

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. It contains proposals relating to the reconstruction and voluntary winding up of abrdn Smaller Companies Income Trust plc (the “Company”) on which Shareholders are being asked to vote and in relation to which Shareholders have the right to make an Election. If you are in any doubt about the action you should take you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (“FSMA”) if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside of the United Kingdom, without delay.

If you sell or transfer, or have sold or transferred, all of your Ordinary Shares, please send this document together with the accompanying documents (but not the accompanying personalised Forms of Proxy, Form of Election, Letters of Direction or Form of Instruction (as applicable)) as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, the prospectus published by Shires Income plc (“Shires” or “SHRS”) (the “SHRS Prospectus”) should not be forwarded to or transmitted in or into the United States (subject to certain exceptions described herein), Australia, Canada, Japan, New Zealand, the Republic of South Africa or any EEA State or into any other jurisdictions if to do so would constitute a violation of the relevant laws and regulations in such other jurisdictions. Shareholders who are resident in, or citizens of, territories outside the United Kingdom should read the sections titled “Overseas Shareholders” in Parts 3 and 4 of this document.

The New SHRS Shares are not and will not be registered under the U.S. Securities Act of 1933, as amended (the “US Securities Act”), and the New SHRS Shares may not be offered, sold, pledged or otherwise transferred within the United States, or to or for the benefit of “U.S. persons” as defined in Regulation S under the US Securities Act (“US Persons”) except pursuant to an exemption from the registration requirements of the US Securities Act. Additionally, Shires is not, and does not intend to be, registered as an investment company under the U.S Investment Company Act of 1940, as amended (the “US Investment Company Act”), and SHRS Shareholders are not, and will not be, entitled to the benefits of the US Investment Company Act. No issuance, offer, purchase, sale or transfer of New SHRS Shares may be made except in a manner which would not require Shires to register under the US Investment Company Act. There has been and will be no public offer of the New SHRS Shares in the United States.

Capitalised terms used in this document have the meanings ascribed to them in Part 7 of this document (unless the context otherwise requires).

ABRDN SMALLER COMPANIES INCOME TRUST PLC

*(Incorporated and registered in Scotland with registered number SC137448)
(An investment company under section 833 of the Companies Act 2006)*

**Recommended proposals for the members’ voluntary winding up of the Company and
combination with Shires Income plc and Related Party Transaction**

and

Notices of General Meetings

This document should be read in conjunction with the SHRS Prospectus. The SHRS prospectus is available on the Shires website at www.shiresincome.co.uk. The Proposals described in this document are conditional, amongst other things, on Shareholder approval. Your attention is drawn to pages 42 and 43 of this document which summarise the risk factors associated with the Proposals. Your attention is further drawn to the letter from the Chair of the Company set out in Part 1 of this document which contains, among other things, the recommendation of the Directors that Shareholders vote in favour of the Resolutions to be proposed at the General Meetings referred to below. This document should be read in its entirety before deciding what action you should take.

Notices of two general meetings of the Company to be held on 20 November 2023 and on 1 December 2023, respectively, (the “General Meetings”) are set out at the end of this document. Both General Meetings will be held at the offices of Dickson Minto W.S., Level 4, Dashwood House, 69 Old Broad Street, London EC2M 1QS.

All Shareholders are encouraged to vote in favour of the Resolutions to be proposed at the General Meetings and, if their Ordinary Shares are not held directly, to arrange for their nominee to vote on their behalf. Forms of Proxy for use in connection with the General Meetings are enclosed. To be valid for use at the General Meetings, the Forms of Proxy must be completed, signed and returned in accordance with the instructions printed thereon to the Registrar, Equiniti, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA as soon as possible and, in any event, by no later than 48 hours (excluding any part of a day that is not a Business Day) before the time of the relevant General Meeting. Alternatively, you may appoint a proxy or proxies electronically by visiting www.sharevote.co.uk and following the instructions. In order to appoint a proxy using this website, members will need their Voting ID, Task ID and Shareholder Reference Number, each of which is printed on the face of the accompanying Form of Proxy. Full details of the procedures are given on the website. Alternatively, Shareholders who have already registered with the Registrar's online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk using their user ID and password. Once logged in, click "View" on the "My Investments" page, click the link to vote and then follow the on-screen instructions. Proxy appointments must be submitted so as to be received by the Registrar by no later than 48 hours (excluding any part of a day that is not a Business Day) before the time of the relevant General Meeting. Shareholders who hold their Ordinary Shares in uncertificated form (that is, in CREST) may vote using the CREST electronic voting service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes to the Notices of the General Meetings set out at the end of this document). Proxies submitted via CREST for the General Meetings must be transmitted so as to be received by the Registrar as soon as possible and, in any event, by no later than 48 hours (excluding any part of a day that is not a Business Day) before the time of the relevant General Meeting.

Shareholders holding Ordinary Shares through either the abrdn Share Plan, the abrdn Investment Plan for Children or the abrdn Investment Trusts ISA (each a "**Share Plan**" and together the "**Share Plans**") will have received with this document the Letters of Direction which must be completed and returned in accordance with the instructions printed thereon (to be valid for use at the General Meetings) to the Registrar, Equiniti, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA as soon as possible, but, in any event, so as to be received by no later than five Business Days (excluding any part of a day that is not a Business Day) before the time of the relevant General Meeting.

Shareholders who hold Ordinary Shares in certificated form will also find enclosed with this document a Form of Election for use in connection with the Proposals. To be valid, Forms of Election must be completed and returned to the Receiving Agent, Equiniti, using the enclosed reply-paid envelope (with the blue flash printed thereon and for use within the UK only), at Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to arrive as soon as possible and, in any event, by no later than 1.00 p.m. on 24 November 2023, or for those Shareholders who hold Ordinary Shares in a Share Plan in certificated form, the Form of Instruction enclosed with this document must be completed and returned to the Receiving Agent, Equiniti, using the enclosed reply-paid envelope (with the blue flash printed thereon and for use within the UK only) at Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA so as to arrive as soon as possible and, in any event, by no later than 1.00 p.m. on 17 November 2023. Shareholders who hold their Ordinary Shares in uncertificated form will not receive a Form of Election and should make their elections in accordance with the instructions contained in the section of this document titled "*Ordinary Shares held in uncertificated form (that is, in CREST)*", which can be found in Part 3 of this document. All Elections will be irrevocable and may not be withdrawn or amended without the consent of the Directors. Failure to return a Form of Election or Form of Instruction or to submit a TTE Instruction (as applicable) or the return of a Form of Election or Form of Instruction which is not validly completed will result in the relevant Shareholder (other than certain Overseas Shareholders) being deemed to have elected for the Rollover Option in respect of their entire holding of Ordinary Shares. Overseas Shareholders will not be sent a copy of the SHRS Prospectus and should read the sections titled "*Overseas Shareholders*" in Parts 3 and 4 of this document.

Winterflood Securities Limited ("**Winterflood**") which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting for the Company and no one else in connection with the Proposals and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Winterflood or for providing advice in relation to the Proposals, the contents of this document and the accompanying documents or any other matter referred to herein or therein. This does not exclude any responsibilities which Winterflood may have under FSMA or the regulatory regime established thereunder.

NOTICE TO US SHAREHOLDERS

The Scheme is being implemented subject to United Kingdom disclosure requirements which are different from certain United States disclosure requirements. In addition, US Shareholders should be aware that this document has been prepared in accordance with a UK format and style, which differs from the US format and style. In particular, parts of this document contain information concerning the Scheme required by UK disclosure requirements which may be material and may not have been summarised elsewhere in the document. Furthermore, the Scheme will be subject to other procedural requirements, including with respect to withdrawal rights, settlement procedures and timing of payments that are different from those applicable under US domestic tender offer procedures and law.

US Shareholders should note that SHRS Shares are not listed on a US securities exchange and Shires is not subject to the periodic reporting requirements of the US Exchange Act and is not required to, and does not, file any reports with the US Securities and Exchange Commission thereunder (the “SEC”). The Scheme is not subject to the disclosure and other procedural requirements of Regulation 14D under the US Exchange Act.

It may be difficult for US Shareholders to enforce their rights and any claim arising out of the US federal securities laws, since Shires is located in a foreign country, and all of its officers and directors are residents of a foreign country. US Shareholders may not be able to sue a foreign company or its officers or directors in a foreign court for violations of the US securities laws. Further, it may be difficult to compel a foreign company and its affiliates to subject themselves to a US court’s judgement. Whether located in the United States or elsewhere, US Shareholders will receive any cash consideration in Pounds Sterling.

It is important that you complete and return the Forms of Proxy or the Letters of Direction (as applicable), appoint a proxy or proxies electronically or use the CREST electronic voting service in the manner referred to above, and return the Form of Election or Form of Instruction or submit a TTE Instruction (as applicable) as soon as possible. Your attention is drawn to the section titled “Action to be taken by Shareholders and Share Plan Participants” on pages 5 to 7 of this document.

17 October 2023

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ACTION TO BE TAKEN BY SHAREHOLDERS AND SHARE PLAN PARTICIPANTS

Full details of the action to be taken by Shareholders and Share Plan Participants are set out in the section of Part 1 of this document titled “*Action to be taken*”, which can be found on pages 16 to 18 of this document, and in the instructions contained in the Forms of Proxy, the Letters of Direction, the Form of Election and the Form of Instruction (as applicable). You should read the whole of this document before deciding what action to take. The attention of Overseas Shareholders is drawn to the sections titled “*Overseas Shareholders*” in Parts 3 and 4 of this document.

TO VOTE ON THE PROPOSALS

To vote on the Proposals



Shareholders should complete and return the **PINK Form of Proxy** for use in connection with the First General Meeting so as to be received as soon as possible and, in any event, **by no later than 2.00 p.m. on 16 November 2023.**

OR

Share Plan Participants should complete and return the **PINK Letter of Direction** for use in connection with the First General Meeting so as to be received as soon as possible and, in any event, **by no later than 2.00 p.m. on 13 November 2023.**

AND

Shareholders should complete and return the **GREEN Form of Proxy** for use in connection with the Second General Meeting so as to be received as soon as possible and, in any event, **by no later than 9.30 a.m. on 29 November 2023.**

OR

Share Plan Participants should complete and return the **GREEN Letter of Direction** for use in connection with the Second General Meeting so as to be received as soon as possible and, in any event, **by no later than 9.30 a.m. on 24 November 2023.**

TO MAKE AN ELECTION

To elect for the Rollover Option in respect of all of your Ordinary Shares



No Form of Election or Form of Instruction needs to be completed or TTE Instruction made (as applicable) as this is the default option under the Scheme. However, Shareholders and Share Plan Participants should nevertheless vote on the Proposals, as set out above.

To elect for the Cash Option in respect of some or all your Ordinary Shares



If you hold your Ordinary Shares in certificated form (that is, not in CREST) you **MUST** complete the **Form of Election** in accordance with the instructions contained therein so as to be received as soon as possible and, in any event, **by no later than 1.00 p.m. on 24 November 2023**.

OR

If you hold your Ordinary Shares in a Share Plan, you **MUST** complete and return the **Form of Instruction** in accordance with the instructions contained therein so as to be received as soon as possible and, in any event, **by no later than 1.00 p.m. on 17 November 2023**.

OR

If you hold your Ordinary Shares in uncertificated form (that is, in CREST) you **MUST** send a **TTE Instruction** in respect of any Ordinary Shares for which you wish to make an Election for the Cash Option so as to be received as soon as possible and, in any event, **by no later than 1.00 p.m. on 24 November 2023**.

Shareholders

If you have any questions relating to the completion and return of your Forms of Proxy and/or the Form of Election, please contact the Registrar, on +44 (0)371 384 2050. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones. The helpline is open between 8.30 a.m. to 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that the Registrar cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

Only Shareholders who hold Ordinary Shares as at 6.00 p.m. on 24 November 2023 are able to elect for the Cash Option in respect of those Ordinary Shares. The extent to which a Shareholder elects for the Cash Option is a matter for each Shareholder to decide, and will be influenced by their own personal, financial and tax circumstances and investment objectives. Shareholders should seek advice from their own professional advisers.

Share Plan Participants

Share Plan Participants will have received with this document Letters of Direction. These should be completed and returned in accordance with the instructions printed thereon as soon as possible and, in any event, by no later than 2.00 p.m. on 13 November 2023 in respect of the First General Meeting and 9.30 a.m. on 24 November 2023 in respect of the Second General Meeting.

Share Plan Participants will have also received with this document a Form of Instruction. In the event that Share Plan Participants wish to make an Election for the Cash Option in respect of all or part of their holding of Ordinary Shares, the Form of Instruction should be completed and returned in accordance with the instructions printed thereon as soon as possible and, in any event, by no later than 1.00 p.m. on 17 November 2023.

If you hold your Ordinary Shares through a Share Plan and require further information, please call the abrdn Investment Trust customer services team using the contact details below. Please note that this number is for information only in relation to the completion of the Letters of Direction and Form of Instruction and no investment or tax advice can be given.

If you hold your Ordinary Shares through a Share Plan and you elect, or are deemed to have elected, for the Rollover Option in whole or in part, your current mandate instructions will automatically apply to

your holding of New SHRS Shares following implementation of the Scheme. Accordingly, if you currently:

- reinvest your dividends to purchase further Ordinary Shares, abrdn will continue to facilitate this, now purchasing SHRS Shares; and
- subscribe by way of a monthly direct debit into further Ordinary Shares, this will be updated to purchase SHRS Shares.

For Share Plan Participants that elect, or are deemed to have elected, for the Rollover Option, if you do not wish for your existing mandate instructions to apply in respect of your holding of New SHRS Shares, please contact the abrdn Investment Trusts customer services team using the contact details below.

If you have any queries or wish to make amendments to your mandate instructions you should contact the abrdn Investment Trusts customer services team using the details below:

- Investor Helpline UK: 0808 500 4000 (*call charges will vary*)
- Investor Helpline International: 00 44 1268 448 222 (*call charges will vary*)
- abrdn Investment Trusts
PO Box 11020
Chelmsford
Essex
CM99 2DB
- Email: inv.trusts@abrdn.com (*as email is not a secure form of communication, please do not send any personal or sensitive information via email*)

Share Plan Participants should note that the final date for trading in the Company via the Share Plans will be 22 November 2023. Written instructions must be received by 5.00 p.m. on 21 November 2023 and online instructions by midnight on 21 November 2023.

Overseas Shareholders

Overseas Shareholders are entitled to participate in the Scheme. However, to the extent that Shires, and/or the Liquidators, acting reasonably, consider that any issue of New SHRS Shares to an Overseas Shareholder would or may involve a breach of the securities laws or regulations of any jurisdiction, or may violate any applicable legal or regulatory requirements or may require Shires to become subject to additional regulatory requirements (to which it would not be subject but for such issue) and Shires and/or the Liquidators, as the case may be, have not been provided with evidence reasonably satisfactory to them that the relevant Overseas Shareholder is permitted to hold New SHRS Shares under any relevant securities laws or regulations of such overseas jurisdictions (or that Shires will not be subject to any additional regulatory requirements to which it would not be subject but for such issue), such Overseas Shareholder will be deemed to have elected for the Cash Option in respect of their entire holding of Ordinary Shares. **Overseas Shareholders who wish to receive New SHRS Shares under the Scheme should contact the Company directly as soon as possible and, in any event, by no later than 5.00 p.m. on 17 November 2023 if they are able to demonstrate, to the satisfaction of the Directors, the SHRS Directors and the Liquidators, that they can be issued New SHRS Shares without breaching any relevant securities laws.**

If an Overseas Shareholder does not contact the Company and provide the required evidence as noted above, such Overseas Shareholder will be deemed to have elected for the Cash Option in respect of their entire holding of Ordinary Shares in accordance with paragraph 16 of Part 4 of this document.

EXPECTED TIMETABLE

2023

Latest time and date for receipt of PINK Letters of Direction in respect of the First General Meeting	2.00 p.m. on 13 November
Latest time and date for receipt of PINK Forms of Proxy and CREST voting instructions in respect of the First General Meeting	2.00 p.m. on 16 November
Latest time and date for receipt of Forms of Instruction for Shareholders who hold Ordinary Shares in a Share Plan	1.00 p.m. on 17 November
First General Meeting	2.00 p.m. on 20 November
Latest time and date for receipt of GREEN Letters of Direction in respect of the Second General Meeting	9.30 a.m. on 24 November
Latest time and date for receipt of Forms of Election and TTE Instructions	1.00 p.m. on 24 November
Record Date for entitlements under the Scheme	6.00 p.m. on 24 November
Settlement of Ordinary Shares disabled in CREST	6.00 p.m. on 24 November
Trading in the Ordinary Shares on the London Stock Exchange is suspended	7.30 a.m. on 27 November
Calculation Date	5.00 p.m. on 27 November
Latest time and date for receipt of GREEN Forms of Proxy in respect of the Second General Meeting	9.30 a.m. on 29 November
Reclassification of the Ordinary Shares (and commencement of dealings in Reclassified Shares)	8.00 a.m. on 30 November
Suspension of listing of Reclassified Shares and Company's Register closes	7.30 a.m. on 1 December
Second General Meeting	9.30 a.m. on 1 December
Appointment of Liquidators	1 December
Effective Date for implementation of the Scheme	1 December
Announcement of the results of Elections, the ASCI FAV per Share, the Cash NAV per Share and the SHRS FAV per Share	1 December
CREST accounts credited with, and dealings commence in, New SHRS Shares	at, or soon after, 8.00 a.m. on 4 December
Cheques despatched to Shareholders who elect or are deemed to elect for the Cash Option in accordance with their Cash Entitlements and CREST accounts credited with cash	not later than 10 Business Days from the Effective Date
Share certificates in respect of New SHRS Shares despatched	not later than 10 Business Days from the Effective Date
Cancellation of listing of Reclassified Shares	as soon as practicable after the Effective Date

Notes:

- ¹⁾ All references to time in this document are to London (UK) time, unless otherwise stated.
- ²⁾ The timetable set out above and referred to throughout this document and any accompanying documents may be subject to change. If any of the above times and/or dates should change, the revised times and/or dates will be notified to Shareholders by an announcement through a Regulatory Information Service.

PART 1

LETTER FROM THE CHAIR

ABRDN SMALLER COMPANIES INCOME TRUST PLC

*(Incorporated and registered in Scotland with registered number SC137448)
(An investment company within the meaning of section 833 of the Companies Act 2006)*

Directors:

Dagmar Kent Kershaw (*Chair*)
Roselyn Breedy
David Fletcher
Christopher Metcalfe

Registered Office:

1 George Street
Edinburgh
EH2 2LL

17 October 2023

Dear Shareholder

Recommended proposals for the members' voluntary winding up of the Company and combination with Shires Income plc

Introduction

As announced by the Company on 26 July 2023, the Board has agreed terms with the board of Shires Income plc ("**Shires**" or "**SHRS**") for a combination of the assets of the Company with Shires. If approved, the combination will be implemented by way of a scheme of reconstruction and members' voluntary winding up of the Company under section 110 of the Insolvency Act (the "**Scheme**") and the associated transfer of the Company's cash, assets and undertaking to Shires in exchange for the issue of New SHRS Shares to Shareholders who elect, or are deemed to have elected, to roll over their investment in the Company into Shires. As noted below, Shires' participation in the Scheme will, in the context of these proposals, constitute a related party transaction (the "**Related Party Transaction**") and, as a result, will require the approval of Independent Shareholders. The Scheme and the Related Party Transaction are together referred to as the "**Proposals**".

The Scheme will be implemented by way of a members' voluntary liquidation and a scheme of reconstruction of the Company under which Shareholders will be entitled to elect to receive in respect of some or all of their Ordinary Shares:

- (a) New SHRS Shares (the "**Rollover Option**"); and/or
- (b) cash (the "**Cash Option**").

The Proposals are conditional upon, amongst other things, the approval of Shareholders at the General Meetings and the approval by SHRS Shareholders of the issue of the New SHRS Shares.

Shareholders can make different Elections in respect of different parts of their holdings of Ordinary Shares and there is no limit on the number of Ordinary Shares which may be elected for the Cash Option. A discount of 1.5 per cent. will be applied to the Residual Net Asset Value attributable to Ordinary Shares which are elected, or deemed to be elected, to receive cash under the Cash Option (the "**Cash Option Discount**"). The value arising from the application of the Cash Option Discount will be allocated to the Rollover Pool for the benefit of the enlarged Shires and Shareholders electing, or who are deemed to have elected, for the Rollover Option.

The Rollover Option is the default option under the Scheme. As a result Shareholders (other than Overseas Shareholders) who, in respect of all or part of their holding of Ordinary Shares, do not make a valid election, or who do not make an election at all, under the Scheme will be deemed to have elected for New SHRS Shares in respect of such holding. As New SHRS Shares will be issued to those Shareholders who elect, or are deemed to elect, for the Rollover Option on a formula asset value ("**FAV**") for FAV basis as described in Part 4 of this document, i.e. at a 0.80 per cent. premium to the SHRS NAV per SHRS Share, Shareholders should note that such issue price may be above the market

price of the SHRS Shares if the SHRS Shares continue to trade at a discount to the SHRS NAV per SHRS Share, which was 7.8 per cent. as at 13 October 2023 (being the latest practicable date prior to the publication of this document).

Shires is the largest beneficial owner of the Company's Ordinary Shares, holding approximately 13.6 per cent. of the Company's issued Ordinary Share capital as at 13 October 2023. Shires' entitlements as an investor in the Company under the Scheme will be satisfied on the Company's entering winding up by the transfer of the Rollover Pool to Shires, which will include the transfer of Shires' *pro rata* share of the Rollover Pool by way of a distribution *in specie*. This means that Shires will not receive any New SHRS Shares pursuant to the Scheme and will be deemed under the terms of the Scheme to receive only Reclassified Shares with "C" rights (as set out in detail in Part 4 of this document).

Shires' participation in the Scheme will, in the context of the proposals, constitute a related party transaction under the Listing Rules (the "**Related Party Transaction**") and, as a result, will require the approval of Independent Shareholders. If Independent Shareholders do not approve the Company's entry into the Related Party Transaction, the Scheme will not proceed.

In order to effect the Scheme, and the proposed amendments to the Articles of Association that will need to be made in connection with the Scheme, Shareholder approval is required at the First General Meeting. If the Scheme and the Related Party Transaction are approved at the First General Meeting, Shareholder approval is required at the Second General Meeting to wind up the Company voluntarily, and to appoint and grant authority to the Liquidators to implement the Scheme. In addition, the issue of New SHRS Shares pursuant to the Scheme is subject to the approval of the SHRS Shareholders.

The purpose of this document is to explain the Proposals and the actions required to be taken in order for them to be implemented and to convene the General Meetings, notices of which are set out at the end of this document. Further details of the Resolutions to be proposed at the General Meetings are set out below. The expected timetable associated with the Proposals is provided on page 8 of this document.

The Board considers the Proposals to be in the best interests of Shareholders as a whole and recommends that Shareholders vote in favour of the Resolutions required to implement the Proposals at the General Meetings.

The Proposals

Background to, and rationale for, the Proposals

Despite the Company continuing to provide a high and growing dividend from a portfolio invested principally in UK smaller companies and UK fixed income securities, the Company's Ordinary Shares have continued to trade at a material discount to their net asset value for a prolonged period of time. This, coupled with the Company being of a relatively small scale, has created challenges in generating improved liquidity in the Ordinary Shares and has restricted the Company's ability to grow. As a result, on 13 February 2023, the Board announced that it was undertaking a strategic review to consider the future of the Company (the "**Strategic Review Announcement**").

Following the Strategic Review Announcement, the Board conducted a thorough and extensive review of options for the future of the Company with a view to maximising value for Shareholders. The Board was very pleased with the interest shown, with proposals being received from more than a dozen candidates. Most of the proposals received envisaged a combination of the Company's assets with another investment trust, an outcome the Board expected to consider as part of the Strategic Review.

Consequently, and as announced by the Company on 26 July 2023, after detailed negotiations the Board agreed, in principle, the terms for a combination of the assets of the Company with Shires by means of the Scheme, which will also provide Shareholders with the option of a full cash exit (subject to the application of the Cash Option Discount). As noted in the announcement on 26 July, during these negotiations the terms of the proposals were improved, substantially so in relation to the Cash Option, from a proposal that Shires presented to the Company in February prior to the commencement of the Strategic Review.

If the Scheme becomes effective, Shires will continue to be managed by abrdn Fund Managers Limited ("**AFML**"), in accordance with its existing investment objective: namely to provide 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. Management of Shires' portfolio will continue to be led by Iain Pyle and Charles Luke. Shires will also have access to abrdn's Smaller Companies team, including drawing on the expertise of the Company's current portfolio managers Abby Glennie and Amanda Yeaman. Shires will continue to have exposure to UK smaller companies (the expectation is that UK small cap exposure will represent up to 20 per cent. of Shires' portfolio on an ongoing basis); although, following the implementation of the Scheme it will hold such assets directly rather than indirectly via its shareholding in the Company.

Further information on Shires is provided in Part 2 of this document and in the SHRS Prospectus which is available on the Shires website at www.shiresincome.co.uk.

Dividends

Pre-liquidation dividend

In connection with the Proposals, the Board intends, subject to the passing of all Resolutions to be proposed at the First General Meeting, to pay a pre-liquidation interim dividend of not less than 14.0 pence per Ordinary Share to reflect a distribution of substantially all of the Company's accumulated revenue reserves. This interim dividend will be paid to Shareholders prior to the Effective Date.

All Shareholders will be entitled to receive the pre-liquidation dividend, regardless of whether they elect (or are deemed to elect) for the Rollover Option or the Cash Option under the Scheme.

Future Shires' dividends

New SHRS Shares issued in connection with the Scheme will rank fully *pari passu* with existing Shires Shares for all dividends declared by Shires with a record date falling after the date of the issue of those New SHRS Shares.

For the avoidance of doubt, Shareholders receiving New SHRS Shares in connection with the Scheme will not be entitled to receive Shires' first interim dividend in relation to the financial year ending 31 March 2024, which was announced by the Shires Board on 13 September 2023 and is due to be paid on 27 October 2023 to SHRS Shareholders whose names appear on Shires' register of members on 6 October 2023 (the "**SHRS First Interim Dividend**"). On the basis of the expected timetable, only existing SHRS Shareholders will be entitled to receive the SHRS First Interim Dividend.

Benefits of the Proposals

Under the Scheme all Shareholders can elect to receive cash, subject to the application of the Cash Option Discount of 1.5 per cent. of the Residual Net Asset Value attributable to Ordinary Shares which are elected (or deemed to be elected) to receive cash under the Cash Option, in respect of their entire holding of Ordinary Shares.

Those Shareholders who elect, or are deemed to elect, for the Rollover Option are expected to benefit⁽¹⁾ from, amongst other things:

- **Increased dividend:** An expected increase of 31.7 per cent. per annum in dividend income based on the last four quarterly dividends for each company (i.e. a full year's dividend).
- **Reduced costs:**⁽²⁾ An expected decrease of 31.4 per cent. in the ongoing charges ratio ("**OCR**") based on the *pro forma* OCR of Shires, as enlarged, as compared with the most recent OCR of the Company as at 30 June 2023.
- **Improved average rating:** Over the twelve months to 24 July 2023 (being the latest practicable date prior to the release of the Strategic Review results announcement) SHRS Shares traded at an average 1.5 per cent. discount to the NAV per SHRS Share, compared to the Ordinary Shares which traded at an average 13.2 per cent. discount to the NAV per Ordinary Share. As at 13 October 2023, the discounts to NAV per share at which the Company's Ordinary Shares and the SHRS Shares traded were, respectively, 2.7 per cent. and 7.8 per cent.

⁽¹⁾ All figures are illustrative only, using currently available information and estimates. All figures are subject to change. Past performance is not a guide to future performance. The value of investments, and the income or capital entitlement which may derive from them, if any, may go down as well as up and is not guaranteed.

⁽²⁾ Figures exclude any impact from the Company's portfolio realisation costs in connection with the Scheme.

- **Shires' historic investment performance:** Shires' NAV total return over 1, 3 and 5 years to 13 October 2023 was 9.2 per cent., 22.8 per cent. and 25.3 per cent. respectively, and its share price total return over the same periods was 2.8 per cent., 25.8 per cent. and 22.9 per cent., respectively. Further details in relation to Shires' relative returns are set out on pages 23 and 24 of this document and in the SHRS Prospectus.
- **Continued UK smaller companies exposure:** A material proportion of the Rollover Pool transferred to Shires will comprise existing investments of the Company, ensuring continued UK small cap exposure for all SHRS Shareholders, with the expectation being that UK small cap exposure will represent up to 20 per cent. of Shires' portfolio on an ongoing basis. By way of illustration, had 25 per cent. of Shareholders elected, or been deemed to have elected, for the Cash Option as at 13 October 2023 (being the latest practicable date prior to the publication of this document) approximately 54 per cent. of the Rollover Pool FAV would have comprised existing UK small cap assets.

Management of the Company's portfolio prior to implementation of the Scheme

Following the Strategic Review results announcement, the Board instructed the Company's AIFM and investment manager to consider the potential realignment of the Company's investment portfolio so that by the Calculation Date it contains assets that are suitable for transfer to Shires and also to ensure that the Company has sufficient cash to meet the amounts expected to be due in respect of Elections for the Cash Option, as well as meeting any remaining indebtedness and/or liabilities. This process is underway and since the Strategic Review results announcement the Company has repaid and closed its revolving credit facility and sold a number of the more illiquid holdings in the Company's portfolio.

Costs of implementing the Proposals

The Company and Shires have each agreed to bear their own costs in relation to the Proposals.

The fixed costs of the Proposals payable by the Company are expected to be approximately £724,000 inclusive of VAT (which is assumed to be irrecoverable where applicable). This estimate of costs excludes the Liquidators' retention (estimated at £100,000) to cover unknown or unascertained liabilities of the Company (the "**Liquidators' Retention**"), and does not take account of any dealing costs (including UK SDRT) which will be incurred by the Company in disposing of assets in order to meet Elections made or deemed to have been made and in realigning the Company's portfolio after the approval of the Scheme and prior to the Effective Date so as to result in the Rollover Pool containing assets that are suitable for transfer to Shires.

The fixed direct costs of the Proposals payable by Shires are expected to be approximately £808,000 inclusive of VAT (which is assumed to be irrecoverable where applicable). As part of Shires' fee arrangements, there is scope for an additional discretionary payment to be made to Shires' sponsor, which will be subject to the outcome of, and the extent of work required in order to implement, the Proposals. In any event, this will not exceed in aggregate £350,000. In addition, Shires, as enlarged, will also incur listing fees in respect of the listing of the New SHRS Shares and UK SDRT based on the value and constitution of the Rollover Pool.

In the event that either Shareholders or SHRS Shareholders resolve not to proceed to implement the Scheme (including if the Company's Independent Shareholders do not approve the Related Party Transaction) or the SHRS Directors or the Company's Directors decide not to implement the Scheme on the terms described in this document, then each party will bear its own abort costs.

For the avoidance of doubt, in any event where the Scheme is not implemented, the listing fees and UK SDRT that would have been payable by Shires, as enlarged, will not be payable, but dealing costs (including UK SDRT) may still have been incurred by the Company in disposing of assets in order to meet Elections made or deemed to have been made and in realigning the Company's portfolio in respect of the Rollover Pool to be established pursuant to the Scheme.

The Liquidators' Retention is estimated at £100,000 and will be retained by the Liquidators to meet any unknown or unascertained liabilities of the Company. This retention is in addition to any provisions made in the calculation of the ASCI FAV per Share in respect of known and ascertained liabilities of the Company. To the extent that some or all of the Liquidators' Retention remains at the conclusion of the liquidation, this will be returned to Shareholders on the Register as at the Record Date (excluding

Dissenting Shareholders). If, however, any such amount payable to any Shareholder is less than £5.00, it shall not be paid to the Shareholders but instead shall be paid by the Liquidators to the Nominated Charity.

AFML, in its capacity as the AIFM of Shires, has agreed to make a contribution to the costs of the Scheme by means of a reduction in the management fee payable by Shires to AFML. The fee reduction will constitute a waiver of the management fee that would otherwise be payable by Shires to AFML in respect of the assets transferred by the Company to Shires pursuant to the Scheme for the first six months following the completion of the Scheme (the “**AFML Contribution**”). The financial value of this amount (which is estimated at £87,051 based on Shires’ NAV as at 13 October 2023, assuming there are no Dissenting Shareholders and that 25 per cent. of Shareholders elect for the Cash Option) will be satisfied by AFML by means of a waiver of its fees for the benefit of the shareholders of the enlarged Shires. For the avoidance of doubt, this amount will not be taken into account in the calculation of either the ASCI FAV per Share or the SHRS FAV per Share. The AFML Contribution is subject to Shires not terminating its management agreement (other than for cause as provided for under such agreement) for three years from the Effective Date of the Scheme, failing which the enlarged Shires will be obliged to repay all or part (depending on the point of termination) of the AFML Contribution. In addition, a new administration fee of £120,000 plus VAT per annum, effective from the completion of the Scheme, will be payable by Shires to abrdn.

In addition, in anticipation of the Scheme becoming effective, AFML, in its capacity as the AIFM of the Company, has undertaken to waive, in full, the period of notice to which it is contractually entitled under the ASCI AIFM Agreement and has agreed that no compensation will be payable by the Company to AFML in respect of such waiver, provided that the Scheme is implemented.

The Company has served protective notice of termination of the ASCI AIFM Agreement on AFML (the “**Protective Notice**”). The Protective Notice provides that if the Company serves a formal notice of termination on AFML in the 12 months from 25 August 2023, the Company will be deemed to have served notice with effect from 25 August 2023. This is designed to protect the Company’s position should the transaction fail to complete for any reason. In this circumstance, the Company will not proceed with the members’ voluntary winding up and instead will continue in existence and will continue to be managed under its current investment policy. In such circumstances the Board will reassess the options available to the Company at that time.

Further details of the Scheme

Entitlements under the Scheme

Under the Scheme, each Shareholder on the Register on the Record Date may elect or may be deemed to have elected to receive:

- such number of New SHRS Shares as have a value (at the SHRS FAV per Share) equal to the proportion of the Rollover Pool attributable to the number of Ordinary Shares so elected, being the Rollover Option; and/or
- an amount of cash equal to the Cash NAV per Share attributable to the number of Ordinary Shares so elected, being the Cash Option.

Shareholders can make different Elections in respect of different parts of their holdings of Ordinary Shares. There is no limit on the amount of Ordinary Shares which may be elected for the Cash Option.

The default option under the Scheme is for Shareholders to receive New SHRS Shares. As a result, Shareholders who, in respect of all or part of their holding of Ordinary Shares, do not make a valid election, or who do not make an election at all, under the Scheme will be deemed to have elected for New SHRS Shares in respect of such holding. However, Overseas Shareholders should ensure they have read the section titled “*Overseas Shareholders*” in Part 3 and paragraph 16 of Part 4 of this document.

Shires’ entitlements as a Shareholder under the Scheme will be satisfied on the Company’s entering winding up by the transfer of the Rollover Pool to Shires, which will include the transfer of Shires’ *pro rata* share of the Rollover Pool by way of a distribution *in specie*. This means that Shires will receive no

New SHRS Shares pursuant to the Scheme and will be deemed under the terms of the Scheme to receive only Reclassified Shares with “C” rights (as set out in detail in Part 4 of this document).

Cash Entitlements payable to Shareholders who elect (or are deemed to elect) for the Cash Option (being the holders of Reclassified Shares with “B” rights under the Scheme) shall be distributed by the Liquidators, through the Receiving Agent and pursuant to the Scheme, in cash to each such Shareholder in proportion to their respective holdings of Reclassified Shares with “B” rights which shall be equal to such Shareholder’s entitlement to the net realisation proceeds of the Cash Pool pursuant to the Scheme (the “**Cash Entitlement**”) and rounded down to the nearest penny.

If you wish to receive cash in respect of all or part of your holding of Ordinary Shares you must either complete and return a Form of Election, Form of Instruction or submit a TTE Instruction (depending on how your Ordinary Shares are held) in respect of the number of Ordinary Shares for which you wish to make an Election for the Cash Option. You will be deemed to have elected to receive New SHRS Shares in respect of the remainder of your holding.

Overseas Shareholders are entitled to participate in the Scheme. However, to the extent that Shires, and/or the Liquidators, acting reasonably, consider that any issue of New SHRS Shares to an Overseas Shareholder would or may involve a breach of the securities laws or regulations of any jurisdiction, or may violate any applicable legal or regulatory requirements or may require Shires to become subject to additional regulatory requirements (to which it would not be subject but for such issue) and Shires and/or the Liquidators, as the case may be, have not been provided with evidence reasonably satisfactory to them that the relevant Overseas Shareholder is permitted to hold New SHRS Shares under any relevant securities laws or regulations of such overseas jurisdictions (or that Shires will not be subject to any additional regulatory requirements to which it would not be subject but for such issue), such Overseas Shareholder will be deemed to have elected for the Cash Option in respect of their entire holding of Ordinary Shares. **Overseas Shareholders who wish to receive New SHRS Shares under the Scheme should contact the Company directly as soon as possible and, in any event, by no later than 5.00 p.m. on 17 November 2023 if they are able to demonstrate, to the satisfaction of the Directors, the SHRS Directors and the Liquidators, that they can be issued New SHRS Shares without breaching any relevant securities laws.**

If an Overseas Shareholder does not contact the Company and provide the required evidence as noted above, such Overseas Shareholder will be deemed to have elected for the Cash Option in respect of their entire holding of Ordinary Shares in accordance with paragraph 16 of Part 4 of this document.

After allocating cash and other assets to the Liquidation Pool to meet all known and unknown liabilities of the Company and other contingencies, including the Liquidators’ Retention and the entitlements of any Dissenting Shareholders, there shall be appropriated to the Cash Pool and the Rollover Pool the remaining assets of the Company in the manner described in paragraph 3.2 of Part 4 of this document. Such appropriation includes the application of the Cash Option Discount. The value arising from the application of the Cash Option Discount will be allocated to the Rollover Pool for the benefit of the enlarged Shires and Shareholders electing, or who are deemed to have elected, for the Rollover Option.

The issue of New SHRS Shares under the Scheme will be effected on a FAV for FAV basis as at the Calculation Date as described in detail in Part 4 of this document. In determining the SHRS FAV, the SHRS NAV will (i) have applied to it a 0.80 per cent. premium and (ii) not be adjusted for the costs of the proposals incurred by Shires, so as to reduce the asset and income dilutive effect of the costs of the proposals on Shires.

The Calculation Date for determining the value of the Rollover Pool and Cash Entitlements under the Scheme is expected to be 5.00 p.m. on 27 November 2023. The Record Date for the basis of determining Shareholders’ entitlements under the Scheme is 6.00 p.m. on 24 November 2023. It is expected that the Liquidators will distribute Cash Entitlements (rounded down to the nearest penny) not later than 10 Business Days following the Effective Date.

Illustrative entitlements

For illustrative purposes only, had the Calculation Date been 5.00 p.m. on 13 October 2023 and assuming that there are no Dissenting Shareholders, after deduction of the pre-liquidation interim

dividend of 14.0 pence per Ordinary Share and assuming 25 per cent. of the Company's current issued Ordinary Share capital is elected or deemed to be elected for the Cash Option, the Cash NAV per Share would have been 230.514533 pence and the ASCI FAV per Share would have been 235.195032 pence. The Cash NAV per Share and the ASCI FAV per Share may be compared with the Company's share price and cum-income NAV per Share as at 13 October 2023 which, when adjusted on a *pro forma* basis for the deduction of the pre-liquidation interim dividend of 14.0 pence per Share, were 231.00 pence and 237.75 pence, respectively.

For illustrative purposes only, on the basis of the assumptions above, the SHRS FAV per Share would have been 243.865440 pence which, for the Rollover Option, would have produced a conversion ratio of 0.964446 and, in aggregate, 13,086,179 New SHRS Shares would have been issued to Shareholders under the Scheme, representing approximately 30.0 per cent. of the issued ordinary share capital of Shires, as enlarged, immediately following completion of the Scheme. Had the Calculation Date been 5.00 p.m. on 13 October 2023, and after taking account of Shires' costs in connection with the Scheme, the effect of Shires receiving its *pro rata* share of the Rollover Pool by way of a distribution *in specie*, the application of the AFML Contribution and the listing fees in respect of the listing of the New SHRS Shares and UK SDRT to be paid by Shires, as enlarged, Shires' *pro forma* cum-income NAV per SHRS Share would have been 240.74 pence. This may be compared with Shires' share price and cum-income NAV per SHRS Share as at 13 October 2023 which were 223.00 pence and 241.93 pence, respectively.

Related Party Transaction

Having sought guidance from the FCA, Shires is deemed to be a related party of the Company under the Listing Rules in the context of the proposals. Therefore, under the Listing Rules, Shires' participation in the Scheme will constitute a related party transaction for the purposes of LR11.1.5(1) and, as a result, must be approved by the Company's Independent Shareholders by way of an ordinary resolution of such Shareholders. The Company is proposing to obtain such approval of Independent Shareholders by proposing Resolution 1 at the First General Meeting.

In accordance with the Listing Rules, Shires will not vote on Resolution 1 to be proposed at the First General Meeting and has undertaken to take all reasonable steps to ensure that its associates will not vote on Resolution 1. If Independent Shareholders do not approve the entry into of the Related Party Transaction by passing Resolution 1 at the First General Meeting, the Scheme will not proceed.

The maximum potential value of the Related Party Transaction to Shires would arise in the event that all Shareholders elect, or are deemed to elect, for the Rollover Option and there are no Dissenting Shareholders. In this scenario, all of the Company's assets other than those appropriated to the Liquidation Pool, having a value equal to the Residual Net Asset Value as at the Calculation Date, would transfer to Shires. For illustrative purposes only, had the Calculation Date been 5.00 p.m. on 13 October 2023, the Residual Net Asset Value would have been £51.7 million and therefore £51.7 million of the Company's assets would have transferred to Shires pursuant to the Scheme.

Conditions of the Proposals

Implementation of the Proposals is subject to a number of conditions, including:

- the passing of the Resolutions to be proposed at the First General Meeting and the Resolution to be proposed at the Second General Meeting (or any adjournment of those General Meetings), and any conditions of such Resolutions being fulfilled;
- the SHRS Resolution being passed and becoming unconditional in all respects;
- the FCA agreeing to admit the New SHRS Shares to the Official List and the London Stock Exchange agreeing to admit the New SHRS Shares to trading on the Main Market, subject only to allotment; and
- the Directors and SHRS Directors resolving to proceed with the Scheme.

If any condition is not satisfied, the Proposals will not become effective, the Company will not proceed with the members' voluntary winding up and instead will continue in existence and will

continue to be managed under its current investment policy. In such circumstances the Board will reassess the options available to the Company at that time.

General Meetings

As noted above, the Proposals are conditional, amongst other things, upon Shareholders' approval of the Resolutions to be proposed at the First General Meeting and the Second General Meeting. Both General Meetings will be held at the offices of Dickson Minto W.S., Level 4, Dashwood House, 69 Old Broad Street, London EC2M 1QS.

First General Meeting

The First General Meeting will be held on 20 November 2023 at 2.00 p.m.

Three Resolutions will be considered at the First General Meeting.

Resolution 1 (which will be proposed as an ordinary resolution) will, if passed, approve the Company's entry into the Related Party Transaction. Only Independent Shareholders may vote on Resolution 1. Resolution 1 will require more than 50 per cent. of the votes cast in respect of it, whether in person or by proxy, to be voted in favour to be passed.

Resolutions 2 and 3 (each of which will be proposed as special resolutions and will be conditional on the passing of Resolution 1) will, if passed, approve the terms of the Scheme set out in Part 4 of this document, amend the Articles to give effect to the Scheme and authorise the Liquidators to enter into and give effect to the Transfer Agreement with Shires, to distribute New SHRS Shares to Shareholders in accordance with the Scheme and to purchase the interests of any Dissenting Shareholders. Each of Resolution 2 and Resolution 3 will require at least 75 per cent. of the votes cast in respect of it, whether in person or by proxy, to be voted in favour to be passed. The Scheme will not become effective unless and until, amongst other things, the Resolution to be proposed at the Second General Meeting has also been passed.

Second General Meeting

The Second General Meeting will be held on 1 December 2023 at 9.30 a.m.

At the Second General Meeting, a special resolution will be proposed which, if passed, will place the Company into liquidation, appoint the Liquidators and agree the basis of their remuneration, instruct the Company Secretary to hold the books to the Liquidators' order, and provide the Liquidators with appropriate powers to carry into effect the amendments to the Articles made at the First General Meeting. The Resolution to be proposed at the Second General Meeting is conditional upon the passing of the Resolutions at the First General Meeting, the SHRS Resolution being passed and becoming unconditional in all respects, the approval of the Financial Conduct Authority and the London Stock Exchange to the Admission of the New SHRS Shares to the Official List and to trading on the Main Market of the London Stock Exchange, respectively, and the Directors and the SHRS Directors resolving to proceed with the Scheme. The Resolution will require at least 75 per cent. of the votes cast in respect of it, whether in person or by proxy, to be voted in favour to be passed.

Action to be taken

Before taking any action, Shareholders are recommended to read the whole of this document and the SHRS Prospectus which is available on the Shires website at www.shiresincome.co.uk.

Elections

The default option under the Scheme is to receive New SHRS Shares. As a result, Shareholders who, in respect of all or part of their holding of Ordinary Shares, do not make a valid Election, or who do not make an Election at all, under the Scheme will be deemed to have elected for New SHRS Shares in respect of such holding. If you wish to receive New SHRS Shares in respect of all of your Ordinary Shares, there is no need to complete and return a Form of Election (which you will receive if you hold your Ordinary Shares directly and in certificated form) or Form of Instruction (which you will receive if you hold your Ordinary Shares in certificated form through a Share Plan) or to submit a TTE Instruction (if you hold your Ordinary Shares in uncertificated form).

If you wish to receive cash in respect of all or part of your holding of Ordinary Shares, you must, as applicable, complete and return a Form of Election or Form of Instruction, or submit a TTE Instruction (depending on how your Ordinary Shares are held) in respect of the number of Ordinary Shares for which you wish to make an Election for the Cash Option. You will be deemed to have elected to receive New SHRS Shares in respect of the remainder of your holding of Ordinary Shares if you do not elect for the Cash Option in respect of your full holding of Ordinary Shares.

You are requested to complete the Form of Election in accordance with the instructions printed thereon and return it to the Receiving Agent at Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA as soon as possible and, in any event, so as to be received no later than 1.00 p.m. on 24 November 2023, or, in the event you hold your Ordinary Shares through a Share Plan, you are requested to complete the Form of Instruction in accordance with the instructions printed thereon and return it to the Receiving Agent at Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA as soon as possible and, in any event, so as to be received by no later than 1.00 p.m. on 17 November 2023.

Under the terms of the Scheme, Shares will be deemed to receive only Reclassified Shares with "C" rights (as set out in detail in Part 4 of this document).

Overseas Shareholders should ensure they have read paragraph 16 of Part 4 of this document.

Appointment of proxies in respect of the General Meetings

All Shareholders are encouraged to vote in favour of the Resolutions to be proposed at the General Meetings and, if their Ordinary Shares are not held directly, to arrange for their nominee to vote on their behalf.

Shareholders are requested to complete and return proxy appointments to the Registrar by one of the following means:

- (i) by logging on to www.sharevote.co.uk or, if you have already registered with Equiniti's online portfolio service, www.shareview.co.uk, and following the relevant instructions; or
- (ii) by completing and signing the PINK Form of Proxy for use in relation to the First General Meeting and the GREEN Form of Proxy for use in relation to the Second General Meeting, in accordance with the instructions printed thereon and returning by post; or
- (iii) in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out in the notes to the relevant Notice of General Meeting.

In each case, proxy appointments must be transmitted so as to be received by the Registrar as soon as possible and, in any event, by no later than 2.00 p.m. on 16 November 2023 in respect of the First General Meeting and 9.30 a.m. on 29 November 2023 in respect of the Second General Meeting.

Appointing a proxy (by any of the methods noted above) will not prevent you from attending and voting in person at the relevant General Meeting should you wish to do so.

If any of the Resolutions to be proposed at the General Meetings are not passed, the Proposals will not proceed and the Company will not be wound up. In these circumstances, the Board will reassess the options available to the Company at that time.

Letters of Direction

Share Plan Participants will have received with this document a PINK Letter of Direction for use in relation to the First General Meeting and a GREEN Letter of Direction for use in relation to the Second General Meeting.

These should be completed and returned in accordance with the instructions printed thereon as soon as possible and, in any event, by no later than 2.00 p.m. on 13 November 2023 in respect of the First General Meeting and 9.30 a.m. on 24 November 2023 in respect of the Second General Meeting.

Overseas Shareholders

The attention of Overseas Shareholders is drawn to the sections titled "Overseas Shareholders" in Parts 3 and 4 of this document.

Overseas Shareholders will not receive a copy of the SHRS Prospectus unless they have satisfied the Directors and the SHRS Directors that they are entitled to receive and hold New SHRS Shares without breaching any relevant securities laws and without the need for compliance on the part of the Company or Shires with any overseas laws, regulations, filing requirements or the equivalent.

Subject to certain exceptions described herein, no action has been taken or will be taken in any jurisdiction other than the UK where action is required to be taken to permit the distribution of this document and/or the SHRS Prospectus. Accordingly, such documents may not be used for the purpose of, and do not constitute, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Overseas Shareholders are entitled to participate in the Scheme. However, to the extent that Shires, and/or the Liquidators, acting reasonably, consider that any issue of New SHRS Shares to an Overseas Shareholder would or may involve a breach of the securities laws or regulations of any jurisdiction, or may violate any applicable legal or regulatory requirements or may require Shires to become subject to additional regulatory requirements (to which it would not be subject but for such issue) and Shires and/or the Liquidators, as the case may be, have not been provided with evidence reasonably satisfactory to them that the relevant Overseas Shareholder is permitted to hold New SHRS Shares under any relevant securities laws or regulations of such overseas jurisdictions (or that Shires will not be subject to any additional regulatory requirements to which it would not be subject but for such issue), such Overseas Shareholder will be deemed to have elected for the Cash Option in respect of their entire holding of Ordinary Shares. **Overseas Shareholders who wish to receive New SHRS Shares under the Scheme should contact the Company directly as soon as possible and, in any event, by no later than 5.00 p.m. on 17 November 2023 if they are able to demonstrate, to the satisfaction of the Directors, the SHRS Directors and the Liquidators, that they can be issued New SHRS Shares without breaching any relevant securities laws.**

If an Overseas Shareholder does not contact the Company and provide the required evidence as noted above, such Overseas Shareholder will be deemed to have elected for the Cash Option in respect of their entire holding of Ordinary Shares in accordance with paragraph 16 of Part 4 of this document.

Taxation

Shareholders are advised to read carefully the section titled "Taxation" in Part 3 of this document which sets out a general guide to certain aspects of current UK taxation law and HMRC published practice.

Shareholders who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction other than the UK are strongly advised to consult their own professional advisers.

Recommendation

The Board considers the Proposals and the Resolutions to be proposed at the General Meetings to be in the best interests of Shareholders as a whole.

The Board considers that the Related Party Transaction is fair and reasonable as far as Shareholders are concerned. The Directors have been so advised by Winterflood acting in its capacity as the Company's sponsor and in providing this advice, Winterflood has taken into account the Directors' commercial assessments.

Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the General Meetings, as the Directors intend to do in respect of their own beneficial holdings, which in aggregate amount to 32,025 Ordinary Shares, representing approximately 0.14 per cent. of the Company's issued Ordinary Share capital as at 13 October 2023.

The Board cannot, and does not, give any advice or recommendation to Shareholders as to whether, or as to what extent, they should elect for any of the options available under the Scheme. Choices in connection with the Scheme will be a matter for each Shareholder to decide and will be influenced by their individual investment objectives and by their personal, financial and tax circumstances. Accordingly, Shareholders should, before deciding what action to take, read carefully all the information in this document and in the SHRS Prospectus. **Shareholders who are in any doubt as to the contents of this document or the SHRS Prospectus or as to the action to be taken should seek their own personal financial advice from their financial adviser authorised under FSMA. Shareholders who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction other than the UK are strongly advised to consult their own professional advisers.**

Yours faithfully

Dagmar Kent Kershaw
Chair

PART 2

SHIRES INCOME PLC

Any investment in Shires will be governed by the SHRS Prospectus. Accordingly, Shareholders should read the SHRS Prospectus and, in particular, the risk factors contained therein. The information in this Part 2 has been extracted, without material adjustment, from the SHRS Prospectus.

Background

Shires is a closed-ended investment company incorporated in England and Wales on 28 March 1929, with registered number 00386561. Shires has an unlimited life and is registered as an investment company under section 833 of the Companies Act. The SHRS Shares are listed on the premium segment of the Official List and are traded on the Main Market.

The SHRS Board has outsourced the day-to-day investment management, risk management and administration and company secretarial services, as well as promotional activities, of Shires to abrDN and other third party service providers. Shires has appointed AFML as its alternative investment fund manager. AFML, in its capacity as Shires' AIFM, has, in turn, delegated its portfolio management responsibilities to abrDN Investments Limited ("**AIL**") and has delegated its responsibilities as to administrative and secretarial services to abrDN Holdings Limited.

AIFM and investment manager

AFML is a limited liability company, incorporated and registered in England and Wales on 7 November 1962 with registered number 00740118. AIL is a limited liability company, incorporated and registered in Scotland on 23 December 1987 with registered number SC108419. Both AFML and AIL are authorised and regulated by the FCA to conduct certain restricted activities in relation to collective investment schemes and general securities and derivatives.

AFML is a wholly-owned subsidiary of abrDN plc ("**abrDN**"), a leading independent global investment management company incorporated in the United Kingdom with global headquarters in Edinburgh. As at 30 June 2023, abrDN had assets under management and administration of £496 billion (31 December 2022: £500 billion). abrDN is a public company listed on the London Stock Exchange under the symbol ABDN. It has a significant presence in the retail and institutional markets within the investment management industry and manages assets for a range of clients including 19 UK listed closed-ended investment companies.

If the Scheme is approved, Shires' portfolio will continue to be managed by abrDN Investments Limited, led by Iain Pyle and Charles Luke. Further details of their experience are set out below.

Iain Pyle, UK Equities Portfolio Manager

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

Charles Luke, UK Equities Portfolio Manager

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

Shires' investment objective, policy and investment restrictions

Investment objective

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

Investment policy

Shires' investment policy is to invest principally in the ordinary shares of UK quoted companies, and in preference shares, convertibles and other fixed income securities with above average yields.

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

Gearing

The SHRS Directors are responsible for determining the gearing strategy of Shires. Gearing is used with the intention of enhancing long-term returns. It is subject to a maximum equity gearing level of 35 per cent. of net assets at the time of drawdown. Any borrowing except in relation to short-term liquidity requirements is used for investment purposes.

In accordance with the Listing Rules, Shires will not make any material change to its published investment policy without the prior approval of the FCA and the approval of its shareholders by ordinary resolution. Such an alteration would be announced by Shires through an RIS. Any proposed changes to Shires' investment policy are also required to be notified to HMRC in advance of the filing date for the accounting period in which the investment policy is revised (together with details of why the change does not impact Shires' status as an investment trust).

Diversification of risk and investment restrictions

In order to ensure adequate diversification, limits are set within the investment policy within which AFML and AIL must operate. All of these limits are measured at the point of acquisition of investments, unless otherwise stated and will apply as at the Effective Date, as set out below.:

General investment limits

- A maximum of 10 per cent. of total assets may be invested in the equity securities of overseas companies.
- A maximum of 7.5 per cent. of total assets may be invested in the securities of one company (historically excluding the Company).
- Any investment must not represent more than 5 per cent. of a quoted investee company's ordinary shares (historically excluding the Company).
- A maximum of 10 per cent. of total assets may be invested directly in AIM holdings.

Limits in relation to preference shares

- A maximum of 7.5 per cent. of total assets may be invested in the preference shares of any one company.
- Shires may not hold more than 10 per cent. of any investee company's preference shares.

Limits in relation to traded options contracts

There are principal guidelines put in place to manage the risks associated with these contracts, including:

- call options written are to be covered by stock;
- put options written are to be covered by net current assets/borrowing facilities;

- call options are not to be written on more than 10 per cent. of the equity portfolio; and
- put options are not to be written on more than 10 per cent. of the equity portfolio.

The SHRS Board assesses on a regular basis with the investment manager the applicability of the above investment limits, the use of gearing and risk diversification whilst aiming to meet the overall investment objectives of Shires.

Preference shares

Shires invests in preference shares, primarily to enhance the income generation of Shires. The majority of these investments are in large financial institutions. Issue sizes are normally relatively small and the underlying securities are relatively illiquid by comparison with the equity component of the Shires portfolio. Shires enters into traded option contracts primarily to enhance the income of Shires.

Traded options contracts

The Company enters into traded option contracts primarily to enhance the income of the Company. Call options are covered by stock and put options are written to be covered by net current assets/borrowing facilities as set out above.

Gearing

Shires' borrowings (net of cash) were £17.8 million debt at par and £17.2 million debt at fair value as at 13 October 2023.

Shires has in place a £20 million loan facility with The Royal Bank of Scotland International Limited, London Branch. It was put in place on 3 May 2022 and is due to mature in April 2027. As at 13 October 2023, £10 million of the loan was drawn down and fixed at an all-in rate of 3.903 per cent. and £9 million was drawn down on a revolving basis.

Shires' dividend policy

Shires does not have any formal policy to achieve any specified level of dividend in any year. Shires' practice is to pay three interim dividends per year, together with a final dividend approved at its annual general meeting held in or around July each year. As far as practical the interim dividends are paid at the same amount, re-calibrated from time to time, with the final dividend set according to the net income outcome for the year and taking account of income outlook.

The investment objective of Shires 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.

The SHRS Board's approach is to aim for total dividends paid in the year to be covered by net earnings for the period and that Shires has revenue reserves which can be applied to allow Shires to support future dividend payments in times of economic difficulties. Shires has the flexibility to pay dividends from its realised capital reserves, although the SHRS Board has no current intention of making use of this flexibility.

Subject to unforeseen circumstances, Shires proposes to continue to pay three quarterly interim dividends of 3.20 pence each per SHRS Share during the current financial year. The SHRS Board will determine the final dividend for 2024 having reviewed the full year results, taking into account the general outlook for the Shires portfolio's investment income at that time.

Shires paid total dividends on the SHRS Shares of 14.20 pence over the last financial year ended 31 March 2023, which equated to a dividend yield of 5.7 per cent. on the year-end share price of 250.00 pence.

Over the last ten years, Shires has sustained and grown its income and dividends as indicated in the table below:

Year to 31 March	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net revenue earnings per SHRS Share (p)	12.6	12.9	12.1	13.1	13.7	13.1	13.0	12.3	14.2	14.8
Dividends per SHRS Share (p)	12.00	12.25	12.25	12.75	13.00	13.20	13.20	13.20	13.80	14.20

Shires' investment strategy

Shires investment goals are twofold: (i) to deliver an above average yield relative to the FTSE All Share Index; and (ii) to maintain the potential for capital growth over the medium to long term. Shires' investment strategy aims to deliver these outcomes by investing primarily in UK equities, enhanced by investment in select overseas equities, preference shares and with a small option writing programme to enhance income.

AIL, in its capacity as Shires' investment manager, seeks to assemble a high quality portfolio from both a qualitative and quantitative perspective. AIL believes the market often systematically underestimates the sustainability of returns from high quality companies, and that high quality companies have fewer tail risks (and a greater margin of safety to those risks), produce less volatile earnings streams (which are more resilient and sustainable) and can better navigate an uncertain future, including capitalising on the inherent opportunities that offer to create value. AIL assesses quality through the durability of the investee company's business model, the attractiveness of the industry, the strength of the company's financials, the capability of management and an assessment of ESG risks. ESG is a core component of the fundamental research process that AIL undertakes as AIL believes a sustainable business model is fundamental to longer term success.

AIL believes the UK equity universe is particularly attractive for income investing and that it has an attractive headline yield by comparison to other developed markets. As at 29 September 2023, the FTSE All Share Index had a 12 month dividend yield of 3.81 per cent. In comparison, the 12-month dividend yield of the FTSE All World Index (£) was 2.19 per cent. as at the same date. In addition, AIL believes the UK market provides access to a wide range of companies that are demonstrating growth, including from technological and environmental change, and that UK listed companies have a high level of governance.

A number of overseas equities are held within the Shires' portfolio, with a limit of up to 10 per cent. of total assets. AIL believes this allocation provides diversification of income and access to differentiated business models not available in the UK equity market. Selection of overseas equities is informed by close discussion with AIL's regional equity teams.

AIL's philosophy is that markets are not always efficient. It believes that superior investment returns are attainable by identifying good companies with attractive valuations, defined in terms of the fundamentals that, in AIL's opinion, drive share prices over the longer term. AIL undertakes substantial due diligence before initiating any investment, including company visits, in order to be assured of the quality of the prospective investment and this degree of diligence continues after an investment is made.

Further details on the investment strategy employed by Shires are contained in the SHRS Prospectus.

Shires' performance track record

Shires measures performance against the FTSE All Share Index benchmark. The table below sets out Shires' relative performance against this benchmark over various time horizons and while the factors influencing performance have differed over each period, Shires believes the relative underperformance has, in part, been driven by Shires' preference share portfolio and the holding in the Company which in turn was influenced by the rating of the Company's shares rather than the performance of the underlying small cap investments. Given the aim of Shires is to deliver a high level of income, the UK Equity Income sector is used as an additional comparator, with Shires outperforming the sector over the long term (five years and since inception). The SHRS Board continuously monitors performance including ongoing engagement with AFML, in its capacity as Shires' AIFM, to understand the drivers

behind any relative performance (both outperformance and underperformance) and the actions being taken. Sustainability of income has been and will continue to be front and central to how Shires invests which will inevitably result in periods where total return might lag when capital growth predominates in relative indices.

Cumulative performance

	6 months (%)	1 year (%)	3 years (%)	5 years (%)	10 years (%)
Shires NAV Total Return	(4.5)	9.2	22.8	25.3	70.6
Shires Share Price Total Return	(9.0)	2.8	25.8	22.9	61.7
FTSE All Share Index Total Return	(1.9)	13.9	35.8	27.2	69.7

Source: Refinitiv Datastream. Data to 13 October 2023. NAV total returns calculated with debt valued at fair value. Total return calculations assume dividend reinvestment as at the ex-dividend date. Past performance is not a reliable indicator of future results.

Shires' portfolio summary

As at 13 October 2023, Shires' portfolio comprised 56 equity holdings and 5 fixed income holdings with a gross valuation of £92.2 million. Shires' portfolio included 7 holdings listed on exchanges outside of the UK, representing 7.7 per cent. of the portfolio valuation. On a market capitalisation basis, Shires' portfolio was 46.7 per cent. large-cap (companies with a market cap above £4.0 billion), 21.5 per cent. mid-cap (companies with a market cap below £4.0 billion and above £0.5 billion) and 14.8 per cent. small-cap (companies with a market cap below £0.5 billion).

Management fees and ongoing expenses

Shires' existing management fee of 0.45 per cent. of NAV (including any borrowings up to a maximum of £30 million, and excluding commonly managed funds) up to and including £100 million and 0.40 per cent. of NAV (as above) in excess of £100 million per annum will continue to be charged. A new administration fee of £120,000 plus VAT per annum, effective from the completion of the Scheme, will also be payable by Shires to abrdn.

Shires' total fixed operational costs (excluding management fees, brokerage and other transaction charges and taxes, and any borrowing costs) are estimated, in the first year following the Effective Date of the Scheme, to amount to not more than approximately 0.53 per cent. per annum of the enlarged Shires' estimated NAV (based on the illustrative calculations set out on pages 14 and 15 of this document).

SHRS Board

Robert Talbut (Chairman)

Robert Talbut was appointed as a SHRS Director with effect from 1 April 2015 and as chair of the SHRS Board in July 2017. He is also the chair of Shires' management engagement committee. He was formerly Chief Investment Officer of Royal London Asset Management and has over 30 years of financial services experience. He has represented the asset management industry through the chairmanship of both the ABI Investment Committee and the Asset Management Committee of the Investment Association. He has also been a member of the Audit & Assurance Council of the FRC and the Financial Conduct Authority's Listing Authority Advisory Panel. He is Chairman of Schroder UK Mid Cap Fund and a non-executive director of Pacific Assets Trust plc and JPMorgan American Investment Trust PLC, where he is also Chair of the Risk Committee.

Robin Archibald

Robin Archibald was appointed as a SHRS Director with effect from 1 May 2017 and became Chairman of the Audit Committee and senior independent director on 12 September 2022. He has wide experience in advising and managing transactions in the UK closed-end funds sector over his 35 year career as a corporate financier including with Samuel Montagu, S G Warburg and Natwest Markets. He retired from Winterflood Investment Trusts in May 2014, where he was formerly Head of Corporate Finance and Broking. He is currently audit chair and senior independent director of Capital Gearing Trust PLC and Henderson European Focus Trust plc, and was formerly chair of Albion Technology &

General VCT PLC and audit chair and senior independent director of Ediston Property Investment Company, roles he retired from in the last twelve months. Robin was recently appointed as a non-executive director of AEW UK REIT. He is a Chartered Accountant.

Jane Pearce

Jane Pearce was appointed as a SHRS Director with effect from 1 January 2020 and as chair of Shires' remuneration committee on 12 September 2022. She had an executive career as an equity analyst at leading investment banks and latterly was an equity strategist at Lehman Brothers and Nomura International. She is a non-executive director of four UK subsidiaries of Morgan Stanley and is also a non-executive director of Polar Capital Technology Trust PLC. She is a Chartered Accountant and was a Member of the Governing Council of the Institute of Chartered Accountants of Scotland from 1999-2000.

Helen Sinclair

Helen Sinclair was appointed as a SHRS Director with effect from 1 February 2022. She began her career in investment banking and spent nearly eight years at 3i plc focusing on management buy-outs and growth capital investments. She later co-founded Matrix Private Equity (which became Mobeus Equity Partners) in 2000 and subsequently became Managing Director of the company before moving to take on a number of non-executive director roles. She is a non-executive director of WH Ireland group plc, Sherborne Investors (Guernsey) C Limited, BlackRock Smaller Companies Trust plc and chair of Octopus Future Generations VCT plc.

General

Further details of Shires and the New SHRS Shares are set out in the SHRS Prospectus. **Shareholders are strongly recommended to read the SHRS Prospectus before making an Election.**

PART 3

FURTHER DETAILS OF THE PROPOSALS

Implementation of the Scheme

Subject to the passing of the Resolutions (and the satisfaction of the other conditions of the Scheme, full details of which are set out in paragraph 15 of Part 4 of this document), the Company will be placed into members' voluntary liquidation and the Scheme will take effect from the Effective Date.

On the Calculation Date the Board shall appropriate to the Liquidation Pool such of the cash, undertaking and other assets of the Company estimated by the Board, in consultation with the Liquidators, to be sufficient to meet the outstanding current and future liabilities, including contingent liabilities, of the Company, including the costs of the Scheme, the Liquidators' Retention and the entitlements of any Dissenting Shareholders. Further details of the Liquidation Pool are set out in paragraph 3.2 of Part 4 of this document.

The balance of the cash, undertaking and other assets of the Company will be allocated to the Cash Pool and the Rollover Pool, each of which will represent the respective entitlements of Shareholders to either the Cash Option or the Rollover Option in accordance with the Elections made, or deemed to have been made, under the Scheme. Shires' entitlements as a Shareholder under the Scheme will be satisfied on the Company's entering winding up by the transfer of the Rollover Pool to Shires, which will include the transfer of Shires' *pro rata* share of the Rollover Pool by way of a distribution *in specie*. This means that Shires will receive no New SHRS Shares pursuant to the Scheme and will be deemed under the terms of the Scheme to receive only Reclassified Shares with "C" rights (as set out in detail in Part 4 of this document).

On the Effective Date, the cash, undertaking and other assets of the Company comprising the Rollover Pool will be transferred to Shires. In consideration for the transfer of the portion of the Rollover Pool that does not represent Shires' *pro rata* share of the Rollover Pool to Shires under the Transfer Agreement, the relevant numbers of New SHRS Shares will be allotted to the Liquidators who will renounce the New SHRS Shares in favour of the Shareholders who validly elect or are deemed to have elected for the Rollover Option.

Shortly following the Effective Date, Cash Entitlements payable to the holders of Reclassified Shares with "B" rights shall be distributed by the Liquidators, through Equiniti and pursuant to the Scheme, in cash to each Shareholder who has elected for the Cash Option in proportion to its respective holding of Reclassified Shares with "B" rights which shall be equal to such Shareholder's entitlement to the net realisation proceeds of the Cash Pool pursuant to the Scheme (the "**Cash Entitlement**") and rounded down to the nearest penny.

To the extent that any part of the Liquidation Pool, including the Liquidators' Retention, is not subsequently required to discharge the Company's liabilities and remains at the conclusion of the Company's liquidation, it will be distributed in cash to the Shareholders on the Register on the Effective Date (excluding Dissenting Shareholders). If, however, any such amount payable to any Shareholder is less than £5.00, it will not be paid to the Shareholders but instead will be paid by the Liquidators to the Nominated Charity.

Transfer Agreement

If the Proposals become effective, the Liquidators (in their personal capacity and on behalf of the Company) will enter into the Transfer Agreement with the Company and Shires on or around the Effective Date pursuant to which the Rollover Pool will be transferred to Shires in satisfaction of the entitlements of Shires as holder of the Reclassified Shares with "C" rights and in consideration for the issue of New SHRS Shares to the holders of Reclassified Shares with "A" rights, both on the basis described in Part 4 of this document. Each of the parties to the Transfer Agreement has agreed and undertaken to the others that, so far as may be within its respective power, it will take all such reasonable steps as may be necessary or desirable to implement the Scheme.

Elections

Ordinary Shares held in uncertificated form (that is, in CREST)

If you hold your Ordinary Shares in uncertificated form and wish to elect for the Cash Option in respect of all or some of your Ordinary Shares, you should take (or procure to be taken) the action set out below to transfer (by means of a TTE Instruction) the number of Ordinary Shares in respect of which you wish to make an Election for the Cash Option, specifying the Receiving Agent in its capacity as a CREST receiving agent under its participant ID (referred to below) as the escrow agent, as soon as possible and, in any event, so that the TTE Instruction is received no later than 1.00 p.m. on 24 November 2023.

If you hold Ordinary Shares in CREST but under different member account IDs, you should submit a separate TTE Instruction in respect of each member account ID.

If you are a CREST sponsored member, you should refer to your CREST sponsor before taking any action. Your CREST sponsor will be able to confirm details of your participant ID and the member account ID under which your Ordinary Shares are held. In addition, only your CREST sponsor will be able to send the TTE Instruction to Euroclear in relation to your Ordinary Shares.

To make an Election for the Cash Option you should send (or, if you are a CREST sponsored member, procure that your CREST sponsor sends) a TTE Instruction to Euroclear, which must be properly authenticated in accordance with Euroclear's specifications for transfers to escrow and which must contain, in addition to the other information that is required for the TTE Instruction to settle in CREST, the following details:

- the ISIN number for the Ordinary Shares. This is GB0008063728;
- the number of Ordinary Shares in relation to the relevant Election;
- your member account ID;
- your participant ID;
- the member account ID of the escrow agent, the Receiving Agent. This is: 5RA58;
- the participant ID of the escrow agent, the Receiving Agent, in its capacity as a CREST receiving agent. This is: RACASHOP;
- the Corporate Action Number for the Scheme. This is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST;
- the intended settlement date for the transfer to escrow. This should be as soon as possible after receipt of your Election and, in any event, by no later than 1.00 p.m. on 24 November 2023;
- the standard delivery instruction with Priority 80; and
- contact name and telephone number inserted in the shared note field.

After settlement of the TTE Instruction, you will not be able to access the Ordinary Shares concerned in CREST for any transaction or for charging purposes, notwithstanding that they will be held by the Receiving Agent as your escrow agent until completion or lapsing of the Scheme.

You are recommended to refer to the CREST Manual published by Euroclear for further information on the CREST procedures outlined above.

You should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE Instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST sponsor) to enable a TTE Instruction relating to your Ordinary Shares to settle prior to 1.00 p.m. on 24 November 2023. In connection with this, you are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

Ordinary Shares held in certificated form

Shareholders who hold their Ordinary Shares in certificated form (i.e. not in CREST) who wish to make an Election for the Cash Option in respect of all or part of their holding of Ordinary Shares should

complete and sign the enclosed personalised Form of Election inserting in Box 2 either “ALL” or the total number of Ordinary Shares they wish to elect for the Cash Option and return the Form of Election using the relevant enclosed reply-paid envelope (with the blue flash printed thereon and for use within the UK only) to the Receiving Agent by post to Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA as soon as possible and, in any event, so as to be received by no later than 1.00 p.m. on 24 November 2023. Forms of Election, once submitted, will be irrevocable and may not be withdrawn or amended without the consent of the Directors.

Share Plan Participants who wish to make an Election for the Cash Option in respect of all or part of their holding of Ordinary Shares should complete and sign the enclosed personalised Form of Instruction inserting in Box 2 either “ALL” or the total number of Ordinary Shares they wish to elect for the Cash Option and return the Form of Instruction using the relevant enclosed reply-paid envelope (with the blue flash printed thereon and for use within the UK only) to the Receiving Agent by post to Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA as soon as possible and, in any event, so as to be received by no later than 1.00 p.m. on 17 November 2023. Forms of Instruction, once submitted, will be irrevocable and may not be withdrawn or amended without the consent of the Directors.

If you hold Ordinary Shares in certificated form, but under different designations, you should complete a separate Form of Election, or Form of Instruction, in respect of each designation (as applicable). If you hold Ordinary Shares in both certificated and uncertificated form, you should complete a Form of Election, or Form of Instruction, or a TTE Instruction for each holding (as applicable).

Shareholders who have any queries in relation to making an Election should contact the Receiving Agent on +44 (0)371 384 2050. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 8.30 a.m. to 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that the Receiving Agent cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

Settlement and dealings in New SHRS Shares

Applications will be made by Shires to the Financial Conduct Authority for the New SHRS Shares to be admitted to a premium listing on the Official List and to the London Stock Exchange for such New SHRS Shares to be admitted to trading on the premium segment of the Main Market. If the Scheme becomes effective, it is expected that the New SHRS Shares will be admitted to the Official List and that the first day of dealings in such securities will be 4 December 2023.

New SHRS Shares will be issued in registered form and may be held in either certificated or uncertificated form. Shareholders who held their Ordinary Shares in certificated form at the Record Date and who have elected, or are deemed to have elected, for New SHRS Shares will receive their New SHRS Shares in certificated form. It is expected that share certificates in respect of such New SHRS Shares will be despatched to the Shareholders entitled thereto no later than 10 Business Days from the Effective Date. For security reasons, Shareholders who are recorded in the books of the Registrar as “gone away” will not have their share certificate issued until they contact the Registrar.

Shareholders who held their Ordinary Shares in uncertificated form at the Record Date and who have elected, or are deemed to have elected, for New SHRS Shares will receive their New SHRS Shares in uncertificated form on 4 December 2023; although, Shires reserves the right to issue such securities in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST or of the facilities or system operated by Shires’ registrar in connection with CREST. Shires will procure that instructions are given to credit the appropriate stock accounts in the CREST system with the relevant entitlements to New SHRS Shares in uncertificated form.

Fractional entitlements to New SHRS Shares pursuant to the Scheme will not be issued under the Proposals and entitlements will be rounded down to the nearest whole number. No cash payment shall be made or returned in respect of any fractional entitlements which will be retained for the benefit of Shires.

Cheques in respect of the cash amounts due to Shareholders who validly elect, or are deemed to elect, for the Cash Option are expected to be despatched to them by no later than 10 Business Days from the Effective Date. It is expected that Shareholders who hold their Ordinary Shares in CREST will receive their Cash Entitlements through CREST by no later than 10 Business Days from the Effective Date.

Share certificates

Existing certificates in respect of Ordinary Shares will cease to be of tradable value following suspension of dealings in the Ordinary Shares.

General

All documents and remittances despatched to or from Shareholders or their appointed agents in connection with the Proposals will be despatched at Shareholders' own risk.

Overseas Shareholders

The issue of New SHRS Shares to persons resident in, or citizens of, jurisdictions outside the UK may be affected by the laws of the relevant jurisdiction. Such Shareholders should inform themselves about and observe any legal requirements in the relevant jurisdiction. In particular:

- the New SHRS Shares have not been and will not be registered under the US Securities Act and the New SHRS Shares may not be offered, sold, pledged or otherwise transferred within the United States, or to or for the benefit of US Persons, except pursuant to an exemption from the registration requirements of the US Securities Act and the relevant clearances have not been, and will not be, obtained from the securities commission of any member state of the European Economic Area, any province of Canada, Australia, Japan, New Zealand or the Republic of South Africa;
- there has not been and there will be no public offer of the New SHRS Shares in the United States;
- SHRS is not, and does not intend to be, registered under the US Investment Company Act, and investors are not, and will not be, entitled to the benefits of the US Investment Company Act; and
- no offer is being made, directly or indirectly, under the Scheme, in or into by the use of mails, or by means of instrumentality (including, without limitation, facsimile, transmission, telex or telephone) of interstate or foreign commerce, or of any facility in a national securities exchange (subject to certain exceptions described herein), any member state of the European Economic Area, Australia, Canada, Japan, New Zealand or the Republic of South Africa.

It is the responsibility of Shareholders with registered addresses outside the UK to satisfy themselves as to the observance of the laws of the relevant jurisdiction in connection with the issue of New SHRS Shares, including the obtaining of any governmental or exchange control or other consents which may be required, the compliance with any other necessary formalities which need to be observed and the payment of any issue, transfer or other taxes or duties due in such jurisdiction. Shareholders who are subject to taxation outside the UK should consult their own professional advisers as soon as possible.

The Scheme is being implemented subject to United Kingdom disclosure requirements which are different from certain United States disclosure requirements. In addition, US Shareholders should be aware that this document has been prepared in accordance with a UK format and style, which differs from the US format and style. In particular, parts of this document contain information concerning the Scheme required by UK disclosure requirements which may be material and may not have been summarised elsewhere in this document. Furthermore, the Scheme will be subject to other procedural requirements, including with respect to withdrawal rights, settlement procedures and timing of payments that are different from those applicable under US domestic tender offer procedures and law.

US Shareholders should note that SHRS Shares are not listed on a US securities exchange and SHRS is not subject to the periodic reporting requirements of the US Exchange Act and is not required to, and does not, file any reports with the US Securities and Exchange Commission thereunder (the "SEC"). The Scheme is not subject to the disclosure and other procedural requirements of Regulation 14D under the Exchange Act.

The Scheme may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each US Shareholder is urged to consult their independent professional adviser immediately regarding the tax consequences of making a decision regarding the Scheme.

It may be difficult for US Shareholders to enforce their rights and any claim arising out of the US federal securities laws, since Shires is located in a foreign country, and all of its officers and directors are residents of a foreign country. US Shareholders may not be able to sue a foreign company or its officers or directors in a foreign court for violations of the US securities laws. Further, it may be difficult to compel a foreign company and its affiliates to subject themselves to a US court's judgement. Whether located in the United States or elsewhere, US Shareholders will receive any cash consideration in pounds sterling.

Non-US Shareholders are deemed to represent to the Company and Shires that they are located outside of the United States and are not US Persons (and are not acting for the account or benefit of a US Person).

Overseas Shareholders are entitled to participate in the Scheme. However, to the extent that Shires, and/or the Liquidators, acting reasonably, consider that any issue of New SHRS Shares to an Overseas Shareholder would or may involve a breach of the securities laws or regulations of any jurisdiction, or may violate any applicable legal or regulatory requirements or may require Shires to become subject to additional regulatory requirements (to which it would not be subject but for such issue) and Shires and/or the Liquidators, as the case may be, have not been provided with evidence reasonably satisfactory to them that the relevant Overseas Shareholder is permitted to hold New SHRS Shares under any relevant securities laws or regulations of such overseas jurisdictions (or that Shires will not be subject to any additional regulatory requirements to which it would not be subject but for such issue), such Overseas Shareholder will be deemed to have elected for the Cash Option in respect of their entire holding of Ordinary Shares. **Overseas Shareholders who wish to participate in the Scheme should contact the Company directly as soon as possible and, in any event, by no later than 5.00 p.m. on 17 November 2023 if they are able to demonstrate, to the satisfaction of the Directors, the SHRS Directors and the Liquidators, that they can be issued New SHRS Shares without breaching any relevant securities laws.**

If an Overseas Shareholder does not contact the Company and provide the required evidence as noted above, such Overseas Shareholder will be deemed to have elected for the Cash Option in respect of their entire holding of Ordinary Shares in accordance with paragraph 16 of Part 4 of this document.

Overseas Shareholders will not receive a SHRS Prospectus unless they have satisfied the SHRS Directors that they are entitled to receive and hold New SHRS Shares without breaching any relevant securities laws and without the need for compliance on the part of the Company or Shires with any overseas laws, regulations, filing requirements or the equivalent.

Dissenting Shareholders

Provided that a Shareholder does not vote in favour of the Resolutions to be proposed at the First General Meeting, such Shareholder may within seven days following the First General Meeting, express their dissent to the Liquidators in writing at the registered office of the Company and require the Liquidators to purchase the Shareholder's interest in the Company. The Liquidators will offer to purchase the interests of the Dissenting Shareholders at the realisation value, this being an estimate of the amount a Shareholder would receive per Ordinary Share in an ordinary winding up of the Company if all of the assets of the Company had to be realised and distributed to Shareholders after repayment of the liabilities of the Company. The realisation value of an Ordinary Share is expected to be below the unaudited cum-income NAV per Ordinary Share and the Liquidators will not purchase the interests of Dissenting Shareholders until all other liabilities of the Company have been settled and HMRC has confirmed that it has no objections to the closure of the liquidation.

In order to purchase the interests of any Dissenting Shareholders, the Board, in consultation with the Liquidators, will appropriate an amount of the cash, undertaking and other assets of the Company to the Liquidation Pool which it believes is sufficient to purchase the interests of such Dissenting Shareholders. Save as otherwise provided, any Ordinary Shares held by persons who validly exercise

their rights under section 111(2) of the Insolvency Act shall be disregarded for the purposes of the Scheme and shall be treated as if those Ordinary Shares were not in issue.

If Dissenting Shareholders validly exercise their rights under section 111 of the Insolvency Act in respect of more than ten per cent. of, in aggregate, the issued Ordinary Share capital of the Company, the Directors have discretion under the Scheme to decide that the Scheme should not proceed.

Common Reporting Standard

Investment trusts are required to report the tax residence of their shareholders. Subject to the Scheme becoming effective, those Shareholders of the Company that are not already on the register of members of Shires and who hold their New SHRS Shares in certificated form will be sent a document along with their new share certificate in respect of their New SHRS Shares which those Shareholders should complete and return to the Shires' registrar.

Taxation

The information set out below relates to UK taxation applicable to the Company and its Shareholders who are resident in the UK for tax purposes and who hold Ordinary Shares as an investment (this information may not relate to certain categories of Shareholders, such as dealers in securities, collective investment schemes, insurance companies and persons acquiring their Ordinary Shares in connection with their employment who may be taxed differently). The information is based on existing UK taxation law and HMRC published practice in force as at the date of this document and is, therefore, subject to any subsequent changes (possibly with retrospective effect). The information is given by way of general summary only and does not constitute legal or tax advice to any person.

If you are in any doubt about your tax position or if you may be subject to tax in a jurisdiction other than the UK you should consult your professional advisers.

The Company

The Company has obtained approval from HMRC as satisfying the conditions for approval as an investment trust under section 1158 of the Corporation Tax Act and Chapter 1 of Part 2 of The Investment Trust (Approved Company) (Tax) Regulations 2011.

The Proposals should not prejudice the ability of the Company to retain its investment trust status in respect of the accounting period that ended on 31 December 2022 and in respect of the current accounting period, which will end on the day immediately preceding the Effective Date if the Company is placed into members' voluntary liquidation. Furthermore, the proposed method of winding up the Company and the scheme of reconstruction is such that the Company should remain eligible to be treated as an investment trust for the accounting period which includes the date on which its assets are sold and/or transferred by the Liquidators pursuant to the Transfer Agreement under sections 15 and 16 of The Investment Trust (Approved Company) (Tax) Regulations 2011. Accordingly, the transfer of the Company's assets in the Rollover Pool and the realisation of the Company's assets in the Cash Pool and the Liquidation Pool under the Scheme should not give rise to a liability to UK taxation of chargeable gains for the Company. However, there can be no absolute assurance that investment trust status will be preserved and the absence of such status in any accounting period would mean the Company would be liable to pay UK taxation on its net capital gains in that period.

Shareholders

Reclassified Shares

For the purposes of UK taxation of chargeable gains, a Shareholder should not be regarded as having disposed of their Ordinary Shares on their reclassification into Shares with "A" rights, Shares with "B" rights or Shares with "C" rights (as relevant). Instead, the Shareholder should be regarded as having acquired the Reclassified Shares at the same time and for the same aggregate base cost as their original holding of Ordinary Shares.

Where a Shareholder's Ordinary Shares are reclassified into both Shares with "A" rights and Shares with "B" rights, the Shareholder's base cost in their original holding of Ordinary Shares will be

apportioned by reference to the respective market values of the Shares with “A” rights and Shares with “B” rights received, as at the time the Reclassified Shares are first listed.

Cash Option

Shareholders who receive cash under the Scheme pursuant to the Cash Option will be regarded as having made a disposal of their Reclassified Shares with “B” rights on the distribution of cash by the Liquidators and may be subject to UK taxation of chargeable gains depending on the particular circumstances of the Reclassified Shareholder concerned.

Rollover Option

The Company has been advised that the exchange of Shares with “A” rights for New SHRS Shares pursuant to the Rollover Option should constitute a scheme of reconstruction for the purposes of the UK taxation of chargeable gains, and that such exchange should not constitute a disposal of the Shares with “A” rights for the purposes of the UK taxation of chargeable gains. Instead, the New SHRS Shares issued pursuant to the Rollover Option should be treated as replacing the Shares with “A” rights for which they were exchanged and should be treated as having been acquired at the same time and for the same base cost as those Shares with “A” rights are treated as having been acquired.

Any subsequent disposal of the New SHRS Shares may result in the holder of those New SHRS Shares realising a chargeable gain or allowable loss for the purposes of UK taxation of chargeable gains, depending on the holder’s particular circumstances.

Liquidation Pool surplus

As provided for in paragraph 10 of Part 4 of this document, any remaining balance in the Liquidation Pool after the discharge of the Company’s liabilities will be distributed in cash to the Shareholders on the Register on the Effective Date, excluding any Dissenting Shareholders. The effect of receipt of any such payment by a Shareholder will depend on whether the payment is in respect of Shares with “A” rights or Shares with “B” rights.

The receipt of any such payment by a Shareholder in respect of their Shares with “A” rights should not be regarded as giving rise to any chargeable disposal for the purposes of UK capital gains tax in respect of a Shareholder who is an individual, or UK corporation tax in respect of a Shareholder who is a corporation, provided that the tax base cost of their Ordinary Shares is in excess of the distribution and the aggregate amount of any such payments received by the Shareholder does not exceed whichever is the greater of: (i) £3,000; and (ii) five per cent. of the value of their Ordinary Shares on the date the Company enters members’ voluntary winding up. Instead, the amount of any such payment or payments will be deducted from the base cost of the New SHRS Shares issued to the Shareholder under the Scheme and should be taken into account in the determination of the extent to which a capital gain or allowable capital loss is realised on any subsequent disposal of those New SHRS Shares.

On the other hand, the receipt of any such payment by a Shareholder in respect of their Shares with “B” rights will be treated as a further disposal by that Shareholder of those Shares with “B” rights which may, depending on that Shareholder’s particular circumstances, give rise to a chargeable gain for the purposes of UK taxation of chargeable gains.

HMRC Clearance

Shareholders are advised that a clearance has been obtained from HMRC pursuant to section 138 of the TCGA confirming that the treatment described above under the heading “*Rollover Option*” is not to be prevented, by virtue of section 137(1) of TCGA, from applying to them. HMRC has also confirmed that no counteraction notice under section 698 of the Income Tax Act or section 746 of Corporation Tax Act should be served in respect of the transaction.

Dissenting Shareholders

If the Liquidators exercised their discretion to purchase the Ordinary Shares of a Dissenting Shareholder, the purchase price paid for their Ordinary Shares will not exceed that which the Dissenting Shareholder would receive on a straightforward winding up of the Company. A Dissenting Shareholder who receives such a cash payment will be treated as disposing of the relevant Ordinary Shares and

may, depending on that Shareholder's particular circumstances, realise a chargeable gain or allowable capital loss for the purposes of UK taxation of chargeable gains.

ISAs and SIPPs

New SHRS Shares are eligible for inclusion in an ISA or SIPP. Accordingly, where Ordinary Shares currently held within an ISA or SIPP are exchanged for New SHRS Shares pursuant to the Rollover Option, those New SHRS Shares can generally be retained within the ISA or SIPP, subject to the specific terms applicable to the ISA or SIPP. Similarly, where cash is received pursuant to the Cash Option in respect of Ordinary Shares held within an ISA or SIPP, that cash may also generally be retained within the ISA or SIPP.

UK Stamp Duty and UK SDRT

It is not expected that any UK stamp duty or UK SDRT will be payable by the Company or the Shareholders in relation to the liquidation of the Company, or on the receipt by Shareholders of New SHRS Shares under the Rollover Option. UK stamp duty and UK SDRT may be incurred by the Company in relation to the realignment of the Company's investment portfolio prior to the Effective Date and by Shires in relation to the transfer of chargeable assets within the Rollover Pool.

General

All documents and remittances despatched to or from Shareholders or their appointed agents in connection with the Proposals will be despatched at Shareholders' own risk.

PART 4

THE SCHEME

1. DEFINITIONS AND INTERPRETATION

Words and expressions defined on pages 46 to 53 of this document have the same meanings when used in this Scheme. Save as otherwise provided in this Part 4, any Ordinary Shares held by persons who validly exercise their rights under section 111(2) of the Insolvency Act shall be disregarded for the purposes of this Part 4 and shall be treated as if those Ordinary Shares were not in issue.

2. ELECTIONS AND ENTITLEMENTS UNDER THE SCHEME

- 2.1. There will be no limit on the number of Ordinary Shares which may be elected, or deemed to be elected, for the Cash Option. Shareholders are entitled to elect to receive the Cash Option in respect of the entirety of their individual holdings of Ordinary Shares on the Calculation Date.
- 2.2. Subject to the Resolutions contained in the Notice of the First General Meeting being passed and, in the case of Resolution 2, becoming unconditional:
 - 2.2.1. the Ordinary Shares in respect of which the holders (excluding Shires) have made, or are deemed to have made, valid Elections for the Rollover Option will be reclassified as Shares with "A" rights;
 - 2.2.2. the Ordinary Shares in respect of which the holders (excluding Shires) have made, or are deemed to have made, valid Elections for the Cash Option will be reclassified as Shares with "B" rights; and
 - 2.2.3. the Ordinary Shares beneficially held by Shires will be reclassified as Shares with "C" rights.
- 2.3. The rights of the Ordinary Shares following the passing of the Resolutions contained in the Notice of the First General Meeting will be the rights as set out in Article 134, which is to be inserted into the Articles pursuant to Resolution 2 contained in the Notice of the First General Meeting, and references to Shareholders will be construed accordingly.
- 2.4. In advance of the Calculation Date, the Company will have, to the extent practicable, realised or realigned the assets, undertaking and business carried on by the Company in accordance with the Scheme and the Elections made, or deemed to have been made, thereunder so that, so far as practicable, the Company will hold, in addition to assets destined to become the Cash Pool and the Liquidation Pool, investments suitable for transfer to Shires, by virtue of the Transfer Agreement, within the Rollover Pool on or before the Effective Date, provided that Shires will accept existing investments of the Company, as agreed with AFML, into the Rollover Pool with *circa* 20 per cent. of the enlarged Shires' portfolio being invested in small cap companies, after taking into account the *in specie* distribution to Shires.
- 2.5. Holders of Reclassified Shares with "B" rights will receive the Cash NAV per Share multiplied by the total number of Reclassified Shares with "B" rights held by them and rounded down to the nearest penny.
- 2.6. Holders of Reclassified Shares with "A" rights will receive such number of New SHRS Shares as is calculated pursuant to paragraph 8.1 of this Part 4.
- 2.7. Shires, as the only beneficial holder of Reclassified Shares with "C" rights, will receive a distribution *in specie* of Shires' *pro rata* share of the Rollover Pool.

3. APPORTIONMENT OF THE COMPANY'S TOTAL ASSETS

- 3.1. Subject to the Resolutions contained in the Notice of the First General Meeting being passed at such meeting and, other than Resolution 3, becoming unconditional, on the Calculation Date, or as soon as possible thereafter, the Board, in consultation with the proposed Liquidators, shall calculate the aggregate value of the total assets of the Company, the Residual Net Asset Value

and the Residual Net Asset Value per Share, the ASCI FAV per Share, the Cash Pool NAV and the Cash NAV per Share in accordance with paragraph 4 below.

- 3.2. On the Calculation Date, or as soon as practicable thereafter, the Company in consultation with the proposed Liquidators shall procure the finalising of the division of the Company's undertaking, cash and other assets into three separate and distinct pools: namely, the Liquidation Pool, the Cash Pool and the Rollover Pool, as follows and in the following order:

3.2.1. first, there shall be appropriated to the Liquidation Pool cash and other assets of the Company (including, without limitation, the right to receive any and all interest, but not dividends, due but not paid to the Company by the Effective Date) which the Liquidators may call in, realise and convert into cash as they consider necessary, of a value calculated in accordance with paragraph 4.1 of this Part 4 and estimated by the Liquidators to be sufficient to meet the current and future, actual and contingent liabilities of the Company, including, without prejudice to the generality of the foregoing (and save to the extent that the same have already been paid or already deducted in calculating the total assets of the Company):

- (a) the costs and expenses incurred, and to be incurred, by the Company and the Liquidators in formulating, preparing and implementing the Proposals and the Scheme and in preparing this document and all associated documents, in each case as not otherwise paid prior to the liquidation;
- (b) the costs and expenses incurred, and to be incurred, by the Company and the Liquidators in preparing and implementing the Transfer Agreement;
- (c) the costs of purchasing (or making provision for the purchase of) the interests of Shareholders who have validly exercised their rights to dissent from the Scheme under section 111(2) of the Insolvency Act;
- (d) any unclaimed dividends of the Company (so far as not previously paid) and any declared but unpaid dividends of the Company;
- (e) the costs and expenses of liquidating and winding up the Company (which includes the costs and expenses in relation to the Liquidators maintaining the Company in liquidation until the date of the final meeting of the Company), including the fees and expenses of the Liquidators and the Registrar;
- (f) any tax liabilities of the Company; and
- (g) an amount considered by the Liquidators to be appropriate to provide for any unascertained, unknown or contingent liabilities of the Company (such amount not expected to exceed £100,000 in aggregate),

in each case including any VAT in respect thereof; and

3.2.2. second, there shall be appropriated to the Cash Pool and the Rollover Pool all the undertaking, cash and other assets of the Company remaining after the appropriation referred to in paragraph 3.2.1 above, in terms of value determined at the Calculation Date, to the value attributable to the Reclassified Shares with "A" rights, "B" rights and "C" rights, respectively, on the following basis:

- (a) there shall be first appropriated to the Cash Pool such proportion of the undertaking, cash and other assets as shall equal the Cash Pool NAV as set out in paragraph 4.5 of this Part 4; and
- (b) there shall be appropriated to the Rollover Pool the balance of the undertaking, cash and other assets of the Company, including for the avoidance of doubt the benefit of the Cash Option Discount as defined below.

- 3.3. Interest, income and other rights or benefits accruing in respect of any of the undertaking, cash or other assets comprised in any of the Liquidation Pool, Cash Pool or Rollover Pool shall form part of that pool, provided that any income, dividend, distribution, interest or other right or benefit

on any investment marked “ex” the relevant income, dividend, distribution, interest or other right or benefit at, or prior to, the Calculation Date shall be deemed to form part of the Liquidation Pool.

4. CALCULATIONS OF VALUE

4.1. Except as otherwise provided in the Scheme, for the purposes of calculating the value of the Company’s assets and liabilities at any time and date at which the calculation of value is required by the Scheme, the assets and liabilities of the Company shall be valued on the following basis:

4.1.1. investments which are listed, quoted or traded on any recognised stock exchange will be valued by reference to the bid price on the principal stock exchange where the relevant investment is listed, quoted or traded at the Relevant Time and according to the prices shown by the relevant exchange’s method of publication of prices for such investments or, in the absence of such recognised method by the latest price available prior to the Relevant Time. If the relevant exchange is not open for business at the Relevant Time, the investments will be valued as at the latest day prior to the relevant date on which the relevant stock exchange was open for business;

4.1.2. quoted investments which are subject to restrictions on transferability or which, in the opinion of the Board (or a duly constituted committee thereof) are otherwise illiquid shall be valued at their fair value as determined by the Board;

4.1.3. cash and deposits with, or balances at, a bank together with all bills receivable, money market instruments and other debt securities not included in paragraphs 4.1.1 or 4.1.2 above and held by the Company as at the Relevant Time will be valued at par (together with interest accrued up to the Calculation Date);

4.1.4. any sums owing from debtors (including any dividends due but not paid and any accrual of interest on debt-related securities to the extent not already taken into account under paragraphs 4.1.1 or 4.1.2 above) as at the Relevant Time shall be valued at their actual amount less such provision for diminution of value (including provisions for bad or doubtful debts or discount to reflect the time value of money) as may be determined by the Board;

4.1.5. assets denominated in currencies other than Sterling will be converted into Sterling at the closing mid-point rate of exchange of Sterling and such other currencies prevailing as at the Relevant Time as may be determined by the Board; and

4.1.6. liabilities shall be valued in accordance with the Company’s normal accounting policies.

In this paragraph 4.1, the “**Relevant Time**” means the time and date at which any calculation of value is required by the Scheme to be made. The Directors shall consult with the Liquidators in making determinations pursuant to this paragraph 4.1.

4.2. Notwithstanding the foregoing, the Board or a duly authorised committee thereof, may, in their absolute discretion (but in consultation with the Liquidators), permit an alternative method of valuation to be used if, acting in good faith, they consider that such valuation better reflects the fair value of any asset or security. None of the Board, the Company or the Liquidators will be under any liability by reason of the fact that a valuation believed to be appropriate may subsequently be found not to have been appropriate.

4.3. None of the Directors, the SHRS Directors, AFML nor the Liquidators shall be under any liability by reason of the fact that a price reasonably believed to be the appropriate market price of any listed investment or any valuation reasonably believed to be appropriate may subsequently be found not to have been the appropriate market price or valuation, except in the case of fraud or bad faith.

4.4. The Residual Net Asset Value shall be equal to the gross assets of the Company as at the Calculation Date less the value of the cash and other assets appropriated to the Liquidation Pool in accordance with paragraph 3.2.1 above. The Residual Net Asset Value per Share shall be equal to the Residual Net Asset Value divided by the number of Ordinary Shares in issue (excluding any Ordinary Shares held in treasury) (expressed in pence) and calculated to six decimal places (with 0.0000005 rounded down).

- 4.5. The Cash NAV per Share shall be equal to the Residual Net Asset Value per Share less a discount of 1.5 per cent. (the “**Cash Option Discount**”) (expressed in pence) and calculated to six decimal places (with 0.0000005 rounded down). The Cash Pool NAV shall be equal to the Cash NAV per Share multiplied by the total number of Reclassified Shares with “B” rights.
- 4.6. The ASCI FAV per Share shall be equal to the difference between the Residual Net Asset Value and the Cash Pool NAV divided by the total number of Reclassified Shares with “A” rights and “C” rights (expressed in pence) and calculated to six decimal places (with 0.0000005 rounded down).

5. PROVISION OF INFORMATION BY THE LIQUIDATORS

On the Effective Date the Liquidators shall procure that there shall be delivered to Shires (or its nominee) particulars of the undertaking, cash and other assets comprising the Rollover Pool in accordance with the terms of the Transfer Agreement and a list, certified by the Registrar, of the names and addresses of each holder of Reclassified Shares with either “A” rights or “C” rights and the number of Reclassified Shares with “A” rights or “C” rights, as appropriate, held by each of them.

6. TRANSFER OF ASSETS

- 6.1. On the Effective Date the Liquidators (in their personal capacity and on behalf of the Company) shall enter into and implement the Transfer Agreement (subject to such modifications as may be agreed between the parties thereto), whereby the Liquidators shall procure the transfer of the cash, undertaking and other assets of the Company comprising the Rollover Pool to Shires (or its nominee) in satisfaction of the entitlements of the holder of the Reclassified Shares with “C” rights on the basis referred to in paragraph 9 below, and in consideration for the issue of New SHRS Shares to the Liquidators (as nominees for the Shareholders entitled to them), such shares to be renounced by the Liquidators in favour of the holders of Reclassified Shares with “A” rights on the basis referred to in paragraph 8 below; and
- 6.2. the Transfer Agreement provides that the assets to be transferred to Shires shall be transferred with such rights and title as the Company may have in respect of the same or any part thereof subject to and with the benefit of all and any rights, restrictions, obligations, conditions and agreements affecting the same or any part thereof, including the right to all income, dividends, distributions, interest and other rights and benefits attaching thereto or accruing therefrom but excluding any such income, dividend, distribution, interest or other right or benefit on any investment marked “ex” that income, dividend, distribution, interest or other right or benefit (as applicable) at or prior to the Calculation Date (which shall be deemed to form part of the Liquidation Pool). The Transfer Agreement further provides that the Company, acting by the Liquidators, insofar as they are reasonably able to do so by law or otherwise, shall comply with all reasonable requests made by Shires (or its nominee) in respect of the cash, undertaking and other assets of the Company to be acquired and shall, in particular, account to Shires for all income, dividends, distributions, interest and other rights and benefits in respect of such cash, undertaking and other assets, received after the Effective Date.

7. DISTRIBUTION OF THE CASH POOL

Cash Entitlements payable to the holders of Reclassified Shares with “B” rights shall be distributed by the Liquidators, through Equiniti and pursuant to the Scheme, in cash to each Shareholder who has elected or is deemed to have elected for the Cash Option in proportion to its respective holding of Reclassified Shares with “B” rights which shall be equal to such Shareholder’s entitlement to the net realisation proceeds of the Cash Pool pursuant to the Scheme (the “**Cash Entitlement**”) and rounded down to the nearest penny.

8. ISSUE OF NEW SHRS SHARES

- 8.1. In consideration for the transfer of such part of the Rollover Pool as is attributable to the entitlements of holders of Reclassified Shares with “A” rights to Shires in accordance with paragraph 6 above, the New SHRS Shares shall be issued on the following basis:

the issue of New SHRS Shares shall be made to the holders of Reclassified Shares with “A” rights on the basis that the number of such New SHRS Shares to which each such holder is

entitled shall be determined in accordance with the following formula (rounded down to the nearest whole number of New SHRS Shares):

$$\text{Number of New SHRS Shares} = \frac{A}{B} \times C$$

where:

A = is the ASCI FAV per Share;

B = is the SHRS FAV per Share; and

C = is the aggregate number of Reclassified Shares with "A" rights held by the relevant Shareholder.

- 8.2. No value shall be attributable to Ordinary Shares held in treasury by the Company. Fractions of New SHRS Shares will not be issued under the Scheme and entitlements to such New SHRS Shares will be rounded down to the nearest whole number. Any assets representing a fraction of the entitlements of those holders of Reclassified Shares with "A" rights and whose holding is rounded down shall be retained by Shires and represent an accretion to its assets.
- 8.3. New SHRS Shares to be issued pursuant to paragraph 8.1 will be allotted, credited as fully paid, to the Liquidators (as nominee for the Shareholders entitled thereto) as soon as practicable after the delivery to Shires (or its nominee) of the particulars referred to in paragraph 5 above, whereupon the Liquidators will renounce the allotments of New SHRS Shares in favour of Shareholders entitled to them under the Scheme. On such renunciation, Shires will issue the New SHRS Shares to the Shareholders entitled thereto. Shires shall:
- (a) in the case of the New SHRS Shares issued in certificated form, arrange for the despatch of certificates for such New SHRS Shares issued under the Scheme to the Shareholders entitled thereto at their respective addresses in the Register (and, in the case of joint holders, to the address of the first-named) or to such other person and address as may be specified by such persons in writing, in each case at the risk of the persons entitled thereto; and
 - (b) in the case of the New SHRS Shares issued in uncertificated form, procure that Euroclear is instructed on the Business Day following the Effective Date (or as soon as practicable thereafter) to credit the appropriate stock accounts in CREST of the Shareholders entitled thereto with their respective entitlements to New SHRS Shares issued under the Scheme.
- 8.4. Shires shall be entitled to assume that all information delivered to it in accordance with paragraph 8.3 above is correct and to utilise the same in procuring registration in Shires' register of members of the holders of the New SHRS Shares issued under the Scheme.

9. DISTRIBUTION IN SPECIE

The holder of Reclassified Shares with "C" rights shall be entitled to a distribution *in specie* of such part of the undertaking, cash and other assets comprising the Rollover Pool as represents the proportion that the number of Reclassified Shares with "C" rights held by such Shareholder is of the total aggregate number of Reclassified Shares with "A" rights and Reclassified Shares with "C" rights.

10. APPLICATION OF LIQUIDATION POOL

On or following the Effective Date, the Liquidation Pool shall be applied by the Company (acting by the Liquidators) in discharging the liabilities of the Company. The remaining balance of the Liquidation Pool, if any, shall be distributed in cash by the Liquidators pursuant to the Scheme to all Shareholders (being Shareholders on the Record Date in proportion to the respective holdings of Ordinary Shares on the Record Date, other than Dissenting Shareholders) provided that if any such amount payable to any Shareholder is less than £5.00, it shall not be paid to the Shareholder but instead shall be retained by the Liquidators for the Nominated Charity. The Liquidators will also be entitled to make interim payments to Shareholders in proportion to their holdings of Ordinary Shares. The Liquidators shall only make such distribution if there is sufficient cash available and if the Liquidators are of the view that it is cost effective to make an interim distribution. For these purposes, any Ordinary Shares held by Dissenting Shareholders will be ignored.

11. FORMS OF ELECTION AND FORMS OF INSTRUCTION

For the purposes of the Forms of Election and Forms of Instruction (as applicable), the provisions of which form part of the Scheme:

- 11.1. if, on any Form of Election or Form of Instruction, the total of a Shareholder's Election(s) is greater than their actual holding as at the Record Date, the Election(s) for the Cash Option made by such Shareholder on that Form of Election or Form of Instruction shall be decreased so that the total of such Election(s) shall equal their total holding and, in any such case, such decreased Election(s) shall be deemed to be the Election(s) made by such Shareholder on the Form of Election or Form of Instruction for all purposes of the Scheme;
- 11.2. if, on any Form of Election or Form of Instruction, the total of a Shareholder's Election(s) is less than their actual holding as at the Record Date, then for the balance of such Shareholder's Ordinary Shares, that Shareholder will be deemed to have elected for New SHRS Shares;
- 11.3. a Shareholder who makes no Election by the latest time and date for receipt of the Forms of Election or Forms of Instruction, or in respect of whom no Form of Election or Form of Instruction has been duly and validly completed in accordance with the instructions therein, shall be deemed to have made an Election for the Rollover Option in respect of all of the Ordinary Shares held by them for all purposes of the Scheme;
- 11.4. by signing and delivering a Form of Election or Form of Instruction and in consideration of the Company agreeing to process the Form of Election or Form of Instruction, a Shareholder agrees that the Election(s) made on the Form of Election or Form of Instruction will be irrevocable (unless otherwise agreed by the Directors) and, by such signature and delivery, such Shareholder represents and warrants that their Election is valid and binding and is made in accordance with all applicable legal requirements (including the requirements of any applicable jurisdiction outside the UK); and
- 11.5. any questions as to the extent (if any) to which Election(s) will be met and as to the validity of any Form of Election or Form of Instruction shall be at the discretion of the Directors, whose determination shall be final.

12. MODIFICATIONS

The provisions of the Scheme will have effect subject to such non-material modifications or additions as the Board and the parties to the Transfer Agreement may from time to time approve in writing.

13. RELIANCE ON INFORMATION

The Company, the Directors, the Liquidators, AFML and Shires shall be entitled to act and rely, without enquiry, on any information furnished or made available to them or any of them (as the case may be) in connection with the Scheme and the Transfer Agreement, including, for the avoidance of doubt, any certificate, opinion, advice, valuation, evidence or other information furnished or made available to them by the Company, the Directors (or any of them), Shires, the SHRS Directors (or any of them), AFML, or the Registrar, custodians, auditors, bankers or other professional advisers, and no such person shall be liable or responsible for any loss suffered as a result thereof by the Company, any Shareholder, Shires or any SHRS Shareholder.

14. LIQUIDATORS' LIABILITY

Nothing in the Scheme or in any document executed under or in connection with the Scheme will impose any personal liability on the Liquidators or either of them, save for any liability arising out of any negligence, fraud, bad faith, breach of duty or wilful default by the Liquidators in the performance of their duties and this will, for the avoidance of doubt, exclude any such liability for any action taken by the Liquidators in accordance with the Scheme, the Transfer Agreement or any act which the Liquidators do or omit to do at the request of Shires.

15. CONDITIONS

15.1. The Scheme is conditional upon:

15.1.1. the passing of the Resolutions to be proposed at the First General Meeting and the Resolution to be proposed at the Second General Meeting, or any adjournment of those meetings, and upon any conditions of such Resolutions being fulfilled;

15.1.2. the SHRS Resolution being passed and becoming unconditional in all respects;

15.1.3. the Financial Conduct Authority, having acknowledged to Shires or its agents (and such acknowledgement not having been withdrawn) that the application for the admission of the New SHRS Shares to the Official List has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject (for the purposes of this paragraph, the “**listing conditions**”)) will become effective as soon as notice of admission to the Official List has been issued by the Financial Conduct Authority and any listing conditions having been satisfied, and the London Stock Exchange having acknowledged to Shires or its agents (and such acknowledgement not having been withdrawn) that the New SHRS Shares will be admitted to trading on the Main Market, subject only to allotment; and

15.1.4. the Directors and the SHRS Directors resolving to proceed with the Scheme.

15.2. In the event that any of conditions 15.1.1 (other than in relation to the Resolution to be proposed at the Second General Meeting), 15.1.2, 15.1.3 or 15.1.4 fails to be satisfied, the Second General Meeting will be adjourned indefinitely and the Scheme will lapse.

15.3. Subject to paragraphs 15.1 and 15.5, the Scheme will become effective on the date on which the Resolution for the winding up of the Company to be proposed at the Second General Meeting (or any adjournment thereof) is passed.

15.4. If it becomes effective, the Scheme will, subject to the rights of any Shareholders who have validly exercised their rights under section 111(2) of the Insolvency Act, be binding on all Shareholders and on all persons claiming through or under them.

15.5. Unless the conditions set out in paragraph 15.1 have been satisfied or, to the extent permitted, waived by both the Company and Shires on or before 31 December 2023, the Scheme shall not become effective.

15.6. An application will be made to the FCA for the listing of the Reclassified Shares to be suspended, subject to paragraphs 15.1.1 (other than in relation to the Resolution to be proposed at the Second General Meeting), 15.1.2 and 15.1.4 above, at 7.30 a.m. on 1 December 2023 and it is intended that, subject to paragraph 15.1, such listing will be cancelled with effect from, or as soon as possible, after the Effective Date, or such other date as the Liquidators will determine.

16. OVERSEAS SHAREHOLDERS

16.1. To the extent that Shires, and/or the Liquidators, acting reasonably, consider that any issue of New SHRS Shares under the Scheme to an Overseas Shareholder(s) would or may involve a breach of the securities laws or regulations of any jurisdiction, or if Shires, and/or the Liquidators reasonably believe that the same may violate any applicable legal or regulatory requirements or may require Shires to become subject to additional regulatory requirements (to which it would not be subject but for such issue) and Shires and/or the Liquidators, as the case may be, have not been provided with evidence reasonably satisfactory to them that the relevant Overseas Shareholder(s) is/are permitted to hold New SHRS Shares under any relevant securities laws or regulations of such overseas jurisdictions (or that Shires would not be subject to any additional regulatory requirements to which it would not be subject but for such issue), such Overseas Shareholder(s) will be deemed to have elected for the Cash Option in respect of their entire holding of Ordinary Shares.

16.2. The provisions of the Scheme relating to Overseas Shareholders may be waived, varied or modified as regards a specific Shareholder or on a general basis by the Board, the SHRS Board and the Liquidators in their absolute discretion.

17. SANCTIONS RESTRICTED PERSONS

- 17.1. Any Ordinary Shares held by a Sanctions Restricted Person will be deemed to have been elected for the Cash Option. Any distribution of such Cash Entitlements will be at the sole and absolute discretion of the Liquidators and will be subject to applicable laws and regulation.

18. GENERAL

- 18.1. Any instructions for the payment of dividends on Ordinary Shares in force on the Effective Date and lodged with the Company and/or the Registrar shall, unless and until revoked by notice in writing to the Registrar, continue to apply in respect of distributions or allocations of, or the other application of, monies under the Scheme or in respect of the issue of New SHRS Shares under the Scheme.
- 18.2. If, within seven days after the passing of the Resolutions proposed at the First General Meeting, one or more Shareholders validly exercise their rights under section 111(2) of the Insolvency Act in respect of more than ten per cent. in nominal value of the issued Ordinary Shares, the Board (or a duly authorised committee thereof) may, but will not be obliged to, resolve not to proceed with the Scheme. Any such resolution by the Board (or a duly authorised committee thereof) will only be effective if passed prior to the passing of the Resolution for winding up the Company to be proposed at the Second General Meeting (or any adjournment thereof).
- 18.3. Ordinary Shares which are held in treasury by the Company shall not have any entitlements under the Scheme.
- 18.4. The Scheme shall be governed by, and construed in accordance with, the laws of England and Wales.

PART 5

RISK FACTORS

The risks referred to in this Part 5 are the material risks known to the Board at the date of this document which the Board believe Shareholders should consider prior to deciding how to cast their votes on the Resolutions at the General Meetings. Any investment in Shires (pursuant to the Scheme or otherwise) will be governed by the SHRS Prospectus and the SHRS Articles. Accordingly, Shareholders are strongly advised to read the SHRS Prospectus, and, in particular, the risk factors contained therein. Shareholders in any doubt about the action they should take should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under FSMA without delay.

The Scheme

Implementation of the Proposals is conditional upon, amongst other things, the Resolutions being passed at the General Meetings and the SHRS Resolution being passed by the SHRS Shareholders. In the event that any of the Resolutions to be proposed at the General Meetings are not passed, or any other condition of the Proposals is not met, the Proposals will not be implemented. The Board will then consider alternative proposals for the future of the Company, the implementation of which would likely result in additional costs being incurred. The Company will also bear the costs of the Proposals, including any costs relating to the realignment or realisation of its portfolio prior to the Scheme becoming Effective.

Dissenting Shareholders

The Liquidators will offer to purchase the holdings of any Dissenting Shareholders at the realisation value, this being an estimate of the amount a Shareholder would receive per Ordinary Share in an ordinary winding up of the Company if all of the assets of the Company had to be realised and distributed to Shareholders. The realisation value of an Ordinary Share is expected to be below the unaudited cum-income NAV per Share and the Liquidators will not purchase the interests of Dissenting Shareholders until all other liabilities of the Company have been settled and HMRC has confirmed that it has no objections to the closure of the liquidation.

Shires

Any investment in New SHRS Shares issued by Shires will be governed by the SHRS Prospectus and the SHRS Articles. Shareholders should read the full text of the SHRS Prospectus, including the section containing the risk factors.

An investment in Shires is suitable only for investors who are capable of evaluating the risks of such an investment and who have sufficient resources to bear any loss which might result from such an investment (which may be equal to the whole amount invested).

SHRS Shares are designed to be held over the long-term and may not be suitable as short-term investments. The value of an investment in Shires and the income derived from it, if any, may go down as well as up. There can be no guarantee that any appreciation in the value of Shires' investments will occur and investors may not get back the full value of their investment. There can be no guarantee that the investment objectives of Shires will be achieved or provide the returns sought by Shires.

The past performance of Shires is not a guide to its future performance.

Shires has a board of non-executive directors and has no employees. Shires is dependent on the skills and experience of abrdn to manage its investments. In particular, Shires is reliant on Iain Pyle and Charles Luke, the lead portfolio managers. If abrdn ceases to act as Shires' investment manager or if key personnel cease to remain with abrdn or be involved in the management of the Shires portfolio, there is no assurance that suitable replacements will be found. If this occurs there may be an adverse effect on the performance of the Shires portfolio and the value of the SHRS Shares.

The price of shares in an investment trust is determined by the interaction of supply and demand for such shares in the market as well as the net asset value per share. The share price can therefore

fluctuate and may represent a discount or premium to the net asset value per SHRS Share. This discount or premium is itself variable as conditions for supply and demand for SHRS Shares change. This can mean that the price of a SHRS Share can fall when the net asset value per share rises, or *vice versa*.

Shires is a closed-ended vehicle. Accordingly, Shareholders will have no right to have their New SHRS Shares repurchased at any time. Shareholders wishing to realise their investment in Shires may therefore be required to dispose of their New SHRS Shares in the market. Although the New SHRS Shares are expected to be listed on the Official List and admitted to trading on the Main Market, there can be no guarantee that a liquid market in the SHRS Shares will exist or be maintained. Accordingly, Shareholders may be unable to realise their New SHRS Shares at the quoted market price (or at the prevailing net asset value per New SHRS Share).

The mandate of Shires is different to that of the Company and the risk and return that Shareholders should expect is different. The return profile may include a higher or lower dividend yield than Shareholders have previously received from the Company.

The Rollover Option is the default option under the Scheme

The Rollover Option is the default option under the Scheme. As a result Shareholders (other than Overseas Shareholders) who, in respect of all or part of their holding of Ordinary Shares, do not make a valid election, or who do not make an election at all, under the Scheme will be deemed to have elected for New SHRS Shares in respect of such holding. As New SHRS Shares will be issued to those Shareholders who elect, or are deemed to elect, for the Rollover Option on a FAV for FAV basis as described in Part 4 of this document, i.e. at a 0.80 per cent. premium to the SHRS NAV, Shareholders should note that such issue price may be above the market price of the SHRS Shares if the SHRS Shares continue to trade at a discount to the SHRS NAV, which was 7.8 per cent. as at 13 October 2023 (being the latest practicable date prior to the publication of this document).

Taxation

Representations in this document concerning the taxation of Shareholders are based on current UK taxation law and HMRC published practice, which are subject to change (possibly with retrospective effect). The information in this document relating to UK taxation law and HMRC published practice is given by way of general summary and does not constitute legal or tax advice to Shareholders. The Board has been advised that the Scheme should be treated as a scheme of reconstruction for the purposes of UK taxation of capital gains. Clearance has been granted by HMRC under section 138 of the TCGA confirming that section 136 of the TCGA will not be prevented from applying to the Scheme by virtue of section 137(1) of the TCGA. HMRC have also confirmed that no counteraction notice under section 698 of the Income Tax Act nor under section 746 of the Corporation Tax Act should be served in respect of the transaction.

However, a subsequent disposal of SHRS Shares should constitute a disposal for tax purposes and may, depending on a Shareholder's particular circumstances, give rise to a liability to UK taxation.

The Board has been advised that the proposed method of winding up the Company and the scheme of reconstruction is such that the Company should remain eligible to be treated as an investment trust for the accounting period which includes the date on which its assets are sold and/or transferred by the Liquidators pursuant to the Transfer Agreement. Accordingly, the transfer of the Company's assets in the Rollover Pool and the realisation of the Company's assets in the Cash Pool and the Liquidation Pool under the Scheme should not give rise to a liability to UK corporation tax for the Company. However, there can be no absolute assurance that investment trust status will be preserved and the absence of such status in any accounting period would mean the Company would be liable to pay UK corporation tax on its net capital gains in that period.

PART 6

ADDITIONAL INFORMATION

1. COMPANY INFORMATION

The Company was incorporated and registered in Scotland on 30 March 1992 as a public limited company under the Companies Act 1985 with the name *M M & S (1007) Public Limited Company* and with registered number SC137448.

The Company changed its name to *Shires High-Yielding Smaller Companies Trust plc* on 14 July 1992 and commenced business on 28 August 1992 as an investment company within the meaning of section 266 of the Companies Act 1985. The Company later changed its name: (i) in March 1996, to *Shires Smaller Companies plc*; (ii) in April 2011, to *Aberdeen Smaller Companies High Income Trust PLC*; and (iii) in April 2016, to *Aberdeen Smaller Companies Income Trust plc*. On 7 January 2022, the Company changed its name to its current name, *abrdn Smaller Companies Income Trust plc*.

The Company's registered office is at 1 George Street, Edinburgh EH2 2LL (tel. +44 (0)131 372 2200).

The principal legislation under which the Company operates is the Companies Act and regulations made thereunder.

The Company's website address is www.abrdnsmallercompaniesincome.co.uk. The information contained in the Company's website does not form part of this document, save to the extent that such information has been expressly incorporated by reference into this document.

2. MAJOR SHAREHOLDERS

The following table sets out the name of each person who, directly or indirectly, was interested in voting rights representing three per cent. or more of the total voting rights in respect of the Company's issued Ordinary Share capital as at the close of business on 13 October 2023 insofar as it is known to the Company (in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules).

Name	Number of Ordinary Shares	Percentage of voting rights (%)
abrdn Trust Savings Plans	3,743,458	16.93
Shires Income plc	3,013,726	13.63
Interactive Investor	2,497,442	11.30
Hargreaves Lansdown	2,311,553	10.45
Philip J Milton & Company	1,484,725	6.72
1607 Capital Partners	996,439	4.51
AJ Bell	899,007	4.07
Charles Stanley	800,001	3.62

3. NO SIGNIFICANT CHANGE

There has been no significant change in the financial position of the Company since 30 June 2023, being the end of the last financial period for which interim financial information has been published by the Company.

4. MATERIAL CONTRACTS

The Transfer Agreement, not being a contract entered into by the Company in the ordinary course of business, is the only contract that the Directors consider Independent Shareholders would reasonably require information on to make a properly informed assessment as to how to vote on the Resolutions at the First General Meeting.

Transfer Agreement

Provided that all the conditions to the Scheme are satisfied and the Scheme becomes effective, the Company will enter into the Transfer Agreement with the Liquidators (in their personal capacity) and

Shires pursuant to the Scheme. The Transfer Agreement is, as at the date of this document, in a form agreed between the Company, the Liquidators and Shires. The Transfer Agreement provides, among other things, that the cash, undertaking and other assets of the Company in the Rollover Pool are to be transferred to Shires in satisfaction of the entitlements of Shires as beneficial holder of the Reclassified Shares with “C” rights and in consideration for the allotment by Shires of New SHRS Shares to the Liquidators, as nominees for Shareholders entitled to them in accordance with the Scheme. Thereafter, the Liquidators will renounce the allotments of the New SHRS Shares in favour of such Shareholders and such New SHRS Shares will be issued by Shires to such Shareholders pursuant to the Scheme. The Transfer Agreement excludes any liability on the part of the Liquidators for entering into and carrying into effect the Transfer Agreement, save for any liability arising as a result of negligence, fraud, bad faith, breach of duty or wilful default by the Liquidators in the performance of their duties.

The Transfer Agreement will be available for inspection as stated in paragraph 6 below.

The Company has entered into an irrevocable undertaking to enter into the Transfer Agreement on the Effective Date.

5. CONSENTS

- 5.1. Winterflood has given and not withdrawn its written consent to the inclusion of its name and references to it in this document in the form and context in which they appear.
- 5.2. The Liquidators have given and not withdrawn their written consent to the inclusion of their names and references to them in this document in the form and context in which they appear.

6. DOCUMENTS AVAILABLE FOR INSPECTION

- 6.1. Copies of the following documents will be available for inspection during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the registered office of the Company from the date of this document up to and including the close of business on the Effective Date:
 - 6.1.1. this document;
 - 6.1.2. the Articles (containing the full terms of the amendments proposed to be made at the First General Meeting);
 - 6.1.3. the SHRS Prospectus;
 - 6.1.4. the SHRS Articles;
 - 6.1.5. letters of undertaking from the Company, the Liquidators and Shires to enter into the Transfer Agreement;
 - 6.1.6. the Transfer Agreement, in a form agreed amongst the Company, the Liquidators and Shires as at the date of this document; and
 - 6.1.7. the letters of consent from Winterflood and the Liquidators referred to in paragraphs 5.1 and 5.2 of this Part 6.
- 6.2. The Articles (including a version containing the full terms of the amendments proposed to be made pursuant to the Scheme at the First General Meeting) and the Transfer Agreement will be available at the First General Meeting for at least 15 minutes prior to and during that meeting. The proposed amended articles of association will also be available for inspection on the Company’s website and at <https://data.fca.org.uk/#!/nsm/nationalstoragemechanism>, from the date of this document.

17 October 2023

PART 7

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

“A” rights	the rights attaching to Reclassified Shares in respect of which the holders have made or are deemed to have made valid Elections for the Rollover Option
abrdn	abrdn plc, a public limited company incorporated and registered in Scotland with registered number SC286328 and having its registered office at 1 George Street, Edinburgh EH2 2LL and any subsidiary of abrdn plc from time to time
Admission	the admission of the New SHRS Shares to be issued pursuant to the Scheme to listing on the premium segment of the Official List and to trading on the London Stock Exchange’s Main Market
AFML or ASCI AIFM	abrdn Fund Managers Limited, a private limited company incorporated and registered in England and Wales with registered number 00740118 and having its registered office at 280 Bishopsgate, London EC2M 4AG
AFML Contribution	the contribution to the costs of the Scheme to be made by AFML, as detailed in the section titled “ <i>Costs of implementing the Proposals</i> ” in Part 1 of this document
AIFM	an alternative investment fund manager, as defined under the UK AIFMD Laws
AIL	abrdn Investments Limited, a private limited company incorporated and registered in Scotland with registered number SC108419 and having its registered office at 10 Queen’s Terrace, Aberdeen, Scotland AB10 1XL
AIM	the AIM market of the London Stock Exchange
Articles of Association or Articles	the articles of association of the Company, as amended from time to time
ASCI AIFM Agreement	the alternative investment fund management agreement entered into between the Company and the ASCI AIFM on 14 July 2014, as amended and supplemented from time to time
ASCI FAV per Share	the difference between the Residual Net Asset Value and the Cash Pool NAV divided by the total number of Reclassified Shares with “A” rights or “C” rights (expressed in pence) and calculated to six decimal places (with 0.0000005 rounded down)
Australia	the Commonwealth of Australia, its territories and possessions and all areas under its jurisdiction and political sub-divisions thereof
“B” rights	the rights attaching to Reclassified Shares in respect of which the holders have made or are deemed to have made valid Elections for the Cash Option
Board	the board of Directors

Business Day	any day on which the London Stock Exchange is open for business
“C” rights	the rights attaching to the Reclassified Shares held by Shires, entitling Shires to receive a distribution <i>in specie</i> of Shires’ <i>pro rata</i> share of the Rollover Pool
Calculation Date	the time and date to be determined by the Board (but expected to be 5.00 p.m. on 27 November 2023), at which the value of the Company’s assets and liabilities will be determined for the creation of the Liquidation Pool, the Cash Pool and the Rollover Pool, and at which the Residual Net Asset Value, the Residual Net Asset Value per Share, the ASCI FAV per Share, the SHRS FAV per Share and the Cash NAV per Share will be calculated for the purposes of the Scheme
Canada	Canada, its provinces and territories and all areas under its jurisdiction and political sub-divisions thereof
Cash Entitlement	in respect of any Shareholder who validly elects, or is deemed to have elected, for the Cash Option, an amount equal to such Shareholder’s proportional entitlement to the Cash Pool pursuant to the Scheme
Cash NAV per Share	the Residual Net Asset Value per Share attributable to the Reclassified Shares with “B” rights less the Cash Option Discount (expressed in pence) and calculated to six decimal places (with 0.0000005 rounded down)
Cash Option	the option for Shareholders to receive cash under the terms of the Scheme
Cash Option Discount	a discount of 1.5 per cent.
Cash Pool	the fund comprising the pool of assets attributable to the Reclassified Shares with “B” rights
Cash Pool NAV	the Cash NAV per Share multiplied by the total number of Reclassified Shares with “B” rights
certificated or in certificated form	a share or other security which is not in uncertificated form
Companies Act	the Companies Act 2006, as amended from time to time
Company	abrdn Smaller Companies Income Trust plc, a public limited company incorporated and registered in Scotland with registered number SC137448 and having its registered office at 1 George Street, Edinburgh EH2 2LL
Company Secretary or abrdn Holdings Limited	abrdn Holdings Limited, a private limited company incorporated and registered in Scotland with registered number SC082015 and having its registered office at 10 Queen’s Terrace, Aberdeen, Aberdeenshire AB10 1XL
Corporation Tax Act	the Corporation Tax Act 2010, as amended from time to time
CREST	the UK-based system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended from time to time

CREST Manual	the manual published by Euroclear describing the CREST system, as amended from time to time
Directors	the directors of the Company from time to time
Disclosure Guidance and Transparency Rules	the disclosure guidance published by the FCA and the transparency rules made by the FCA under section 73A of FSMA, as amended from time to time
Dissenting Shareholder	a Shareholder who has validly dissented from the Scheme pursuant to section 111(2) of the Insolvency Act
EEA State	a member state of the European Economic Area
Effective Date	the date on which the Scheme becomes effective (which is expected to be 1 December 2023)
Election	the choice made by a Shareholder for the Rollover Option and/or the Cash Option pursuant to the Scheme (including, where the context so permits, a deemed choice for the Rollover Option or the Cash Option) and any reference to “elect” shall, except where the context requires otherwise, mean “elect or is deemed to elect”
EU AIFM Delegated Regulation	the Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision
EU AIFM Directive	Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 and the EU AIFM Delegated Regulation
Euroclear	Euroclear UK & International Limited, in its capacity as the operator of CREST
FAV	formula asset value
FCA or Financial Conduct Authority	the Financial Conduct Authority of the UK, its predecessors or its successors from time to time, including, as applicable, in its capacity as the competent authority for the purposes of Part VI of FSMA
First General Meeting	the general meeting of the Company convened for 2.00 p.m. on 20 November 2023 to be held at the offices of Dickson Minto W.S., Level 4, Dashwood House, 69 Old Broad Street, London EC2M 1QS or any adjournment of that meeting
Form of Election	the form of election for use by Shareholders holding their Ordinary Shares in certificated form in relation to the Scheme
Form of Instruction	the form of instruction for use by Share Plan Participants in relation to the Scheme
Form(s) of Proxy	the form(s) of proxy for use by Shareholders in connection with the First General Meeting or the Second General Meeting, as the context requires
FSMA	the Financial Services and Markets Act 2000, as amended from time to time

General Meeting(s)	the First General Meeting and/or the Second General Meeting, as the context requires
HMRC	HM Revenue & Customs
Income Tax Act	the Income Tax Act 2007, as amended from time to time
Independent Shareholders	Shareholders other than Shires and its associates
Insolvency Act	the Insolvency Act 1986, as amended from time to time
ISA	an individual savings account
Japan	Japan, its cities, prefectures, territories and possessions
Letter(s) of Direction	the letter(s) of direction for use by Share Plan Participants in connection with the First General Meeting and/or the Second General Meeting, as the context requires
Liquidation Pool	the pool of assets of the Company to be retained by the Liquidators to meet all known and unknown liabilities of the Company and other contingencies, as further provided in paragraph 3.2 of Part 4 of this document
Liquidators	the liquidator(s) of the Company being, initially, the persons appointed jointly and severally upon the resolution to be proposed at the Second General Meeting becoming effective
Listing Rules	the Listing Rules made by the FCA for the purposes of Part VI of FSMA
London Stock Exchange	London Stock Exchange plc, a public limited company incorporated and registered in England and Wales with registered number 02075721 and having its registered office at 10 Paternoster Square, London EC4M 7LS
Main Market	the main market for listed securities operated by the London Stock Exchange
NAV or Net Asset Value	the gross assets of the Company or Shires, as appropriate, less its liabilities (including provisions for such liabilities) determined by the relevant board of directors in their absolute discretion in accordance with the accounting principles adopted by that company
New SHRS Shares	the ordinary shares of 50 pence each in the capital of Shires to be issued to Shareholders who have validly elected, or are deemed to have elected, for the Rollover Option pursuant to the Scheme
Nominated Charity	United Kingdom Committee for UNICEF (UNICEF UK), registered charity 1072612 (England and Wales) and SC043677 (Scotland)
Notice of the First General Meeting	the notice of the First General Meeting, which is set out on pages 54 to 58 of this document
Notice(s) of the General Meeting(s)	the Notice of the First General Meeting and/or the Notice of the Second General Meeting, as the context requires
Notice of the Second General Meeting	the notice of the Second General Meeting, which is set out on pages 59 to 61 of this document
Official List	the Official List maintained by the FCA

Ordinary Shares or Shares	ordinary shares of 50 pence each in the capital of the Company
Overseas Shareholders	Shareholders who have a registered address outside of, or who are resident in, or citizens, residents or nationals of, jurisdictions outside the United Kingdom, the Channel Islands and the Isle of Man
Proposals	the Scheme, including the entry into the Transfer Agreement and the Related Party Transaction
Reclassified Shareholder	a holder of Reclassified Shares
Reclassified Shares	the Shares reclassified under the Scheme as Shares with “A” rights, “B” rights or “C” rights
Record Date	6.00 p.m. on 24 November 2023 (or such other date as determined at the sole discretion of the Board), being the record date for determining Shareholders’ entitlements under the Scheme
Register	the register of members of the Company
Registrar or Receiving Agent or Equiniti	Equiniti Limited, a private limited company incorporated in England and Wales with registered number 06226088 and having its registered office at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
Regulatory Information Service	the regulatory information service provided by the London Stock Exchange
Related Party Transaction	the participation by Shires in the Scheme
Relevant Time	has the meaning given to it in paragraph 4.1 of Part 4 of this document
Republic of South Africa	the Republic of South Africa, its territories and possessions and all areas under its jurisdiction and political sub divisions thereof
Residual Net Asset Value	the gross assets of the Company as at the Calculation Date less the value of the cash and other assets appropriated to the Liquidation Pool
Residual Net Asset Value per Share	the Residual Net Asset Value divided by the number of Ordinary Shares in issue (excluding any Ordinary Shares held in treasury) (expressed in pence) and calculated to six decimal places (with 0.0000005 rounded down)
Resolutions	the resolutions to be proposed at the General Meetings, each being a “ Resolution ”
Resolution 1	the first resolution to be proposed at the First General Meeting, relating to approval of the Related Party Transaction
Resolution 2	the second resolution to be proposed at the First General Meeting, relating to amendment of the Articles pursuant to implementation of the Scheme
Resolution 3	the third resolution to be proposed at the First General Meeting, relating to the approval of the Scheme

Rollover Option

the option for Shareholders to elect to receive New SHRS Shares in respect of some or all of their holding of Ordinary Shares on the winding up of the Company under the terms of the Scheme

Rollover Pool

the pool of cash, undertaking and other assets to be established under the Scheme to be transferred to Shires pursuant to the Transfer Agreement

Sanctions Authority

each of:

- (i) the United States government;
- (ii) the United Nations;
- (iii) the United Kingdom;
- (iv) the European Union (or any of its member states);
- (v) any other relevant governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions; and
- (vi) the respective governmental institutions and agencies of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the US Department of the Treasury, the United States Department of State, the United States Department of Commerce and His Majesty’s Treasury

Sanctions Restricted Person

each person or entity:

- (i) that is organised or resident in a country or territory which is the target of comprehensive country sanctions administered or enforced by any Sanctions Authority;
- (ii) that is, or is directly or indirectly owned or controlled by a person that is, described or designated in (a) the current “Specially Designated Nationals and Blocked Persons” list (which as at the date of this document can be found at: www.treasury.gov/ofac/downloads/sdnlist.pdf); and/or (b) the current “Consolidated list of persons, groups and entities subject to EU financial sanctions” (which as at the date of this document can be found at: <https://data.europa.eu/data/datasets/consolidated-list-of-personsgroups-and-entities-subject-to-eu-financialsanctions?locale=en>); and/or (c) the current “Consolidated list of financial sanctions targets in the UK” (which as at the date of this document can be found at <https://ofsistorage.blob.core.windows.net/publishlive/2022format/ConList.html>)
- (iii) that is otherwise the subject of or in violation of any sanctions administered or enforced by any Sanctions Authority, other than solely by virtue of their inclusion in: (a) the current “Sectoral Sanctions Identifications” list (which as of the date of this document can be found at: www.treasury.gov/ofac/downloads/ssi/ssilist.pdf) (the “**SSI List**”), (b) Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No. 960/2014 (the “**EU Annexes**”), or (c) any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes

Scheme	the proposed scheme of reconstruction and voluntary winding up of the Company under section 110 of the Insolvency Act, as set out in Part 4 of this document
Second General Meeting	the general meeting of the Company convened for 9.30 a.m. on 1 December 2023 to be held at the offices of Dickson Minto W.S., Level 4, Dashwood House, 69 Old Broad Street, London EC2M 1QS or any adjournment of that meeting
Share Plan Participant	a holder of Shares through one or more of the Share Plans
Share Plans	the abrden Share Plan, the abrden Investment Plan for Children and the abrden Investment Trusts ISA (each a “ Share Plan ”)
Shareholders	holders of Shares
Shires or SHRS	Shires Income plc, a public limited company incorporated and registered in England and Wales with registered number 00386561 and having its registered office at 280 Bishopsgate, London EC2M 4AG
SHRS Articles	the articles of association of Shires, as amended from time to time
SHRS Board	the board of directors of Shires from time to time
SHRS Directors	the directors of Shires from time to time
SHRS FAV	the net asset value of Shires being the value of Shires’ assets less any liabilities it has, calculated as at the Calculation Date in accordance with its normal accounting policies, on a cum income basis adjusted for debt calculated at fair value before taking account of the costs of the Scheme and adjusted to exclude any dividends declared but not paid prior to the Calculation Date by Shires to SHRS Shareholders, plus a 0.80 per cent. premium
SHRS FAV per Share	the SHRS FAV divided by the number of SHRS Shares in issue on the Calculation Date (excluding treasury shares) (expressed in pence) and calculated to six decimal places (with 0.0000005 rounded down)
SHRS First Interim Dividend	Shires’ first quarterly interim dividend in respect of the financial year ending 31 March 2024 of 3.2 pence per SHRS Share announced on 13 September 2023 and due to be paid on 27 October 2023 to SHRS Shareholders on Shires’ register of members on 6 October 2023
SHRS General Meeting	the general meeting of SHRS convened for 12 noon on 20 November 2023, or any adjournment thereof
SHRS Prospectus	the prospectus published by Shires on or around 17 October 2023 relating to the issue of New SHRS Shares pursuant to the Scheme
SHRS Resolution	the resolution to be proposed at the SHRS General Meeting to approve the issue of New SHRS Shares by SHRS pursuant to the Scheme
SHRS Shareholders	holders of SHRS Shares, including holders of the New SHRS Shares if the context requires
SHRS Shares	ordinary shares of 50 pence each in the capital of Shires, including the New SHRS Shares if the context requires

SIPP	a UK self-invested personal pension scheme
Strategic Review	the strategic review undertaken by the Board in order to assess the options for the future of the Company
Strategic Review Announcement	the announcement published by the Company via a Regulatory Information Service on 13 February 2023 in relation to the Strategic Review
Sterling, £ or GBP	pounds sterling, the lawful currency of the UK
TCGA	Taxation of Chargeable Gains Act 1992, as amended from time to time
Transfer Agreement	the agreement to be entered into between the Company (acting by its Liquidators), the Liquidators and Shires for the transfer of assets from the Company to Shires pursuant to the Scheme, the terms of which are summarised in paragraph 4 of Part 6 of this document
TTE Instruction	a transfer to escrow instruction (as described in the CREST Manual)
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
UK AIFMD Laws	<ul style="list-style-type: none"> (i) the Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773) and any other implementing measure which operated to transpose the EU AIFM Directive into UK law before 31 January 2020 (as amended from time to time); and (ii) the UK versions of the EU AIFM Delegated Regulation and any other delegated regulations in respect of the EU AIFM Directive, each being part of UK law by virtue of the European Union (Withdrawal) Act 2018, as further amended and supplemented from time to time
UK SDRT	stamp duty reserve tax
uncertificated or in uncertificated form	a share or other security title to which is recorded in the register of the share or other security concerned as being held in uncertificated form (that is, in CREST) and title to which may be transferred by using CREST
United States	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
US Exchange Act	the U.S. Exchange Act of 1934, as amended
US Investment Company Act	the U.S. Investment Company Act of 1940, as amended
US Person	a “U.S. person” as defined in Regulation S under the US Securities Act
US Securities Act	the U.S. Securities Act of 1933, as amended
US Shareholder	a holder of Shares that is a US Person
VAT	value added tax
Winterflood	Winterflood Securities Limited, a private limited company incorporated and registered in England and Wales with registered number 02242204 and having its registered office at The Atrium Building, Cannon Bridge, 25 Dowgate, London EC4R 2GA

ABRDN SMALLER COMPANIES INCOME TRUST PLC

*(Incorporated and registered in Scotland with registered number SC137448)
(An investment company within the meaning of section 833 of the Companies Act 2006)*

NOTICE OF FIRST GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting of abrdn Smaller Companies Income Trust plc (the “**Company**”) will be held at 2.00 p.m. on 20 November 2023 at the offices of Dickson Minto W.S., Level 4, Dashwood House, 69 Old Broad Street, London EC2M 1QS for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTION

1. THAT the Related Party Transaction, as defined in the circular to shareholders of the Company dated 17 October 2023 of which this notice forms part (the “**Circular**”), be and is hereby approved.

SPECIAL RESOLUTIONS

2. THAT, subject to the passing of Resolution 1 above:
 - 2.1. with effect from the date on which the amendment to the Official List of the Financial Conduct Authority to reflect the reclassification of the ordinary shares of 50 pence each in the capital of the Company (the “**Shares**”) (the “**Amendment**”) becomes effective, but subject always to paragraph 2.5 of this resolution, each of the Shares in issue at the date of the passing of this resolution (other than any Shares held by the Company in treasury) shall be reclassified as shares the holder of which has (or is deemed to have) elected to have reclassified as shares with “A” rights or “B” rights or “C” rights as the case may be, (the “**Reclassified Shares**”), in such respective numbers as may be required to give effect to any election validly made (or deemed to have been made) by the holder of the Shares and otherwise in accordance with the terms of the Scheme set out in Part 4 of the circular to Shareholders of the Company dated 17 October 2023 of which this notice forms part (the “**Circular**”), a copy of which has been laid before the meeting and signed for the purpose of identification by the Chair of the meeting;
 - 2.2. for the purposes of this special resolution:
 - 2.2.1. to the extent any holder of Shares shall have validly elected (or shall be deemed to have validly elected) for, and under the terms of the Scheme will become entitled to receive, New SHRS Shares, such Shares shall be reclassified as shares with “A” rights;
 - 2.2.2. to the extent any holder of Shares shall have validly elected (or shall be deemed to have validly elected) for, and under the terms of the Scheme will become entitled to receive, cash pursuant to the Cash Option, such Shares shall be reclassified as shares with “B” rights; and
 - 2.2.3. the Shares beneficially held by Shires Income plc shall be reclassified as shares with “C” rights
 - 2.3. each of the holders of the shares with the rights set out in paragraph 2.2 above shall have the respective rights set out in the Articles of Association of the Company as amended by this special resolution;

- 2.4. with effect from the date on which the Amendment becomes effective, but subject always to paragraph 2.5 of this resolution, the Articles of Association be and are hereby amended by:
- 2.4.1. the insertion of the following as a replacement Article 5:
- “Every reference in these Articles to shares shall be construed as a reference to the ordinary shares of 50 pence each in the capital of the Company which are designated as shares with either “A” rights or “B” rights or “C” rights as set out in Article 134 below. Notwithstanding anything to the contrary in these Articles, each class of share will have attached to it the respective rights and privileges and be subject to the respective limitations and restrictions set out in Article 134”;
- 2.4.2. the insertion of the following as a new Article 134:
- “Words and expressions defined in the circular to shareholders of the Company dated 17 October 2023 (the “**Circular**”) shall bear the same meanings in this Article 134, save where the context otherwise requires:
- The rights attaching to the Shares with “A” rights, the Shares with “B” rights and the Shares with “C” rights shall be identical to each other, save that on a winding up of the Company in the circumstances set out in the Circular (subject to the Scheme becoming unconditional in all respects in accordance with its terms), the Reclassified Shares shall have the following additional rights, notwithstanding anything to the contrary in these Articles:
- (1) the rights of holders of Shares with “A” rights in respect of the assets of the Company shall be satisfied by the issue to the holders thereof of the number of New SHRS Shares to which they shall be entitled in accordance with the Scheme together with their entitlement to any Relevant Cash (as defined below) in accordance with the Scheme;
 - (2) the rights of holders of Shares with “B” rights in respect of the assets of the Company shall be satisfied by the payment to the holders thereof of the amount of cash to which they shall respectively be entitled in accordance with the Scheme together with their entitlement to any Relevant Cash (as defined below) in accordance with the Scheme;
 - (3) the rights of the holders of Shares with “C” rights in respect of the assets of the Company shall be satisfied by the distribution to the holders thereof of such holders’s *pro rata* share of the Rollover Pool *in specie* in accordance with the Scheme together with their entitlement to any Relevant Cash (as defined below) in accordance with the Scheme; and
 - (4) any cash arising in the Company after the transfer of the Rollover Pool and any surplus remaining in the Liquidation Pool (“**Relevant Cash**”) shall be distributed in accordance with the Scheme.”;
- 2.4.3. such further amendments to the Articles of Association of the Company as may be required to give effect to this Resolution; and
- 2.5. if the Scheme does not become unconditional by the end of the Second General Meeting, the amendments to the Articles of Association effected by paragraph 2.4 of this Resolution shall be further amended such that the insertion of replacement Article 5 and the insertion of new Article 134 shall cease to have effect as from the close of that meeting (or any adjourned meeting), the reclassification of Shares provided for by this Resolution shall be reversed and each Reclassified Share shall revert to being a Share ranking *pari passu* in all respects; and
- 2.6. the terms defined in the Circular have the same meanings in this special resolution, save where the context otherwise requires.

3. THAT, subject to: (i) the passing of Resolution 1 above at this meeting (or at any adjournment hereof); (ii) the passing of Resolution 2 above at this meeting (or at any adjournment hereof) and it becoming unconditional; (iii) the Scheme becoming unconditional in accordance with its terms on or prior to 31 December 2023; and (iv) the passing at a general meeting of the Company convened for 1 December 2023 (or any adjournment thereof) of a resolution for the voluntary winding-up of the Company and the appointment of the Liquidators:
- 3.1. the Scheme set out in Part 4 of the Circular, a copy of which has been laid before this General Meeting and signed for the purpose of identification by the Chair of the meeting, be and is hereby approved and the Liquidators of the Company when appointed be and hereby are authorised to implement the Scheme and to execute any document and do anything for the purpose of carrying the Scheme into effect;
- 3.2. the Liquidators, when appointed, will be and hereby are authorised and directed:
- 3.2.1. under this special resolution and the Articles of Association, as amended and as provided in Resolution 2 above, and pursuant to section 110 of the Insolvency Act 1986, to enter into and give effect to the Transfer Agreement (in their personal capacity and on behalf of the Company) referred to in the Circular with Shires Income plc ("**Shires**") and in the form of the draft laid before the meeting and signed for the purposes of identification by the Chair of the meeting with such amendments as the parties thereto may from time to time agree;
- 3.2.2. to request Shires to allot and issue New SHRS Shares, credited as fully paid, on the basis described in the Transfer Agreement for distribution among the holders of Shares in the capital of the Company entitled thereto under the Scheme (or to the Liquidators as nominee on their behalf) by way of satisfaction and discharge of their respective interests in so much of the property and assets of the Company as shall be transferred to Shires in accordance with the Transfer Agreement and with the Scheme;
- 3.2.3. to procure that the Rollover Pool be vested in Shires (or its nominees) on and subject to the terms of the Transfer Agreement;
- 3.2.4. to realise for cash the undertaking, cash and other assets comprising the Cash Pool;
- 3.2.5. to distribute cash among the holders of Shares with "B" rights by way of satisfaction and discharge of their interests in so much of the Company as shall comprise the Cash Pool in accordance with the Scheme;
- 3.2.6. to convert into cash any assets in the Liquidation Pool and to raise the money to purchase the interest of any member of the Company who validly dissents from this Resolution under section 111(2) of the Insolvency Act 1986 from the Liquidation Pool;
- 3.2.7. to transfer any surplus in the Liquidation Pool in accordance with the Scheme; and
- 3.2.8. to apply for the admission of the Shares to the premium segment of the Official List and to trading on the Main Market of the London Stock Exchange to be cancelled with effect from such date as the Liquidators may determine.
- 3.3. the Articles of Association be and are hereby amended by inserting the following as a new Article 134.3:
- "Notwithstanding the provisions of these Articles, upon the winding up of the Company in connection with the scheme (the "**Scheme**") set out in Part 4 of the circular dated 17 October 2023 to members of the Company (the "**Circular**"), the liquidators of the Company will give effect to the Scheme and will enter into and give effect to the Transfer Agreement with Shires Income plc (as duly amended where relevant) a draft of which was tabled at the general meeting of the Company convened for 20 November 2023 by the notice attached to the Circular, in accordance with the provisions of this Article 134, and

the holders of Shares with “A” rights will be entitled to receive New SHRS Shares on the terms of the Scheme.”; and

- 3.4. the terms defined in the Circular have the same meanings in this special resolution, save where the context otherwise requires.

Registered office:

1 George Street
Edinburgh EH2 2LL

By Order of the Board

abrdn Holdings Limited
Company Secretary

17 October 2023

Notes:

1. As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the General Meeting. Please note that only Independent Shareholders are permitted to vote on Resolution 1 at the General Meeting. A proxy need not be a member of the Company but must attend the General Meeting to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different Ordinary Shares. You can only appoint a proxy using the procedure set out in these notes and the notes to the Form of Proxy.
2. To be valid the PINK Form of Proxy or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed (or a notarially certified copy thereof), must be sent to the Registrar at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to arrive not less than 48 hours (excluding any part of a day that is not a Business Day) before the time fixed for the General Meeting or any adjourned General Meeting.
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting by using the procedures described in the CREST Manual and/or by logging on to the website: www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
4. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “**CREST Proxy Instruction**”) must be properly authenticated in accordance with Euroclear UK & International Limited’s specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Registrar (ID RA19) no later than 48 hours (excluding any part of a day that is not a Business Day) before the time of the General Meeting or any adjournment of the General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST application host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
5. CREST members and, where applicable, their CREST sponsors, or voting service provider(s) should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. As an alternative to appointing a proxy using the Form of Proxy or CREST, members can appoint a proxy online at www.sharevote.co.uk. In order to appoint a proxy using this website, members will need their Voting ID, Task ID and Shareholder Reference Number, printed on the face of the accompanying Form of Proxy. Full details of the procedures are given on the website. Alternatively, shareholders who have already registered with Equiniti’s online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk using their user ID and password. Once logged in, click “View” on the “My Investments” page, click on the link to vote and then follow the on-screen instructions.

7. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
8. The return of a completed Form of Proxy or other instrument appointing a proxy will not prevent you attending the General Meeting and voting in person if you wish.
9. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 311 of the Companies Act, the Company specifies that the right to vote at the General Meeting is determined by reference to the Register at 6.30 p.m. on the day which is two Business Days prior to the date of the General Meeting. Changes to entries on the Register after that time shall be disregarded in determining the rights of any member to attend and vote at the General Meeting.
10. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act to enjoy information rights (a “**Nominated Person**”) may, under an agreement between them and the Shareholder by whom they were nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.
11. The statement of the rights of Shareholders in relation to the appointment of proxies in Note 1 above does not apply to Nominated Persons. The rights described in that Note can only be exercised by Shareholders of the Company.
12. Shareholders who have general queries about the General Meeting should contact the Company Secretary in writing. Members are advised that any telephone number, website or email address which may be set out in this Notice of General Meeting or in any related documents (including the Circular and relevant Form of Proxy) is not to be used for the purposes of serving information or documents on, or otherwise communicating with, the Company for any purposes other than those expressly stated.
13. Information regarding the General Meeting, including information required by section 311A of the Companies Act, is available from the Company’s website at www.abrdnsmallercompaniesincome.co.uk.
14. As a member, Shareholders have the right to ask questions at the General Meeting in accordance with section 319A of the Companies Act and the Articles.
15. As at close of business on 13 October 2023 (being the last practicable day prior to the publication of this notice) the Company’s issued share capital comprised 22,109,765 Ordinary Shares, carrying one vote each, and no Shares were held in treasury. Therefore, the total number of voting rights in the Company as at 13 October 2023 was 22,109,765.
16. Any person holding 3 per cent. or more of the total voting rights of the Company who appoints a person other than the Chair of the General Meeting as their proxy will need to ensure that both they and their proxy complies with their respective disclosure obligations under the Disclosure Guidance and Transparency Rules.
17. A copy of the current articles of association of the Company and the proposed new articles of association of the Company, and the Transfer Agreement, will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) and for at least 15 minutes before and during the General Meeting at the offices of Dickson Minto W.S., Level 4, Dashwood House, 69 Old Broad Street, London EC2M 1QS, being the place of the General Meeting. The proposed new articles of association will also be available for inspection on the Company’s website and at the National Storage Mechanism located at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>, from the date of this Notice of General Meeting.
18. Under section 338 of the Companies Act, Shareholders may require the Company to give, to members of the Company entitled to receive this notice of General Meeting, notice of a resolution which may properly be moved and is intended to be moved at the General Meeting. Under section 338A of the Companies Act, members may request the Company to include in the business to be dealt with at the General Meeting any matter (other than a proposed resolution) which may properly be included in the business.
19. There are special arrangements for holders of Shares in an abrdn Share Plan. These are explained in the Letter of Direction which such holders will have received with this notice of General Meeting.

ABRDN SMALLER COMPANIES INCOME TRUST PLC

*(Incorporated and registered in Scotland with registered number SC137448)
(An investment company within the meaning of section 833 of the Companies Act 2006)*

NOTICE OF SECOND GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting of abrdn Smaller Companies Income Trust plc (the “**Company**”) will be held at 9.30 a.m. on 1 December 2023 at the offices of Dickson Minto W.S., Level 4, Dashwood House, 69 Old Broad Street, London EC2M 1QS for the purpose of considering and, if thought fit, passing the following resolution, which will be proposed as a special resolution:

SPECIAL RESOLUTION

THAT:

- (A) subject always to the fulfilment of the conditions (other than the passing of this special resolution) set out in paragraph 15 of the Scheme (the “**Scheme**”) contained in Part 4 of the circular to the shareholders of the Company dated 17 October 2023, a copy of which has been laid before this meeting and signed for the purpose of identification by the Chair thereof (the “**Circular**”), and with effect from the conclusion of this meeting;
- (i) the Company be and is hereby wound up voluntarily under the provisions of the Insolvency Act 1986 and Gareth Rutt Morris and Andrew Martin Sheridan, both licensed insolvency practitioners of FRP Advisory Trading Limited of Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ be and they are hereby appointed joint liquidators (the “**Liquidators**”) of the Company for the purposes of such winding up and distributing the assets of the Company in accordance with the Scheme and any power conferred on them by law, the Articles of Association or this Resolution, may be exercised by them jointly or by each of them alone;
- (ii) the remuneration (plus VAT) of the Liquidators be determined by reference to the time properly spent by them and their staff in attending to matters arising prior to and during the winding up of the Company (including, without limitation, the implementation of the Scheme and any matters outside the statutory duties of the Liquidators and undertaken at the request of the members or a majority of them) and the Liquidators be and are hereby authorised to draw such remuneration monthly or at such longer intervals as they may determine and to pay any expenses properly incurred by them to give effect to the Scheme;
- (iii) the Company’s books and records be held by its Company Secretary to the order of the Liquidators until the expiry of 12 months after the date of dissolution of the Company, when they may be disposed of (save for financial and trading records which shall be kept for a minimum of six years following the vacation of the Liquidators from office);
- (iv) the Liquidators be empowered and directed to carry into effect the provisions of the Articles of Association as amended by the Resolutions set out in the notice of the First General Meeting of the Company contained in the Circular; and
- (v) the Liquidators be and are hereby authorised pursuant to section 165 of the Insolvency Act 1986 to exercise the powers set out in Part 1 of Schedule 4 to that Act as may be necessary or desirable in their judgment, acting jointly and severally, to give effect to the Scheme and/or to carry out the winding up of the Company; and
- (B) terms defined in the Circular have the same meanings in this Resolution, save where the context otherwise requires.

Registered office:
1 George Street
Edinburgh EH2 2LL

By Order of the Board
abrdn Holdings Limited
Company Secretary

17 October 2023

Notes:

1. As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the General Meeting. A proxy need not be a member of the Company but must attend the General Meeting to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different Ordinary Shares. You can only appoint a proxy using the procedure set out in these notes and the notes to the Form of Proxy.
2. To be valid the GREEN Form of Proxy or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed (or a notarially certified copy thereof), must be sent to the Registrar at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to arrive not less than 48 hours (excluding any part of a day that is not a Business Day) before the time fixed for the General Meeting or any adjourned General Meeting.
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting by using the procedures described in the CREST Manual and/or by logging on to the website: www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
4. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & International Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Registrar (ID RA19) no later than 48 hours (excluding any part of a day that is not a Business Day) before the time of the General Meeting or any adjournment of the General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST application host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
5. CREST members and, where applicable, their CREST sponsors, or voting service provider(s) should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. As an alternative to appointing a proxy using the Form of Proxy or CREST, members can appoint a proxy online at www.sharevote.co.uk. In order to appoint a proxy using this website, members will need their Voting ID, Task ID and Shareholder Reference Number, printed on the face of the accompanying Form of Proxy. Full details of the procedures are given on the website. Alternatively, shareholders who have already registered with Equiniti's online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk using their user ID and password. Once logged in, click "View" on the "My Investments" page, click on the link to vote and then follow the on-screen instructions.
7. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
8. The return of a completed Form of Proxy or other instrument appointing a proxy will not prevent you attending the General Meeting and voting in person if you wish.
9. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 311 of the Companies Act, the Company specifies that the right to vote at the General Meeting is determined by reference to the Register at 6.30 p.m. on the day which is two Business Days prior to the date of the General Meeting. Changes to entries on the Register after that time shall be disregarded in determining the rights of any member to attend and vote at the General Meeting.
10. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act to enjoy information rights (a "**Nominated Person**") may, under an agreement between them and the Shareholder by whom they were nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right

or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.

11. The statement of the rights of Shareholders in relation to the appointment of proxies in Note 1 above does not apply to Nominated Persons. The rights described in that Note can only be exercised by Shareholders of the Company.
12. Shareholders who have general queries about the General Meeting should contact the Company Secretary in writing. Members are advised that any telephone number, website or email address which may be set out in this Notice of General Meeting or in any related documents (including the Circular and relevant Form of Proxy) is not to be used for the purposes of serving information or documents on, or otherwise communicating with, the Company for any purposes other than those expressly stated.
13. Information regarding the General Meeting, including information required by section 311A of the Companies Act, is available from the Company's website at www.abrdnsmallercompaniesincome.co.uk.
14. As a member, Shareholders have the right to ask questions at the General Meeting in accordance with section 319A of the Companies Act and the Articles.
15. As at close of business on 13 October 2023 (being the last practicable day prior to the publication of this notice) the Company's issued share capital comprised 22,109,765 Ordinary Shares, carrying one vote each, and no Shares were held in treasury. Therefore, the total number of voting rights in the Company as at 13 October 2023 was 22,109,765.
16. Any person holding 3 per cent. or more of the total voting rights of the Company who appoints a person other than the Chair of the General Meeting as their proxy will need to ensure that both they and their proxy complies with their respective disclosure obligations under the Disclosure Guidance and Transparency Rules.
17. Under section 338 of the Companies Act, Shareholders may require the Company to give, to members of the Company entitled to receive this notice of General Meeting, notice of a resolution which may properly be moved and is intended to be moved at the General Meeting. Under section 338A of the Companies Act, members may request the Company to include in the business to be dealt with at the General Meeting any matter (other than a proposed resolution) which may properly be included in the business.
18. There are special arrangements for holders of Shares in an abrdn Share Plan. These are explained in the Letter of Direction which such holders will have received with this notice of General Meeting.