

Shires Income PLC

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

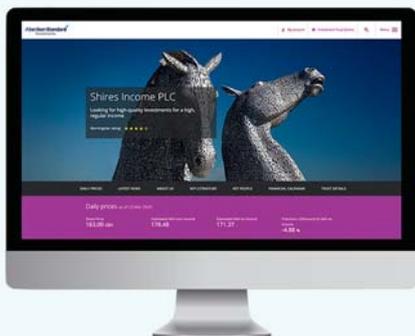


Investment Objective

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

The Company's benchmark is the FTSE All-Share Index.



Visit our Website

To find out more about Shires Income PLC, please visit: shiresincome.co.uk



“The first half of the financial year was a more stable environment as the global economy continued to recover from the Covid-19 pandemic.”

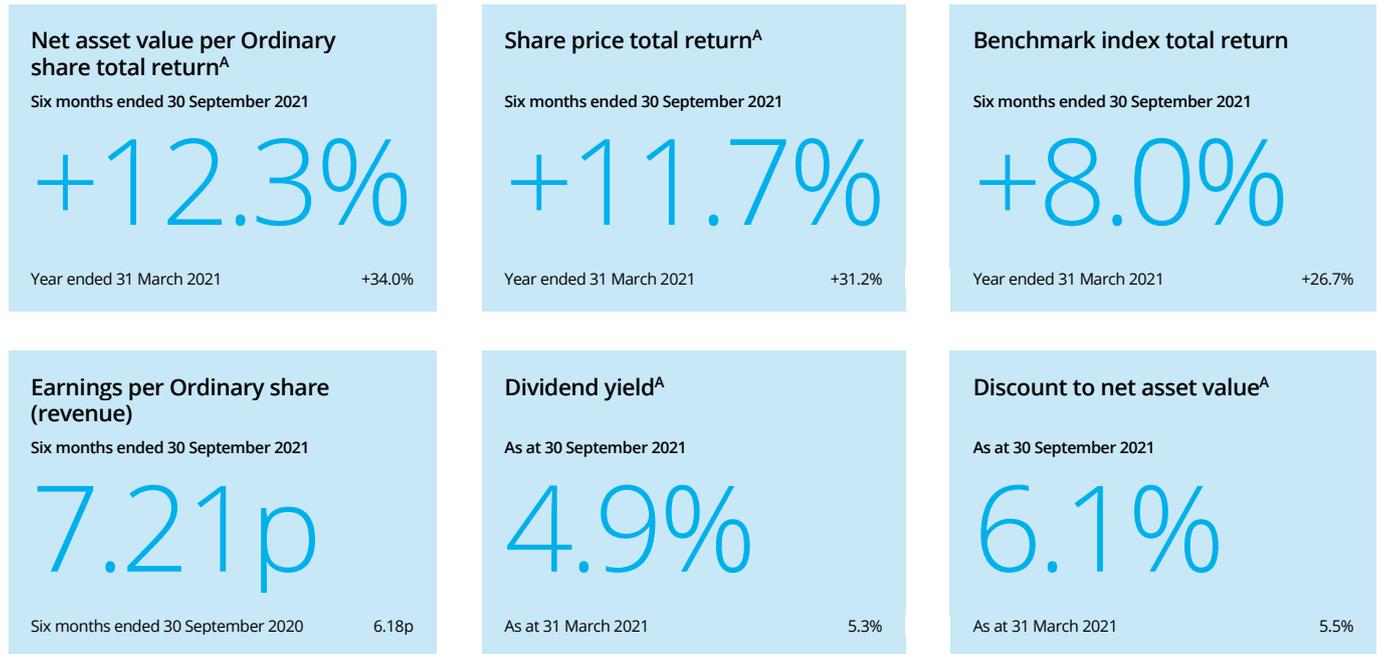
Robert Talbut, Chairman

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Highlights and Financial Calendar

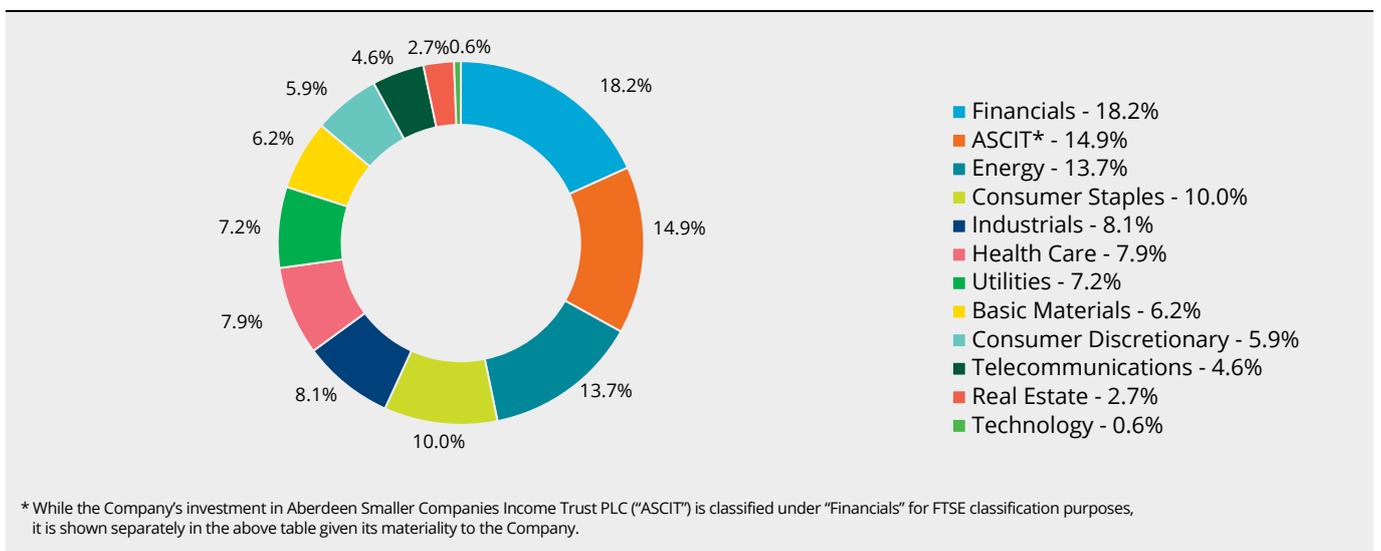
Performance Highlights



^A Considered to be an Alternative Performance Measure.

An explanation of the Alternative Performance Measures is provided on pages 24 and 25.

Analysis of Listed Equity Portfolio



“Over the first half of the financial year the Company’s net asset value (“NAV”) increased by 12.3% on a total return basis, outperforming the total return from the FTSE All-Share Index by 4.3%.”

Robert Talbut, Chairman

Financial Calendar

| | |
|---|---|
| Expected payment dates of quarterly dividends | 29 October 2021 28 January 2022 29 April 2022 29 July 2022 |
|---|---|

| | |
|--------------------|---------------|
| Financial year end | 31 March 2022 |
|--------------------|---------------|

| | |
|---|----------|
| Expected announcement of results for year ended 31 March 2022 | May 2022 |
|---|----------|

| | |
|---|-------------|
| Expected date of Annual General Meeting | 6 July 2022 |
|---|-------------|

Financial Highlights

| | 30 September 2021 | 31 March 2021 | % change |
|---|-------------------|---------------|----------|
| Total assets (£'000) ^A | 107,505 | 99,856 | +7.7 |
| Shareholders' funds (£'000) | 88,506 | 80,857 | +9.5 |
| Net asset value per share | 287.01p | 262.41p | +9.4 |
| Share price (mid-market) | 269.50p | 248.00p | +8.7 |
| Discount to net asset value (cum-income) ^B | 6.1% | 5.5% | |
| Dividend yield ^B | 4.9% | 5.3% | |
| Net gearing ^B | 20.7% | 16.5% | |
| Ongoing charges ratio ^B | 1.17% | 1.21% | |

^A Less current liabilities excluding bank loans of £18,999,000.

^B Considered to be an Alternative Performance Measure. Further details can be found on pages 24 and 25.

Performance (total return)

| | Six months ended 30 September 2021 | Year ended 30 September 2021 | Three years ended 30 September 2021 | Five years ended 30 September 2021 |
|------------------------------|---------------------------------------|---------------------------------|--|---------------------------------------|
| Net asset value ^A | +12.3% | +32.2% | +22.9% | +42.3% |
| Share price ^A | +11.7% | +33.1% | +24.9% | +53.2% |
| FTSE All-Share Index | +8.0% | +27.9% | +9.5% | +29.8% |

^A Considered to be an Alternative Performance Measure. Further details can be found on page 24.
All figures are for total return and assume reinvestment of net dividends excluding transaction costs.

Chairman's Statement

Market Background

The first half of the financial year was a more stable environment as the global economy continued to recover from the Covid-19 pandemic. Although we have seen spikes in case numbers in various geographies, including the UK, economic activity has picked up and, in the majority of countries, restrictions on movement and interaction have been significantly reduced compared to last year. Concerns certainly remain, especially as we enter winter in the Northern Hemisphere and the effectiveness of vaccination programmes begins to fade, but for the majority of companies the outlook is clearer than it has been for some time. The rapid resumption of economic activity has, however, brought its own issues. Global supply chains have felt the strain, with shipping rates rising sharply and delays to the delivery of many goods. Commodity prices have risen and tightening labour markets have led to wage rises in a number of areas. Concerns around inflation have therefore increased and, although some supply chain effects will be transitory, there is every chance of more sustained price pressures than we have seen for some time. The ability of companies to manage these cost pressures will have a significant bearing on profit trends in 2022.

So far, central banks have continued with loose monetary policy and low interest rates. However, there are signs of this changing and commentary from central banks has flagged rate rises on the horizon. The UK has been exposed to all of these economic changes. High vaccination rates and substantial consumer savings have led to a jump in activity, while supply chain issues and labour market tightness have likely been further increased by the exit from the EU. After a decade of falling interest rates and low inflation we should therefore be alive to a change in direction and the resultant potential impact on equity market valuations.

Despite these concerns, the economic background has been generally supportive for UK equities, with the recovery in earnings outweighing the impact of inflation and higher bond yields on valuations. The FTSE All-Share Index benchmark produced a total return of 8.0% in the six-month period, with the best performing sectors being energy (+20%) and healthcare (+19%). It is rare for these two sectors to both outperform simultaneously, but this market leadership reflects the rising oil price combined with a more defensive skew in the market through the summer as concerns around the effect of the Delta variant of Covid-19 increased.

Investment Performance

Over the first half of the financial year the Company's net asset value ("NAV") increased by 12.3% on a total return basis, outperforming the total return from the FTSE All-Share Index by 4.3%. The equity portfolio delivered positive relative performance, returning 12.0%, while the preference share portfolio returned 7.9%. By sector, the Company benefited from strong relative performance in consumer discretionary, financials and real estate holdings, offset by weaker relative performance from the portfolio's exposure to telecoms and industrials.

The greatest positive contributor to performance on a single stock basis was **Sirius Real Estate** which rose in value by 50% in the period. The company continued to grow rental income steadily and improved its balance sheet position through a successful bond issue. The German market, on which Sirius is focused, normalised during the period and the premium to NAV for its shares increased.

The next greatest positive contribution came from online gambling firm **Entain**, which rose by 40%. Entain has continued to trade well, posting growing revenues and with its US joint venture with MGM winning market share in the fast-growing US sports gaming market. At the end of the period Entain was subject to a bid from rival company Draft Kings. Although a final offer was not made in this case due to the complexity of the proposed transaction, Entain has continued to trade well and the Investment Manager continues to see upside to the shares.

Another strong performer was **John Laing**, which was sold to a private equity firm during the period. We have seen a range of UK companies being sold in the past six months as positive economic data and cheap valuations make the market attractive for acquirers.

The positive rebound in the UK economy could also be seen in a number of domestic industrial names. **Morgan Sindall**, which provides office fit-out work and construction, delivered a 38% return after being added to the portfolio, while **Howden Joinery** returned 27% as consumer demand for kitchens remained strong.

Finally, the portfolio also benefitted from strong performance from the holding in **Aberdeen Smaller Companies Income Trust**, which increased in value by 26%.

The greatest detractors from relative performance in the period were large companies that are not held within the portfolio and which performed well: Glencore, Relx, Ashtead and Experian all delivered strong returns in the period and therefore detracted from relative performance. In each case, the Investment Manager sees either a lack of income or quality as a reason not to hold these companies.

Of the companies held in the portfolio, only two disappointed notably during the period. Both **Standard Chartered** and **Ashmore** are financial companies exposed to emerging markets. As emerging markets, and especially China, performed poorly through the summer these two stocks lagged the market, with Standard Chartered falling 13% and Ashmore 15%. In the Investment Manager's view both companies are undervalued and offer exposure to a region with strong growth potential, and remain attractive on a longer-term view.

Portfolio Activity

During the period, the Investment Manager added eight new positions to the portfolio and exited four. The imbalance reflects a number of attractive opportunities to enhance the income generated by the portfolio. Overall, there has been a mild skew to add some more value to the portfolio and also some leverage to improving economic growth and a higher interest rate outlook, hence a number of new positions in banks and UK domestic names.

During the period, the Investment Manager added eight new positions to the portfolio and exited four. The imbalance reflects a number of attractive opportunities to enhance the income generated by the portfolio.

Electrocomponents is a distributor and supplier of electrical components to industry. It has delivered a strong track record of earnings growth over time, building customer loyalty through the breadth and depth of its product offering. The company also has the ability to accelerate growth through acquisitions and delivers a reasonable yield.

Balfour Beatty was added following the exit of John Laing, maintaining exposure to UK infrastructure investment which the Investment Manager sees as an attractive area given the point in the economic cycle. Government support for spending is likely to give higher visibility on projects and revenue than has been seen for some time and the pipeline should support mid-single-digit earnings growth on an attractive price/earnings multiple. The headline yield is around market level but the potential for growth and special dividends makes it attractive for the portfolio.

Bridgepoint was another new addition that maintains some exposure in the portfolio to private markets. It is a leading investor in private growth businesses which listed on the UK market earlier this year. It gives access to a higher growth part of the market with potential for an above market cash return over time.

Nordea Bank is a Swedish listed bank. It has come through the Covid-19 pandemic with a strengthened capital position and is now able to return material capital to shareholders over the next few years. Combined with a high return on capital for the sector and exposure to a rising interest rate environment, this makes it attractive for income.

The Investment Manager also initiated a position in a second European bank, **Bawag**, which is listed in Austria and focused on Central and Eastern Europe. The bank is a high return business and has grown through acquisitions, yet also sits with a large amount of excess capital, allowing for a period of elevated distributions which makes it attractive for income investing.

A number of additions to the portfolio looked to increase the portfolio's exposure to the UK domestic economy as it rebounds from the pandemic. **OneSavingsBank ("OSB")** is a UK lender specialising in loans to professional landlords. The area it operates in results in the bank earning a higher return on capital than large scale UK banks. It should benefit from the recovery in the UK economy and a tight property market. **Redrow** is a UK housebuilder and offers similar exposure to UK growth. The business is cash generative and attractively valued compared to peers, with an above market level dividend yield. With the housing market remaining tight and continued demand for new-build properties, the Investment Manager has a positive outlook for the sector.

Chairman's Statement Continued

The final new position was in **Drax**. Drax is a UK power producer, with attractive positioning in the near term as it is a beneficiary of high energy costs, and particularly UK natural gas prices. In the longer term, Drax is attractive due to its shift to generate power using biomass which, when combined with a carbon capture scheme, allows it to generate negative carbon emissions.

The exits from the portfolio fell into two parts: Either companies which were bid for and where the Investment Manager took profits, or where the Investment Manager saw them as fully valued after outperformance and chose to move on. In the first category, **Avast** and **John Laing** received bids. In the second category, **Londonmetric Property** and **Dechra Pharmaceuticals** both performed well and, with less upside, were sold.

Investment Income

The revenue earnings per share for the period were 7.21p, which compares to 6.18p for the equivalent period last year. Across the portfolio there have been increases in investment income. This partially reflects the resumption of dividends by companies after the pandemic impacted shareholder returns last year.

Companies generally have a more confident outlook, while regulatory barriers to payments, for example in the banking sector, have now been lifted.

By company, there were meaningful increases in dividends from **BHP** and **Rio Tinto**, which have benefited from a period of particularly high iron ore prices. In the energy sector, **Diversified Energy** has continued to grow its dividend and **BP** and **Royal Dutch Shell** have increased their dividends after cutting them sharply in 2020. Banks in general have come out of the pandemic with a high level of capital and, after suspending dividend payments, are able to return excess capital this year. This has largely come back to shareholders in the form of buybacks, but recent additions to the portfolio, **Bawag** and **Nordea Bank**, have enhanced overall income generation.

Dividends

A first interim dividend of 3.2p per Ordinary share in respect of the year ending 31 March 2022 (2021: first interim dividend - 3.0p) was paid on 29 October 2021. The Board declares a second interim dividend of 3.2p per Ordinary share (2021: second interim dividend - 3.0p), payable on 28 January 2022 to shareholders on the register at close of business on 7 January 2022.

It is the Board's current intention that the final dividend will be no less than 4.2p per Ordinary share (2021: 4.2p), resulting in a total dividend for the year of at least 13.8p per Ordinary share (2021: 13.2p).

Subject to unforeseen circumstances, it is proposed to pay a further interim dividend of 3.2p per Ordinary share in respect of the financial year and, as in previous years, the Board will decide on the level of final dividend having reviewed the full year's results, taking into account the outcome of the revenue account for the year and the general outlook for the portfolio's investment income at that time. However, it is the Board's current intention that the final dividend will be no less than 4.2p per Ordinary share (2021: 4.2p), resulting in a total dividend for the year of at least 13.8p per Ordinary share (2021: 13.2p).

Gearing

The Company's gearing level (net of cash) was 20.7% as at 30 September 2021 compared to 16.5% at the start of the period. There were no changes to the Company's borrowing arrangements during the period, with £19 million of the Company's £20 million facility being drawn down at the period end. £9 million of this amount continues to be drawn down on a short-term basis through a revolving credit facility and can be repaid without incurring any financial penalties. The facility matures in September 2022.

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, some with higher yields but other strongly growing businesses with much lower yields but with the prospect of stronger growth. This combination means that the Company can achieve a high level of dividend but also deliver some capital appreciation to shareholders.

Outlook

Going into 2022, the global economy faces a number of headwinds which are likely to result in growth slowing when compared with 2021. These include an economic slowdown in China and some degree of interest rate normalisation across the globe as many central banks have already signalled a more hawkish stance going forward. In addition, the outlook for the next six months is clouded to some extent by the impact of Covid-19 as we go through the winter period, including the recently discovered Omicron variant. It seems quite possible that we will see continued rising case numbers and there is the potential for increased restrictions being imposed in the UK and elsewhere at some stage although renewed lockdowns in the UK appear unlikely at present. Any measures that would inhibit the current growth trajectory would clearly be taken negatively by financial markets and does therefore create a short-term risk. Provided lockdowns can be avoided, the economy looks in good health and activity is likely to remain high with good economic growth prospects into 2022, although we should expect to see more commentary on cost and wage inflation and its impact on company earnings. This creates a risk to the earnings outlook which, combined with the likely start of the process of normalisation of interest rates, may restrict the upside in equity valuations.

The defensive nature of the portfolio should provide protection against too much downside and the Investment Manager continues to see plenty of upside potential for the companies in the portfolio. Banks will be significant beneficiaries of any higher rates, for example, and, more broadly, those companies that can pass through cost inflation to clients will benefit from revenue growth. This latter ability is something the Investment Manager increasingly looks for when they assess the quality of companies in the portfolio. Importantly, the Investment Manager also sees continued potential for income growth from the portfolio after the dividend cuts of 2020 are unwound. This combination should give confidence in the future prospects from the portfolio and for the Company overall.

Robert Talbut
Chairman

2 December 2021

Other Matters

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 2021 and comprise the following risk headings:

- Strategic objectives and investment policy
- Investment performance
- Failure to maintain, and grow the dividend over the longer term
- Widening of discount
- Gearing
- Regulatory obligations
- Operational
- Exogenous risks such as health, social, financial and geo-political

In addition to these risks, the Board is conscious of the continuing impact on the global economy and financial markets caused by the Covid-19 pandemic which emerged in early 2020. The Board considers that this is a risk that could have further implications for financial markets and the operating environment of the Company.

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 circumstances, including in the current market environment, the Company's investments are realisable within a 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 September 2022. £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.

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 2 December 2022, 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

2 December 2021

Ten Largest Investments

As at 30 September 2021



Aberdeen Smaller Companies Income Trust

Aberdeen Smaller Companies Income Trust has the objective of providing a high and growing dividend and capital growth from a portfolio invested principally in the ordinary shares of small UK companies and UK fixed income securities. The holding provides the Company with exposure to a portfolio of 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.



Diversified Energy

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



Diageo

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



Royal Dutch Shell 'B'

Royal Dutch 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.



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.



BHP

BHP is the world's largest mining company, with a focus on mining iron ore and copper as well as an oil production business. A beneficial position on the commodity cost curve allows the company to deliver strong cash generation, supporting an attractive dividend yield.



BP

BP is an integrated energy company. It produces and refines oil, natural gas and chemicals as well as having a significant retail operation. BP also has exposure to renewable power generation through wind and solar capacity and is a significant trader of commodities and energy.



Entain

Entain is an online gaming company with operations in the UK and in the US through its Joint Venture with MGM. It is a leading business in sports gambling and online casino operations and is set to benefit from the regulation of sports gaming in the US.



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.

Investment Portfolio – Equities

As at 30 September 2021

| Company | Market value £'000 | Total portfolio % |
|---|-----------------------|----------------------|
| Aberdeen Smaller Companies Income Trust | 11,794 | 11.1 |
| AstraZeneca | 3,769 | 3.6 |
| Diversified Energy | 2,665 | 2.5 |
| Diageo | 2,560 | 2.4 |
| Royal Dutch Shell 'B' | 2,345 | 2.2 |
| SSE | 2,278 | 2.1 |
| BHP | 2,273 | 2.1 |
| BP | 2,121 | 2.0 |
| Entain | 1,981 | 1.9 |
| British American Tobacco | 1,976 | 1.9 |
| Ten largest investments | 33,762 | 31.8 |
| Standard Chartered | 1,965 | 1.8 |
| TotalEnergies | 1,888 | 1.8 |
| Prudential | 1,831 | 1.7 |
| Rio Tinto | 1,739 | 1.6 |
| GlaxoSmithKline | 1,568 | 1.5 |
| Chesnara | 1,568 | 1.5 |
| National Grid | 1,553 | 1.5 |
| Vodafone | 1,505 | 1.4 |
| Sirius Real Estate | 1,445 | 1.4 |
| Close Brothers | 1,390 | 1.3 |
| Twenty largest investments | 50,214 | 47.3 |
| Howden Joinery | 1,360 | 1.3 |
| Unilever | 1,317 | 1.3 |
| M&G | 1,314 | 1.2 |
| Energear | 1,286 | 1.2 |
| Inchcape | 1,284 | 1.2 |
| Telecom Plus | 1,280 | 1.2 |
| Morgan Sindall | 1,236 | 1.2 |
| Direct Line Insurance | 1,207 | 1.1 |
| Imperial Brands | 1,129 | 1.1 |
| Ashmore | 991 | 0.9 |
| Thirty largest investments | 62,618 | 59.0 |

As at 30 September 2021

| Company | Market value £'000 | Total portfolio % |
|----------------------------------|-----------------------|----------------------|
| Bodycote | 954 | 0.9 |
| Coca-Cola HBC | 931 | 0.9 |
| Novo-Nordisk | 912 | 0.9 |
| Fortum | 910 | 0.9 |
| Countryside Properties | 889 | 0.8 |
| Mondi | 881 | 0.8 |
| Telenor | 871 | 0.8 |
| Bawag | 866 | 0.8 |
| Electrocomponents | 844 | 0.8 |
| OSB | 826 | 0.8 |
| Forty largest investments | 71,502 | 67.4 |
| AXA | 758 | 0.7 |
| Euromoney Institutional Investor | 747 | 0.7 |
| Marshalls | 716 | 0.7 |
| Balfour Beatty | 704 | 0.7 |
| Assura | 689 | 0.6 |
| Nordea Bank | 580 | 0.5 |
| United Utilities | 551 | 0.5 |
| Schroders | 541 | 0.5 |
| Wood Group | 532 | 0.5 |
| Bridgepoint | 527 | 0.5 |
| Fifty largest investments | 77,847 | 73.3 |
| Softcat | 478 | 0.5 |
| Drax | 459 | 0.4 |
| Redrow | 449 | 0.4 |
| Jackson Financial | 74 | 0.1 |
| Total equity investments | 79,307 | 74.7 |

Investment Portfolio – Other Investments

As at 30 September 2021

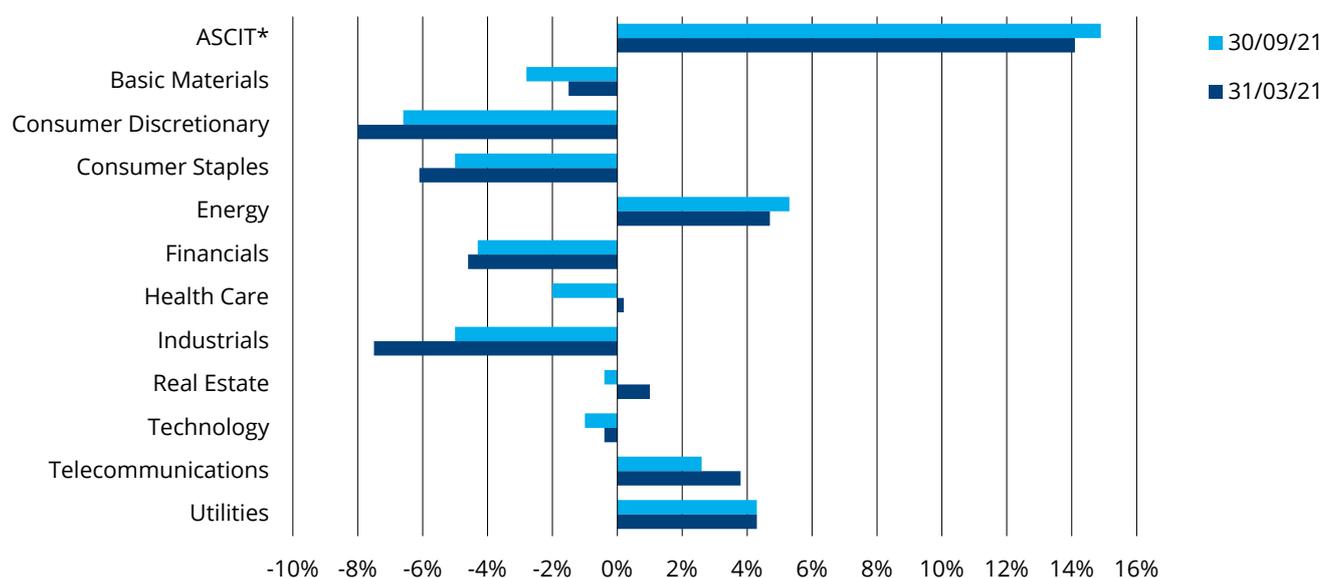
| Company | Market value £'000 | Total portfolio % |
|--|-----------------------|----------------------|
| Preference shares^A | | |
| Ecclesiastical Insurance Office 8 5/8% | 6,826 | 6.4 |
| Royal & Sun Alliance 7 3/8% | 5,394 | 5.1 |
| Santander 10.375% | 4,913 | 4.6 |
| General Accident 7.875% | 4,825 | 4.6 |
| Standard Chartered 8.25% | 4,061 | 3.8 |
| R.E.A. Holdings 9% | 843 | 0.8 |
| Total preference shares | 26,862 | 25.3 |
| Total equity investments | 79,307 | 74.7 |
| Total investments | 106,169 | 100.0 |

^A None of the preference shares listed above has a fixed redemption date.

Distribution of Assets and Liabilities

| | Valuation at 31 March 2021 | | Movement during the period | | | Valuation at 30 September 2021 | |
|---|-------------------------------|--------------|----------------------------|----------------|----------------|-----------------------------------|--------------|
| | £'000 | % | Purchases £'000 | Sales £'000 | Gains £'000 | £'000 | % |
| Listed investments | | | | | | | |
| Equities | 68,058 | 84.2 | 11,442 | (6,549) | 6,356 | 79,307 | 89.6 |
| Preference shares | 25,487 | 31.5 | - | - | 1,375 | 26,862 | 30.4 |
| Total investments | 93,545 | 115.7 | 11,442 | (6,549) | 7,731 | 106,169 | 120.0 |
| Current assets | 6,642 | 8.2 | | | | 1,565 | 1.7 |
| Current liabilities | (9,331) | (11.5) | | | | (19,228) | (21.7) |
| Non-current liabilities | (9,999) | (12.4) | | | | - | - |
| Net assets | 80,857 | 100.0 | | | | 88,506 | 100.0 |
| Net asset value per Ordinary share | 262.4p | | | | | 287.0p | |

Listed Equities Weighting relative to the FTSE All-Share Index



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

Investment Case Studies



Howden Joinery

Howden Joinery is the UK's leading manufacturer and distributor of fitted kitchens. It sells its products to local builders through a network of depots across the UK. Over time, the company has proven to deliver sustainable growth through a combination of depot roll out and improved offering. Its products remain price competitive and the network creates a barrier to entry for peers. Howden is also well placed in the current environment, given the high savings rate in the UK and the increased demand to spend on home improvements. While the dividend yield at 1.8% is not particularly high, the company has a track record of growth as well as paying special dividends.

Drax

Drax is a UK power producer. Having shut down historic coal fired power stations, it is now focused on renewable power generation, the production of biomass and the sale of renewable electricity. In the short term, Drax is well positioned as it benefits from higher natural gas prices in the UK. Longer term, it offers a route to growth in low carbon power generation through its Bioenergy with Carbon Capture and Storage ("BECCS") process, which uses biomass combined with carbon sequestration and storage to deliver zero carbon electricity. The first BECCS development is in line for government approval in the UK, with long term potential that the technology can be used on a broader scale. In the Investment Manager's view, the valuation is attractive, with limited value included for BECCS to date and likely upgrades as power price hedges are rolled forward at higher rates.



Condensed Statement of Comprehensive Income

| | Note | 30 September 2021 (unaudited) | | | 30 September 2020 (unaudited) | | | 31 March 2021 (audited) | | |
|--|------|----------------------------------|------------------|----------------|----------------------------------|------------------|----------------|----------------------------|------------------|----------------|
| | | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Gains on investments at fair value | | - | 7,739 | 7,739 | - | 6,943 | 6,943 | - | 17,514 | 17,514 |
| Currency gains/(losses) | | - | 6 | 6 | - | 7 | 7 | - | (5) | (5) |
| Investment income | | | | | | | | | | |
| Dividend income | | 2,448 | - | 2,448 | 2,153 | - | 2,153 | 4,278 | - | 4,278 |
| Stock dividends | | 164 | - | 164 | 49 | - | 49 | 75 | - | 75 |
| Traded option premiums | | 29 | - | 29 | 88 | - | 88 | 176 | - | 176 |
| | | 2,641 | 7,745 | 10,386 | 2,290 | 6,950 | 9,240 | 4,529 | 17,509 | 22,038 |
| Expenses | | | | | | | | | | |
| Management fee | | (106) | (106) | (212) | (92) | (92) | (184) | (189) | (190) | (379) |
| Administrative expenses | | (212) | - | (212) | (201) | - | (201) | (358) | - | (358) |
| Finance costs | | (66) | (65) | (131) | (68) | (67) | (135) | (132) | (132) | (264) |
| | | (384) | (171) | (555) | (361) | (159) | (520) | (679) | (322) | (1,001) |
| Profit before taxation | | 2,257 | 7,574 | 9,831 | 1,929 | 6,791 | 8,720 | 3,850 | 17,187 | 21,037 |
| Taxation | 2 | (34) | - | (34) | (26) | - | (26) | (54) | - | (54) |
| Profit attributable to equity holders | | 2,223 | 7,574 | 9,797 | 1,903 | 6,791 | 8,694 | 3,796 | 17,187 | 20,983 |
| Earnings per Ordinary share (pence) | 4 | 7.21 | 24.59 | 31.80 | 6.18 | 22.06 | 28.24 | 12.33 | 55.82 | 68.15 |

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 Condensed Statement of Comprehensive Income of the Company, prepared in accordance with IFRS. 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 2021 (unaudited) £'000 | As at 30 September 2020 (unaudited) £'000 | As at 31 March 2021 (audited) £'000 |
|---|------|--|--|--|
| Non-current assets | | | | |
| Equities | | 79,307 | 59,914 | 68,058 |
| Preference shares | | 26,862 | 24,243 | 25,487 |
| Securities at fair value | | 106,169 | 84,157 | 93,545 |
| Current assets | | | | |
| Accrued income and prepayments | | 895 | 721 | 988 |
| Cash and cash equivalents | | 670 | 4,863 | 5,654 |
| | | 1,565 | 5,584 | 6,642 |
| Creditors: amounts falling due within one year | | | | |
| Trade and other payables | | (229) | (335) | (331) |
| Short-term borrowings | | (18,999) | (9,000) | (9,000) |
| | | (19,228) | (9,335) | (9,331) |
| Net current liabilities | | (17,663) | (3,751) | (2,689) |
| Total assets less current liabilities | | 88,506 | 80,406 | 90,856 |
| Non-current liabilities | | | | |
| Long-term borrowings | | - | (9,998) | (9,999) |
| Net assets | | 88,506 | 70,408 | 80,857 |
| Share capital and reserves | | | | |
| Called-up share capital | 6 | 15,460 | 15,447 | 15,447 |
| Share premium account | | 21,109 | 21,052 | 21,052 |
| Capital reserve | 7 | 45,415 | 27,445 | 37,841 |
| Revenue reserve | | 6,522 | 6,464 | 6,517 |
| Equity shareholders' funds | | 88,506 | 70,408 | 80,857 |
| Net asset value per Ordinary share (pence) | 5 | 287.01 | 228.48 | 262.41 |

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

Condensed Statement of Changes in Equity

Six months ended 30 September 2021 (unaudited)

| | 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 period | - | - | 7,574 | 2,223 | 9,797 |
| Equity dividends | - | - | - | (2,218) | (2,218) |
| As at 30 September 2021 | 15,460 | 21,109 | 45,415 | 6,522 | 88,506 |

Six months ended 30 September 2020 (unaudited)

| | Share capital £'000 | Share premium account £'000 | Capital reserve £'000 | Revenue reserve £'000 | Total £'000 |
|--------------------------------|------------------------|--------------------------------|--------------------------|--------------------------|----------------|
| As at 31 March 2020 | 15,435 | 21,005 | 20,654 | 6,770 | 63,864 |
| Issue of Ordinary shares | 12 | 47 | - | - | 59 |
| Profit for the period | - | - | 6,791 | 1,903 | 8,694 |
| Equity dividends | - | - | - | (2,209) | (2,209) |
| As at 30 September 2020 | 15,447 | 21,052 | 27,445 | 6,464 | 70,408 |

Year ended 31 March 2021 (audited)

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

Condensed Cash Flow Statement

| | Six months ended 30 September 2021 (unaudited) £'000 | Six months ended 30 September 2020 (unaudited) £'000 | Year ended 31 March 2021 (audited) £'000 |
|--|---|---|---|
| Net cash inflow from operating activities | | | |
| Dividend income received | 2,561 | 2,302 | 4,105 |
| Options premium received | 42 | 106 | 172 |
| Management fee paid | (299) | (97) | (281) |
| Other cash expenses | (226) | (189) | (353) |
| Cash generated from operations | 2,078 | 2,122 | 3,643 |
| Interest paid | (143) | (136) | (252) |
| Overseas tax paid | (48) | (32) | (58) |
| Net cash inflows from operating activities | 1,887 | 1,954 | 3,333 |
| Cash flows from investing activities | | | |
| Purchases of investments | (11,278) | (7,069) | (10,252) |
| Sales of investments | 6,549 | 8,330 | 12,777 |
| Net cash (outflow)/inflow from investing activities | (4,729) | 1,261 | 2,525 |
| Cash flows from financing activities | | | |
| Equity dividends paid | (2,218) | (2,209) | (4,049) |
| Issue of Ordinary shares | 70 | 59 | 59 |
| Net cash outflow from financing activities | (2,148) | (2,150) | (3,990) |
| Net (decrease)/increase in cash and cash equivalents | (4,990) | 1,065 | 1,868 |
| Reconciliation of net cash flow to movements in cash and cash equivalents | | | |
| (Decrease)/increase in cash and cash equivalents as above | (4,990) | 1,065 | 1,868 |
| Net cash and cash equivalents at start of period | 5,654 | 3,791 | 3,791 |
| Effect of foreign exchange rate changes | 6 | 7 | (5) |
| Cash and cash equivalents at end of period | 670 | 4,863 | 5,654 |

Non-cash transactions during the period comprised stock dividends of £164,000 (30 September 2020 – £49,000; 31 March 2021 – £75,000).

Notes to the Financial Statements

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 2021 financial statements, which was 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 2021 £'000 | Six months ended 30 September 2020 £'000 | Year ended 31 March 2021 £'000 |
|--------------------|--|--|--------------------------------------|
| Revenue | 2,223 | 1,903 | 3,796 |
| Dividends declared | (1,972) ^A | (1,848) ^B | (4,065) ^C |
| | 251 | 55 | (269) |

^A Dividends declared relate to first two interim dividends (3.20p each) in respect of the financial year 2021/22.

^B Dividends declared relate to first two interim dividends (3.00p each) in respect of the financial year 2020/21.

^C First three interim dividends (3.00p each) and the final dividend (4.20p) declared in respect of the financial year 2020/21.

4. **Earnings per Ordinary share**

| | Six months ended 30 September 2021 £'000 | Six months ended 30 September 2020 £'000 | Year ended 31 March 2021 £'000 |
|--|--|--|--------------------------------------|
| Returns are based on the following figures: | | | |
| Revenue return | 2,223 | 1,903 | 3,796 |
| Capital return | 7,574 | 6,791 | 17,187 |
| Total return | 9,797 | 8,694 | 20,983 |
| Weighted average number of Ordinary shares in issue | 30,804,963 | 30,781,875 | 30,788,210 |

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 2021 (unaudited) | As at 30 September 2020 (unaudited) | As at 31 March 2021 (audited) |
|--|---|---|-------------------------------------|
| Net assets per Condensed Balance Sheet (£'000) | 88,506 | 70,408 | 80,857 |
| 3.5% Cumulative Preference shares of £1 each (£'000) | (50) | (50) | (50) |
| Attributable net assets (£'000) | 88,456 | 70,358 | 80,807 |
| Number of Ordinary shares in issue | 30,819,580 | 30,794,580 | 30,794,580 |
| Net asset value per Ordinary share (p) | 287.01 | 228.48 | 262.41 |

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 2021 | | 30 September 2020 | | 31 March 2021 | |
|--|-------------------|---------------|-------------------|---------------|---------------|---------------|
| | Number | £'000 | Number | £'000 | Number | £'000 |
| Allotted, called up and fully paid Ordinary shares of 50 pence each: | | | | | | |
| Balance brought forward | 30,794,580 | 15,397 | 30,769,580 | 15,385 | 30,769,580 | 15,385 |
| Ordinary shares issued | 25,000 | 13 | 25,000 | 12 | 25,000 | 12 |
| Balance carried forward | 30,819,580 | 15,410 | 30,794,580 | 15,397 | 30,794,580 | 15,397 |
| Allotted, called up and fully paid 3.5% Cumulative Preference shares of £1 each | | | | | | |
| Balance brought forward and carried forward | 50,000 | 50 | 50,000 | 50 | 50,000 | 50 |
| | | 15,460 | | 15,447 | | 15,447 |

During the six months ended 30 September 2021 the Company issued 25,000 Ordinary shares of 50p each (six months ended 30 September 2020 – 25,000; year ended 31 March 2021 – 25,000) for proceeds of £70,000 (six months ended 30 September 2020 – £59,000; year ended 31 March 2021 – £59,000).

7. **Capital reserve.** The capital reserve reflected in the Condensed Balance Sheet at 30 September 2021 includes unrealised gains of £19,147,000 (30 September 2020 – gains of £2,742,000; 31 March 2021 – gains of £13,165,000) which relate to the revaluation of investments held at the reporting date. The balance relates to realised gains of £26,268,000 (30 September 2020 – £24,703,000; 31 March 2021 – £24,676,000).

8. Analysis of changes in financial liabilities

| | Six months ended 30 September 2021 £'000 | Six months ended 30 September 2020 £'000 | Year ended 31 March 2021 £'000 |
|------------------------------|--|--|--------------------------------------|
| Opening balance at 1 April | (18,999) | (18,998) | (18,998) |
| Cashflow | (70) | (59) | (59) |
| Other movements ^A | 70 | 59 | 58 |
| Closing balance | (18,999) | (18,998) | (18,999) |

^A The other movements represent the proceeds from the issue of Ordinary shares and the amortisation of the loan arrangement fees.

The Company has an agreement with Scotiabank Europe PLC to provide a loan facility to 20 September 2022 for up to £20,000,000. A £10,000,000 fixed rate loan was drawn down on 20 September 2019 at a rate of 1.706%. This rate is fixed until maturity on 20 September 2022. In addition, at the period end £9,000,000 had been drawn down on a revolving basis at an all-in interest rate of 0.94688%, maturing on 20 October 2021. At the date of this Report, £9,000,000 was drawn down on a revolving basis at an all-in interest rate of 0.9796%.

9. **Transactions with the Manager.** The Company has an agreement with Aberdeen Standard Fund Managers Limited ("ASFML") for the provision of management, secretarial, accounting and administration services and for the carrying out of promotional activities and saving scheme services 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 2021 was £212,000 (30 September 2020 – £184,000; 31 March 2021 – £379,000) and the balance due to ASFML at the period end was £107,000 (30 September 2020 – £184,000; 31 March 2021 – £195,000). The Company held an interest in a commonly managed fund, Aberdeen Smaller Companies Income Trust PLC, in the portfolio during the period to 30 September 2021 (30 September 2020 and 31 March 2021 – same). The value attributable to this holding is excluded from the calculation of the management fee payable by the Company.

The management agreement with ASFML also provides for the provision of promotional activities, which ASFML has delegated to Aberdeen Asset Managers Limited. The total fees paid and payable in relation to promotional activities were £24,000 (30 September 2020 – £28,000; 31 March 2021 – £48,000) and the balance due to ASFML at the period end was £12,000 (30 September 2020 – £28,000; 31 March 2021 – £12,000). The Company's management agreement with ASFML also provides for the provision of company secretarial and administration services to the Company; no separate fee is charged to the Company in respect of these services, which have been delegated to Aberdeen Asset Management PLC.

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.

Notes to the Financial Statements continued

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:

| At 30 September 2021 | Note | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|------|------------------|------------------|------------------|----------------|
| Financial assets at fair value through profit or loss | | | | | |
| Quoted investments | a) | 106,169 | - | - | 106,169 |
| Financial liabilities at fair value through profit or loss | | | | | |
| Derivatives | b) | - | (10) | - | (10) |
| Net fair value | | 106,169 | (10) | - | 106,159 |

| At 30 September 2020 | Note | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|------|------------------|------------------|------------------|----------------|
| Financial assets at fair value through profit or loss | | | | | |
| Quoted investments | a) | 84,157 | - | - | 84,157 |
| Financial liabilities at fair value through profit or loss | | | | | |
| Derivatives | b) | - | (23) | - | (23) |
| Net fair value | | 84,157 | (23) | - | 84,134 |

| At 31 March 2021 | Note | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|------|------------------|------------------|------------------|----------------|
| Financial assets at fair value through profit or loss | | | | | |
| Quoted investments | a) | 93,545 | - | - | 93,545 |
| Financial liabilities at fair value through profit or loss | | | | | |
| Derivatives | b) | - | - | - | - |
| Net fair value | | 93,545 | - | - | 93,545 |

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

-
- b) **Derivatives.** The fair value of the Company's investments in Exchange Traded Options has been determined using observable market inputs on an exchange traded basis although not actively traded and therefore have been classed as Level 2.

The fair value of the Company's investments in Over the Counter Options has been determined using observable market inputs other than quoted prices included within Level 2.

12. 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 2021 and 30 September 2020 has not been reviewed or audited by the Company's independent auditor.

The information for the year ended 31 March 2021 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.

13. This Half Yearly Financial Report was approved by the Board on 2 December 2021.

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 IFRS 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.

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. NAV total return involves a calculation that invests 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 a calculation that invests the net dividend in the share price of the Company on the date on which that dividend goes ex-dividend.

The tables below provide information relating to the NAVs and share prices of the Company on the dividend reinvestment dates during the six months ended 30 September 2021 and 30 September 2020 and assumes reinvestment of net dividends excluding transaction costs (the "Adjustment factor").

| | Dividend rate | NAV | Share price |
|--------------------------------------|---------------|---------------|---------------|
| 30 September 2021 | | | |
| 31 March 2021 (a) | | 262.41p | 248.00p |
| 8 April 2021 | 3.00p | 266.85p | 257.50p |
| 8 July 2021 | 4.20p | 275.58p | 269.00p |
| 30 September 2021 (b) | | 287.01p | 269.50p |
| Adjustment factor (c) | | 1.026655 | 1.027429 |
| 30 September 2021 adjusted (d)=(b*c) | | 294.66p | 276.89p |
| Total return (d/a) | | +12.3% | +11.7% |

| | Dividend rate | NAV | Share price |
|--------------------------------------|---------------|---------------|---------------|
| 30 September 2020 | | | |
| 31 March 2020 (a) | | 207.39p | 200.50p |
| 2 April 2020 | 3.00p | 199.79p | 188.75p |
| 2 July 2020 | 4.20p | 234.93p | 236.00p |
| 30 September 2020 (b) | | 228.48p | 213.50p |
| Adjustment factor (c) | | 1.032956 | 1.033960 |
| 30 September 2020 adjusted (d)=(b*c) | | 236.01p | 220.75p |
| Total return (d/a) | | +13.8% | +10.1% |

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 2021 | 31 March 2021 |
|----------------------------|----------------|-------------------|---------------|
| NAV per Ordinary share (p) | a | 287.01 | 262.41 |
| Share price (p) | b | 269.50 | 248.00 |
| Discount | (a-b)/a | 6.1% | 5.5% |

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

| | | 30 September 2021 | 31 March 2021 |
|--|-----|-------------------|---------------|
| Annual dividend per Ordinary share (p) | a | 13.20p | 13.20p |
| Share price (p) | b | 269.50p | 248.00p |
| Dividend yield | a/b | 4.9% | 5.3% |

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 2021 | 31 March 2021 |
|----------------------------------|-------------|-------------------|---------------|
| Borrowings (£'000) | a | 18,999 | 18,999 |
| Cash (£'000) | b | 670 | 5,654 |
| Amounts due to brokers (£'000) | c | - | - |
| Amounts due from brokers (£'000) | d | - | - |
| Shareholders' funds (£'000) | e | 88,506 | 80,857 |
| Net gearing | (a-b+c-d)/e | 20.7% | 16.5% |

Ongoing charges. Ongoing charges is considered to be an alternative performance measure. 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. The ratio for 30 September 2021 is based on forecast ongoing charges for the year ending 31 March 2022.

| | | 30 September 2021 | 31 March 2021 |
|---|--|-------------------|---------------|
| Investment management fees (£'000) | | 427 | 379 |
| Administrative expenses (£'000) | | 399 | 358 |
| Ongoing charges (£'000) | | 826 | 737 |
| Average net assets (£'000) | | 87,364 | 73,999 |
| Ongoing charges ratio (excluding look-through costs) | | 0.95% | 1.00% |
| Look-through costs^A | | 0.22% | 0.21% |
| Ongoing charges ratio (including look-through costs) | | 1.17% | 1.21% |

^A Costs associated with holdings in collective investment schemes as defined by the Committee of European Securities Regulators' guidelines on the methodology for the calculation of the ongoing charges figure, issued on 1 July 2010.

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.

Investor Information

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

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

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

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

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

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

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

Shareholder Enquiries

For queries regarding shareholdings, lost certificates, dividend payments, registered details and related matters, shareholders holding their shares directly in the Company are advised to contact the Registrars (see Corporate Information).

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

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

abrdn Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB

Dividend Tax Allowance

The annual tax-free personal allowance for dividend income for UK investors is £2,000 for the 2021/22 tax year. Above this amount, individuals pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company provides registered shareholders with a confirmation of dividends paid and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

How to Invest

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

abrdn Investment Plan for Children

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

abrdn Investment Trust Share Plan

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

abrdn Investment Trust Stocks and Shares ISA

abrdn operates an Investment Trust Stocks and Shares ISA ("ISA") through which an investment may be made of up to £20,000 in the 2021/22 tax year.

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

ISA Transfer

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

Nominee Accounts and Voting Rights

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

How to Attend and Vote at Company Meetings

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

Keeping You Informed

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

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

Twitter

@abrdnTrusts

LinkedIn

abrdn Investment Trusts

Key Information Document ("KID")

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

Literature Request Service

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

Or telephone: 0808 500 4000

Or write to:

abrdn Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB

Terms and Conditions

Terms and conditions for abrdn managed savings products can also be found under the Literature section of the Manager's website at: invtrusts.co.uk.

Suitable for Retail/NMPI Status

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

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

Investor Information Continued

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.

Online Dealing

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

Discretionary Private Client Stockbrokers

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

Financial Advisers

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

Regulation of Stockbrokers

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

Note

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

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

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

The information on pages 26 to 28 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Corporate Information

Directors

Robert Talbut (Chairman)
Robin Archibald
Marian Glen
Jane Pearce

Registered Office

Bow Bells House
1 Bread Street
London EC4M 9HH

Company Secretary

Aberdeen Asset Management PLC
1 George Street
Edinburgh EH2 2LL

Email: CEF.CoSec@abrdn.com

Alternative Investment Fund Manager

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

Investment Manager

Aberdeen Asset Managers Limited
1 George Street
Edinburgh EH2 2LL

[abrdn Customer Services Department, Investment Plan for Children, Investment Trust Share Plan and ISA enquiries](#)

abrdn Investment Trusts
PO Box 11020
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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 & Wales)

Email: inv.trusts@abrdn.com

Company Registration Number

00386561 (England & Wales)

Website

shiresincome.co.uk

Registrars

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

Shareholder Helpline: **0371 384 2508***
(*Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday
excluding bank holidays in England & Wales. Charges for calling
telephone numbers starting with '03' are determined by the
caller's service provider.)

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

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Legal Entity Identifier ("LEI")

549300HVCIHQNQZAYA89



