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If you have sold or otherwise transferred all of your shares in Shires Income plc (the “**Company**”), please send this document, (but not the accompanying personalised Form of Proxy or Letter of Direction), 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 onward transmission to the purchaser or transferee.

The definitions used in this document are set out in Part 4 of this document.

SHIRES INCOME PLC

(Incorporated in England and Wales with registered no. 00386561 and registered as an investment company under section 833 of the Companies Act 2006)

**Recommended proposals to combine the assets of the Company with
abrdn Smaller Companies Income Trust plc and the issue of
new Ordinary Shares pursuant to a scheme of reconstruction of
abrdn Smaller Companies Income Trust plc
under section 110 of the Insolvency Act 1986**

and

Notice of General Meeting

The Proposals described in this document are conditional on Shareholder approval. Your attention is drawn to the letter from the Chairman of the Company set out in Part 1 of this document, which contains, among other things, the recommendation of the Board that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting referred to below. The document should be read as a whole before deciding what action to take and your attention is drawn to the section titled “Action to be taken” on pages 7 and 8 of this document. Your attention is also drawn to the letter from the Chairman of the Company on pages 2 to 9 of this document, which contains the recommendation of the Board that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting.

Notice of the general meeting of the Company to be held on 20 November at 12.00 p.m. (the “**General Meeting**”) at 280 Bishopsgate, London EC2M 4AG is set out at the end of this document.

All Shareholders are encouraged to vote in favour of the Resolutions to be proposed at the General Meeting and, if their Shares are not held directly, to arrange for their nominee to vote on their behalf. Shareholders are requested to return the Form of Proxy accompanying this document for use in connection with the General Meeting. To be valid, the Form of Proxy must be completed, signed and returned in accordance with the instructions printed thereon so as to be received by the Registrar, Equiniti Limited, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, as soon as possible and, in any event, by no later than 12.00 p.m. on 16 November 2023.

Investors holding 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 a Letter of Direction. To be valid, Letters of Direction must be completed, signed and returned in accordance with the instructions printed thereon to be received by the Registrar, Equiniti Limited, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, as soon as possible and, in any event, by no later than 12.00 p.m. on 13 November 2023.

Shareholders who hold their 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 in the notice of General Meeting set out at the end of this document). Proxies submitted via CREST for the General Meeting must be transmitted so as to be received by the Registrar as soon as possible and, in any event, by no later than 12.00 p.m. on 16 November 2023.

J.P. Morgan Securities plc (which conducts its UK investment banking activities as J.P. Morgan Cazenove) (the “**Sponsor**” or “**JPMC**”), which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for the Company and for no one else in connection with the Proposals and will not be responsible to any other person for providing the protections afforded to its clients or for providing advice in relation to any matter referred to herein. This does not exclude any responsibilities which the Sponsor may have under FSMA or the regulatory regime established thereunder.

Applications will be made to the FCA and the London Stock Exchange for all of the New Shires Shares to be admitted to the premium segment of the Official List under Chapter 15 of the Listing Rules and to trading on the London Stock Exchange’s Main Market for listed securities. It is expected that Admission will become effective on 4 December 2023 and dealings in the New Shires Shares issued pursuant to the Scheme will commence on 4 December 2023.

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EXPECTED TIMETABLE

2023

Publication of this document	17 October
Latest time and date for receipt Letters of Direction for abrdrn Share Plan holders for the General Meeting	12.00 p.m. on 13 November
Latest time and date for receipt of the Form of Proxy for the General Meeting	12.00 p.m. on 16 November
General Meeting	12.00 p.m. on 20 November
Announcement of results of the General Meeting	20 November
Calculation Date for value attributable under the Scheme	5.00 p.m. on 27 November
Announcement of the results of the Scheme and respective FAVs per share for Shires and ASCI	1 December
Effective Date of implementation of the Scheme	1 December
CREST Accounts credited with, and dealings commence in, New Shires Shares	8.00 a.m. on 4 December
Share certificates in respect of New Shires Shares despatched	not later than 10 Business Days from the Effective Date

Note: All references to time in this document are to UK time. Each of the times and dates in the above expected timetable (other than in relation to the General Meeting) may be extended or brought forward. If any of the above times and/or dates change, the revised time(s) and/or date(s) will be notified to Shareholders by an announcement through a Regulatory Information Service.

PART 1

LETTER FROM THE CHAIRMAN

SHIRES INCOME PLC

(incorporated in England and Wales with registered no. 00386561 and registered as an investment company under section 833 of the Companies Act 2006)

Directors

Robert Talbut (*Chairman*)
Robin Archibald
Jane Pearce
Helen Sinclair

Registered Office

280 Bishopsgate
London
EC2M 4AG

17 October 2023

Dear Shareholder

Recommended proposals to combine the assets of the Company with abrdrn Smaller Companies Income Trust plc

1 Introduction

The Company announced on 26 July 2023 that the Board had agreed heads of terms with the board of directors of abrdrn Smaller Companies Income Trust plc (“**ASCI**”) for a proposed combination of the assets of ASCI with the assets of the Company.

ASCI is a UK-domiciled investment trust with net assets as at 13 October 2023 of approximately £55.7 million and a market capitalisation as at that date of approximately £54.2 million. Both the Company and ASCI are managed by abrdrn Fund Managers Limited (“**AFML**”) and have UK equity income as a key part of their investment objectives, including exposure to UK smaller companies. To date the Company has achieved its small company exposure through its significant shareholding in ASCI since its flotation in 1992, currently representing around 13.6 per cent. of ASCI’s shares⁽¹⁾.

The Board has been discussing for some time whether the Company’s smaller company exposure could be delivered more efficiently and with less pricing volatility than through the ASCI stake. The Board believes that the combination with ASCI should achieve this outcome and should also result in a meaningful increase in the size of the Company through the issue of the New Shires Shares under the Scheme, with the attendant benefits described below.

The Combination will be implemented through a scheme of reconstruction and voluntary winding-up of ASCI under section 110 of the Insolvency Act 1986.

The purpose of this document is to explain the Proposals, the actions required in order for the Proposals to be implemented and convene a General Meeting of the Company to approve the Proposals, notice of which is set out at the end of this document. Details of the Resolutions to be proposed at the General Meeting are set out below. The expected timetable for the Proposals is provided on page 1 of this document.

The Board expect that the key benefits of the proposed combination will be: (i) the increase in scale and (ii) reduced costs while the Company maintains its exposure to UK smaller companies.

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

⁽¹⁾ As at 13 October 2023.

2 Details of the Proposals

2.1 Background

The Board has been looking at opportunities to increase the size and scale of the Company to assist with liquidity and reduce costs for some time. Alongside this goal, the Board has been conscious of the ASCI holding and the impact this had on performance through the volatility of ASCI's share price, rather than the performance of the underlying smaller companies shares in the ASCI portfolio. Both the Company and ASCI have UK equity income as a key part of their investment objectives, including exposure to UK smaller companies.

As noted in our annual report the Board of Shires and its advisers approached ASCI in October 2022, with illustrative proposals relating to a proposed consolidation of the two companies whilst maintaining small cap exposure and concentrating on providing above average income from a diversified portfolio of UK quoted securities, in line with the Company's existing investment objective. On 13 February 2023 ASCI announced a strategic review process. The Company participated in that process and amended its previous proposals.

After detailed negotiations, the Board and the ASCI Board each announced on 26 July 2023 that they had agreed heads of terms for a combination of the assets of ASCI with the Company by means of the Scheme and associated Scheme Issue together with an opportunity for ASCI Shareholders to exit their holding in ASCI for cash.

2.2 Benefits and impact of the Proposals

The Board considers that a potential combination of the assets of ASCI results in benefits to both the Company and its Shareholders, as well as to ASCI shareholders who receive the New Shires Shares under the Scheme:

- **Increase in scale:** The Enlarged Company will be able to spread fixed costs over a larger asset base, benefit from the tiered management fee structure and potentially experience improved secondary liquidity and marketability of the Company's Shares;
- **Reduced costs:** It is expected that both ASCI and Shires shareholders will benefit from a reduction in the operating costs of the Company, with fixed costs spread over a larger asset base. The management fees of the Company, which will be unchanged, other than through the introduction of an administration fee of £120,000 per annum plus VAT, payable to abrdn, will benefit from a lower cost tier being applied. The Company's management fees will represent a material reduction in management fees for ASCI shareholders;
- **Continuation of a differentiated UK equity income strategy:** The Company will continue to apply a differentiated UK equity income strategy with an attractive dividend, and with meaningful direct exposure to UK listed smaller companies and UK fixed income securities. The Board believes that this should continue to be an attractive investment proposition with an expanded portfolio in size;
- **Dividends:** The Company will continue to pay a level of quarterly dividend income (14.2p per share annualised in the financial year to 31 March 2023) in keeping with its recent dividends. This represents a material increase in dividend level for ASCI shareholders. In connection with the Proposals, the Board of ASCI has resolved, subject to the passing of their resolutions to be proposed at the ASCI First General Meeting, to pay a pre-liquidation interim dividend of not less than 14.0 pence per ASCI Ordinary Share to reflect a distribution of the ASCI accumulated revenue reserves (including current year net income to date). This interim dividend will be paid to ASCI Shareholders prior to the Effective Date;
- **Protection from asset or income dilution:** The Proposals may result in a minimal asset uplift depending on the rollover of ASCI shareholders and through the issue of the New Shires Shares at a 0.80 per cent. premium to NAV. The Proposals are structured to try to avoid any asset or income dilution to the Company's Shareholders;
- **Continued UK smaller companies' exposure:** A material proportion of the Rollover Pool is expected to be transferred *in specie* to the Company. This will help provide continued UK small cap exposure and to achieve it through savings for Shareholders by comparison with disposing

of or acquiring smaller companies shares in the secondary market under the Scheme. The expectation is that UK small cap exposure will continue to represent up to 20 per cent. of Shires' portfolio on an ongoing basis. By way of illustration, had 25 per cent. of ASCI 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; and

- **Issuance and Buyback Authorities:** As a consequence of the Scheme and subject to Shareholder approval, the Issuance and Buyback Authorities of the Company will be extended in line with the increased share capital of the Company so that the Company will not be at a disadvantage from increasing the number of shares in issue and be able to issue and buyback shares as required.

There are no plans to amend the Company's investment policy in any material respect following the transaction, albeit we will formalise the existing board investment limits within the investment policy. The Enlarged Company will continue with its existing gearing arrangements in place and has no current intention of increasing them. The Company currently has fixed borrowings in place until April 2027.

There will be no changes to the Company's annual timetable of year end reporting, the financial year end remaining 31 March each year and it will continue to pay quarterly dividends in July, October, January and April of each financial year.

Only ASCI Shareholders are able to participate in the Scheme Issue for New Shires Shares. Existing Shires Shareholders will suffer some dilution to the percentage of the issued share capital (voting rights) that their current holding represents based on an actual number of New Shires Shares issued in the enlarged share capital. There will not be any material impact to the NAV per Share attributable to the Existing Shareholders as a result of the Scheme becoming effective, nor to the dividend paying capacity of the Company. If Shareholders wish to acquire further Shares they can do so through the secondary market. Existing Shareholders will be protected from asset and income dilution under the Proposals through the issue of New Shires Shares at a 0.80 per cent. premium to NAV.

The portfolio will continue to be managed by AFML as AIFM and abrdn Investments Limited as delegated Investment Manager, led by Iain Pyle and Charles Luke. The Enlarged Company will be managed 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. The Enlarged Company will continue to have exposure to UK smaller companies but through holding assets directly rather than indirectly through its shareholding in ASCI.

2.3 The Scheme

The Scheme will be implemented by way of scheme of reconstruction of ASCI under section 110 of the Insolvency Act, resulting in the voluntary winding up of ASCI and a transfer of part of ASCI's cash, assets and undertaking to the Company in accordance with the Scheme and elections received from ASCI Shareholders.

The Scheme is conditional on both ASCI and Shires shareholder approval. Further details of the conditions attaching to the Scheme are set out in "Details of the Scheme" on pages 10 to 12 of this document.

Pursuant to the Scheme, ASCI Shareholders can elect, in respect of their shareholdings, to receive:

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

There will be no limit on the number of ASCI Shares which may be elected for the Cash Option. A discount of 1.5 per cent. will be applied to the ASCI Residual Net Asset Value attributable to ASCI Cash Shares (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 ASCI Shareholders who have elected, or are deemed to have elected, for the Rollover Option.

New Shires Shares will be issued to ASCI Shareholders who do not make valid elections under the Scheme.

New Shires Shares will be issued to ASCI Shareholders in consideration for assets transferred from ASCI to the Company. The assets will consist of investments aligned with the Company's investment policy, together with cash and cash equivalents. Any cash transferred will be used to acquire investments in accordance with the Company's investment policy.

Company's entitlements under the Scheme

The Company's entitlements as a shareholder of ASCI under the Scheme will be satisfied by way of a distribution *in specie* of cash or investments. This means that the Company will not receive any New Shires Shares pursuant to the Scheme.

Related party provisions

Following guidance sought from the FCA by ASCI, Shires is deemed to be a related party of ASCI in the context of the Proposals. Therefore, under the Listing Rules, Shires' participation in the Scheme will constitute a related party transaction for the purpose of LR11.1.5(1). Accordingly, whilst the Company can vote its shareholding to approve the Scheme, a separate ordinary resolution (requiring more than 50 per cent of Independent ASCI Shareholders who vote to vote in favour) will be proposed to Independent ASCI shareholders. The Scheme is dependent on the Related Party Resolution being passed by the Independent ASCI Shareholders.

The expectation of the Board is that the ASCI Resolutions requiring to be passed at both the ASCI General Meetings are likely to be passed.

Costs and expenses of the Scheme

The Proposals will not result in any proceeds being raised by the Company. The New Shires Shares are being issued to the ASCI Shareholders in consideration for the transfer of assets to the Company.

Each of the Company and ASCI will bear its own transaction costs in respect of the Proposals. Any costs of realignment/realisation of the ASCI portfolio prior to the Scheme becoming effective will be borne by ASCI. Stamp duty, stamp duty reserve tax or other transaction taxes shall be borne by the Enlarged Company. The admission fees payable in connection with the issue of New Shires Shares to ASCI Shareholders shall be borne by the Enlarged Company.

If the Proposals do not proceed on the terms agreed or the required approvals are not obtained, then the Company and ASCI will bear their own costs. The costs of the Company in such circumstances are estimated to be £458,210.

The AIFM has undertaken to make a contribution to the costs of the Scheme by means of a reduction in the management fee payable by the Company to the AIFM under the terms of the Management Agreement (the "**AFML Contribution**"). The fee reduction will constitute a waiver of the management fee equal in amount to that which would otherwise have been payable to the AIFM in respect of the assets transferred by ASCI to the Company pursuant to the Scheme. The financial value of this amount (which is estimated at £87,051 based on the Company's NAV as at 13 October 2023 and assuming no ASCI Shareholders exercise their right to dissent from participation in the Scheme and that 25 per cent. of ASCI Shareholders elect for the Cash Option) will be satisfied by the AIFM by means of a waiver of its fees for the benefit of the shareholders of the Enlarged Company. The AFML Contribution is subject to the Company not terminating the management agreement (other than for cause as provided under such agreement) for three years from the Effective Date of the Scheme, failing which the Enlarged Company will be obliged to repay all or part (depending on the point of termination) of the AFML Contribution. The AFML Contribution will be for the benefit of the Shareholders of the Enlarged Company following the implementation of the Scheme. For the avoidance of doubt, the AFML Contribution will not be taken into account in the calculation of either the Shires FAV per Share or the ASCI FAV per Share for the purposes of the Scheme.

A new administration fee will be payable to the AIFM of £120,000 per annum plus VAT following completion of the Scheme.

Further details of the Scheme and the Scheme Issue, including the conditions, are set out in Part 2 of this document.

3 Approvals being sought from Shareholders

3.1 The Scheme Issue (Resolution 1)

At the General Meeting, the Board will seek authority from Shareholders to allot New Shires Shares up to an aggregate nominal amount of £10,000,000 pursuant to the Scheme, such number being considered sufficient to satisfy the maximum number of New Shires Shares that could be required to be issued pursuant to the Scheme.

The authority sought by the Scheme Resolution will, if passed, be in addition to any previously granted general authorities to allot Ordinary Shares and will expire on 31 December 2023. For the avoidance of doubt, the authority being sought pursuant to the Scheme Resolution is only capable of being used in connection with the issue of New Shires Shares pursuant to the Scheme and cannot be used for any other purpose.

If the Scheme Resolution is passed, the Directors will have authority to allot and issue Ordinary Shares under the Scheme representing up to 66 per cent. of the Company's total issued Ordinary Share capital (excluding Shares held in treasury) as at 13 October, being the Latest Practicable Date prior to the publication of this document.

3.2 Refreshed authorities sought (Resolutions 2, 3 and 4)

In addition to the Scheme Issue resolution the Directors are also seeking approval of resolutions to refresh the Company's buy back and issuance authorities to reflect the increased number of Ordinary Shares in issue following implementation of the Scheme. This will allow the Board to issue or buy back shares as required from time to time in accordance with its general buyback and issuance policy. Such authorities are conditional on the Scheme Resolution passing and becoming unconditional. Further details on the authorities sought are set out in the Appendix to the Notice of General Meeting at page 30.

3.3 The General Meeting

3.3.1 Resolutions and voting

You will find set out on pages 25 to 29 a notice convening the General Meeting at which Shareholders will be asked to consider and, if thought fit, amongst other things, approve the issue of New Shires Shares in connection with the Scheme. The notice contains the full text of the Resolutions.

The following Resolutions will be put to Shareholders at the General Meeting:

- **Resolution 1:** That, the Directors be authorised to allot the New Shires Shares to ASCI Shareholders in accordance with the terms of the Scheme ("**Resolution 1**");
- **Resolution 2:** That, subject to the passing of Resolution 1, the Directors are granted allotment authority relating to the increased size of the Enlarged Company ("**Resolution 2**");
- **Resolution 3:** That, subject to the passing of Resolution 1 and Resolution 2, the Directors are granted additional pre-emption authority in respect of the issue of shares relating to the increased size of the Enlarged Company ("**Resolution 3**"); and
- **Resolution 4:** That, subject to the passing of Resolution 1, the Directors are granted additional buy-back authority to reflect the increased size of the Enlarged Company ("**Resolution 4**").

Resolutions 1 and 2 will be proposed as ordinary resolutions and in order to be passed will, accordingly, require more than 50 per cent. of the votes cast to be voted in favour of them.

Resolutions 3 and 4 will be proposed as special resolutions and in order to be passed will, accordingly, require more than 75 per cent. of the votes cast to be voted in favour of them.

Resolutions 2, 3 and 4 are conditional on Resolution 1 passing. Resolution 3 is also conditional on Resolution 2 passing.

In accordance with the Articles of Association, all Shareholders are entitled to attend and vote at the General Meeting. All Shareholders entitled to vote and be present in person or by proxy at the General Meeting shall upon a show of hands have one vote and upon a poll shall have one vote in respect of each share held. It is proposed that all votes will be held on a poll. The Scheme can only progress if also approved by ASCI Shareholders.

3.3.2 *Action to be taken*

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

Shareholders – Form of Proxy

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

- (a) by completing and signing the Form of Proxy in accordance with the instructions printed thereon and returning by post, by courier or by hand;
- (b) 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 Notice of General Meeting; or
- (c) If you are an institutional investor, you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 12.00 p.m. on 16 November 2023 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them, and they will govern the electronic appointment of your proxy.

In each case, proxy appointments must be received by the Company as soon as possible and, in any event, so as to arrive by 12.00 p.m. on 16 November 2023. To be valid, the relevant proxy appointment should be completed in accordance with the instructions accompany it and lodged with the Registrar by the relevant time.

Completion and return of a Form of Proxy will not prevent you from attending and voting in person at the General Meeting should you wish to do so.

abrdn Share Plan holders – Letter of Direction

Shareholders holding 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 a Letter of Direction which must be completed and returned in accordance with the instructions printed thereon (to be valid for use at the General Meeting) to the Registrars, Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA as soon as possible, but in any event so as to be received no later than 12 p.m. on 13 November 2023.

4 Further information

4.1 Documents available for inspection

A copy of this document and the Prospectus will be available for inspection at the registered office of the Company during normal business hours on any business day from the date of this document until the date of the General Meeting. A copy of this document and the Prospectus relating to the issue of the New Shares will also be available for inspection on the National Storage Mechanism at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism> and on the Company's website (www.shiresincome.co.uk).

4.2 Consent

JPMC has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.

4.3 Recommendation

The Board, which has received financial advice from JPMC, considers the Proposals and the refreshing of Issuance and Buyback Authorities to be in the best of interests of Shareholders as a whole. In providing advice to the Board, JPMC has relied on the Board's commercial assessment of the Proposals.

Accordingly, the Board recommends unanimously that Shareholders vote in favour of the Resolutions, as the Directors intend to do so in respect of their own beneficial holdings, which total 46,967 Ordinary Shares (representing 0.15 per cent. of the Company's total voting rights) as at the Latest Practicable Date.

Shareholders who are in any doubt as to the contents of this document or as to the action they should take should consult their stockbroker, bank manager, solicitor, accountant or an appropriately qualified and duly authorised independent financial adviser without delay.

Yours faithfully

Robert Talbut
Chairman

PART 2

DETAILS OF THE SCHEME AND THE SCHEME ISSUE

1 The Scheme

The Issue is being undertaken pursuant to the proposed members' voluntary liquidation and a scheme of reconstruction of ASCI under which ASCI Shareholders will be entitled to elect to receive in respect of some or all of their ASCI Shares:

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

The Rollover Option will provide that the ASCI Shareholders who elect (or are deemed to elect) to receive New Shires Shares do so in accordance with the Scheme. Further details of how the New Shires Shares are allocated is set out below at paragraph 3.

There will be no limit on the number of ASCI Shares which may be elected for the Cash Option. ASCI Shareholders are entitled to elect to receive the Cash Option in respect of the entirety of their individual holdings of ASCI Shares on the Calculation Date. A discount of 1.5 per cent. will be applied to the ASCI Residual Net Asset Value attributable to the ASCI Reclassified Shares with "B" rights (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 ASCI Shareholders who have elected, or are deemed to have elected, for the Rollover Option.

The Company's entitlements as a shareholder of ASCI under the Scheme will be satisfied on ASCI's liquidation by the transfer of the Rollover Pool to the Company, which will include the transfer of the Company's *pro rata* share of the Rollover Pool to the Company by way of a distribution *in specie*. This means that the Company will not receive any New Shires Shares pursuant to the Scheme and will be deemed under the terms of the Scheme to receive only ASCI Reclassified Shares with "C" rights.

Following guidance by the FCA, the participation by Shires in the Scheme as provided under the terms of the Transfer Agreement will constitute a related party transaction under the Listing Rules. As a result a related party resolution will require to be passed with the approval of 50 per cent. the Independent ASCI Shareholders. The Scheme is conditional on the Related Party Resolution passing. The Company will not vote on the Related Party Resolution but will be able to vote on the ASCI resolution relating to the Scheme.

ASCI Shareholders who make no Election (or no valid Election) under the Scheme will be deemed to have elected to receive New Shires Shares in the Company in respect of their entire holding of ASCI Shares. Valid Elections under the Scheme must be received by 1.00 p.m. on 24 November 2023. The Scheme involves ASCI being placed into members' voluntary liquidation and ASCI Shareholders, who elected or are deemed to elect for the Rollover Option, receiving New Shires Shares issued by the Company, in exchange for the transfer to the Company of the Rollover Pool. The New Shires Shares are only available to ASCI Shareholders under the Scheme. The New Shires Shares are not being offered to the Existing Shareholders, Shires or to the public. The Issue has not been underwritten.

The Board of ASCI has resolved to recommend the Scheme to the ASCI Shareholders and the Board of the Company is recommending the Proposals to its Shareholders.

2 Details of the Scheme

Subject to the satisfaction of the conditions set out at paragraph 4 below, ASCI will be placed into members' voluntary liquidation and the Scheme will take effect. It is expected that the Scheme will become effective on the Effective Date, whereupon the cash, undertaking and other assets of ASCI comprising the Rollover Pool shall be transferred to the Company pursuant to the Transfer Agreement in consideration for the issue of the New Shires Shares and the *in specie distribution*. The relevant numbers of New Shires Shares will be allotted to the Liquidators (as nominees for the ASCI Shareholders entitled to them) who will renounce the New Shires Shares in favour of the ASCI Shareholders who elect or are deemed to have elected for the Rollover Option.

In advance of the Effective Date, the ASCI Directors intend that ASCI and/or AFML (or their agents) will have, to the extent practicable, realised or realigned the undertaking and business carried on by ASCI in accordance with the Scheme and the Elections made or deemed to have been made thereunder so that, so far as practicable, ASCI will hold, in addition to assets destined to become the Cash Pool and the Liquidation Pool, investments suitable for transfer to the Company for the benefit of the portfolio, by virtue of the Transfer Agreement.

Subject to the resolutions being passed at the First General Meeting of ASCI and becoming unconditional, on the Calculation Date, or as soon as possible thereafter, the ASCI Directors, in consultation with the proposed Liquidators, shall calculate the aggregate value of the total assets of ASCI, the ASCI Residual Net Asset Value, the Residual Net Asset Value Per ASCI Share, the ASCI FAV per Share, the Cash Pool NAV and the Cash NAV per Share.

The Shares FAV and the Shares FAV per Share will be determined by the Board as at the Calculation Date.

On the Calculation Date, or as soon as practicable thereafter, the ASCI Directors, in consultation with the proposed Liquidators, shall procure the finalising of the division of ASCI'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:

- (a) first, there shall be appropriated to the Liquidation Pool cash and other assets of ASCI of a value calculated in accordance with the terms of the Scheme, which is estimated by the proposed Liquidators, in consultation with the ASCI Directors, to be sufficient to meet the current and future, actual and contingent liabilities of ASCI, 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 ASCI:
 - (i) the costs and expenses incurred, and to be incurred, by ASCI and the Liquidators in formulating, preparing and implementing the Proposals and the Scheme and in preparing all associated documents, in each case as not otherwise paid prior to the liquidation;
 - (ii) the costs and expenses incurred, and to be incurred, by ASCI and the Liquidators in preparing and implementing the Transfer Agreement;
 - (iii) the costs of purchasing (or making provision for the purchase of) the interests of ASCI Shareholders (if any) who have validly exercised their rights to dissent from the Scheme under section 111(2) of the Insolvency Act;
 - (iv) any unclaimed dividends of ASCI (so far as not previously paid) and any declared but unpaid dividends of ASCI;
 - (v) the costs and expenses of liquidating and winding up ASCI (which includes the costs and expenses in relation to the Liquidators maintaining ASCI in liquidation until the date of the final meeting of ASCI), including the fees and expenses of the Liquidators and ASCI's registrar;
 - (vi) any tax liabilities of ASCI; and
 - (vii) an amount considered by the Liquidators to be appropriate to provide for any unascertained, unknown or contingent liabilities of ASCI (such amount not expected to exceed £100,000 in aggregate),and in each case including any VAT in respect thereof;
- (b) second, there shall be appropriated to the Cash Pool and the Rollover Pool all the undertaking, cash and other assets of ASCI remaining after the appropriation referred to in paragraph (a) above (excluding any Relevant Dividend), in terms of value determined at the Calculation Date, to the value attributable to the ASCI Reclassified Shares with "A" rights, "B" rights and "C" rights, respectively, on the following basis:
 - (i) there shall first be appropriated to the Cash Pool such proportion of the undertaking, cash and other assets as shall equal the Cash Pool NAV; and

- (ii) there shall be appropriated to the Rollover Pool the balance of the undertaking, cash and other assets of ASCI, including for the avoidance of doubt the benefit of the Cash Option Discount.

On the Effective Date, or as soon as practicable after, the Liquidators shall procure that there shall be delivered to the Company (or its nominee) particulars of the undertaking, cash and other assets comprising the Rollover Pool in accordance with the terms of the Transfer Agreement.

Further details of the Transfer Agreement are provided in paragraph 6 below and full details of the Scheme are set out in the circular to ASCI Shareholders dated 17 October 2023.

3 Details of the Issue

The issue of the New Shires Shares under the Rollover Option will be effected on a FAV for FAV basis as at the Calculation Date. The Calculation Date for determining the value of the Rollover Pool is expected to be at 5.00 p.m. on 27 November 2023.

In consideration for 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 the Scheme, the New Shires Shares shall be issued on the following basis:

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

where:

A is the ASCI FAV per Share;

B is the Shires FAV per Share; and

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

No value shall be attributable to ASCI Shares held in treasury by ASCI. Fractions of New Shires Shares will not be issued under the Scheme and entitlements to such New Shires Shares will be rounded down to the nearest whole number. Any assets representing a fraction of the entitlements of holders of ASCI Reclassified Shares with "A" rights holding of New Shires Shares is rounded down shall be retained by the Company and represent an accretion to its assets. The New Shires Shares will be issued at a 0.80 per cent. premium to Shires NAV which is reflected in the Shires FAV.

The New Shires Shares to be issued pursuant to the Scheme will be allotted, credited as fully paid, to the Liquidators (as nominee for the ASCI Shareholders entitled thereto), whereupon the Liquidators will renounce the allotments of New Shires Shares in favour of ASCI Shareholders entitled to them under the Scheme. On such renunciation, the Company will issue the New Shires Shares to the ASCI Shareholders entitled thereto.

The Company shall (i) in the case of the New Shires Shares issued in certificated form, arrange for the despatch of certificates for such shares issued under the Scheme to the ASCI Shareholders entitled thereto at their respective addresses in ASCI's register of members (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 (ii) in the case of the New Shires 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 ASCI Shareholders entitled thereto with their respective entitlements to New Shires Shares issued under the Scheme. The Company shall be entitled to assume that all information delivered to it in accordance with the Scheme is correct and to utilise the same in procuring registration in the Company's register of members of the holders of the New Shires Shares issued under the Scheme.

The New Shires Shares will rank equally in all respects (*pari passu*) with the existing issued Ordinary Shares other than in respect of any dividend declared with a record date prior to the Effective Date.

For illustrative purposes only, had the Calculation Date been 5.00 p.m. on 13 October 2023 (being the Latest Practicable Date prior to the publication of the Prospectus), and assuming that no ASCI Shareholders exercise their right to dissent from participation in the Scheme, after deduction of ASCI's pre-liquidation special dividend of not more than 14 pence per ASCI Share and assuming:

- (a) 25 per cent. is elected for the Cash Option, the ASCI FAV per Share would have been 235.195032 pence and the Shires FAV per Share would have been 243.865440 pence. On the basis of these figures, an ASCI Shareholder who held 1,000 ASCI Shares would have received 964 New Shires Shares under the Scheme. In aggregate, 13,086,179 New Shires Shares would have been issued to ASCI Shareholders under the Scheme, representing approximately 30.0 per cent. of the issued share capital of the Enlarged Company; or
- (b) all ASCI Shareholders had elected to receive New Shires Shares, the ASCI FAV per Share would have been 234.024907 pence and the Shires FAV per Share would have been 243.865440 pence. On the basis of these figures, an ASCI Shareholder who held 1,000 ASCI Shares would have received 959 New Shires Shares under the Scheme. In aggregate 18,325,469 New Shires Shares would have been issued to ASCI Shareholders under the Scheme, representing approximately 37.5 per cent. of the issued share capital of the Enlarged Company.

The results of the Scheme and the Issue, including the calculations of the Shires FAV per Share and the ASCI FAV per Share and the number of New Shires Shares to be issued under the Scheme, will be announced through a RIS as soon as reasonably practicable following the Calculation Date and prior to the Issue.

4 Conditions of the Scheme

The Scheme is conditional upon:

- (a) the passing of the resolutions at the ASCI General Meetings and any conditions of such resolutions being fulfilled;
- (b) the passing of the Scheme Resolution at the General Meeting;
- (c) the FCA agreeing to admit the New Shires Shares to the Official List and the London Stock Exchange agreeing to admit the New Shires Shares to trading on its Main Market, subject only to allotment; and
- (d) the Directors and the ASCI Directors resolving to proceed with the Scheme.

Unless the conditions set out above have been satisfied or, to the extent permitted, waived by the Company and ASCI at or before 31 December 2023, the Scheme shall not become effective.

5 Distribution in specie

The holder of ASCI Reclassified Shares with "C" rights (being Shires) are 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 ASCI Reclassified Shares with "C" rights held by Shires of the total aggregate number of ASCI Reclassified Shares with "A" rights and ASCI Reclassified Shares with "C" rights.

6 Transfer Agreement

- 6.1 On the Effective Date the Liquidators (in their personal capacity and on behalf of ASCI) 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 ASCI Reclassified Shares with "C" rights, and in consideration for the issue of New Shires Shares to the Liquidators (as nominees for the ASCI Shareholders entitled to them), such shares to be renounced by the Liquidators in favour of the holders of ASCI Reclassified Shares with "A" rights in accordance with the Scheme.
- 6.2 The Transfer Agreement provides that the assets to be transferred to Shires shall be transferred with such rights and title as ASCI 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 ASCI, 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 ASCI 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.

- 6.3 The parties to the Transfer Agreement have entered into irrevocable undertakings to enter into the Transfer Agreement on the Effective Date in the event that all of the conditions to the Scheme are satisfied in full.
- 6.4 The Enlarged Company will pay stamp duty reserve tax to the extent applicable on the acquisition of the Rollover Pool and listing fees in relation to the listing of the New Shires Shares.

7 Costs and expenses of the Proposals

The Proposals will not result in any proceeds being raised by the Company. The New Shires Shares are being issued to the ASCI Shareholders in consideration for the transfer of the Rollover Pool to the Company.

Subject as noted below, each of the Company and ASCI will bear its own costs in respect of the Proposals. Any costs of realignment/realisation of the ASCI portfolio prior to the Scheme becoming effective will be borne by ASCI. Any stamp duty, stamp duty reserve tax or other transaction tax, or investment costs incurred by the Company for the acquisition of the ASCI portfolio or the deployment of the cash therein upon receipt shall be borne by the Enlarged Company. The admission fees payable in connection with the issue of New Shires Shares to ASCI Shareholders shall be borne by the Enlarged Company.

If the Proposals do not proceed on the terms agreed or the required approvals are not obtained, then the Company and ASCI will bear their own costs.

8 AIFM cost contribution and notice period waiver

The AIFM has undertaken to make a contribution to the costs of the Scheme by means of a reduction in the management fee payable by the Company to the AIFM under the terms of the Management Agreement. The fee reduction will constitute a waiver of the management fee equal in amount to that which would otherwise have been payable to the AIFM in respect of the assets transferred by ASCI to the Company pursuant to the Scheme. The financial value of this amount (which is estimated at £87,051 based on the Company’s NAV as at 13 October 2023 and assuming no ASCI Shareholders exercise their right to dissent from participation in the Scheme and that 25 per cent. of ASCI Shareholders elect for the Cash Option) will be satisfied by the AIFM by means of a waiver of its fees for the benefit of the shareholders of the Enlarged Company. The AFML Contribution is subject to the Company not terminating the management agreement (other than for cause as provided under such agreement) for three years from the Effective Date of the Scheme, failing which the Enlarged Company will be obliged to repay all or part (depending on the point of termination) of the AFML Contribution. The AFML Contribution will be for the benefit of the Shareholders of the Enlarged Company following the implementation of the Scheme. For the avoidance of doubt, the AFML Contribution will not be taken into account in the calculation of either the Shires FAV per Share or the ASCI FAV per Share for the purposes of the Scheme. Following completion of the Scheme an annual administration fee will be payable to AFML of £120,000 plus VAT.

9 Admission and dealings

Application will be made to the FCA and to the London Stock Exchange for the New Shires Shares to be admitted to the premium segment of the Official List and to trading on the Main Market. The existing Ordinary Shares are already traded there. If the Scheme becomes effective, it is expected that the New Shires Shares will be admitted to the Official List on 4 December 2023, and the first day of dealings in such New Shires Shares on the Main Market will be 4 December 2023.

The New Shires Shares will be in registered form. Temporary documents of title will not be issued. The ISIN of the New Shires Shares will be GB0008052507. ASCI Shareholders who hold their ASCI Shares in uncertificated form and are entitled to receive New Shires Shares, will receive New Shires Shares in uncertificated form on 4 December 2023. Certificates in respect of New Shires Shares to be issued to ASCI Shareholders who hold their ASCI Shares in certificated form and are entitled to receive New Shires Shares, will be despatched in the week commencing 11 December 2023.

Fractional entitlements to New Shires 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 payments shall be made or returned in respect of any fractional entitlements which will be retained for the benefit of the Company.

10 Dilution

Existing Shareholders are not able to participate in the Scheme Issue and will suffer a dilution to the percentage of the issued share capital (voting rights) that their current holding represents based on an actual number of New Shires Shares issued. For the avoidance of doubt, the value of the underlying assets and the NAV per Share attributable to the Existing Shareholders will not be altered as a direct consequence of the Scheme becoming effective. Existing Shareholders will be protected from asset and income dilution under the Proposals through the issue of New Shires Shares at a 0.80 per cent. premium to NAV.

For illustrative purposes only, had the Calculation Date been 5:00 p.m. on 13 October 2023 (being the Latest Practicable Date prior to the publication of this document), and assuming that no ASCI Shareholders exercise their right to dissent from participation in the Scheme and that:

- (a) 25 per cent. is elected for the Cash Option, so that 13,086,179 New Shires Shares were issued, Existing Shareholders would have suffered a dilution of approximately 30.0 per cent. to their existing percentage holdings; or
- (b) all ASCI Shareholders had elected to receive New Shires Shares, so that 18,325,469 New Shires Shares were issued, Existing Shareholders would have suffered a dilution of approximately 37.5 per cent. to their existing percentage holdings.

11 Overseas ASCI Shareholders and Sanctions Restricted Persons

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

The provisions of the Scheme relating to Overseas ASCI Shareholders may be waived, varied or modified as regards a specific ASCI Shareholder or on a general basis by the Directors and the ASCI Directors in their respective absolute discretions.

Any ASCI 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.

PART 3

RISK FACTORS RELATING TO THE PROPOSALS

In considering the Proposals set out in this document and how they should be voted upon, Shareholders should have regard to and carefully consider the material risk factors described below in addition to the other information set out in this document. The following are those risk factors pertaining to the Proposals which the Board considers to be material as at the date of this document and which may materially and adversely affect the Company's business, financial condition, results or prospects. Additional risks and uncertainties pertaining to the Proposals which are not known to the Board at the date of this document or that the Board considers at the date of this document to be immaterial may also materially and adversely affect the Company's business, financial condition, results or prospects.

Risks associated with the Proposals

- In the event that Shareholders do not resolve to approve the Scheme Resolution and, consequently, the Scheme does not proceed on the terms described in this document:
 - o the benefits set out in this document and for ASCI Shareholders participating in the Scheme will not be achieved;
 - o the Company will bear its own costs which are estimated to not exceed £458,210. ASCI will bear its own costs;
 - o in these circumstances, the Company and ASCI would remain as separate companies; and
 - o the Company will continue to have its exposure to smaller companies through its holdings in ASCI until such time as another means can be determined of reducing its direct holdings in ASCI and the ASCI Shares may not continue to trade at the level of discount that has applied since their strategic review was announced and the announcement of the proposal to combine with Shires.

The foregoing risk factors are not exhaustive and do not purport to be a complete explanation of all risks and significant considerations relating to the Proposals and the Company. Additional risks and uncertainties not presently known to the Board may also have an adverse effect on the Proposals and/or the Company's business, financial condition, results or prospects.

PART 4

DEFINITIONS

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

“A” rights	the rights attaching to ASCI Reclassified Shares in respect of which the holders have made or are deemed to have made valid Elections for the Rollover Option
Admission	admission of the New Shires Shares to listing on the Official List and to trading on the London Stock Exchange’s Main Market
AIFM	abrdrn Fund Managers Limited, the Company’s alternative investment fund manager
Allotment Resolution	the resolution to be proposed at the General Meeting to refresh the Company’s authority to allot Shares to reflect the enlarged size of the Company following Admission
Articles or Articles of Association	the articles of association of the Company, as amended from time to time
ASCI	abrdrn Smaller Companies Income Trust plc, a company incorporated in Scotland with registered number SC137448
ASCI Directors	the directors of ASCI
ASCI FAV per Share	the difference between the ASCI Residual Net Asset Value and the Cash Pool NAV divided by the total number of ASCI Reclassified Shares with “A” rights or “C” rights (expressed in pence) and calculated to six decimal places (with 0.0000005 rounded down)
ASCI General Meetings	the First General Meeting of ASCI and the Second General Meeting of ASCI (or any adjournment thereof)
ASCI Reclassified Shares	the ASCI Shares reclassified under the Scheme as shares with “A” rights, “B” rights and “C” rights
ASCI Residual Net Asset Value	the gross assets of ASCI as at the Calculation Date less the value of the cash and other assets appropriated to the Liquidation Pool
ASCI Resolutions	the resolutions to be proposed at the ASCI General Meetings for approval by ASCI Shareholders
ASCI Shareholders	holders of ASCI Shares
ASCI Share	means the ordinary shares of 50 pence each of ASCI
“B” rights	the rights attaching to ASCI 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 of the Company
Board of ASCI or ASCI Board	the board of directors of ASCI
ASCI Cash Shares	those ASCI Reclassified Shares with “B” rights

Business Day	any day on which the London Stock Exchange is open for business and banks are open for business in London
Buy-Back Resolution	the resolution to be proposed at the General Meeting to refresh the Company's authority to purchase its own Shares following Admission of the New Shares and to reflect the size of the Enlarged Company
"C" rights	the rights attaching to ASCI Reclassified Shares held by the Company, entitling the Company to receive a distribution <i>in specie</i> of the Company's <i>pro rata</i> share of the Rollover Pool
Calculation Date	the time and date to be determined by the ASCI Directors but expected to be 5.00 p.m. on 27 November 2023, at which the value of ASCI'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 ASCI Residual Net Asset Value, the Residual Net Asset Value per ASCI Share, the ASCI FAV per Share, the Shires FAV per Share and the Cash NAV per ASCI Share will be calculated for the purposes of the Scheme
Cash NAV per ASCI Share	the Residual Net Asset Value per ASCI Share attributable to the ASCI 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 ASCI 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 ASCI Reclassified Shares with "B" rights
Cash Pool NAV	the Cash NAV per ASCI Share multiplied by the total number of ASCI Reclassified Shares with "B" rights
Combination	the combination of the assets of the Company and certain assets of ASCI to create the Enlarged Company
Companies Act	the Companies Act 2006, as amended from time to time
Company or Shires	Shires Income plc, a company incorporated in England and Wales with registered number 00386561
Conditions	the conditions to the Proposals including those set out in paragraph 3.4 of Part 2 (Details of the Scheme and the Scheme Issue) of this document
Directors	the directors of the Company from time to time
Effective Date	the date on which the Scheme becomes effective as determined by the terms of the Scheme, which is expected to be 1 December 2023

Election	the choice made by an ASCI 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” or “election” shall, except where the context requires otherwise, mean “elect or is deemed to elect”
Enlarged Company	the Company following completion of the Combination
Existing Shareholders	holders of Shares prior to the Combination
FAV	the 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 of ASCI	the general meeting of ASCI convened for 2.00 p.m. on 20 November 2023 (or any adjournment thereof)
Form of Proxy	the form of proxy for use by Shareholders, who hold their shares outside of a Share Plan, which accompanies this document
FSMA	the Financial Services and Markets Act 2000, as amended
General Meeting	the general meeting of the Company convened for 12.00 p.m. on 20 November 2023 (or any adjournment thereof)
Independent ASCI Shareholders	ASCI Shareholders other than the Company and its associates
Investment Manager	abrdn Investments Limited, a company incorporated in Scotland with registered number SC108419
Issue or Scheme Issue	the issue of New Shires Shares under the Scheme
Issuance Authorities	being the Allotment Resolution and the Pre-Emption Resolution
Latest Practicable Date	13 October 2023
Liquidation Pool	the pool of assets of ASCI to be retained by the Liquidators in connection with the Scheme to meet all known and unknown liabilities of ASCI and other contingencies
Letter of Direction	the letter of direction for use by the Shareholders who hold their Ordinary Shares through a Share Plan in connection with the General Meeting, which accompanies this document
Liquidators	the liquidators of ASCI appointed in connection with the implementation of the Scheme
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 company registered in England and Wales with registered number 2075721
Main Market	the main market of the London Stock Exchange for listed securities
Management Agreement	the management agreement between the Company and the AIFM dated 14 July 2014 as amended from time to time
NAV per Share	the Net Asset Value per Share from time to time
Net Asset Value or NAV	the gross assets of the Company or ASCI, 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 Shares	the new Ordinary Shares to be issued pursuant to the Scheme
Official List	the official list maintained by the FCA pursuant to Part VI of FSMA
Ordinary Shares	the ordinary shares of 50 pence each in the capital of the Company
Overseas ASCI Shareholder	an ASCI Shareholder who has a registered address outside or who is resident in, or citizen, resident or national of, jurisdictions outside the United Kingdom
Pre-Emption Resolution	the resolution to be proposed at the General Meeting to refresh the Company's authority to allot Shares as if statutory pre-emption rights did not apply following Admission of the New Shares and to reflect the size of the Enlarged Company
Proposals	the proposals for the members' voluntary liquidation and scheme of reconstruction of ASCI and the issue of the New Shares pursuant to the Scheme
Prospectus	the prospectus for the issue of New Shares and their Admission dated 17 October 2023
Registrar	Equiniti Limited
Regulatory Information Service or RIS	a regulatory information news service
Related Party Resolution	the ordinary resolution to be proposed at the ASCI General Meeting to be passed by a vote of the Independent ASCI Shareholders
Relevant Dividend	any dividend declared by ASCI prior to the Calculation Date but not yet paid to ASCI Shareholders
Residual Net Asset Value per ASCI Share	the ASCI Residual Net Asset Value divided by the number of ASCI Shares in issue as at the Calculation Date (excluding any ASCI Shares held in treasury) (expressed in pence) and calculated to six decimal places (with 0.0000005 rounded down)
Resolutions	the Scheme Resolution, the Buy-Back Resolution, the Allotment Resolution and Pre-Emption Resolution

Rollover Option

the option for ASCI Shareholders under the Scheme to elect to receive New Shires Shares in respect of some or all of their holding of ASCI Shares on the winding up of ASCI 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 the Company 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 hereof 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 ASCI under section 110 of the Insolvency Act 1986
Scheme Resolution	the resolution to be proposed at the General Meeting to approve the issue of the New Shires Shares
Second General Meeting of ASCI	the general meeting of ASCI convened for 9.30 a.m. on 1 December 2023 (or any adjournment thereof)
Shares	the Ordinary Shares
Shareholder	a registered holder of one or more Shares
Shires FAV	the net asset value of the Company, being the value of the Company’s 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 the Company to Shareholders, plus a 0.80 per cent. premium
Shires FAV per Share	the Shires FAV divided by the number of Shires Shares in issue at the Calculation Date (excluding treasury shares) (expressed in pence) and calculated to six decimal places with rounding to the nearest whole number and with (with 0.0000005 rounded down)
Transfer Agreement	the agreement between ASCI (acting by its Liquidators), the Liquidators and the Company for the transfer of assets from ASCI to the Company pursuant to the Scheme
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
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
VAT	value added tax

NOTICE OF A GENERAL MEETING

Shires Income plc

(A company incorporated with limited liability under the laws of England and Wales with registered number 00386561)

(An investment company within the meaning of section 833 of the Companies Act 2006)

NOTICE IS HEREBY GIVEN that a General Meeting of Shires Income plc (the “**Company**”) will be held at 12.00 p.m. on 20 November 2023 at 280 Bishopsgate, London EC2M 4AG to consider and, if thought fit, pass the following resolutions:

ORDINARY RESOLUTIONS

1. **THAT**, conditional upon the scheme of reconstruction and winding up of abrdn Smaller Companies Income Trust plc (as described in the circular to shareholders of the Company dated 17 October 2023 (the “**Circular**”)) becoming unconditional in all respects (other than as regards any condition relating to the passing of this resolution), in addition to any existing authority, the directors of the Company (the “**Directors**”) be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the “**Act**”) to exercise all powers of the Company to allot ordinary shares in the Company up to an aggregate nominal amount of £10,000,000 in the capital of the Company (the “**New Shares**”) (being approximately 66 per cent. of the issued share capital of the Company (excluding treasury shares) as at 13 October 2023) in connection with the Scheme Issue (as defined in the Circular), provided that this authority shall (unless previously revoked) expire on 31 December 2023.
2. **THAT**, subject to the passing of resolution 1 above, in substitution for any pre-existing power to allot or grant rights to subscribe for or to convert any security into shares in the Company (save for the authority to allot the New Shares pursuant to resolution 1 above), but without prejudice to the exercise of any such authority prior to the date of Admission (as defined in the Circular) of the New Shares, the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of the Company to allot shares in the Company (“**relevant securities**”) up to an aggregate nominal amount of £2,525,954 in the capital of the Company, or if less, the number representing 10 per cent. of the issued ordinary share capital of the Company (“**Ordinary Shares**”) as at Admission provided that such authorisation expires on 30 September 2024 or, if earlier, at the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution, unless previously revoked, varied or extended by the Company in general meeting, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority, and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired.

SPECIAL RESOLUTIONS

3. **THAT**, subject to passing of resolutions 1 and 2 above and in substitution for all existing powers, the Directors be and are hereby generally empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560(1) of the Act) for cash pursuant to the authority under section 551 of the Act conferred by resolution 2 above as if section 561 of the Act did not apply to any such allotment, provided that this power:
 - a. expires on 30 September 2024 or, if earlier, at the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution, but the Company may make an offer or agreement which would or might require equity securities to be allotted after the expiry of this power and the Directors may allot equity securities in pursuance of that offer or agreement as if that power had not expired; and
 - b. shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £2,525,954 or, if less, the number representing 10 per cent. of the issued ordinary share capital of the Company as at Admission (as defined in the Circular).

This power applies in relation to the sale of shares which is an allotment of equity securities that immediately before the allotment are held by the Company as treasury shares as if in the opening paragraph of this resolution the words “subject to the passing of resolutions 1 and 2 above” were replaced by the words “subject to the passing of resolution 1 above” and the words “pursuant to the authority under section 551 of the Act conferred by resolution 2 above” were omitted.

4. **THAT**, subject to the passing of resolution 1 above, in substitution to the existing authorities granted, the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with section 701 of the Act (as amended from time to time prior to the date of passing of this resolution) to make market purchases (within the meaning of section 693(4) of the Act) of fully paid ordinary shares in the capital of the Company, and to cancel or hold in treasury such shares, provided always that:
- a. the maximum number of Ordinary Shares hereby authorised to be purchased shall be 14.99 per cent. of the Ordinary Shares issued at Admission (as defined in the Circular);
 - b. the minimum price which may be paid for an Ordinary Share shall be 50 pence;
 - c. the maximum price which may be paid for an Ordinary Share must not be more than the higher of:
 - i. 5 per cent. above the average of the mid market values of the Ordinary Shares for the five business days before the purchase is made; and
 - ii. the higher of the price of the last independent trade in the Ordinary Shares and the highest then current independent bid for the Ordinary Shares on the London Stock Exchange;
 - d. any purchase of Ordinary Shares will be made in the market for cash at a price below the prevailing net asset value per Ordinary Share (as determined by the Directors); and
 - e. the Company may make a contract to purchase its Ordinary Shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of its own Ordinary Shares in pursuance of any such contract.

unless previously varied, revoked or renewed, the authority hereby conferred shall expire at earlier of the conclusion of the annual general meeting of the Company to be held in 2024 or 30 September 2024, save that the Company may, at any time prior to such expiry, enter into a contract or contracts to purchase Ordinary Shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract or contracts.

By Order of the Board

Registered Office:
280 Bishopsgate
London
EC2M 4AG

abrdn Holdings Limited
Company Secretary

17 October 2023

Notes:**1. Voting record date**

Only members registered in the Register of Members of the Company at 6.30 p.m. on 16 November 2023 or, if the General Meeting is adjourned, at 6.30 p.m. on the day two days prior to the adjourned meeting, shall be entitled to vote at the General Meeting in respect of the number of voting rights registered in their name at that time. Changes to entries on the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to vote at the General Meeting.

In the case of joint holders of a voting right, the vote of the senior who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.

2. Rights to attend and vote

A Form of Proxy is enclosed with this notice. To be valid, the Form of Proxy, together with the power of attorney or other authority, if any, under which it is executed (or notarially certified copy of such power or authority) must be deposited with the Registrar, Equiniti Limited, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, as soon as possible, and, in any event, by no later than 12.00 p.m. on 16 November 2023.

Completion and return of the Form of Proxy will not preclude Shareholders from attending and voting at the meeting, if they wish.

3. Right to appoint proxies

Pursuant to Section 324 of the Companies Act 2006, a member entitled to attend and vote at the meeting may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares held by him. A proxy need not be a member of the Company.

Shareholders are encouraged to appoint the Chairman of the General Meeting as their proxy to vote on their behalf.

Section 324 does not apply to persons nominated to receive information rights pursuant to Section 146 of the Companies Act 2006. Persons nominated to receive information rights under Section 146 of the Companies Act 2006 have been sent this notice of meeting and are hereby informed, in accordance with Section 149(2) of the Companies Act 2006, that they may have the right under an agreement with the registered member by whom they are nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have such right or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements. The statement of rights of Shareholders in relation to the appointment of proxies does not apply to nominated persons.

4. Proxies' rights to vote at the General Meeting

On a vote on a show of hands, each proxy has one vote.

If a proxy is appointed by more than one member and all such members have instructed the proxy to vote in the same way, the proxy will only be entitled, on a show of hands, to vote "for" or "against" as applicable. If a proxy is appointed by more than one member, but such members have given different voting instructions, the proxy may, on a show of hands, vote both "for" and "against" in order to reflect the different voting instructions.

On a poll, all or any of the voting rights of the member may be exercised by one or more duly appointed proxies. However, where a member appoints more than one proxy, Section 285(4) of the Companies Act does not authorise the exercise by the proxies taken together of more extensive voting rights than could be exercised by the member in person.

Voting on all resolutions will be conducted by way of a poll.

As soon as practicable following the meeting, the results of the voting will be announced via a regulatory information service and also placed on the Company's website, www.shiresincome.co.uk.

5. Voting by corporate representatives

A corporation which is a Shareholder can appoint one or more corporate representatives who may exercise on its behalf, all of its powers as a Shareholder, provided that they do not do so in relation to the same shares. However, members should note that corporate representatives are not expected to be able to attend the General Meeting.

6. Receipt and termination of proxies

To be valid the enclosed Form of Proxy must be lodged with the Company's Registrar, Equiniti Limited, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA as soon as possible and in any event so as to arrive by not later than 12.00 p.m. on 16 November 2023. We strongly encourage you to appoint the Chairman of the meeting as your proxy.

A member may terminate a proxy's authority at any time before the commencement of the General Meeting. Termination must be provided in writing and submitted to the Company's Registrar. In accordance with the Company's Articles of Association, in determining the time for delivery of proxies, no account shall be taken of any part of a day that is not a working day.

7. Communication with the Company

Members may not use any electronic address provided either in the notice of meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purpose other than those expressly stated.

8. Electronic receipt of proxies

To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the Company's agent (ID number RA19) no later than the deadline specified in Note 6. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. Instructions on how to vote through CREST can be found on the website www.euroclear.com.

9. Questions at the General Meeting

Any member attending the General Meeting has the right to ask questions. Section 319A of the Companies Act requires the Directors to answer any question raised at the General Meeting which relates to the business of the General Meeting, although no answer need be given:

- (a) if to do so would interfere unduly with the proceedings of the General Meeting or involve disclosure of confidential information;
- (b) if the answer has already been given on the Company's website; or
- (c) if it is undesirable in the best interests of the Company or the good order of the General Meeting that the question be answered.

10. Website

A copy of the notice of the General Meeting, including these explanatory notes and other information required by Section 311A of the Companies Act, is included on the Company's website, www.shiresincome.co.uk.

11. Share Plans

There are special arrangements for holders of Shares in a Share Plan. These are explained in the Letter of Direction which such holders will have received with this document.

12. Total voting rights at date of notice

As at 13 October 2023, the latest practicable date before this Notice is given, the total number of shares of the Company was 30,964,580 Ordinary Shares of 50 pence each, of which 445,492 are held in treasury, and 50,000 3.5 per cent. cumulative preference shares of £1 each. The total number of voting rights in relation to the Ordinary Shares in the Company on 13 October 2023 is 30,519,088.

APPENDIX TO NOTICE OF GENERAL MEETING

The Allotment Resolution (Resolution 2)

The Allotment Resolution, which is an ordinary resolution, seeks authority, reflective of the size of the Enlarged Company, to allot the unissued share capital up to an amount representing 10 per cent. of the enlarged share capital following the Admission of the New Shares. The Allotment Resolution is conditional on the Scheme Issue being approved.

The Pre-Emption Resolution (Resolution 3)

The Pre-Emption Resolution, which is a special resolution, seeks authority, reflective of the size of the Enlarged Company, to allow the Directors authority to allot Ordinary Shares and sell shares held in treasury (see below), without first being required to offer those shares to shareholders, at a price above the undiluted NAV per share at the allotment. The authority will last until the conclusion of the annual general meeting held in 2024, or, if earlier 30 September 2024 (unless previously varied, revoked or extended).

The Buy-Back Resolution (Resolution 4)

Resolution 4, which is a special resolution, will be proposed to authorise the Company to make market purchases of its own Ordinary Shares. The Company may do either of the following in respect of its own Ordinary Shares which it buys back and does not immediately cancel but, instead, holds "in treasury":–

- (a) sell such shares (or any of them) for cash (or its equivalent); or
- (b) ultimately cancel the shares (or any of them).

The Directors intend to continue to take advantage of this flexibility. No dividends will be paid on treasury shares, and no voting rights attach to them. The maximum aggregate number of Ordinary Shares which may be purchased pursuant to the authority is 14.99 per cent. of the issued Ordinary Shares as at the date of the Admission of the New Shares. This authority will last until the conclusion of the annual general meeting of the Company to be held in 2024, or if earlier, 30 September 2024 (unless previously revoked, varied or renewed).