dividends	<b>27 October 2023</b> <b>31 January 2024</b> <b>26 April 2024</b> <b>26 July 2024</b>
Financial year end	<b>31 March 2024</b>
Expected announcement of results for year ended 31 March 2024	<b>May 2024</b>
Annual General Meeting	<b>July 2024</b>

## Financial Highlights

	30 September 2023	31 March 2023	% change
Total assets (£'000) <sup>A</sup>	<b>96,310</b>	98,864	-2.6
Shareholders' funds (£'000)	<b>77,353</b>	79,913	-3.2
Net asset value per share	<b>252.20p</b>	257.92p	-2.2
Share price (mid-market)	<b>234.50p</b>	250.00p	-6.2
Discount to net asset value (cum-income) <sup>B</sup>	<b>(7.0)%</b>	(3.1)%	
Dividend yield <sup>B</sup>	<b>6.1%</b>	5.7%	
Net gearing <sup>B</sup>	<b>23.1%</b>	22.2%	
Ongoing charges ratio <sup>B</sup>	<b>1.26%</b>	1.17%	

<sup>A</sup> Less current liabilities excluding bank loans of £9,000,000.

<sup>B</sup> Considered to be an Alternative Performance Measure. Further details can be found on pages 27 and 28.

## Performance (total return)

	Six months ended 30 September 2023	Year ended 30 September 2023	Three years ended 30 September 2023	Five years ended 30 September 2023
Net asset value <sup>A</sup>	+0.9%	+12.1%	+29.4%	+20.3%
Share price <sup>A</sup>	-3.1%	+8.2%	+29.2%	+21.3%
FTSE All-Share Index	+1.4%	+13.8%	+39.8%	+19.7%

<sup>A</sup> Considered to be an Alternative Performance Measure. Further details can be found on page 28.

All figures are for total return and assume reinvestment of net dividends excluding transaction costs.

"I would like to welcome those new shareholders who have rolled over their shareholdings from abrdn Smaller Companies Income Trust PLC ("aSCIT"), following the completion of the combination of our two companies on 1 December 2023. The transaction offers significant benefits for both sets of shareholders."

# Chairman's Statement

## Introduction

I am pleased to present the Half Yearly Report for the period ended 30 September 2023. I would like to welcome those new shareholders who have rolled over their shareholdings from abrdn Smaller Companies Income Trust PLC ("aSCIT"), following the completion of the combination of our two companies on 1 December 2023. The transaction offers significant benefits for both sets of shareholders, which I will describe in more detail later in this statement and in the subsequent events note on page 26.

It has been an eventful period for the Company and I'm pleased to be able to end it on this positive note.

## Market Background

The main macro-economic trend in the six-month period was the continued rise in interest rates as central banks attempted to tackle inflation. The US Federal Reserve increased rates from 4.75% in March to 5.5% at the end of September and the Bank of England increased interest rates from 4.0% to 5.25%. In both cases rising short rates together with the corresponding rises in longer-term bond yields, have seen a rapid tightening of financial conditions since the end of 2021. Markets have accepted the likelihood that interest rates will remain higher for longer, and that the previous period of ultra-low interest rates will not be returned to. It is, however, increasingly likely that we are close to the peak in interest rates. Inflation has started to decline as key input costs such as energy and agricultural commodities fall, and although more persistent inputs such as wage inflation remain high, recent data suggests that economic growth is slowing, giving central banks some room to consider interest rate cuts as we move into 2024.

Over the last twelve months the UK economy has defied the pessimists with economic growth being far more resilient than feared and more recent data has also indicated that the recovery post Covid has been at least as strong as elsewhere in the world. In the US, the economy has performed reasonably well, driven by robust consumer and business balance sheets and, alongside moderating inflation, this has increased the probability of a soft landing. By contrast, the Chinese and European economies are facing some headwinds. The Chinese property market is heavily indebted and in considerable excess supply, with developer and homebuyer confidence very low. However, policy is now easing, which should prevent further downside outcomes and deflation becoming embedded in the economy, and this could even surprise markets on the upside. But in the Eurozone and

the UK, the pass-through of earlier monetary policy tightening reflected in both short and longer-term interest rates, is still likely to mean that economic growth remains subdued in 2024 given the effects on mortgage rates and corporate borrowing costs.

Despite these forces, equity markets have been resilient, with the MSCI World Index up 3% over the six-month period, although it was up by as much as 10% at its high at the end of July. The UK FTSE All-Share Index benchmark did not quite keep pace, rising by 1.4% over the period in total return terms. Performance by sector was mixed. Technology was the best performing sector in the UK, rising by 14.5%, but remains a small weight in the market. Energy (+11.5%) and Financials (+4.3%) performed well. Conversely, those sectors which are negatively correlated to rising bond yields, such as Consumer Staples (-5.0%) and Real Estate (-4.8%) lagged the market.

**"Over the last twelve months the UK economy has defied the pessimists with economic growth being far more resilient than feared."**

## Investment Performance

Over the six-month period to 30 September 2023 the Company's Net Asset Value ("NAV") increased by 0.9% on a total return basis. This compares to the FTSE All-Share Index total return of 1.4% referred to above, and the average return from the open-ended UK Equity Income Sector of 0.5%. The main driver of performance was a recovery in the Company's preference shares in the last few months as bond yields started to peak. The total return from the preference share portfolio during the period was 5.8%. Given the tough economic and equity market background we believe that this was a creditable performance from the Investment Manager.

Disappointingly, the share price total return for the period was -3.1%, reflecting a widening of the discount at which the Ordinary shares trade relative to the NAV, from 3.1% at the start of the period to 7.0% at 30 September 2023. This is addressed in more detail below, under Discount and Share Buy Backs. The average discount over the 12 month period to 30 September 2023 was 3.1%, demonstrating that the discount widening has been a recent development.

On an individual equity basis, the greatest positive contribution to performance came from the holding in **Standard Chartered**, where the shares rallied by 13% over the period as concerns around contagion from US banks at the start of the year receded and the company continued to report good performance. **HSBC Holdings** (+15%) benefitted from the same trends. There were also strong performances from a number of more cyclical UK companies, with **Morgan Sindall** (+26%), **Direct Line Insurance** (+26%), **Melrose Industries** (+15%) and **Vistry Group** (+21%) all performing well. **Dechra Pharmaceuticals** was a standout performer, with its shares rising by more than 30% following a bid from a private equity firm. A rally in energy stocks in September was also positive, with **TotalEnergies** and **Shell** both performing well. The holding in **aSCIT** (+4%) also outperformed the benchmark, with the discount narrowing as a result of the proposal for the combination with the Company, as referred to above.

Negative performers were more concentrated, with a number of portfolio holdings disappointing meaningfully. **OSB** (OneSavingsBank) fell by 30% after having to adjust assumptions made in its credit book in response to higher interest rates. The Investment Manager sees this as a one-off hit to the bank and considers the shares to be good value. Since the period end the shares have regained some lost ground after a reassuring update. **Genus** (-30%) was also weak as it faces headwinds from cyclical weakness in the Chinese pork market. **Drax** (-25%) has also been weak as the market has grown concerned about the viability of its BECCS biomass power generation project.

## Portfolio Activity

Activity in the portfolio was, as ever, driven by the Investment Manager's views on individual companies rather than a change in strategy. However, if we were to characterise the aim of trading during the period, it was to increase the resilience and strength of income from the portfolio. The Investment Manager's view at the end of the 2023 financial year was that upwards progress from equity markets would be challenging in the short-term and that a period of some economic weakness was a reasonable possibility in the next 12-18 months. At the same time, rising interest rates and bond yields meant that cash and bonds were a reasonable alternative for investors looking for income. It is therefore important that the portfolio continues to provide a high level of income, and that this income generation will be resilient in any macro-economic downturn.

In April, the Investment Manager made a number of trades to enhance income from the portfolio. It sold out of the position in **Nordea**. While it continues to like the company, it saw better value elsewhere in the sector and initiated a position in Dutch bank **ING Group** which it considers to be a low risk, well-funded and attractively priced bank.

**"If we were to characterise the aim of trading during the period, it was to increase the resilience and strength of income from the portfolio."**

The Investment Manager also started a new position in **Genus**, which develops genetics for livestock. While the company is lower yielding than would usually be considered for the portfolio, it does pay a dividend and is very high quality, with a strong market position. The Investment Manager considers that the shares are valued attractively compared to their historic levels and that there are potential catalysts from gene editing development within the investment time horizon.

Similar to the trades in European banks, the Investment Manager changed the UK bank exposure at the start of the period by switching from **NatWest** to **Lloyds Banking Group**. This trade took advantage of the timing of dividend payments to enhance income and gives the Company exposure to a retail bank with a high level of sustainable returns and likely increasing distribution capacity as interest rates normalise and the group's pension fund deficit is eliminated, reducing the drag on statutory profits.

In May, the Investment Manager bought back into **Sirius Real Estate**. It exited this position late in 2022, with increasing concerns around commercial real estate. However, the shares were recently upgraded and the company has delivered strong cashflow and an increase in its dividend, signalling management's confidence in cashflows to come. The Investment Manager therefore saw an opportunity to add back some weight in real estate to the portfolio, with the view that the sector could rally sharply once bond yields peak, provided demand remains resilient in the sector.

# Chairman's Statement

## Continued

The Investment Manager sold the Company's holding in **British American Tobacco**, which had been a source of significant income in the portfolio for a long period of time. However, recent sales data had disappointed in its key US market and, after reducing the position over time, the Investment Manager decided to exit. The Company continues to hold a position in **Imperial Brands**, where the Investment Manager sees continued operational improvement after recent management change and a strategy focused on driving cash generation, which protects the dividend.

In June, the Investment Manager exited the position in **Dechra Pharmaceuticals**. This was a recent purchase, in November last year. However, the company received a bid from a private equity buyer in April and the share price moved higher, giving an attractive 30%+ return in a short period of time. The proceeds from the sale were invested in a new holding, **IP Group**, which is an investor in early-stage companies focused on three areas: Life Sciences, Clean Energy and Advanced Technology. More detail on this company is included in the Case Study on page 15.

The Investment Manager started one new position in July, buying Italian utility **Enel**. The holding provides exposure to long term investment growth in renewable power generation. More detail is provided in the Case Study on page 16. To fund the purchase and control the level of overseas exposure, the Investment Manager sold the remaining position in **Bawag**, which had done well since purchase but where the Investment Manager saw less attractive risk/reward.

During August, the Investment Manager started a new position in **Convatec**, which produces medical supplies in areas such as wound care, infusion and stomas. To fund the purchase, the Investment Manager sold out of the holding in **Smith & Nephew**, where it saw less consistent delivery. Finally, the Investment Manager sold out of a small remaining position in **Vodafone**, where it saw the dividend as unlikely to grow and where the quality did not meet the level it looks for in portfolio companies.

### Earnings and Dividends

The revenue earnings per share for the period were 7.66p, which compares to 7.50p for the equivalent period last year. Across the portfolio, there has been a modest increase in dividend income as companies continue to increase distributions from levels re-based during the Covid pandemic. Companies in certain sectors have seen tailwinds to earnings, with energy companies benefitting

from higher commodity prices and banks from higher interest rates. One marked trend has been an increased preference for share buybacks amongst UK companies. This is understandable given the need to maintain flexibility with distributions and also the recognition that UK equities are lowly valued compared to history and other developed markets. The UK now has a higher buyback yield than the US, the long-time leader in this regard, providing an additional source of shareholder returns. Portfolio changes have also been made with the aim of enhancing the income generation. At a time of higher inflation and an uncertain economic outlook, the Investment Manager considers a high level of income as being important for the total return potential of the Company.

**"The current annual rate of dividend is 14.20p per Ordinary share, and represented a dividend yield of 6.1% based on the share price at the end of the period. "**

A first interim dividend of 3.2p per Ordinary share in respect of the year ending 31 March 2024 was paid on 27 October 2023 (2023: first interim dividend – 3.2p). The Board is declaring a second interim dividend of 3.2p per Ordinary share, payable on 31 January 2024 to shareholders on the register at close of business on 5 January 2024. Subject to unforeseen circumstances, it is proposed to pay a further interim dividend of 3.2p per Ordinary share prior to the Board deciding on the rate of final dividend at the time of reviewing the full year results.

The current annual rate of dividend is 14.20p per Ordinary share, and represented a dividend yield of 6.1% based on the share price at the end of the period. The Board considers that one of the key attractions of the Company is its high level of dividend and recognises that, in the current economic environment, there is likely to be a continuing demand for an attractive and reliable level of income. Whilst the Company remains on track to cover its annual dividend cost with net income, the Board is conscious of the Company's accumulated revenue reserves which add security to the sustainability of the dividend.

## Discount and Share Buy Backs

As stated above, the discount at which the price of the Company's Ordinary shares trade relative to the NAV widened during the period, to 7.0% as at 30 September 2023. This is consistent with a general widening of discounts across the whole investment trust sector, but exacerbated by the transfer of the abrdn investment trust saving plans to Interactive Investor. Consequently, to help address the imbalance of supply and demand for the shares, and in accordance with the share buy-back authority provided by shareholders at the Annual General Meeting, the Company bought back 312,673 Ordinary shares during the period at a cost of £720,000 and an average discount of 9.2%, thereby providing an enhancement to the NAV for continuing shareholders. Since the period end, the Company has bought back a further 432,895 shares at a cost of £954,000. The Board will continue to make use of the share buy-back authority if it considers it in the interests of shareholders to do so. All shares bought back are held in treasury for future resale at a premium to the NAV.

## Gearing

The Company has a £20 million loan facility of which £19 million was drawn down at the period end. Net of cash, this represented gearing of 23.1%, compared to 22.2% at the start of the period. The weighted average borrowing cost at the period end was 5.3% (31 March 2023 – 4.7%). The Board continually monitors the level of gearing and continues to take 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 enable the Company to achieve a high and potentially growing level of dividend, and also deliver some capital appreciation for shareholders.

## Board Changes

At the AGM in July 2024, I shall be stepping down from the Board having served for nine years. Having conducted a full succession process involving the evaluation of external candidates, the Board has reached the decision that Robin Archibald, who is the current Chair of the Audit Committee and Senior Independent Director, should replace me as Chairman upon my retirement. Jane Pearce will become the new Chair of the Audit Committee, and Helen Sinclair will become the new Senior Independent Director. We have separately announced that Simon White, who was Head of Investment Trusts at BlackRock from 2011 until June 2022 will be joining the Board as an independent non-executive Director on 1 January 2024. With these changes, the Board remains confident that we have the appropriate collective skills and experience to take the Company forward.

## Combination of aSCIT and Shires

On 26 July 2023, the Company announced that it had agreed terms with the Board of aSCIT for a proposed combination of the assets of the Company with those of aSCIT. This was achieved by a scheme of reconstruction and winding up of aSCIT, where assets were transferred to the Company in exchange for the issue of new Ordinary shares to aSCIT shareholders. A cash exit was also available under the scheme. aSCIT and Shires shareholders approved the scheme on 20 November 2023 and the scheme completed on 1 December. Shires issued 11,268,494 new Ordinary shares to aSCIT shareholders, with the new Shares admitted to trading on 4 December 2023. The terms of the scheme were such that Shires shareholders did not suffer any dilution in their interests from the costs of the scheme.

The combination has increased the size of Shires by more than 35%, to net assets of £101 million at the point when aSCIT's assets transferred. As a result, the Company will benefit from the reducing tiered management fee structure at higher levels of assets under management, reducing the Ongoing Charges Ratio ("OCR"), and there should be improved secondary liquidity in the Company's shares, as well as greater scale to promote the Company from. The Company will continue with its existing investment objective and policy and management arrangements, but will have a direct exposure to UK smaller companies rather than obtaining its exposure through investing in aSCIT. The Company's gearing ratio has fallen as a result of the combination, from 23.1% at 30 September 2023 to 13.5% at the time of writing, which includes £4.4 million of cash awaiting investment.

# Chairman's Statement

## Continued

aSCIT's shares were trading at a 12-month average discount of 15.7% before the announcement of its strategic review on 13 February 2023. aSCIT shareholders who have received new Shires shares will benefit from a much lower OCR, a significant increase in dividend yield outlook and an improved rating for their shareholding.

We believe it has been a successful transaction for all concerned.

### Outlook

UK equities look good value, trading at a material discount to other developed markets which is not justified by the fundamentals of earnings and dividends. Economic growth has been similar to other large economies and while inflation has been higher this is now falling. The yield available on UK equities is ahead of other markets and delivers an attractive rate of return. The preference shares held in the portfolio also offer a high yield and the potential decline in bond yields should provide a tailwind to their valuation. However, the Investment Manager remains cautious on equities globally, as it believes on a medium-term view that markets are pricing in an overly benign outlook for macro-economic outcomes and interest rates.

By sector, the expected peaking of interest rates creates opportunities for income investors in the UK, although the Investment Manager continues to look for higher quality and more defensive areas of the market. Certain high yield sectors, such as Utilities and Real Estate, are negatively correlated with bond yields and can perform well. Utilities, in particular, offer defensive exposure to falling bond yields and longer-term structural growth due to higher investment requirements through a period of energy transition. Sectors which are more economically sensitive and consumer exposed, such as Consumer Discretionary, look less attractive.

**"While market conditions may remain challenging in the shorter-term, the Board remains confident in the defensive nature of the portfolio, its ability to deliver long term capital growth and, most importantly, the resilience of income, supported by substantial revenue reserves."**

It is reassuring to see more government attention on potential solutions to some issues around UK market valuations, including liquidity and a lack of home-grown investors into equities. While these will likely take time to bear fruit, it highlights that there remain relatively cheap valuations ascribed to UK equities that should provide rewards to patient investors. The combination of the Company and a brdn Smaller Companies Income Trust will increase direct exposure to small and mid-cap names in the portfolio. Despite the issues currently facing smaller companies, the Investment Manager sees this as an attractive area for new opportunities, and continues to invest in companies that have sufficient quality and income characteristics, independent of their size.

Overall, while market conditions may remain challenging in the shorter-term, the Board remains confident in the defensive nature of the portfolio, its ability to deliver long term capital growth and, most importantly, the resilience of income, supported by substantial revenue reserves.



**Robert Talbut**  
Chairman  
13 December 2023

# Interim Management Statement

## Directors' Responsibility Statement

The Directors are responsible for preparing the Half Yearly Financial Report in accordance with applicable law and regulations. The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements within the Half Yearly Financial Report has been prepared in accordance with IAS 34 'Interim Financial Reporting'; and
- the Interim Board Report (constituting the Interim Management Report) includes a fair review of the information required by rules 4.2.7R of the Disclosure Guidance and Transparency Rules (being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year) and 4.2.8R (being related party transactions that have taken place during the first six months of the financial year and that have materially affected the financial position of the Company during that period; and any changes in the related party transactions described in the last Annual Report that could so do).

## Principal and Emerging Risks and Uncertainties

The Board regularly reviews the principal and emerging risks and uncertainties faced by the Company together with the mitigating actions it has established to manage the risks. These are set out within the Strategic Report contained within the Annual Report for the year ended 31 March 2023 and comprise the following risk headings:

- Strategic objectives and investment policy
- Investment performance
- Failure to maintain, and grow the dividend over the longer term
- Share price and shareholder relations
- Gearing
- Accounting and financial reporting
- Regulatory and governance
- Operational
- Exogenous risks such as health, social, financial, economic, climate and geo-political

In addition to these risks, the Board is conscious of the continuing impact of the conflicts in Ukraine and, more recently, the Middle East, as well as continuing tensions between the US and China. The Board is also conscious of the impact of inflation and higher interest on financial markets. The Board considers that these are risks that could have further implications for financial markets.

In all other respects, the Company's principal and emerging risks and uncertainties have not changed materially since the date of the Annual Report and are not expected to change materially for the remaining six months of the Company's financial year.

## 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. The Company has a £20 million loan facility which matures in May 2027. £9 million of this amount is drawn down on a short-term basis through a revolving credit facility and can be repaid without incurring any financial penalties.

The Board has also taken into account the impact on the Company of its combination with abrdn Smaller Companies Income Trust PLC since the period end.

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 31 December 2023, which is at least twelve months from the date of approval of this Report. For these reasons, they continue to adopt the going concern basis of accounting in preparing the financial statements.

## On behalf of the Board

**Robert Talbut**

Chairman

13 December 2023

# Ten Largest Investments

As at 30 September 2023



## abrdn Smaller Companies Income Trust ("aSCIT")

aSCIT was an investment trust which had 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. Further information about the holding, which no longer exists, is contained in the Chairman's Statement.



## 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.



## 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.



## BP

BP is a fully integrated energy company involved in exploration, production, refining, transportation and marketing of oil and natural gas.



## Diversified Energy

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



## 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.



## Anglo American

Anglo American is a mining company with a portfolio of mining and processing operations and undeveloped resources. The Company's segments include diamonds (De Beers), copper, platinum group metals, iron ore, steelmaking coal, nickel, manganese and crop nutrients.



## 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.



## TotalEnergies

Total Energies is an integrated energy company, with significant positions in the production of oil, natural gas and clean energy. It is an internationally diversified business and has delivered a robust dividend that is backed by strong cash generation and has been resilient through periods of lower commodity prices.



## HSBC Holdings

HSBC Holdings is a banking and financial services company. The Company's segments include Wealth and Personal Banking, Commercial Banking and Global Banking and Markets.

# Investment Portfolio – Equities

As at 30 September 2023

Company	Market value £'000	Total portfolio %
abrdrn Smaller Companies Income Trust	7,715	8.2
Shell	4,379	4.6
AstraZeneca	4,032	4.2
BP	3,268	3.5
Diversified Energy	2,727	2.9
Diageo	2,408	2.5
Anglo American	2,293	2.4
SSE	2,053	2.2
TotalEnergies	2,052	2.2
HSBC Holdings	2,016	2.1
<b>Ten largest investments</b>	<b>32,943</b>	<b>34.8</b>
Standard Chartered	1,857	1.9
Energear	1,641	1.7
Rio Tinto	1,614	1.7
National Grid	1,523	1.6
Unilever	1,318	1.4
Intermediate Capital Group	1,209	1.3
Novo-Nordisk	1,205	1.3
Melrose Industries	1,199	1.3
Lloyds Banking Group	1,193	1.3
Imperial Brands	1,191	1.3
<b>Twenty largest investments</b>	<b>46,893</b>	<b>49.6</b>
Inchcape	1,184	1.2
Chesnara	1,106	1.2
Morgan Sindall	1,059	1.1
M&G	1,033	1.1
Balfour Beatty	988	1.0
Engie	952	1.0
Sirius Real Estate	950	1.0
Close Brothers	934	1.0
IP Group	920	1.0
Prudential	914	1.0
<b>Thirty largest investments</b>	<b>56,933</b>	<b>60.2</b>

Overview

Portfolio

Financial Statements

General Information

# Investment Portfolio – Equities

Continued

As at 30 September 2023

Company	Market value £'000	Total portfolio %
Mondi	903	1.0
Hiscox	879	0.9
Convatec	875	0.9
Softcat	869	0.9
GSK	860	0.9
Howden Joinery	835	0.9
XP Power	819	0.9
AXA	771	0.8
Oxford Instruments	716	0.8
Games Workshop Group	707	0.7
<b>Forty largest investments</b>	<b>65,167</b>	<b>68.9</b>
ING Group	674	0.7
OSB	667	0.7
Dr. Martens	659	0.7
Vistry Group	632	0.7
Enel	624	0.6
Telecom Plus	586	0.6
Telenor	569	0.6
Wood Group	564	0.6
Bodycote	546	0.6
Coca-Cola HBC	534	0.6
<b>Fifty largest investments</b>	<b>71,222</b>	<b>75.3</b>
Genus	532	0.6
Ashmore	442	0.5
Direct Line Insurance	435	0.4
Drax	412	0.4
Marshalls	349	0.4
Redrow	328	0.4
<b>Total equity investments</b>	<b>73,720</b>	<b>78.0</b>

# Investment Portfolio – Other Investments

As at 30 September 2023

Company	Market value £'000	Total portfolio %
<b>Preference shares<sup>A</sup></b>		
Ecclesiastical Insurance Office 8 5/8%	5,215	5.5
Royal & Sun Alliance 7 3/8%	4,611	4.9
General Accident 7.875%	3,796	4.0
Santander 10.375%	3,685	3.9
Standard Chartered 8.25%	2,991	3.1
R.E.A Holdings 9%	552	0.6
<b>Total preference shares</b>	<b>20,850</b>	<b>22.0</b>
<b>Total equity investments</b>	<b>73,720</b>	<b>78.0</b>
<b>Total investments</b>	<b>94,570</b>	<b>100.0</b>

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

Overview

Portfolio

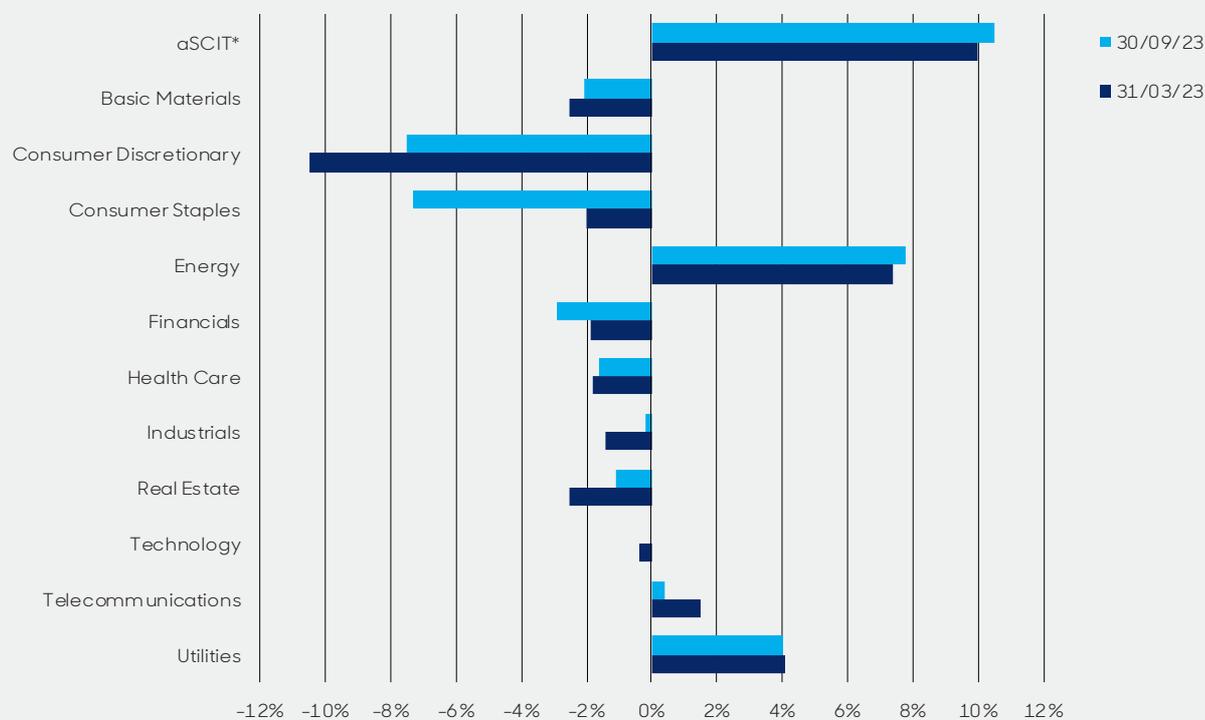
Financial Statements

General Information

# Distribution of Assets and Liabilities

	Valuation at		Movement during the period			Valuation at	
	31 March 2023		Purchases	Sales	Losses	30 September 2023	
	£'000	%	£'000	£'000	£'000	£'000	%
<b>Listed investments</b>							
Equities	75,760	94.8	11,489	(12,200)	(1,329)	73,720	95.3
Preference shares	20,895	26.2	-	-	(45)	20,850	27.0
<b>Total investments</b>	<b>96,655</b>	<b>121.0</b>	<b>11,489</b>	<b>(12,200)</b>	<b>(1,374)</b>	<b>94,570</b>	<b>122.3</b>
Current assets	2,559	3.2				2,154	2.8
Current liabilities	(9,350)	(11.7)				(9,414)	(12.2)
Non-current liabilities	(9,951)	(12.5)				(9,957)	(12.9)
<b>Net assets</b>	<b>79,913</b>	<b>100.0</b>				<b>77,353</b>	<b>100.0</b>
<b>Net asset value per Ordinary share</b>	257.92p					252.20p	

## Listed Equities Weighting relative to the FTSE All-Share Index



\* While the Company's investment in aSCIT\* is classified under "Financials" for FTSE classification purposes, it is shown separately in the above table given its materiality to the Company. Further information about the holding, which no longer exists, is contained in the Chairman's Statement.

# Investment Case Studies

## IP Group

IP Group is an investor in early-stage technology companies. It has advantaged access to developments in areas such as life sciences, clean energy and software due to a range of partnerships with leading academic institutions, primarily in the UK and Australia. IP Group helps these companies grow and commercialise their technical advantage to create scaled-up business. In common with many early-stage investment companies, IP Group's shares have de-rated in recent years, reflecting higher interest rates. The Investment Manager sees this as an opportunity, with the shares trading at a meaningful discount to a prudently set valuation and with a number of meaningful catalysts within the investment time frame. While IP Group is not expected to deliver a high level of income, it provides a broad exposure to high growth companies within its portfolio.



# Investment Case Studies

Continued



## Enel

Enel is a diversified European power company. It produces energy and distributes electricity for business and household end users and manages wind, solar, geothermal, and hydropower plants in Europe, the Americas, Africa, Asia, and Oceania. Enel is one of the largest private renewable energy operators in the world and one of the largest power distributors. Around half of its earnings come from its home market in Italy, with further exposure to Spain and the Americas. Under new management, recent asset sales have helped to simplify the business and protect the balance sheet, supporting a high level of distributions. Longer term, the Investment Manager expects the company to benefit from increased investment in renewable power generation and energy infrastructure in Europe. That should provide an environment for growth in asset values and an improved valuation.

# Condensed Statement of Comprehensive Income

	Note	30 September 2023 (unaudited)			30 September 2022 (unaudited)			31 March 2023 (audited)		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments at fair value		-	(1,374)	(1,374)	-	(12,177)	(12,177)	-	(6,084)	(6,084)
Currency (losses)/gains		-	(39)	(39)	-	5	5	-	39	39
<b>Investment income</b>										
Dividend income		2,920	-	2,920	2,814	-	2,814	5,586	-	5,586
Interest income		16	-	16	-	-	-	7	-	7
Traded option premiums		79	-	79	31	-	31	73	-	73
Money market interest		8	-	8	-	-	-	7	-	7
		<b>3,023</b>	<b>(1,413)</b>	<b>1,610</b>	<b>2,845</b>	<b>(12,172)</b>	<b>(9,327)</b>	<b>5,673</b>	<b>(6,045)</b>	<b>(372)</b>
<b>Expenses</b>										
Management fee		(100)	(100)	(200)	(103)	(103)	(206)	(207)	(207)	(414)
Administrative expenses		(240)	(24)	(264)	(220)	-	(220)	(417)	-	(417)
Finance costs		(245)	(245)	(490)	(152)	(152)	(304)	(363)	(363)	(726)
		<b>(585)</b>	<b>(369)</b>	<b>(954)</b>	<b>(475)</b>	<b>(255)</b>	<b>(730)</b>	<b>(987)</b>	<b>(570)</b>	<b>(1,557)</b>
<b>Profit/(loss) before taxation</b>		<b>2,438</b>	<b>(1,782)</b>	<b>656</b>	<b>2,370</b>	<b>(12,427)</b>	<b>(10,057)</b>	<b>4,686</b>	<b>(6,615)</b>	<b>(1,929)</b>
Taxation	2	(80)	-	(80)	(54)	-	(54)	(102)	-	(102)
<b>Profit/(loss) attributable to equity holders</b>		<b>2,358</b>	<b>(1,782)</b>	<b>576</b>	<b>2,316</b>	<b>(12,427)</b>	<b>(10,111)</b>	<b>4,584</b>	<b>(6,615)</b>	<b>(2,031)</b>
<b>Earnings per Ordinary share (pence)</b>	4	<b>7.66</b>	<b>(5.79)</b>	<b>1.87</b>	7.50	(40.25)	(32.75)	14.83	(21.40)	(6.57)

The Company does not have any income or expense that is not included in the profit for the period, and therefore the profit for the period is also the "Total comprehensive income for the period", 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 the financial statements.

# Condensed Balance Sheet

	Note	As at 30 September 2023 (unaudited) £'000	As at 30 September 2022 (unaudited) £'000	As at 31 March 2023 (audited) £'000
<b>Non-current assets</b>				
Equities		73,720	70,571	75,760
Preference shares		20,850	20,819	20,895
<b>Securities at fair value</b>		<b>94,570</b>	91,390	96,655
<b>Current assets</b>				
Accrued income and prepayments		988	890	1,383
Cash and cash equivalents		1,166	1,442	1,176
		<b>2,154</b>	2,332	2,559
<b>Creditors: amounts falling due within one year</b>				
Trade and other payables		(414)	(968)	(350)
Short-term borrowings		(9,000)	(9,000)	(9,000)
		<b>(9,414)</b>	(9,968)	(9,350)
<b>Net current liabilities</b>		<b>(7,260)</b>	(7,636)	(6,791)
<b>Total assets less current liabilities</b>		<b>87,310</b>	83,754	89,864
<b>Non-current liabilities</b>				
Long-term borrowings		(9,957)	(9,945)	(9,951)
<b>Net assets</b>		<b>77,353</b>	73,809	79,913
<b>Share capital and reserves</b>				
Called-up share capital	6	15,532	15,532	15,532
Share premium account		21,411	21,412	21,411
Capital reserve	7	33,428	30,118	35,930
Revenue reserve		6,982	6,747	7,040
<b>Equity shareholders' funds</b>		<b>77,353</b>	73,809	79,913
<b>Net asset value per Ordinary share (pence)</b>	5	<b>252.20</b>	238.20	257.92

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

# Condensed Statement of Changes in Equity

## Six months ended 30 September 2023 (unaudited)

	Share capital £'000	Share premium account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 31 March 2023	15,532	21,411	35,930	7,040	79,913
Repurchase of ordinary shares into treasury	-	-	(720)	-	(720)
(Loss)/profit for the period	-	-	(1,782)	2,358	576
Equity dividends	-	-	-	(2,416)	(2,416)
<b>As at 30 September 2023</b>	<b>15,532</b>	<b>21,411</b>	<b>33,428</b>	<b>6,982</b>	<b>77,353</b>

## Six months ended 30 September 2022 (unaudited)

	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	303	-	-	375
(Loss)/profit for the period	-	-	(12,427)	2,316	(10,111)
Equity dividends	-	-	-	(2,274)	(2,274)
<b>As at 30 September 2022</b>	<b>15,532</b>	<b>21,412</b>	<b>30,118</b>	<b>6,747</b>	<b>73,809</b>

## Year ended 31 March 2023 (audited)

	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 period	-	-	(6,615)	4,584	(2,031)
Equity dividends	-	-	-	(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>

# Condensed Cash Flow Statement

	Six months ended 30 September 2023 (unaudited) £'000	Six months ended 30 September 2022 (unaudited) £'000	Year ended 31 March 2023 (audited) £'000
<b>Net cash inflow from operating activities</b>			
Dividend income received	3,301	3,134	5,478
Options premium received	81	31	71
Interest received from money market funds	9	-	7
Bank interest received	13	2	7
Management fee paid	(206)	(212)	(415)
Other cash expenses	(247)	(200)	(432)
<b>Cash generated from operations</b>	<b>2,951</b>	<b>2,755</b>	<b>4,716</b>
<b>Net cash inflow from operating activities</b>			
Interest paid	(503)	(183)	(684)
Overseas tax paid	(79)	(88)	(184)
<b>Net cash inflow from operating activities</b>	<b>2,369</b>	<b>2,484</b>	<b>3,848</b>
<b>Cash flows from investing activities</b>			
Purchases of investments	(11,404)	(5,731)	(16,518)
Sales of investments	12,200	5,100	16,199
<b>Net cash inflow/(outflow) from investing activities</b>	<b>796</b>	<b>(631)</b>	<b>(319)</b>
<b>Cash flows from financing activities</b>			
Equity dividends paid	(2,416)	(2,274)	(4,249)
Issue of Ordinary shares	-	375	374
Repurchase of ordinary shares into treasury	(720)	-	-
Loan repayment	-	-	(19,000)
Loan drawdown	-	-	19,000
<b>Net cash outflow from financing activities</b>	<b>(3,136)</b>	<b>(1,899)</b>	<b>(3,875)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>29</b>	<b>(46)</b>	<b>(346)</b>
<b>Reconciliation of net cash flow to movements in cash and cash equivalents</b>			
Increase/(decrease) in cash and cash equivalents as above	29	(46)	(346)
Net cash and cash equivalents at start of period	1,176	1,483	1,483
Effect of foreign exchange rate changes	(39)	5	39
<b>Cash and cash equivalents at end of period</b>	<b>1,166</b>	<b>1,442</b>	<b>1,176</b>

# Notes to the Financial Statements

For the six months ended 30 September 2023

## 1. Accounting policies - Basis of accounting

The condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) 34 'Interim Financial Reporting', as adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (IFRIC). They have also been prepared using the same accounting policies applied for the year ended 31 March 2023 financial statements, which were prepared in accordance with International Financial Reporting Standards (IFRS) and received an unqualified audit report.

The financial statements have been prepared on a going concern basis. In accordance with the Financial Reporting Council's guidance on 'Going Concern and Liquidity Risk', the Directors have undertaken a review of the Company's assets which primarily consist of a diverse portfolio of listed equity shares and in most circumstances, are realisable within a very short timescale.

## 2. Taxation

The taxation charge for the period represents withholding tax suffered on overseas dividend income.

## 3. Dividends

The following table shows the revenue for each period less the dividends declared in respect of the financial period to which they relate.

	Six months ended 30 September 2023 £'000	Six months ended 30 September 2022 £'000	Year ended 31 March 2023 £'000
Revenue	2,358	2,316	4,584
Dividends declared	(1,962) <sup>A</sup>	(1,982) <sup>B</sup>	(4,397) <sup>C</sup>
	396	334	187

<sup>A</sup> Dividends declared relate to first two interim dividends (3.20p each) in respect of the financial year 2023/24.

<sup>B</sup> Dividends declared relate to first two interim dividends (3.20p each) in respect of the financial year 2022/23.

<sup>C</sup> Three interim dividends (3.20p each), and the final dividend (4.60p) declared in respect of the financial year 2022/23.

## 4. Earnings per Ordinary share

	Six months ended 30 September 2023 £'000	Six months ended 30 September 2022 £'000	Year ended 31 March 2023 £'000
Returns are based on the following figures:			
Revenue return	2,358	2,316	4,584
Capital return	(1,782)	(12,427)	(6,615)
<b>Total return</b>	<b>576</b>	<b>(10,111)</b>	<b>(2,031)</b>
<b>Weighted average number of Ordinary shares in issue</b>	<b>30,795,219</b>	<b>30,874,580</b>	<b>30,919,854</b>

# Notes to the Financial Statements

## Continued

### 5. Net asset value per Ordinary share

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

	As at 30 September 2023 (unaudited)	As at 30 September 2022 (unaudited)	As at 31 March 2023 (audited)
Net assets per Condensed Balance Sheet (£'000)	77,353	73,809	79,913
3.5% Cumulative Preference shares of £1 each (£'000)	(50)	(50)	(50)
<b>Attributable net assets (£'000)</b>	<b>77,303</b>	<b>73,759</b>	<b>79,863</b>
<b>Number of Ordinary shares in issue</b>	<b>30,651,907</b>	<b>30,964,580</b>	<b>30,964,580</b>
<b>Net asset value per Ordinary share (p)</b>	<b>252.20</b>	<b>238.20</b>	<b>257.92</b>

The Company has a policy of calculating the net asset value per Ordinary share based on net assets less an amount due to holders of 3.5% Cumulative Preference shares of £1 each equating to £1 per share (£50,000), divided by the number of Ordinary shares in issue.

### 6. Called up share capital

	30 September 2023		30 September 2022		31 March 2023	
	Number	£'000	Number	£'000	Number	£'000
<b>Allotted, called up and fully paid Ordinary shares of 50 pence each:</b>						
Balance brought forward	30,964,580	15,482	30,819,580	15,410	30,819,580	15,410
Ordinary shares issued	-	-	145,000	72	145,000	72
Ordinary shares bought back	(312,673)	(156)	-	-	-	-
Balance carried forward	30,651,907	15,326	30,964,580	15,482	30,964,580	15,482
<b>Treasury shares:</b>						
Ordinary shares bought back to treasury	312,673	156	-	-	-	-
Balance carried forward	312,673	156	-	-	-	-
<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	50,000	50
		<b>15,532</b>		<b>15,532</b>		<b>15,532</b>

During the six months ended 30 September 2023, 312,673 Ordinary shares were bought back to treasury at a total cost of £720,000.

No Ordinary shares were issued during the period (six months ended 30 September 2022 – 145,000 for proceeds of £374,000; year ended 31 March 2023 – 145,000 for proceeds of £374,000).

## 7. Capital reserve

The capital reserve reflected in the Condensed Balance Sheet at 30 September 2023 includes unrealised gains of £6,691,000 (30 September 2022 – unrealised gains of £2,800,000; 31 March 2023 – unrealised gains of £7,045,000) which relate to the revaluation of investments held at the reporting date. The balance relates to realised gains of £26,737,000 (30 September 2022 – £27,318,000; 31 March 2023 – £28,885,000).

## 8. Analysis of changes in financial liabilities

	Six months ended 30 September 2023 £'000	Six months ended 30 September 2022 £'000	Year ended 31 March 2023 £'000
Opening balance at 1 April	(18,951)	(19,000)	(19,000)
Cashflow	-	60	60
Other movements <sup>A</sup>	(6)	(5)	(11)
<b>Closing balance</b>	<b>(18,957)</b>	<b>(18,945)</b>	<b>(18,951)</b>

<sup>A</sup> The other movements represent the amortisation of the loan arrangement fees.

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%. £9 million of the facility has been drawn down on a short-term basis at an all-in interest rate of 6.836%, maturing 4 October 2023. The new loan facility matures on 30 April 2027.

# Notes to the Financial Statements

## Continued

### 9. Transactions with the Manager

The Company has an agreement with abrdn Fund Managers Limited ("aFML") for the provision of management, secretarial, accounting and administration services and for the carrying out of promotional activities in relation to the Company.

The management fee is based on 0.45% per annum up to £100 million and 0.40% per annum 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 agreement is terminable on not less than six months' notice. The total of the fees paid and payable during the period to 30 September 2023 was £200,000 (30 September 2022 – £206,000; 31 March 2023 – £414,000) and the balance due to aFML at the period end was £100,000. (30 September 2022 – £101,000; 31 March 2023 – £105,000). The Company held an interest in a commonly managed investment trust, abrdn Smaller Companies Income Trust plc, in the portfolio during the period to 30 September 2023 (30 September 2022 and 31 March 2023 – same). The value attributable to this holding was excluded from the calculation of the management fee payable by the Company.

The management agreement with aFML also provides for the provision of promotional activities, which aFML has delegated to abrdn Investments Limited. The total fees paid and payable in relation to promotional activities were £20,000 (30 September 2022 – £20,000; 31 March 2023 – £40,000) and the balance due to aFML at the period end was £20,000 (30 September 2022 – £20,000; 31 March 2023 – £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 was charged to the Company during the period in respect of these services, which have been delegated to abrdn Holdings Limited.

### 10. Segmental information

For management purposes, the Company is organised into one main operating segment, which invests in equity securities and debt instruments. All of the Company's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

## 11. Fair value hierarchy

IFRS 13 'Fair 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 (ie as prices) or indirectly (ie 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 Condensed Balance Sheet are grouped into the fair value hierarchy as follows:

	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>At 30 September 2023</b>					
<b>Financial assets at fair value through profit or loss</b>					
Quoted investments	a)	94,570	-	-	94,570
<b>Net fair value</b>		<b>94,570</b>	<b>-</b>	<b>-</b>	<b>94,570</b>
<b>At 30 September 2022</b>					
<b>Financial assets at fair value through profit or loss</b>					
Quoted investments	a)	91,390	-	-	91,390
<b>Net fair value</b>		<b>91,390</b>	<b>-</b>	<b>-</b>	<b>91,390</b>
<b>At 31 March 2023</b>					
<b>Financial assets at fair value through profit or loss</b>					
Quoted investments	a)	96,655	-	-	96,655
<b>Net fair value</b>		<b>96,655</b>	<b>-</b>	<b>-</b>	<b>96,655</b>

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

### 12. Subsequent events

On 26 July 2023 the Company announced that it had agreed terms with the board of abrdn Smaller Companies Income Trust plc ("aSCIT") in respect of a proposed combination of the assets of the Company with those of aSCIT. Shareholders were sent documentation in October explaining that this combination was to be effected by way of a scheme of reconstruction and winding up of aSCIT under section 110 of the Insolvency Act 1986 (the "Scheme") and the associated transfer of the assets of aSCIT to the Company in exchange for the issue of new Ordinary shares in the Company to those aSCIT shareholders who rolled their shareholdings into the Company in accordance with the Scheme.

Shareholders approved the Scheme proposals at the Company's General Meeting held on 20 November 2023 and aSCIT's shareholders approved the Scheme proposals at their General Meeting held on the same day. The Scheme completed on 1 December. On that date the Company issued 11,268,494 new Ordinary shares to aSCIT shareholders in accordance with the Scheme. The new shares were admitted to trading on 4 December 2023.

As part of the Scheme, since the end of the period the Company has received an exceptional terminal dividend of £445,000 from its holding in aSCIT.

The management fee arrangements of the Company are unchanged, other than through the introduction of an administration fee of £120,000 per annum plus VAT, payable to the Manager.

Further details are contained in the Chairman's Statement.

- 13.** The financial information contained in this Half Yearly Financial Report does not constitute statutory accounts as defined in Sections 434 – 436 of the Companies Act 2006. The financial information for the six months ended 30 September 2023 and 30 September 2022 has not been reviewed or audited by the Company's independent auditor.

The information for the year ended 31 March 2023 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the independent auditor on those accounts contained no qualification or statement under Section 498 (2), (3) or (4) of the Companies Act 2006.

- 14.** This Half Yearly Financial Report was approved by the Board on 13 December 2023.

# 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 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.

		30 September 2023	31 March 2023
NAV per Ordinary share (p)	a	252.20	250.00
Share price (p)	b	234.50	257.92
Discount	(a-b)/a	(7.0)%	(3.1)%

## Dividend yield

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

		30 September 2023 <sup>A</sup>	31 March 2023
Annual dividend per Ordinary share (p)	a	14.20	14.20
Share price (p)	b	234.50	250.00
Dividend yield	a/b	6.1%	5.7%

<sup>A</sup> Based on annual dividend declared for previous year.

## 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.

		30 September 2023	31 March 2023
Borrowings (£'000)	a	18,957	18,951
Cash (£'000)	b	1,166	1,176
Amounts due to brokers (£'000)	c	85	-
Amounts due from brokers (£'000)	d	-	-
Shareholders' funds (£'000)	e	77,353	79,913
<b>Net gearing</b>	(a-b+c-d)/e	<b>23.1%</b>	<b>22.2%</b>

# Alternative Performance Measures

## Continued

### Ongoing charges

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 daily net asset values published throughout the year. The ratio for 30 September 2023 is based on forecast ongoing charges for the year ending 31 March 2024.

	30 September 2023	31 March 2023
Investment management fees (£'000)	400	414
Administrative expenses (£'000)	476	417
Less: non-recurring charges <sup>A</sup> (£'000)	(24)	-
Ongoing charges (£'000)	852	831
Average net assets (£'000)	78,175	80,617
<b>Ongoing charges ratio (excluding look-through costs)</b>	<b>1.09%</b>	<b>1.03%</b>
<b>Look-through costs<sup>B</sup></b>	<b>0.17%</b>	<b>0.14%</b>
<b>Ongoing charges ratio (including look-through costs)</b>	<b>1.26%</b>	<b>1.17%</b>

<sup>A</sup> Comprises promotional activity 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.

## 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 Benchmark, respectively.

<b>Six months ended 30 September 2023</b>		<b>NAV</b>	<b>Share Price</b>
Opening at 1 April 2023	a	<b>257.92p</b>	250.00p
Closing at 30 September 2023	b	<b>252.20p</b>	234.50p
Price movements	$c=(b/a)-1$	<b>(2.2)%</b>	(6.2)%
Dividend reinvestment <sup>A</sup>	d	<b>3.1%</b>	3.1%
<b>Total return</b>	c+d	<b>0.9%</b>	(3.1)%

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

<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.

# Investor Information

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

The Company has appointed abrdrn 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 abrdrn 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](http://shiresincome.co.uk).

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

abrdrn 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 abrdrn or for third party firms. abrdrn 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 abrdrn and any third party making such offers/claims has no link with abrdrn.

abrdrn 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, and end the call.

The Financial Conduct Authority provides advice with respect to share fraud and boiler room scams at: [fca.org.uk/consumers/scams](http://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@abrdrn.com](mailto:CEF.CoSec@abrdrn.com).

## Closure of the abrdrn Investment Trust Savings Plans (the "Plans")

In June 2023, abrdrn notified existing investors in the abrdrn Investment Trust ISA, Share Plan and Investment Plan for Children that these plans would be closing in December 2023. The Plans closed on 8 December 2023. All investors with a holding or cash balance at that time were transferred to interactive investor ("ii"). ii communicated with investors in late November to set up account security to ensure that investors can access holdings via ii as the Plans close.

Please contact ii for any ongoing support with your account on **0345 646 1366**, or **+44 113 346 2309** if you are calling from outside the UK. Lines are open 8.00am to 5.00pm Monday to Friday. Alternatively you can access the ii website at: [www.ii.co.uk/abrdrn-welcome](http://www.ii.co.uk/abrdrn-welcome).

## 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 private investors, there are a number of online dealing platforms 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).

## How to Attend and Vote at Company Meetings

Investors who hold their shares through a 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](http://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 Company's website.**

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

### Twitter

@abrdnTrusts

### LinkedIn

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.

## 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 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 ("NMPs") 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 NMPs because they are securities issued by an investment trust.

## 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 30 to 31 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.*



# 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

## Company Registration Number

00386561 (England & Wales)

## Website

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

## Registrars

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

## Independent 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")

549300HVCIHNNQNZAYA89



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

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