



# Dunedin Income Growth Investment Trust PLC

Annual Report 31 January 2022

Targeting growth of income and capital from a portfolio invested mainly in UK companies that meet the Company's sustainable and responsible investing criteria

[abrdrn.com](http://abrdrn.com)



The Company targets growth of income and capital from a portfolio invested mainly in UK companies that meet the Company's sustainable and responsible investing criteria.



**"We have seen a re-rating of the shares and the Board believes a consistent rating of the Company's shares close to the underlying asset value is of significant benefit to shareholders."**

David Barron, Chairman



**"We consider the portfolio to be in good shape with our focus on higher quality companies, an emphasis on investments that can deliver both income and capital growth, as well as the application of sustainable and responsible investing principles, positioning us to be able to cope with what may be difficult market conditions ahead."**

Ben Ritchie, Rebecca Maclean and Samantha Brownlee,  
Aberdeen Asset Managers Limited

# Contents

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser.

If you have sold or otherwise transferred all your Ordinary shares in Dunedin Income Growth Investment Trust PLC, please forward this document, together with the accompanying documents immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

<b>Overview</b>	
Performance Highlights	3
Calendar and Financial Highlights	4
<b>Strategic Report</b>	
Chairman's Statement	8
Overview of Strategy	12
Promoting the Success of the Company	19
Performance	22
Investment Process	26
Investment Manager's Review	34
Information About the Investment Manager	37
<b>Portfolio</b>	
Ten Largest Investments	40
Portfolio	41
Portfolio Sector Breakdown	42
Sector Analysis	43
Investment Case Studies	45
<b>Governance</b>	
Board of Directors	50
Directors' Report	53
Directors' Remuneration Report	59
Audit Committee's Report	63
<b>Financial Statements</b>	
Statement of Directors' Responsibilities	68
Independent Auditor's Report	69
Statement of Comprehensive Income	77
Statement of Financial Position	78
Statement of Changes in Equity	79
Statement of Cash Flows	80
Notes to the Financial Statements	81
<b>Corporate Information</b>	
Investor Information	102
Glossary of Terms	105
Your Company's History	107
Your Company's Share Capital History	108
AIFMD Disclosures (Unaudited)	109
Alternative Performance Measures	110
<b>General</b>	
Notice of Annual General Meeting	113
Contact Addresses	121

# Performance Highlights

Net asset value total return<sup>AB</sup>

**+8.1%**

2021

(0.3)%

Earnings per share (revenue)

**12.87p**

2021

10.90p

Ongoing charges<sup>A</sup>

**0.59%**

2021

0.67%

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

**+12.5%**

2021

+0.1%

Premium/(discount) to net asset value<sup>AB</sup>

**0.31%**

2021

(3.57%)

Dividends per Ordinary share

**12.90p**

2021

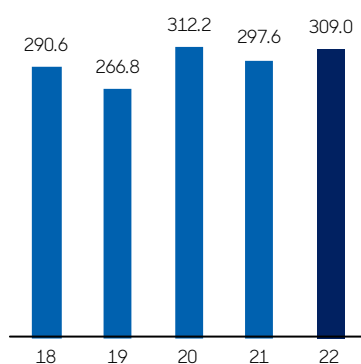
12.80p

<sup>A</sup> Alternative Performance Measure (see pages 110 and 111).

<sup>B</sup> With debt at fair value, dividends reinvested (see page 92).

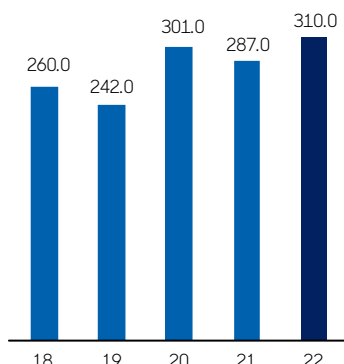
**Net Asset Value per share  
– debt at fair value**

At 31 January – pence



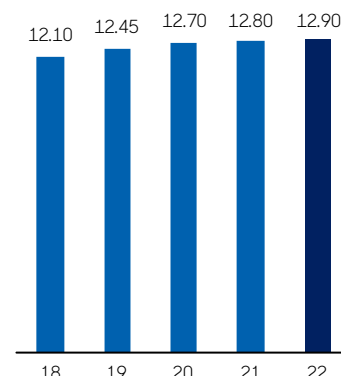
**Share price**

At 31 January – pence



**Dividends per share**

Year ended 31 January – pence



# Calendar and Financial Highlights

## Calendar

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Online shareholder presentation	<b>16 May 2022</b>
Annual General Meeting (London)	<b>24 May 2022</b>
Payment dates of quarterly dividends	<b>27 May 2022 26 August 2022 25 November 2022 24 February 2023</b>
Half year end	<b>31 July 2022</b>
Expected announcement of results for the six months ending 31 July 2022	<b>September 2022</b>
Financial year end	<b>31 January 2023</b>
Expected announcement of results for the year ending 31 January 2023	<b>April 2023</b>

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## Financial Highlights

	31 January 2022	31 January 2021	% change
Total assets (£'000) (see page 106 for definition)	507,344	491,819	+3.16
Equity shareholders' funds (£'000)	464,579	448,293	+3.63
Market capitalisation (£'000)	459,310	425,233	+8.01
Net asset value per Ordinary share	313.56p	302.56p	+3.63
Net asset value per Ordinary share with debt at fair value <sup>A</sup>	309.03p	297.64p	+3.83
Share price (mid)	310.00p	287.00p	+8.01
FTSE All-Share Index	4,191.81	3,641.93	+15.10

### Premium/(discount) (difference between share price and net asset value)

Premium/(discount) where borrowings are deducted at fair value <sup>A</sup>	0.31%	(3.57)%
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### Gearing (see page 105 for definition)

Net gearing <sup>A</sup>	8.41%	8.82%
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### Dividends and earnings

Total return per share	23.78p	(1.81p)	
Revenue return per share	12.87p	10.90p	+18.07
Total dividend per share for the year	12.90p	12.80p	+0.78
Dividend cover <sup>A</sup>	1.00	0.85	

### Revenue reserves

Prior to payment of third and final (2021 – fourth interim) dividends <sup>B</sup>	15.95p	15.87p	
After payment of third and final (2021 – fourth interim) dividends <sup>BC</sup>	9.05p	9.07p	

### Operating costs

Ongoing charges <sup>AD</sup>	0.59%	0.67%
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<sup>A</sup> Considered to be an Alternative Performance Measure as defined on pages 110 and 111.

<sup>B</sup> Calculated by dividing the revenue reserve per the Statement of Financial Position on page 78 by the number of shares in issue at the reporting date per note 16 on page 91.

<sup>C</sup> Third interim dividend for the year ended 31 January 2022 of 3.00p per share (2021 – 3.00p). Final dividend for the year ended 31 January 2022 of 3.90p per share (2021 – fourth interim dividend of 3.80p). See note 16 on page 91 for further details.

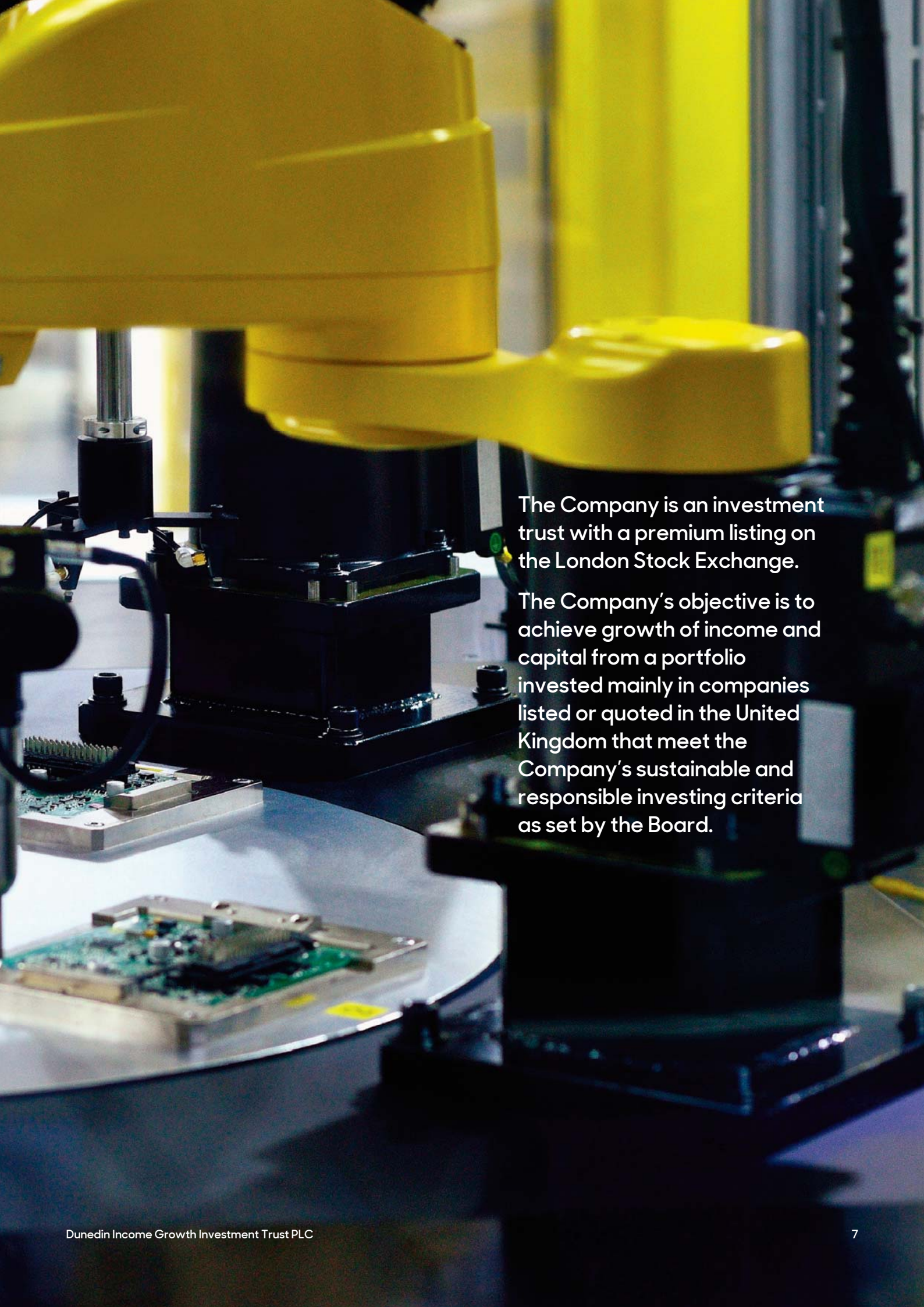
<sup>D</sup> Calculated in accordance with the latest AIC guidance issued in October 2020 to increase the scope of reporting the look-through costs of holdings in investment companies.

# Strategic Report



2.9% of the Company's total assets are invested in the Industrial Engineering sub-sector.





The Company is an investment trust with a premium listing on the London Stock Exchange.

The Company's objective is to achieve growth of income and capital from a portfolio invested mainly in companies listed or quoted in the United Kingdom that meet the Company's sustainable and responsible investing criteria as set by the Board.

# Chairman's Statement

## Performance

In the year ended 31 January 2022, your company delivered a positive absolute return but a weak relative outcome in what was a strong year for UK equities. The Company's net asset value ("NAV") increased by 8.1% on a total return basis, underperforming the FTSE All-Share Index which produced a total return of 18.9%. The share price total return for the year of 12.5% exceeded the NAV total return, reflecting a move from a discount to NAV to a small premium at the end of the year.

After a number of years of strong relative investment performance, this year, and particularly the second half of the financial year, brought a much more challenging investment environment for your Investment Manager's approach. Shareholders will recall that, at the interim stage, NAV performance was behind the benchmark but only by 1.5%. Since then, the changes in stock market trends have been marked. Large capitalisation companies whose share prices were viewed as standing at a discount to their underlying valuations, sometimes referred to as value stocks, benefitted from an increase in share prices as economies bounced back from the receding impact of the pandemic and from increasing interest rate expectations. This type of rotation in markets, as companies with certain characteristics move into favour having previously languished, is not uncommon, but was particularly significant this year. The types of companies that benefitted from this recent style rotation were precisely the types of companies the Investment Manager has made a very deliberate decision to not invest in over recent years.

**After a number of years of strong relative investment performance, this year, and particularly the second half of the financial year, brought a much more challenging investment environment for your Investment Manager's approach.**

While the total return performance this year is disappointing, it is important to note that the longer term performance remains sound. The NAV total return of the Company is ahead of our benchmark over three and five years and the Company's shares traded at a small premium to the NAV at the end of the year. Encouragingly, dividends from the portfolio holdings have rebounded more sharply than we expected, driving a significant uplift in the revenue return per share.

A major change during the reporting period was the change to the investment objective to formally incorporate sustainable and responsible investment principles which was approved by shareholders at the AGM in June. The required changes to the portfolio have been implemented and, on an underlying basis, the portfolio has continued to evolve over the year in line with our strategy to create a more active, better quality and higher growth investment proposition.

The Board believes that this continues to position your company to deliver both faster dividend growth and enhanced risk adjusted capital performance as well as providing greater differentiation from its peers and widening its investor base. The move to the Company's shares trading at a premium to the NAV during the year is, we believe, a continued recognition that the strategy we have pursued will benefit shareholders over the long term.

## Earnings

Shareholders may recall that, in the previous financial year, our income declined by 10.6% relative to a fall in income from the companies within the FTSE All-Share Index of over 30%. It is pleasing therefore to report that the portfolio's income generation recovered strongly after falling much less than the market during the pandemic. Income increased by 17.3% during the year, reflecting a rebound in dividend distributions following the pandemic affected year of 2020/21, where a number of companies suspended or cut their dividends, as well as healthy underlying income growth from the portfolio and the receipt of special dividends. At the bottom line, the revenue return per share increased by a slightly higher amount, up by 18.1%, taking it back to above the pre-pandemic level and an all-time high of 12.87p.

## Dividend

Having paid three quarterly dividends of 3.0p per share, we are proposing a final dividend of 3.9p per share. This will make a total dividend of 12.9p per share for the year, an increase of 0.8% on last year. This will be the 38<sup>th</sup> year out of the past 42 that the Company has grown its dividend, with the distribution maintained in the other four years.

Following payment of the final dividend, we will have utilised 0.03p of the Company's revenue reserves, meaning that 9.05p per share will be available to support future distributions, representing 70% of the current annual dividend cost.

**Having paid three quarterly dividends of 3.0p per share, we are proposing a final dividend of 3.9p per share. This will make a total dividend of 12.9p per share for the year.**

Over the past six years your Investment Manager has been reducing the Company's dependence on higher yielding, lower growth companies and enhancing the Company's longer term potential for both faster dividend growth and better capital performance. That strategic shift has been completed. The Company delivered a record level of earnings per share during the year and, although the rate of dividend increase for the year lags the rate of inflation, the increased dividend of 12.9p per share represents a yield of 4.2% based on the share price of 310.0p at the end of the year, compared to a notional yield of 3.0% from the FTSE All-Share Index. Our distribution policy remains to grow the dividend faster than inflation over the medium term and, with the Company's robust revenue reserves and the healthy underlying dividend growth of the companies within the portfolio, we believe that the policy remains well supported, although its delivery may prove more challenging if inflation remains persistently high.

## Market Background

After the remarkable economic, market and social developments in 2020/21, 2021/22 proved to be a somewhat less turbulent year for markets and UK equities delivered a very strong return both in absolute terms and relative to other major markets. After a number of years of poor performance for the UK market, it is pleasing to see such a rebound in sentiment.

2021 saw a general global narrative of economic recovery combined with societies gradually re-opening from the pandemic. While the potential threat of vaccine immunity from the Omicron strain of Covid-19 temporarily roiled markets in November, fortunately its impact has been relatively less significant than some of the earlier waves of the virus and we may be hopeful that the worst of the pandemic is behind us.

Overall, though, it was a year of strong economic growth as economies benefitted from the annualisation effect from the year before, the residual impact of government stimulus and still loose monetary policy conditions.

As we moved through the period, sustained inflationary pressures, most notably in the United States, but developing across much of the global economy, started to shift the tone and actions from central banks. In the UK, in December, the Bank of England became the first G7 central bank to raise interest rates and the last two months of the financial year saw a significant increase in expectations for the level of short term interest rates across major economies. We also saw longer term real bond yields move sharply upwards. The combined effect of this was to trigger the very significant rotation of capital out of more highly valued companies in sectors such as Technology, Healthcare and Consumer Goods into cheaper sectors, particularly those deemed to be gaining additional earnings support from higher inflation and higher interest rates, such as Banks, Energy and Mining, as referred to earlier.

At the year-end, we had not yet seen the Russian invasion of Ukraine, above all a human tragedy, which has had a terrible impact on the people of that country. The impact on global economies and stock markets is likely to be felt for many years to come. In the immediate aftermath, commodity prices have soared and equities have fallen, with investors looking to add both classically defensive assets and also inflation hedges. At this early stage, the implications are unclear, but we can say with some certainty that inflation is now likely to be much higher and more sustained and that economic growth is likely to be more constrained, particularly in Europe, but exactly how substantial the impact on growth will be remains uncertain. How central banks react will also be key as will the actions on fiscal policy from governments. However, a year that many forecasters were expecting to be another one of strong global growth is certainly likely to be a good deal more volatile than had been expected.

# Chairman's Statement

## Continued

While events in Ukraine and the growing energy crisis in Europe are seen by some commentators as a clear signal of the folly of focusing on environmental, social and governance ("ESG") factors, we believe that, in stark contrast, such events will actually intensify investor focus on all elements related to ESG. While many energy-related companies may continue to perform well in the short and perhaps medium term, and governments may face pressure to revisit their policies on addressing the energy transition, we believe that the war in Ukraine has highlighted a growing realisation that accelerating the provision of lower carbon energy sources, energy efficiency and energy security go hand in hand. Likewise, in terms of social elements, the pressure on companies to act in a way deemed socially, morally and politically responsible has been unprecedented. From a governance perspective, the importance of investors aligning with the right governments, regulators and owners again cannot be clearer. A clear appreciation of the risks to companies from poor management of ESG risks and an understanding of the potential opportunities has never been more important. As we stated at the time, we put the changes to our objective to shareholders, this focus on ESG risks was a longer-term development, which was both a natural evolution of our strategy, and an approach that would improve the risk-return characteristics of the portfolio, and its ability to deliver dependable dividends to shareholders.

### Gearing

The Board believes that the sensible use of modest financial gearing, while amplifying market movements in the short term, will enhance returns of both capital and income to shareholders over the long term. We also recognise the benefit that having a reasonable proportion of long-term fixed rate funding provides to managing the Revenue Account, through greater certainty over financing costs.

The Company currently employs two sources of gearing. The £30 million loan notes maturing in 2045, and a £30 million multi-currency revolving credit facility that was renegotiated during this financial year and expires in July 2023. Under the terms of the facility, the Company has the option to increase the level of the commitment from £30 million to £40 million at any time, subject to the lender's credit approval. A Sterling equivalent of £13.0 million was drawn down at the year end.

With debt valued at par, the Company's net gearing decreased from 8.8% to 8.4% during the year. The Board believes this remains a relatively conservative level of gearing and, with part of the revolving credit facility undrawn, this provides the Company with financial flexibility should opportunities to deploy additional capital arise.

### Discount

The price of the Company's shares relative to the NAV moved over the course of the year from a discount of 3.57% at the beginning of the year to a small premium of 0.31% as at 31 January 2022 (on an ex-income basis with borrowings stated at fair value).

During this time no shares were bought back or issued although, subsequent to the year-end, the Company has issued 100,000 shares from treasury at a premium to the NAV per share.

**The price of the Company's shares relative to the NAV moved over the course of the year from a discount of 3.57% at the beginning of the year to a small premium of 0.31% as at 31 January 2022 (on an ex-income basis with borrowings stated at fair value).**

As stated above, the Board believes that the successful implementation by the Investment Manager of the investment strategy should enhance the Company's longer-term potential for improved performance. We have seen a re-rating of the shares and the Board believes a consistent rating of the Company's shares close to the underlying asset value is of significant benefit to shareholders.

As in previous years, we will seek shareholders' permission at the forthcoming AGM to buy back shares and issue new shares.

### Annual General Meeting and Online Shareholder Presentation

#### AGM

The AGM will be held at 12 noon on 24 May 2022 at the offices of abrdn plc, Bow Bells House, 1 Bread Street, London EC4M 9HH. The meeting will include a presentation from the Investment Manager and will be followed by lunch.

We encourage all shareholders to complete and return the Proxy Form enclosed with the Annual Report so as to ensure that your votes are represented at the meeting. If you hold your shares in the Company via a share plan or a platform and would like to attend and/or vote at the AGM, then you will need to make arrangements with the administrator of your share plan or platform. For this purpose, investors who hold their shares in the Company via the abrdn Investment Plan for Children, Share Plan or

ISA will find a Letter of Direction enclosed. Shareholders are encouraged to complete and return their Proxy Forms / Letters of Direction in accordance with the instructions.

Given the evolving nature of the Covid-19 pandemic, should circumstances change significantly, rendering an in-person AGM inadvisable or not permissible, we will notify shareholders of any changes to the arrangements by updating the Company's website, [dunedinincomegrowth.co.uk](http://dunedinincomegrowth.co.uk), and through a stock exchange announcement, where appropriate, with as much notice as possible.

The Notice of the Meeting is contained on pages 113 to 117.

### Online Shareholder Presentation

In order to encourage as much interaction as possible with our shareholders, and especially for those who are unable to attend the AGM, we will also be hosting an Online Shareholder Presentation, which will be held at 10.00 am on 16 May 2022. At this event you will receive a presentation from the Investment Manager and have the opportunity to ask live questions of the Chairman and the Investment Manager. The online presentation is being held ahead of the AGM to allow shareholders to submit their proxy votes prior to the meeting.

Full details on how to register for the online event can be found at:

[www.workcast.com/register?cpak=7925691640699593](http://www.workcast.com/register?cpak=7925691640699593)

Details are also contained on the Company's website.

Should you be unable to attend the online event, the Investment Manager's presentation will be made available on the Company's website shortly after the presentation.

### Outlook

Over the past six years, the Company has undergone a significant shift in its portfolio to focus more on total return and dividend growth and adjusted its mandate to formally incorporate a greater focus on sustainability. While this financial year, and particularly the second half of it, has been a difficult period for relative performance, the Board believes that this is the right strategy to deliver earnings and dividend growth over the longer term. The volatile economic and political environment that has been unleashed by the conflict in Ukraine should further support a focus on resilience.

**We cannot predict when a semblance of normality will return to markets and economies, but the Board is confident that the Company is well-positioned to deliver relative total return outperformance over the medium and long term.**

It is likely that continued outperformance from commodity-related sectors will prove to be a headwind to relative performance given the scale of those sectors within the UK equity market and the challenge of gaining exposure, given the Company's focus on both higher quality companies and sustainability. Against this very complex backdrop, the Investment Manager's focus on investing in companies with pricing power, strong balance sheets and with greater exposure to structural rather than cyclical growth should offer greater resilience in both capital and income generation. The Company's track record over the past five years adopting this strategy is very creditable.

We cannot predict when a semblance of normality will return to markets and economies, but the Board is confident that the Company is well-positioned to deliver relative total return outperformance over the medium and long term which, combined with the portfolio's income growth potential, should enable the Company's shares to continue to trade close to NAV.



**David Barron**  
Chairman  
6 April 2022

# Overview of Strategy

## Business

The Company is an investment trust with a premium listing on the London Stock Exchange.

## Investment Objective

The Company's objective is to achieve growth of income and capital from a portfolio invested mainly in companies listed or quoted in the United Kingdom that meet the Company's sustainable and responsible investing criteria as set by the Board.

## Investment Policy

In pursuit of its objective, the Company's investment policy is to invest in high quality companies with strong income potential and providing an above-average portfolio yield.

The Company may only make material changes to its investment policy (including the level of gearing set by the Board) with the approval of shareholders in the form of an ordinary resolution.

## Risk Diversification

The Company maintains a diversified portfolio consisting, substantially, of equity or equity-related securities, and it can invest in other financial instruments. The Company is invested mainly in companies listed or quoted in the United Kingdom and can invest up to 20% of its gross assets overseas.

It is the policy of the Company to invest no more than 15% of its gross assets in other listed investment companies and no more than 15% of its gross assets in any one company.

## Gearing

The Board is responsible for determining the gearing strategy for the Company, with day-to-day gearing decisions being made by the Manager within the remit set by the Board. The Board has set its gearing limit at a maximum of 30% of the net asset value at the time of draw down. Gearing is used selectively to leverage the Company's portfolio in order to enhance returns where and to the extent considered appropriate.

## Delivering the Investment Objective

The Directors are responsible for determining the Company's investment objective and investment policy. Day-to-day management of the Company's assets has been delegated, via the AIFM, to the Investment Manager.

## Investment Process

The Investment Process adopted by the Investment Manager is contained on pages 26 to 33.

## Benchmark

The Company's benchmark is the FTSE All-Share Index (total return). Performance is measured on a net asset value total return basis over the long-term.

## Promoting the Success of the Company

The Board's statement on pages 19 to 21 describes how the Directors have discharged their duties and responsibilities over the course of the financial year under section 172 (1) of the Companies Act 2006 and how they have promoted the success of the Company.

## Key Performance Indicators ("KPIs")

The Board uses a number of financial performance measures to assess the Company's success in achieving its objective and determining the progress of the Company in pursuing its investment policy. The main KPIs are shown in the table below.

KPI	Description
<b>Performance</b>	The Board considers the Company's NAV total return figures to be the best single indicator of performance over time. The figures for each of the past 10 years are set out on page 24.
<b>Performance of NAV against benchmark index and comparable investment trusts</b>	The Board measures the Company's NAV total return performance against the total return of the benchmark index – the FTSE All-Share Index. The figures for this year and for the past three and five years, and a graph showing performance against the benchmark index over the past five years are shown on page 22. The Board also monitors performance relative to a peer group of investment trusts which have similar objectives, policies and yield characteristics.
<b>Revenue return per Ordinary share</b>	The Board monitors the Company's net revenue return. The revenue returns per Ordinary share for each of the past 10 years are set out on page 24.
<b>Dividend per Ordinary share</b>	The Board monitors the Company's annual dividends per Ordinary share. The dividends per share for each of the past 10 years are set out on page 24.
<b>Share price performance</b>	The Board monitors the performance of the Company's share price on a total return basis. The returns for this year and for the past three and five years, and a graph showing the share price total return performance against the benchmark index over the past five years are shown on page 22.
<b>Premium/discount to NAV</b>	The premium/discount of the share price relative to the NAV per share is monitored by the Board. The premium at the year end and the discount at the end of the previous year are disclosed on page 5.
<b>Ongoing charges</b>	The Board monitors the Company's operating costs carefully. Ongoing charges for the year and the previous year are disclosed on page 5.

# Overview of Strategy

## Continued

### Principal Risks and Uncertainties

The Board carries out a regular review of the risk environment in which the Company operates, changes to the environment and individual risks. The Board also considers emerging risks which might affect the Company. During the year, the most significant risk was the continuing impact of the Covid-19 pandemic and its implications for the future economic outlook.

There are a number of other risks which, if realised, could have a material adverse effect on the Company and its financial condition, performance and prospects. The Board has carried out a robust assessment of the Company's principal and emerging risks, which include those that would threaten its business model, future performance, solvency, liquidity or reputation.

The principal and emerging risks and uncertainties faced by the Company are reviewed by the Audit Committee in the form of risk matrices.

The principal risks and uncertainties facing the Company at the current time, together with a description of the mitigating actions the Board has taken, are set out in the table below.

The principal risks associated with an investment in the Company's shares are published monthly in the Company's factsheet and they can be found in the pre-investment disclosure document ("PIDD") published by the Manager, both of which are available on the Company's website.

Risk	Mitigating Action
<b>Investment objectives</b> – a lack of demand for the Company's shares due to its objectives becoming unattractive to investors could result in a widening of the discount of the share price to its underlying NAV and a fall in the value of its shares.	<b>Board review.</b> The Board formally reviews the Company's objectives and strategies for achieving them on an annual basis, or more regularly if appropriate. <b>Shareholder communication.</b> The Board is cognisant of the importance of regular communication with shareholders. Directors attend meetings with the Company's largest shareholders and meet other shareholders at the Annual General Meeting and, as explained in the Chairman's Statement, the Company will hold an online shareholder presentation in advance of the Annual General Meeting this year including the opportunity for an interactive question and answer session. The Board reviews shareholder correspondence and investor relations reports and also receives feedback from the Company's Stockbroker. <b>Discount monitoring.</b> The Board, through the Manager, keeps the level of discount under constant review. The Board is responsible for the Company's share buy back policy and is prepared to authorise the use of share buy backs to provide liquidity to the market and try to limit any widening of the discount.
<b>Investment strategies</b> – the Company adopts inappropriate investment strategies in pursuit of its objectives which could result in investors avoiding the Company's shares, leading to a widening of the discount and poor investment performance.	<b>Adherence to investment guidelines.</b> The Board sets investment guidelines and restrictions which the Manager follows, covering matters such as asset allocation, diversification, gearing, currency exposure and use of derivatives, as well as the Company's sustainable and responsible investment criteria. These guidelines are reviewed regularly and the Manager reports on compliance with them at Board meetings.  In order to ensure adequate diversification, the Board has set absolute limits on maximum holdings and exposures in the portfolio at the time of investment, which are in addition to the limits contained in the Company's investment policy, including the following: <ul style="list-style-type: none"><li>· No more than 10% of gross assets to be invested in any single stock; and</li><li>· The top five holdings should not account for more than 40% of gross assets.</li></ul> Regular shareholder communication and discount monitoring, as above.



Risk	Mitigating Action
<p><b>Investment performance</b> – the appointment or continuing appointment of an investment manager with inadequate resources, skills or expertise or which makes poor investment decisions. This could result in poor investment performance, a loss of value for shareholders and a widening discount.</p>	<p><b>Monitoring of performance.</b> The Board meets the Manager on a regular basis and keeps under close review (inter alia) its resources and adherence to investment processes, including in relation to the Company’s sustainable and responsible investment criteria. The Board also keep under review the adequacy of risk controls and investment performance.</p> <p><b>Management Engagement Committee.</b> A detailed formal appraisal of the Manager is carried out annually by the Management Engagement Committee.</p>
<p><b>Income/dividends</b> – the Company adopts an unsustainable dividend policy resulting in cuts to or suspension of dividends to shareholders, or one which fails to meet investor demands.</p>	<p><b>Revenue forecasting and monitoring.</b> The Manager presents detailed forecasts of income and expenditure covering both the current and subsequent financial years at Board meetings. Dividend income received is compared to forecasts and variances analysed.</p> <p><b>Use of reserves.</b> The Company has built up revenue reserves which are available to smooth dividend distributions to shareholders should there be a shortfall in revenue returns.</p>
<p><b>Financial/market</b> – insufficient oversight or controls over financial risks, including market risk, foreign currency risk, liquidity risk and credit risk could result in losses to the Company.</p>	<p><b>Management controls.</b> The Manager has a range of procedures and controls relating to the Company’s financial instruments, including a review of investment risk parameters by its Investment Risk department and a review of credit worthiness of counterparties by its Counterparty Credit Risk team.</p> <p><b>Foreign currency hedging.</b> It is not the Company’s policy to hedge foreign currency exposure but the Company may, from time to time, partially mitigate it by drawing down borrowings in foreign currencies.</p> <p><b>Board review.</b> As stated above, the Board sets investment guidelines and restrictions which are reviewed regularly and the Manager reports on compliance with them at Board meetings.</p> <p>Further details of the Company’s financial instruments and risk management are included in note 19 to the financial statements.</p>
<p><b>Gearing</b> – gearing accentuates the effect of rises or falls in the market value of the Company’s investment portfolio on its NAV. An inappropriate level of gearing at a time of falling values could result in a significant fall in the value of the Company’s net assets and share price. Such a fall in the value of the Company’s net assets could result in a breach of loan covenants and trigger demands for early repayment or require investments to be sold to meet any shortfall. This could result in further losses.</p>	<p><b>Gearing restrictions.</b> The Board sets gearing limits within which the Manager can operate.</p> <p><b>Monitoring.</b> Both the limits and actual levels of gearing are monitored on an ongoing basis by the Manager and at regular Board meetings. In the event of a possible impending covenant breach, appropriate action would be taken to reduce borrowing levels.</p> <p><b>Scrutiny of loan agreements.</b> The Board takes advice from the Manager and the Company’s lawyers before approving details of loan agreements. Care is taken to ensure that covenants are appropriate and unlikely to be breached.</p> <p><b>Limits on derivative exposure.</b> The Board has set limits on derivative exposures and positions are monitored at regular Board meetings.</p>

# Overview of Strategy

## Continued

Risk	Mitigating Action
<p><b>Regulatory</b> – changes to, or failure to comply with, relevant regulations (including the Companies Act, The Financial Services and Markets Act, The Alternative Investment Fund Managers Directive, accounting standards, investment trust regulations, the Packaged Retail and Insurance-based Investment Product Regulations, the Listing Rules, Disclosure Guidance and Transparency Rules and Prospectus Rules) could result in fines, loss of reputation, reduced demand for the Company's shares and potentially loss of an advantageous tax regime.</p>	<p><b>Board awareness.</b> The Directors have an awareness of the more important regulations and are provided with information on changes by the Association of Investment Companies. In terms of day to day compliance with regulations, the Board is reliant on the knowledge and expertise of the Manager. However, where necessary, the Board engages the service of external advisers. In addition, all Directors are encouraged to attend relevant training courses.</p> <p><b>Management controls.</b> The Manager's company secretariat and accounting teams use checklists to aid compliance and these are backed by the Manager's compliance monitoring programme and risk based internal audit investigations</p>
<p><b>Operational</b> – the Company is reliant on services provided by third parties (in particular those of the Manager and the Depositary) and any control gaps and failures in their operations could expose the Company to loss or damage.</p>	<p><b>Agreements.</b> Written agreements are in place defining the roles and responsibilities of all third party service providers.</p> <p><b>Internal control systems of the Manager.</b> The Board receives reports on the operation and efficacy of the Manager's IT and control systems, including those relating to cyber-crime, and its internal audit and compliance functions.</p> <p><b>Safekeeping of assets.</b> The Depositary is ultimately responsible for the safekeeping of the Company's assets and its records are reconciled to those of the Manager on a regular basis. Through a delegation by the Depositary, the Company's investments and cash balances are held in segregated accounts by the Custodian.</p> <p><b>Monitoring of other third party service providers.</b> The Manager monitors closely the control environments and quality of services provided by third parties, including those of the Depositary. This includes controls relating to cyber-crime and is conducted through service level agreements, regular meetings and key performance indicators. The Directors review reports on the Manager's monitoring of third party service providers on a periodic basis.</p> <p><b>Operational changes caused by Covid-19.</b> The operational requirements of the Company have been subject to rigorous testing during the Covid-19 pandemic, including increased use of online communications and out of office working and reporting.</p>
<p><b>Geo-political</b> – the impact of geo-political events could result in losses to the Company.</p>	<p><b>Board and Manager awareness.</b> Geo-political events over which the Company has no control are always a risk. The Board and Manager do what they can to address these risks where possible.</p> <p>In relation to the recent events in Ukraine, the Board has liaised closely with the Manager to establish the impact on the Company, including the performance of individual holdings within the portfolio.</p>

## Promotional Activities

The Board recognises the importance of promoting the Company to prospective investors both for improving liquidity and enhancing the rating of the Company's shares. The Board believes one effective way to achieve this is through subscription to, and participation in, the promotional programme run by abrdn on behalf of a number of investment trusts under its management. The Company's financial contribution to the programme is matched by the Manager. The Company also supports the Manager's investor relations programme which involves regional roadshows, promotional and public relations campaigns. During the Covid-19 pandemic, a number of events that are usually held physically were substituted with virtual events. The Manager's promotional and investor relations teams report to the Board on a quarterly basis giving analysis of the promotional activities as well as updates on the shareholder register and any changes in the make-up of that register.

The purpose of the promotional and investor relations programmes is both to communicate effectively with existing shareholders and to gain new shareholders, with the aim of improving liquidity and enhancing the value and rating of the Company's shares. Communicating the long-term attractions of the Company is key. The promotional programme includes commissioning independent paid for research on the Company, most recently from Kepler Trust Intelligence. A copy of the latest research note is available from the Key Literature section of the Company's website.

## Board Diversity Policy

The Board recognises the importance of having a range of skilled, experienced individuals with the right knowledge represented on the Board in order to allow it to fulfil its obligations. The Board also recognises the benefits and is supportive of the principle of diversity in its recruitment of new Board members. The Board will not display any bias for age, gender, race, sexual orientation, religion, ethnic or national origins, or disability in considering the appointment of its Directors. In view of its size, the Board will continue to ensure that all appointments are made on the basis of merit against the specification prepared for each appointment and the Board does not therefore consider it appropriate to set measurable objectives in relation to its diversity.

At 31 January 2022, there were three male and two female Directors on the Board.

## Environmental, Social and Human Rights Issues

The Company has no employees as the Board has delegated the day to day management and administrative functions to the Manager. There are therefore no disclosures to be made in respect of employees.

## Modern Slavery Act

Due to the nature of its business, being a company that does not offer goods and services to customers, the Board considers that the Company is not within the scope of the Modern Slavery Act 2015. The Company is therefore not required to make a slavery and human trafficking statement. In any event, the Board considers the Company's supply chains, dealing predominantly with professional advisers and service providers in the financial services industry, to be low risk in relation to this matter.

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

The Investment Manager's Approach to ESG matters is included within the Investment Process on pages 26 to 33.

## The UK Stewardship Code and Proxy Voting

The Company supports the UK Stewardship Code, and seeks to play its role in supporting good stewardship of the companies in which it invests. Responsibility for actively monitoring the activities of portfolio companies has been delegated by the Board to the Manager which has sub-delegated that authority to the Investment Manager. abrdn plc is a tier 1 signatory of the UK Stewardship Code which aims to enhance the quality of engagement by investors with investee companies in order to improve their socially responsible performance and the long term investment return to shareholders. While delivery of stewardship activities has been delegated to the Manager, the Board acknowledges its role in setting the tone for the effective delivery of stewardship on the Company's behalf.

The Board has also given discretionary powers to the Manager to exercise voting rights on resolutions proposed by the investee companies within the Company's portfolio. The Manager reports on a quarterly basis on stewardship (including voting) issues.

## Global Greenhouse Gas Emissions

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

# Overview of Strategy

## Continued

### Viability Statement

The Board considers that the Company, which does not have a fixed life, is a long term investment vehicle and, for the purposes of this statement, has decided that five years is an appropriate period over which to consider its viability. The Board considers that this period reflects a balance between looking out over a long term horizon and the inherent uncertainties of looking out further than five years.

Taking into account the Company's current position and the potential impact of its principal risks and uncertainties, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of five years from the date of this Report.

In assessing the viability of the Company over the review period, the Directors have focused upon the following factors:

- The principal risks and uncertainties detailed on pages 14 to 16 and the steps taken to mitigate these risks.
- The relevance of the Company's investment objective, especially in the current low yield environment.
- The Company is invested in readily-realizable listed securities.
- Share buy backs carried out in the past have not resulted in significant reductions to the capital of the Company.
- Although the Company's stated investment policy contains a maximum gearing limit of 30% of the NAV at the time of draw down, the Board's policy is to have a relatively modest level of equity gearing and the financial covenants attached to the Company's borrowings provide for significant headroom.
- Current and future market conditions caused by the Covid-19 pandemic, including implications for the operational activities of the Company and the ability of key third party suppliers to continue to provide essential services to the Company.

In making its assessment, the Board is also aware that there are other matters that could have an impact on the Company's prospects or viability in the future, including the current events in Ukraine, economic shocks or significant stock market volatility caused by other factors, and changes in regulation or investor sentiment.

### Outlook

The Board's view on the general outlook for the Company can be found in the Chairman's Statement on page 11 whilst the Investment Manager's views on the outlook for the portfolio are included on page 36.

#### On behalf of the Board

**David Barron**

Chairman

6 April 2022

# Promoting the Success of the Company

## Introduction

Section 172 (1) of the Companies Act 2006 (the "Act") requires each Director to act in the way he/she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

The Board is required to describe to the Company's shareholders how the Directors have discharged their duties and responsibilities over the course of the financial year under that provision of the Act (the "Section 172 Statement"). This statement provides an explanation of how the Directors have promoted the success of the Company for the benefit of its members as a whole, taking into account the likely long term consequences of decisions, the need to foster relationships with all stakeholders and the impact of the Company's operations on the environment.

## The Purpose of the Company and Role of the Board

The purpose of the Company is to act as a vehicle to provide, over time, financial returns (both income and capital) to its shareholders. Investment trusts, such as the Company, are long-term investment vehicles and are typically externally managed, have no employees, and are overseen by an independent non-executive board of directors.

The Board, which at the end of the year comprised five independent non-executive Directors with a broad range of skills and experience across all major functions that affect the Company, retains responsibility for taking all decisions relating to the Company's investment objective and policy, gearing, corporate governance and strategy, and for monitoring the performance of the Company's service providers.

The Board's philosophy is that the Company should operate in a transparent culture where all parties are provided with the opportunity to offer practical challenge and participate in positive debate which is focused on the aim of achieving the expectations of shareholders and other stakeholders alike. The Board reviews the culture and manner in which the Manager and Investment Manager operate at its regular meetings and receives regular reporting and feedback from the other key service providers. The Board works very closely with the Manager and Investment Manager in reviewing how stakeholder issues are handled, ensuring good governance and responsibility in managing the Company's affairs, as well as visibility and openness in how the affairs are conducted.

The Company's main stakeholders have been identified as its Shareholders, the Manager (and Investment Manager), Service Providers, Investee Companies, Debt Providers and, more broadly, the environment and community at large.

## How the Board Engages with Stakeholders

The Board considers its stakeholders at Board meetings and receives feedback on the Manager's interactions with them.

Further details are included in the table below.

Stakeholder	How We Engage
Shareholders	<p>Shareholders are key stakeholders and the Board places great importance on communication with them. The Board welcomes all shareholders' views and aims to act fairly between all shareholders. The Manager and Company's Stockbroker meet regularly with current and prospective shareholders to discuss performance and shareholder feedback is discussed by the Directors at Board meetings. In addition, the Manager meets with analysts who cover the investment trust sector and the Directors attend meetings with the Company's largest shareholders and meet other shareholders at the Annual General Meeting.</p> <p>The Company subscribes to the Manager's investor relations programme in order to maintain communication channels, in particular, with the Company's institutional shareholder base.</p> <p>Regular updates are provided to shareholders through the Annual Report, Half Yearly Report, monthly factsheets, Company announcements, including daily NAV announcements, and the Company's website.</p>

# Promoting the Success of the Company

## Continued

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The Company's Annual General Meeting provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Manager. The Board encourages as many shareholders as possible to attend the Company's Annual General and to provide feedback on the Company. In addition to the Annual General Meeting, this year the Board will again hold an interactive online shareholder presentation at which shareholders will receive updates from the Chairman and Investment Manager and there will be the opportunity for an interactive question and answer session.

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### **Manager (and Investment Manager)**

The Investment Manager's Review on pages 34 to 36 details the key investment decisions taken during the year. The Investment Manager has continued to manage the Company's assets in accordance with the mandate provided by shareholders, with the oversight of the Board.

The Board regularly reviews the Company's performance against its investment objective and the Board undertakes an annual strategy review meeting to ensure that the Company is positioned well for the future delivery of its objective for its stakeholders.

The Board receives presentations from the Investment Manager at every Board meeting to help it to exercise effective oversight of the Investment Manager and the Company's strategy.

The Board, through the Management Engagement Committee, formally reviews the performance of the Manager at least annually. More details are provided on page 56.

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### **Service Providers**

The Board seeks to maintain constructive relationships with the Company's suppliers either directly or through the Manager, with regular communications and meetings.

The Management Engagement Committee conducts an annual review of the performance, terms and conditions of the Company's main service providers to ensure they are performing in line with Board expectations, carrying out their responsibilities and providing value for money.

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### **Investee Companies**

Responsibility for actively monitoring the activities of portfolio companies has been delegated by the Board to the Manager which has sub-delegated that authority to the Investment Manager.

The Board has also given discretionary powers to the Manager to exercise voting rights on resolutions proposed by the investee companies within the Company's portfolio. The Manager reports on a quarterly basis on stewardship (including voting) issues.

Through engagement and exercising voting rights, the Investment Manager actively works with companies to improve corporate standards, transparency and accountability. Further details are provided on page 17.

The Manager reports regularly to the Board on investment and engagement activity.

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### **Debt Providers**

On behalf of the Board, the Manager maintains a positive working relationship with The Bank of Nova Scotia, London Branch, the provider of the Company's multi-currency loan facility, and provides regular updates on business activity and compliance with its loan covenants.

The Manager also provides regular covenant compliance certificates to the holders of the Company's £30 million Loan Notes.

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### **Environment and Community**

The Board and Manager are committed to investing in a responsible manner and the Investment Manager embeds Environmental, Social and Governance ("ESG") considerations into the research and analysis as part of the investment decision-making process. Further details are provided within the Investment Process on pages 26 to 33.

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## Specific Examples of Stakeholder Consideration During the Year

While the importance of giving due consideration to the Company's stakeholders is not a new requirement, and is considered during every Board decision, the Directors were particularly mindful of stakeholder considerations during the following decisions undertaken during the year ended 31 January 2022. Each of these decisions was made after taking into account the short and long term benefits for stakeholders.

### Investment Objective and Portfolio

On 10 June 2021, shareholders voted at the Annual General Meeting to approve the change of investment objective "to achieve growth of income and capital from a portfolio invested mainly in companies listed or quoted in the United Kingdom that meet the Company's sustainable and responsible investing criteria as set by the Board". The Board believes very strongly that this change will allow the Company to continue its focus on generating both income and capital growth while being better prepared to meet the significant environmental and social challenges ahead, as well as further increasing its potential attraction to a wider audience of potential investors. The Company's Sustainable and Responsible Investing Criteria are set out within the Investment Process on pages 26 to 33.

During the year, the Investment Manager continued to execute the Board's investment strategy of focussing on businesses of higher quality whilst balancing both income and capital growth potential. The portfolio continues to exhibit strong quality characteristics, while retaining a premium yield to, and superior dividend growth to, the market. At the same time, the Company's portfolio has high active share reflecting a differentiated approach to the wider index. Following the Annual General Meeting in June 2021, the process of implementing the changes to the portfolio consistent with the adoption of the Board's sustainable and responsible investment criteria was completed.

### Dividend

Following the payment of the final dividend for the year, of 3.90p per Ordinary share, total dividends for the year will amount to 12.90p per Ordinary share. This represents an increase of 0.78% compared to the previous year and compares to the rate of inflation of 4.9% for the 12 month period to 31 January 2022 as measured by the Consumer Price Index. This will be the 38th year out of the past 42 that the Company has grown its dividend, with the distribution maintained in the other four years, and is in accordance with its policy to grow total annual dividends in real terms over the medium term.

Through meetings with shareholders and feedback from the Manager and the Company's Stockbroker, the Board is conscious of the importance that shareholders place on the level of dividends paid by the Company.

### Bank Borrowings

During the year, the Company entered in to a £30 million multi-currency revolving credit facility with The Bank of Nova Scotia, London Branch (with the option to increase the level of commitment to £40 million, subject to the lender's credit approval).

This facility replaced the expiring £15 million revolving credit facility with Scotiabank (Ireland) Designated Activity Company and is for a period of two years to 13 July 2023.

Following this change, the Company's committed borrowing facilities amount to £60 million in aggregate, comprising the £30 million multi-currency revolving credit facility and the £30 million loan notes maturing in 2045. The Board believes that the modest use of gearing by the Company is of long term benefit to shareholders.

### Directorate

As explained in the Directors' Report on page 54, following a formal recruitment process, the Board decided to appoint Ms Gay Collins as an independent Director on 1 July 2021 following the retirement of Ms Elisabeth Scott from the Board at the Annual General Meeting on 10 June 2021. New appointments seek to achieve a good balance of skills, experience, gender and ethnicity, reflecting the objectives of the Company.

The Board believes that shareholders' interests are best served by ensuring a smooth and orderly refreshment of the Board which serves to provide continuity and maintain the Board's open and collegiate style.

### Online Shareholder Presentation

To encourage and promote stronger interaction and engagement with the Company's shareholders, the Board will hold an interactive online shareholder presentation which will be held at 12 noon on Monday 16 May 2022. At the presentation, shareholders will receive updates from the Chairman and Investment Manager and there will be the opportunity for an interactive question and answer session. The online presentation is being held ahead of the Annual General Meeting to allow shareholders to submit their proxy votes prior to the meeting.

### On behalf of the Board

#### David Barron

Chairman  
6 April 2022

# Performance

## Performance (total return)

	1 year % return	3 year % return	5 year % return
<b>Total return (Capital return plus net dividends reinvested)</b>			
Net asset value <sup>AB</sup>	+8.1%	+31.7%	+41.8%
Share price <sup>B</sup>	+12.5%	+45.0%	+60.7%
FTSE All-Share Index	+18.9%	+21.7%	+30.2%
<b>Capital return</b>			
Net asset value <sup>A</sup>	+3.8%	+17.1%	+14.3%
Share price	+8.0%	+28.1%	+27.3%
FTSE All-Share Index	+15.1%	+9.6%	+8.7%

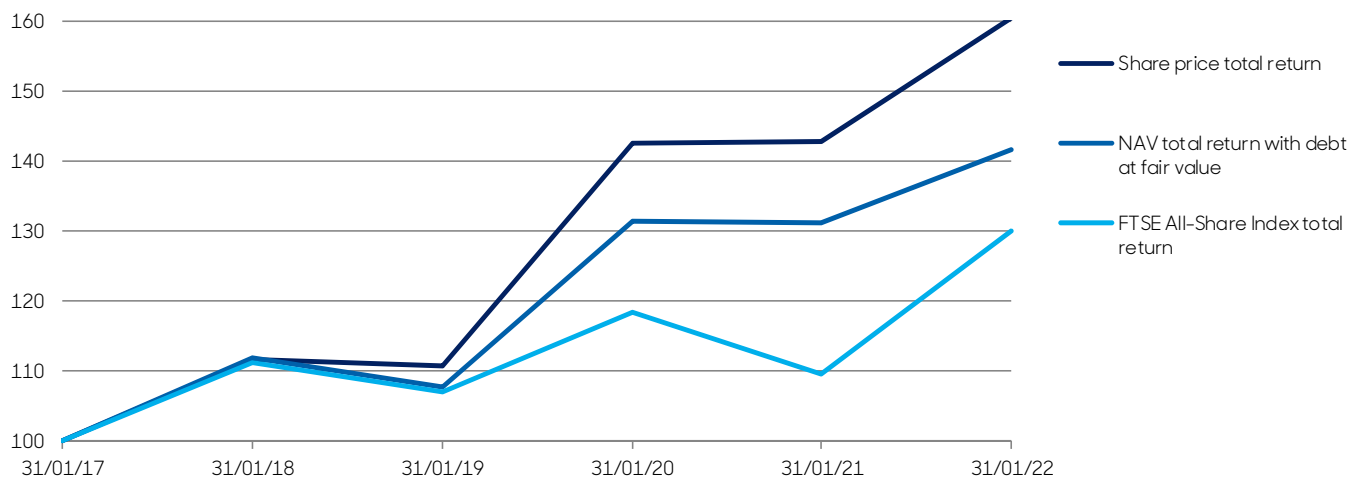
<sup>A</sup> Cum-income NAV with debt at fair value.

<sup>B</sup> Considered to be an Alternative Performance Measure (see page 111)

Source: abrdn, Factset & Morningstar

## Comparison of NAV and Share Price Total Return Performance of DIGIT to FTSE All-Share Index (figures rebased to 100)

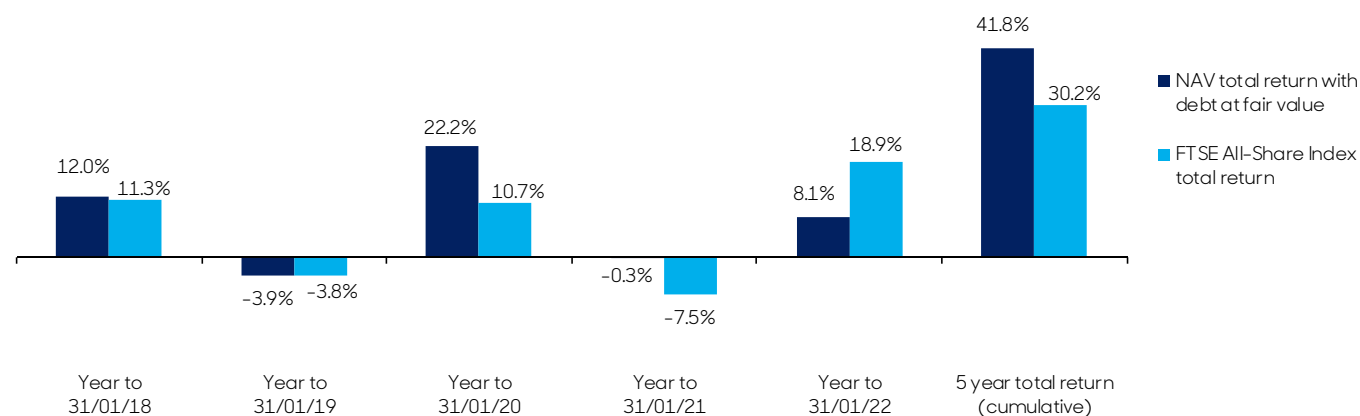
Five years to 31 January 2022



Source: abrdn, Morningstar & Lipper



## Comparison of NAV Total Return Performance of DIGIT to FTSE All-Share Index Total Return for 5 years



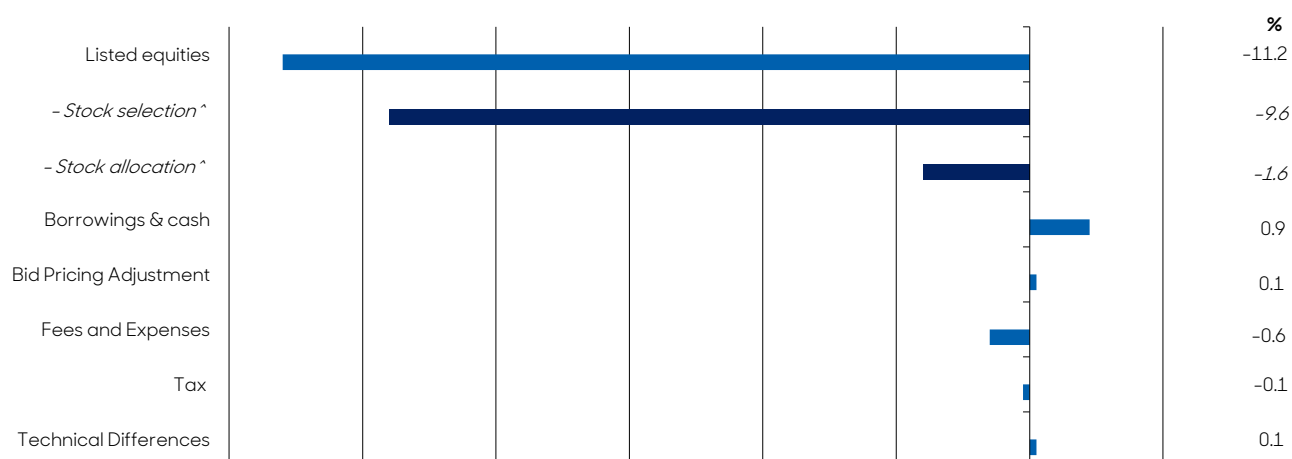
Source: abr dn, Morningstar & Lipper

## Analysis of Total Return Performance for the year ended 31 January 2022

	%
Gross assets total return	7.6
Total NAV return per share <sup>A</sup>	8.1
Total return on FTSE All-Share Index	18.9
<b>Relative performance</b>	<b>(10.8)</b>

<sup>A</sup> With debt at fair value.

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



<sup>^</sup> Further analysis of performance attributable to listed equities.

# Performance

## Continued

### Ten Year Financial Record

Year ended 31 January	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total revenue (£'000)	18,866	20,750	20,994	20,359	21,963	22,317	22,263	20,518	18,346	<b>21,518</b>
Per share (p)										
Revenue return	10.77	11.89	11.90	12.11	12.55	12.64	12.68	12.08	10.90	<b>12.87</b>
Dividends paid/proposed	10.75	11.10	11.25	11.40	11.70	12.10	12.45	12.70	12.80	<b>12.90</b>
Revenue reserve <sup>A</sup>	7.45	8.22	8.89	9.63	10.51	11.16	11.54	10.94	9.07	<b>9.05</b>
Net asset value <sup>B</sup>	251.48	262.34	279.66	237.48	270.34	290.57	266.83	312.22	297.64	<b>309.03</b>
Total return <sup>C</sup>	41.30	22.24	27.76	(28.94)	43.83	30.83	(11.95)	58.57	(1.81)	<b>23.78</b>
Shareholders' funds (£'000)	385,605	403,526	428,702	368,041	415,810	442,384	401,731	469,806	448,293	<b>464,579</b>

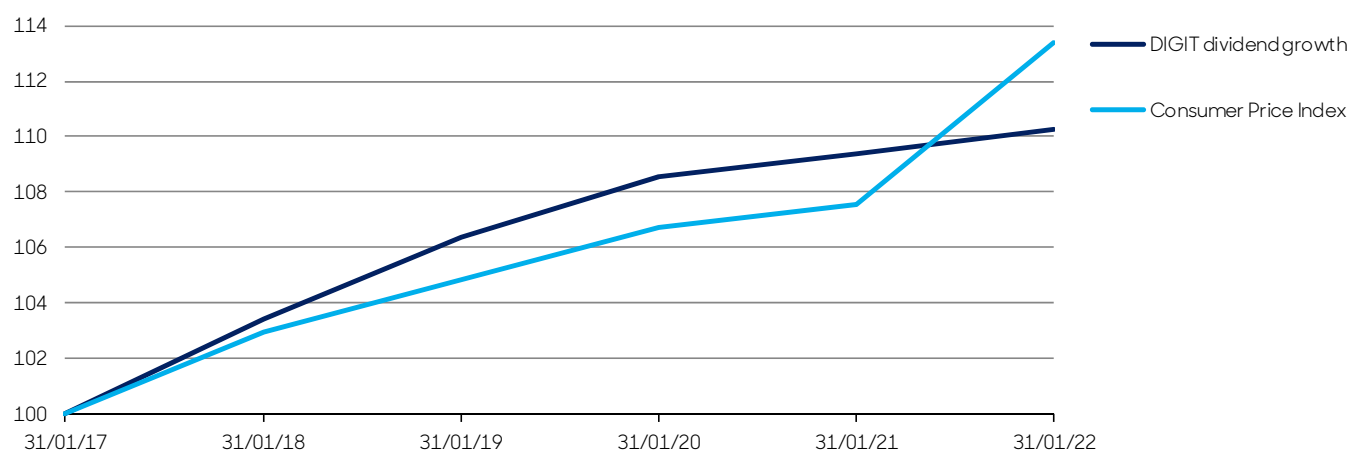
<sup>A</sup> After payment of third interim and final dividends (see note 16 on page 91 for further details).

<sup>B</sup> With debt at fair value.

<sup>C</sup> Per Statement of Comprehensive Income.

## Comparison of Dividend Growth of DIGIT to Inflation (figures rebased to 100) -

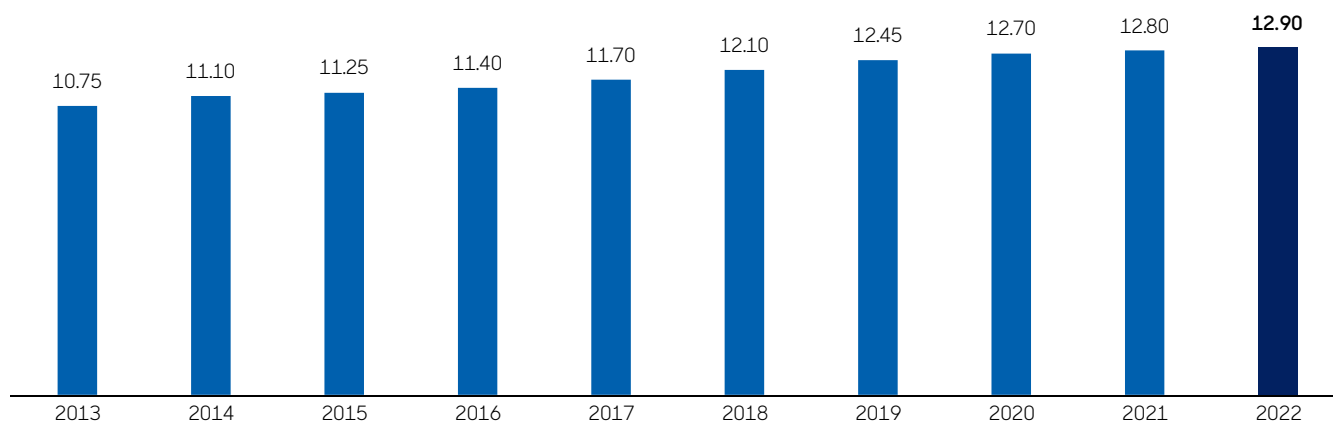
Five years ended 31 January 2022



Source: abrdn, ONS & Facstet

## Dividends per Share – Pence

Year to 31 January



## Dividends per Share

Dividend per share	Rate	xd date	Record date	Payment date
Final dividend 2022	3.90p	5 May 2022	6 May 2022	27 May 2022
Third interim dividend 2022	3.00p	3 February 2022	4 February 2022	25 February 2022
Second interim dividend 2022	3.00p	4 November 2021	5 November 2021	26 November 2021
First interim dividend 2022	3.00p	5 August 2021	6 August 2021	27 August 2021
<b>Total dividend 2022</b>	<b>12.90p</b>			

Dividend per share	Rate	xd date	Record date	Payment date
Fourth interim dividend 2021	3.80p	6 May 2021	7 May 2021	28 May 2021
Third interim dividend 2021	3.00p	4 February 2021	5 February 2021	26 February 2021
Second interim dividend 2021	3.00p	5 November 2020	6 November 2020	27 November 2020
First interim dividend 2021	3.00p	6 August 2020	7 August 2020	28 August 2020
<b>Total dividend 2021</b>	<b>12.80p</b>			

# Investment Process

## Investment Philosophy and Style

The Investment Manager believes that building a concentrated portfolio of high quality companies that meet its sustainable and responsible investment criteria will deliver both real income growth and attractive total returns over the long-term.

The application of sustainable and responsible investing principles enables the Investment Manager to reduce risks in the portfolio by identifying and excluding companies whose business models it considers face significant threats from Environmental, Social and Governance ("ESG") factors. It also enables the Investment Manager to identify positive opportunities for companies to benefit from the same trends as well as giving the potential for engagement to improve companies' performance and increase shareholder value.

A focus on high quality companies and sustainable and responsible investing principles is therefore well aligned with the generation of resilient and growing dividend income, and a capital return profile that is both robust in difficult market conditions and able to participate in upside opportunities, enhancing risk adjusted returns.

## Investment Process

The investment process has five stages:

- 1. Idea Generation**  
The Investment Manager's teams of investment analysts generate investment ideas from their comprehensive coverage of the UK and European equity markets. This involves them considering the merits of over 1,000 listed businesses across the market cap spectrum.
- 2. Sustainability**  
Companies with excessive ESG risks are excluded through a combination of pre-set screens and quantitative and fundamental analysis. This removes around a quarter of the companies monitored from the Investment Manager's consideration.
- 3. Quality**  
Businesses that don't meet the analysts' quality criteria are then filtered out. Only around 20% of companies will meet this hurdle and the Investment Manager particularly emphasises allocation to companies that are considered to be sustainable leaders.
- 4. Total Returns**  
Focus is then placed on those companies that the analysts identify as having the most attractive total return potential as well as those that have compelling income generation characteristics.
- 5. Portfolio Construction**  
The Investment Manager then builds a concentrated portfolio that can deliver the income and total return requirements while matching the style and risk profile and meeting the sustainable and responsible investing principles.

## A Highly Selective Strategy

Emphasis on sustainability, quality, total return and income



## The Investment Manager's Approach to ESG

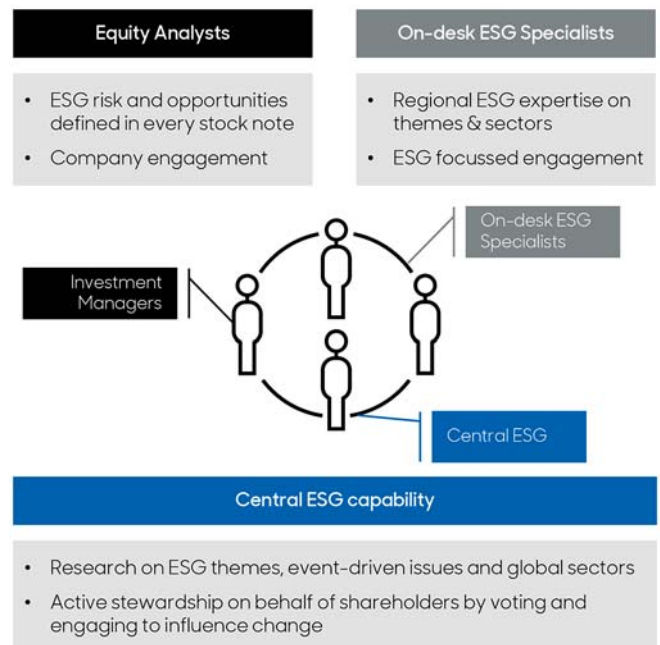
### Introduction

The Investment Manager believes that effective analysis of, and engagement with, the ESG risks and opportunities that companies face will enhance investors' risk adjusted returns.

While sustainable and responsible investing principles were formally incorporated into the Company's investment objective in 2021, a focus on ESG factors has been a long standing part of the Investment Manager's process, making the transition a relatively straightforward one.

Those sustainable and responsible investment principles are integrated into the investment process through a combination of exclusions, positive allocation and ongoing corporate engagement. To deliver this, the Investment Manager utilises binary screens, qualitative analytical assessment, proprietary quantitative tools and ongoing corporate access and voting policy.

The Investment Manager draws upon three resources to assist it with the integration of ESG into the investment process; the team of approximately 30 equity analysts, on desk ESG analysts and the central ESG team. Each plays an important yet distinct role in implementation.



While deploying these resources, the ultimate responsibility for stock selection and portfolio construction lies with the Company's portfolio managers.

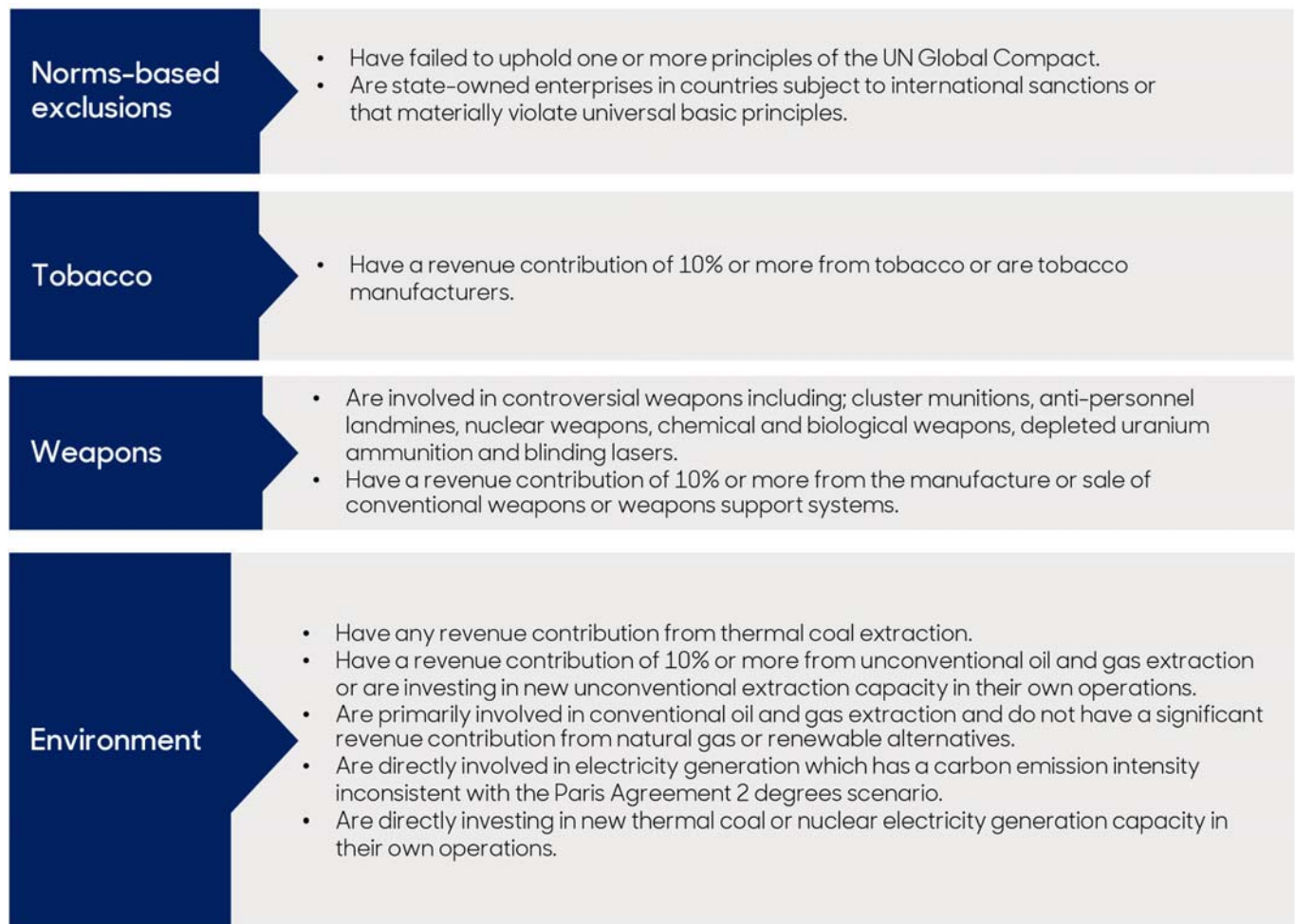
# Investment Process

## Continued

### Exclusions

The Investment Manager uses three different forms of exclusions. These are complimentary in form with binary exclusions providing assurance to shareholders that companies with certain types of business activities will not be invested in. Additionally, the Investment Manager utilises both the judgement of its investment analysts and its own proprietary quantitative tools to exclude companies with poorly managed ESG risks.

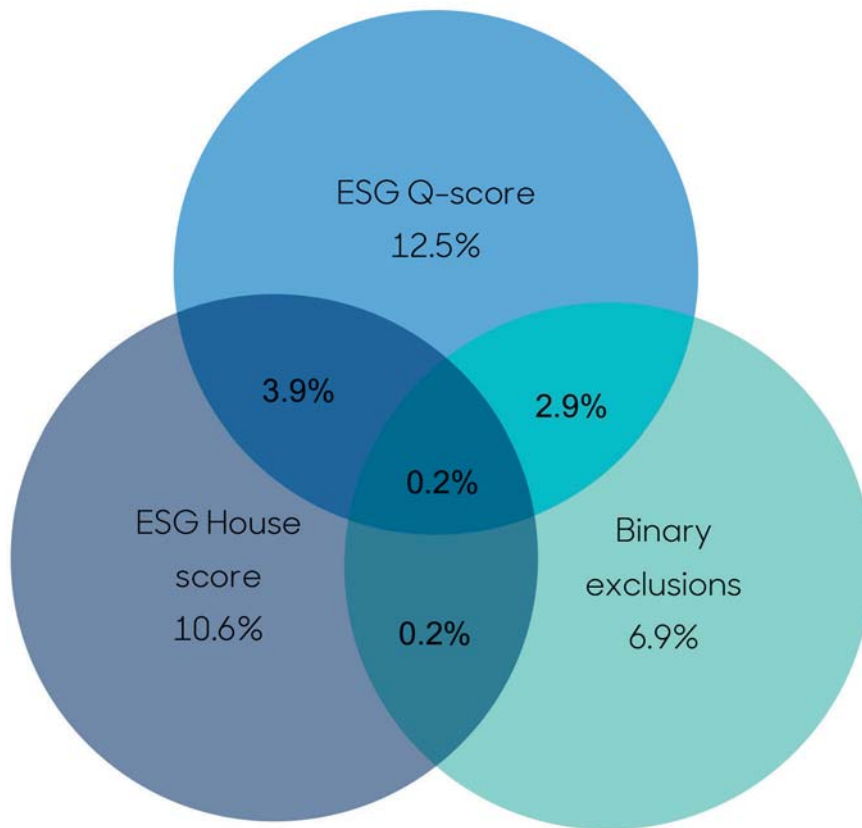
**1. Binary exclusions** – these screens focus on areas where the Investment Manager sees long-term risks arising from ESG factors to companies' business models and, as a result, it chooses not to invest. These will be subject to ongoing review to ensure that they are consistent with industry best practice.



**2. ESG House Score** – this is a proprietary quantitative tool that scores the companies in the investment universe on operational and governance risks. The Investment Manager excludes the bottom 10% of companies from consideration for the portfolio.

**3. ESG Quality Score** – every company under research coverage is judged by the analysts on the quality of its management of ESG risks. Companies deemed to be below average are excluded from consideration for the portfolio.

The number of investible companies is reduced by 23% due to the effect of the three screens.

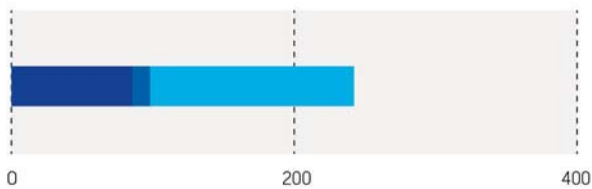


### Carbon Intensity

The Company also commits to having a carbon intensity of less than 80% of the FTSE All-Share Index, which constrains investment in high carbon emitting companies.

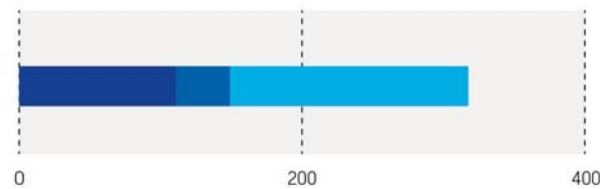
#### Portfolio (WACI)

- Scope 1
- Scope 2
- Scope 3



#### Benchmark (WACI)

- Scope 1
- Scope 2
- Scope 3



# Investment Process

## Continued

### Weighted Average Carbon Intensity (WACI)

In tonnes of CO<sub>2</sub>e / million USD revenue

	Scope 1 & 2	Scope 1	Scope 2	Scope 3
Portfolio	94.30	79.94	14.36	146.37
Benchmark	147.07	108.07	39.00	167.65
<b>Relative carbon intensity %</b>	64.12	73.97	36.84	87.30

### Total Emissions

(In tonnes of CO<sub>2</sub>e)

	Scope 1 & 2	Scope 1	Scope 2	Scope 3
Portfolio	24,823	21,468	3,355	41,708
Benchmark	72,468	57,556	14,912	78,775
<b>Relative carbon intensity %</b>	34.25	37.30	22.50	52.95
<b>Avoided emissions</b>	47,645	36,089	11,557	37,067

Source: Trucost

The Company's portfolio currently has a Carbon Intensity on Scope 1 and 2 emissions of 64%, and 76% on Scope 1 to 3 emissions.

On a total emissions basis, the portfolio sits at 34% of the benchmark on Scope 1 and 2 emissions and 44% on Scope 1 to 3 emissions.

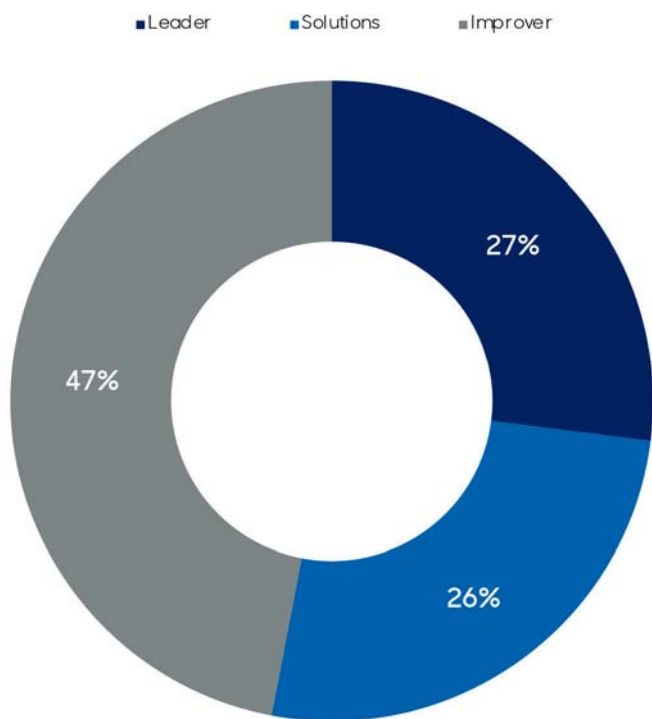
### Positive Allocation





Companies that investment analysts score highly on the quality of their ESG risk management are designated as sustainable leaders. Those sustainable leaders that have a high alignment of revenues or investment with the UN sustainable development goals will additionally be designated as solutions providers. The majority of the Company's portfolio will be invested into sustainable leaders and the Investment Manager will actively search for opportunities where it believes these attributes to be undervalued.

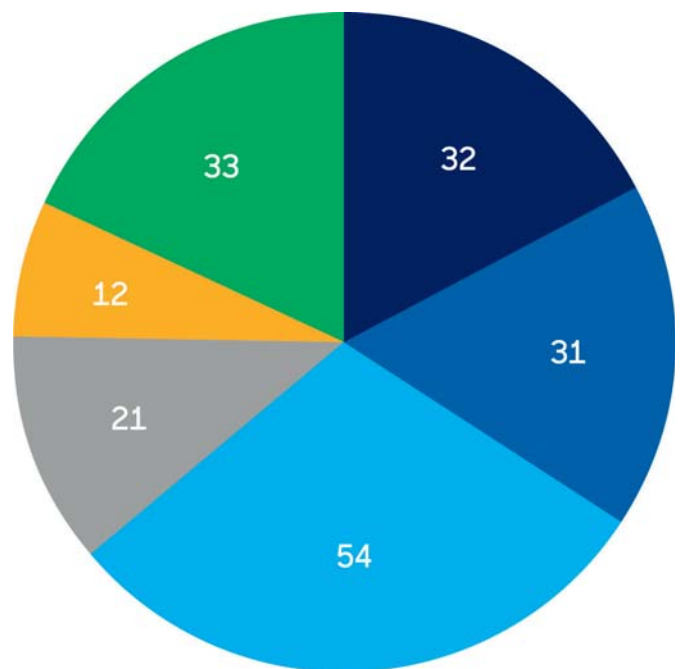
**Split of Sustainable Leaders, Solutions Providers and Improvers**



**Engagement**

Companies that are scored as average in ESG risk management are designated as improvers. Clearly defined opportunities for improvement are identified by the team of investment analysts in conjunction with the Investment Manager's on-desk ESG analysts and central ESG team, and these are closely monitored from initiation through to completion. The Investment Manager believes that effective engagement presents a significant opportunity to add shareholder value over time.

During the year ended 31 January 2022, the Investment Manager had 72 separate meetings with portfolio companies where ESG topics were raised, covering 37 of the 39 holdings. 12 of these were dedicated priority engagement meetings, addressing areas of material improvement. By topic, Corporate Governance was the area most discussed, but there was also significant focus on Climate and Environment and, increasingly, on Social Issues



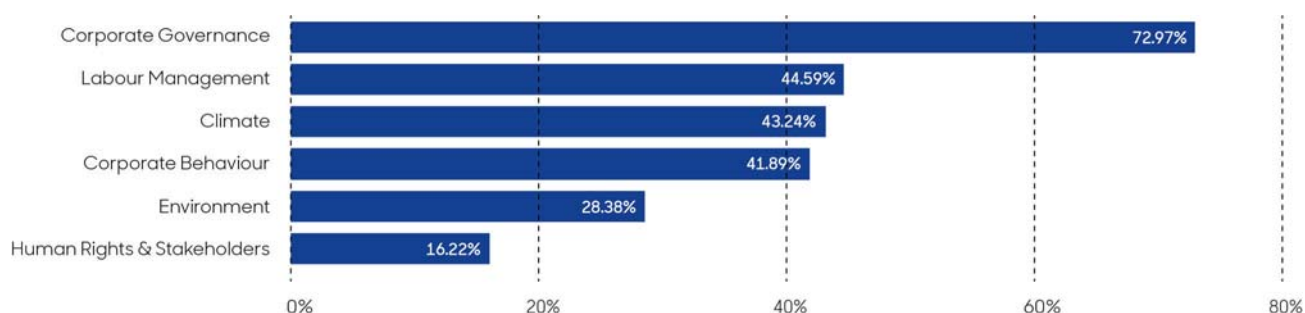
**Topics**

- Climate
- Corporate Behaviour
- Corporate Governance
- Environment
- Human Rights & Stakeholders
- Labour Management

# Investment Process

## Continued

### % of Meetings where Topic Discussed



## Engagement Case Studies

### SSE – Corporate Governance/Environment

The Investment Manager engaged with the Chairman of SSE, one of Europe's largest utilities companies and a leader in offshore wind power, following demands from activist investors to sell its renewables activities. It was important for the Investment Manager to better understand the logic behind the company's decision to reject the proposals and instead continue to pursue an integrated approach, balanced by creating financial headroom to fund its ambitious expansion plans. From an environmental perspective, the Investment Manager remains very supportive of the company's "Just Transition" plans and the corporate strategy adopted aligns with that. Overall, the Investment Manager remains supportive of the business' current trajectory, although will continue to provide both support and challenge to management's capital allocation choices.

### Persimmon – Human Rights & Stakeholders/Corporate Behaviour

Given the significant issues caused by faulty exterior cladding on new build homes, the Investment Manager engaged with the Persimmon management team to obtain a stronger insight into the risks that this poses for its business on both a financial and reputational level, and the company's efforts at remediation. Persimmon's historic mix of new home construction, with a heavy weighting towards houses and low rise flats, leaves it with relatively little exposure to troubled assets. The company has conducted a detailed review of its last 20 years of construction and set aside significant financial provisions to manage the remediation process. Importantly, there was a recognition that the company needs to manage the reputational risks as well as its social responsibilities. From an industry perspective, cladding remains a very significant problem for many homeowners and the Investment Manager has been a vocal advocate as a firm for housebuilders to be pro-active in tackling this major social issue and to go beyond strict legal obligations in offering solutions.

### Chesnara – Corporate Governance

The Investment Manager has been in discussions with the company over improving the diversity of its board of directors and moving more in line with industry best practice. The Investment Manager is a strong believer that more diverse boards make for greater challenge, debate and ultimately better decision making. Following engagement with the Chairman, the Investment Manager was pleased that the company made two new non-executive director appointments in early 2022, better balancing the composition of the board and bringing additional insights and skills to the table that should help support the company's corporate strategy under the new CEO.

## Proxy Voting

Voting policy forms an important part of the Investment Manager's corporate engagement approach. Every proxy is voted and, where needed, input sought from the investment and ESG analysts in conjunction with the expertise of the central voting team. Where direct engagement has not proven effective, the Investment Manager is very prepared to vote against companies.

Metric	Value
Number of meetings held	49
Number of meetings with at least one vote against management	13
Percentage of meetings with at least one vote against management	26.5%
Total number of voteable proposals	790
Number of votes against management	18
Votes against management as a percentage of voteable proposals	2.3%
Number of votes against ISS Policy	21
Votes against ISS Policy as a percentage of voteable proposals	2.7%
Number of votes against policy	27
Votes against policy as a percentage of voteable proposals	3.4%
Number of abstentions in any resolution	1
Resolution abstentions as a percentage of voteable proposals	0.1%

The Investment Manager voted against management recommendations in 27% of the general meetings held by portfolio companies during the year, which it thinks is the most useful metric for measuring the level of its constructive engagement. The overall number of votes against was 2.3%. It is important to bear in mind that the Investment Manager typically begins from a position of support for the select group of companies it invests in.

There is an extensive ongoing programme which allows the Investment Manager to actively engage with investee companies throughout the year beyond the voting season.

# Investment Manager's Review

## Introduction

After several years of strong relative performance, it is disappointing to report that, for the year ended 31 January 2022, the Company's returns lagged the benchmark FTSE All-Share Index. The net asset value total return for the year of 8.1% compared to a total return of 18.9% from the benchmark. It was a year where our style and strategy faced a number of headwinds and several of our holdings found themselves out of favour with investors. Our strategy of building a concentrated portfolio and being willing to be different to both the benchmark and peers does mean that there can be periods where our returns may differ markedly from either. Most of the time, we would expect that difference to express itself in a positive way but, unfortunately, for the year under review, that was not the case. Importantly, though, we consider the portfolio to be in good shape with our focus on higher quality companies, an emphasis on investments that can deliver both income and capital growth, as well as the application of sustainable and responsible investing principles, positioning us to be able to cope with what may be difficult market conditions ahead.

## It was a year where our style and strategy faced a number of headwinds and several of our holdings found themselves out of favour with investors.

Total return performance notwithstanding, it was a year where there were a number of important strategic and financial developments. The implementation of the sustainable and responsible investment criteria was completed, positioning the Company uniquely amongst its peer group, while maintaining the cadence of dividend receipts. The portfolio continued to focus on delivering growth of both capital and income in a differentiated fashion with active share standing at 81% and more than half the portfolio invested outside the FTSE 100 Index. As a result, income generation came in ahead of our expectations hitting record levels and the discount to net asset value at which the Company's shares have traded for many years moved to a modest premium.

## Performance

Despite a challenging year for relative investment performance, the underlying profit and dividend generation from the companies we invest in has continued to be encouraging. This was reflected in the earnings per share more than recovering to the level achieved before the pandemic and indeed setting a new all-time high in the process. Whilst this outcome was somewhat flattered by the very substantial special dividend received from **Rio Tinto**, the underlying income generation was ahead of our expectations. It is worth noting that this rebound comes from a portfolio that had proven to be very resilient in the tough conditions of 2020/21 and therefore inherently offering less 'rebound' potential than others that took greater cuts to their income account. Indeed, the main performance challenge we faced for our holdings has been a reduction in the prices that the market is willing to pay for those businesses, as opposed to any aggregate impact on their cash flow, earnings and dividend generation capacity.

From a relative return perspective, this was very much a year of two halves. In the first half of the year we only slightly trailed what was a strongly rising market. But as the second half developed, particularly in the final quarter, the portfolio increasingly lagged the wider index. This was due to a combination of effects. Firstly, higher commodity prices saw oil and gas and mining stocks perform very strongly, areas to which we typically find it hard to gain direct exposure to given our focus on high quality businesses and the application of our sustainable investment criteria. Alongside this, the anticipation of rising interest rates was received very positively for the banking sector and in particular large UK and Asian retail banks with significant deposit funding bases. Once again, we have chosen to invest away from that area due to our preference for investments with a higher degree of visibility and stability and more dependable dividend distribution track records. Not owning the likes of large index constituents such as BP, Shell, HSBC, Lloyds, Barclays, Glencore and Anglo American all proved a significant relative headwind as those companies performed very strongly over the year. It is worth noting that all of these businesses suspended, cancelled or cut dividends in 2020.

The same effect of rising short term interest rates and longer term bond yields that supported the outperformance of the banks also provided a further headwind to our performance in that it catalysed a reduction in the valuation of a number of our holdings as investors shifted capital away from more expensive companies and allocated towards companies trading on lower valuations. This "rotation", as it is termed, was particularly strong given the improving earnings dynamics

for those cheaper businesses in areas like commodities and banking. Companies such as **Aveva** and **Edenred**, which have been tremendous long-term investments for the Company, all underperformed as investor attention moved elsewhere, despite solid operational and financial delivery. We estimate that around three quarters of the underperformance of the portfolio was driven by these stylistic and strategy related elements.

Alongside these impacts there were some stock specific elements where companies, for a variety of reasons, faced more difficult trading conditions. **Ubisoft**, the French computer game developer, reduced its profit guidance over the year as it faced a series of delays to the launch of its new releases and a generally less buoyant environment as economies opened up and demand for its products faced tougher comparatives. While this has been disappointing, the elements in the investment case that we have been backing over the last three years remain very much intact with a transition to more recurring revenues at higher margins as the company sells more digital content and better monetises its game franchises and back catalogue. The industry backdrop has also developed favourably, with content becoming ever more important, followed by a wave of consolidation which we think underpins the value of its intellectual property.

UK housebuilder **Persimmon** faced headwinds following the threat of government intervention over the cost of remediating defective cladding for apartment blocks. We still think the company is well positioned to manage this given a significant focus on house building as opposed to the construction of flats. From an earnings perspective, we expect that it can grow volumes steadily at reasonable margins in a market that remains constrained from a supply perspective. Remediation should be more than manageable financially given the company's very strong balance sheet and we expect that it will continue to return excess cash flow to shareholders.

Emerging market credit fund manager **Ashmore** found itself under pressure as rising interest rates pressured bond valuations, emerging markets remained out of favour and the company's own internal investment performance has been difficult. The business is anchored by a very strong balance sheet, an attractive dividend and a clear area of strategic expertise, but we do await signs of underlying operational improvement.

In a period of difficult performance, it is easy to overlook what were a number of very positive share price developments within the portfolio, rewarding companies for very strong operational delivery which will ultimately translate through into enhanced cash flows and dividends. Danish pharmaceutical company **Novo-Nordisk** performed extremely strongly as it benefitted from

continued strong demand for its GLP1 diabetes products. The company also made a significant breakthrough in the treatment of obesity with its drug Wegovy, which for the first time gives the potential for major weight loss with a course of injections, avoiding the need for very expensive and intrusive surgical procedures and holding the hope of being able to make a real impact on the effects of co-morbidities such as heart disease and cancer. UK speciality chemicals business **Croda** performed well as it saw very fast uptake for its pharmaceutical products that form an integral part of the Pfizer Covid vaccine, providing a vital link in the provision of these critical medicines. The company also announced a sale of its more commoditised and lower margin industrial business which improves the business overall and provides capital for reinvestment into higher margin and faster growing areas. French energy giant **TotalEnergies** also performed well as it benefited from higher oil and gas prices, particularly from its leading LNG business, while continuing to grow its renewables portfolio and execute on cost and capital efficiency. These three strong share price performances were also accompanied with the delivery of dividend growth ahead of our expectations.

**From a strategic perspective, it was pleasing to see a strong overall contribution to performance from our overseas holdings. It is also welcome that we saw strong returns from companies we deem to be sustainable solutions providers or sustainable leaders.**

From a strategic perspective, it was pleasing to see a strong overall contribution to performance from our overseas holdings. It is also welcome that we saw strong returns from companies we deem to be sustainable solutions providers or sustainable leaders. Alongside **Novo-Nordisk** and **Croda** we also saw good outcomes from companies such as renewables and energy infrastructure developer and owner **SSE**, Dutch lithography machine manufacturer **ASML** and immunotherapy leader **AstraZeneca**. These examples show that positive allocation to companies with leadership in ESG risk management and those well aligned with the UN sustainable development goals can add value to investors prepared to back them.

# Investment Manager's Review

## Continued

### Portfolio Activity

Activity during the year was concentrated on three discrete objectives. Firstly, positioning the portfolio to meet the new sustainable and responsible investing criteria, secondly enhancing the underlying income growth profile, and thirdly continuing to concentrate the portfolio around our favoured investments.

Following the approval in June from shareholders for the Company to adopt its sustainable and responsible investing criteria, positions in **Rio Tinto**, **BHP Billiton**, **British American Tobacco**, **National Grid** and **Telecom Plus** were sold. **Rio Tinto** and **Telecom Plus** failed on our assessment of their ESG risk management, **BHP** due to its thermal coal assets, **British American Tobacco** due to its tobacco exposure and **National Grid** due to the carbon intensity of its generation assets in North America. New holdings were established in Scandinavian bank **Nordea**, truck and construction equipment manufacturer **Volvo** and UK housebuilder **Persimmon**. We also substantially increased our holding in utility and renewables developer **SSE** and added to the position in **Chesnara**, the consolidator of closed life assurance assets. To help balance the impact on income generation, we also exited **Countryside Properties**, the UK housebuilder which had yet to resume dividend payments following the impact of the pandemic.

Later on in the financial year, we added additional capital to industrial software developer **Aveva**, animal pharmaceutical and biotech players **Dechra Pharmaceuticals** and **Genus** and the hobbyist platform **Games Workshop** on weakness, as investors sold out of more highly valued stocks. These are all strong businesses with modest dividend yields today but with attractive long-term growth prospects ahead of them and contribute to the Company's income growth prospects. We have also been continuing to concentrate the portfolio behind our very best ideas and, as a result, we made significant additions to existing holdings in **Relx**, **Diageo** and **Assura** as we looked to increase the capital invested in companies with resilience and higher visibility of earnings amidst an increasingly uncertain backdrop. To fund these investments, we exited Dutch brewer **Heineken**, travel and high street retailer **WH Smith**, Asian bank **Standard Chartered** and medical device manufacturer **Smith & Nephew**. These are all good businesses, but we preferred the prospects of our other existing holdings. One final exit was that of **Jackson Financial**, the very small spin-out holding we received from **Prudential**. This saw the number of companies held in the portfolio contract, to stand at 39 at the year end.

**Unilever** remains a holding very much in the spotlight, particularly following its failed acquisition of **GlaxoSmithKline's** consumer health business and continued middling financial performance. We added modestly to the position following the weakness in the share price and the more attractive valuation and it is one that we will continue to monitor. The holding balances some strong brands and provides attractive exposure to emerging markets with a less premium portfolio than some peers and greater exposure to the lower margin food segment.

### Outlook

We have had a cautious outlook for some time and events in Ukraine do little to dissuade us from that position. The environment of high inflation, slowing growth and tightening monetary policy is likely to prove a challenging one. At the company level, profitability is being pressured by supply chain disruptions and higher costs, while weakening demand may make for a harder environment to pass on prices. This makes for a complex situation to navigate with both valuations and earnings potentially under pressure. We believe that our focus on holding high quality businesses with robust market positions, good growth prospects and strong balance sheets along with leading ESG risk management capabilities is the right one for these uncertain conditions. Giving us the best prospects of protecting capital on the downside, allowing participation in any upside that may develop and supporting the delivery of a growing dividend over time.



**Ben Ritchie, Rebecca Maclean and Samantha Brownlee,**  
Aberdeen Asset Managers Limited  
6 April 2022

# Information About the Investment Manager

## Aberdeen Asset Managers Limited

The Company's Investment Manager is Aberdeen Asset Managers Limited which is a wholly-owned subsidiary of abrdn plc. The abrdn Group's assets under management and administration were £542 billion as at 31 December 2021, managed for a range of clients including 22 UK-listed closed end investment companies.

## The Investment Team Senior Managers



### Ben Ritchie

Head of European Equities

Ben Ritchie is Head of European Equities at abrdn. He originally joined Aberdeen Asset Management in 2002 as a graduate trainee. Ben has a BA (Hons) in Modern History and Politics from Pembroke College, University of Oxford, and is a certified CFA Charterholder.



### Rebecca Maclean

Investment Director, UK Equities

Rebecca Maclean is an Investment Director in the UK Equities team at abrdn. She has worked in the responsible investment industry since 2010 and joined abrdn in 2013 as a Responsible Investment Analyst. She moved to the UK Equities team in 2016. Rebecca graduated with a BA in Experimental Psychology from University of Oxford, holds a MA in International Relations from King's College London, and is a CFA Charterholder.



### Samantha Brownlee

Investment Director, UK Equities

Samantha Brownlee is an Investment Director in the UK Equities Team at abrdn. She joined abrdn in 2008 as a Graduate Business Analyst and worked with the Pan European Equities Team until her transfer to the North American Equities Team in 2014 and then to the UK Equities Team in December 2020. Samantha received a Bachelor of Laws and an MA in Archaeology from The University of Edinburgh. She is a CFA Charterholder.

# Portfolio



13.2% of the Company's total assets are invested in the Pharmaceuticals and Biotechnology sub-sector.





Activity during the year was concentrated on three discrete objectives. Firstly, positioning the portfolio to meet the new sustainable and responsible investing criteria, secondly enhancing the underlying income growth profile, and thirdly continuing to concentrate the portfolio around our favoured investments.

# Ten Largest Investments

As at 31 January 2022



## AstraZeneca

AstraZeneca is a pharmaceutical company that focuses on the research, development and manufacture of drugs in a range of therapeutic areas.



## Diageo

Diageo is a global leader in spirits and liquors with a portfolio of world-renowned brands.



## SSE

SSE is a multi-national energy firm involved in the generation, transmission, distribution and supply of electricity through regulated networks and its renewables portfolio.



## Relx

Relx is a global provider of information and analytics for professionals and businesses across a number of industries including scientific, technical, medical and law.



## Nordea Bank

Nordea Bank is a Scandinavian bank offering banking, asset management and insurance services across the Nordic region.



## TotalEnergies

TotalEnergies is an energy company producing and marketing fuels, natural gas and electricity globally.



## Prudential

Prudential is a life insurance and savings company with leading market positions in Asia and the United States.



## Chesnara

Chesnara is an owner and manager of primarily closed books of life assurance assets in the UK, Sweden and Holland.



## Direct Line Insurance

Direct Line Insurance is a leading insurance company offering motor, home and business cover in the UK market.



## Coca-Cola Hellenic Bottling Company

Coca-Cola Hellenic Bottling Company is a bottler of the Coca-Cola brand operating plants across Europe, Africa and Asia.

# Portfolio

Company	FTSE All-Share Index Sector	Valuation 2022 £'000	Total assets %	Valuation 2021 £'000
AstraZeneca	Pharmaceuticals and Biotechnology	27,116	5.3	24,489
Diageo	Beverages	26,809	5.3	18,537
SSE	Electricity	25,499	5.0	9,754
Relx	Media	25,378	5.1	14,960
Nordea Bank	Banks	21,375	4.2	-
TotalEnergies	Oil, Gas and Coal	21,177	4.2	10,728
Prudential	Life Insurance	18,542	3.7	15,475
Chesnara	Life Insurance	16,756	3.3	12,513
Direct Line Insurance	Non-life Insurance	15,773	3.1	13,612
Coca-Cola Hellenic Bottling Company	Beverages	15,772	3.1	11,808
<b>Ten largest investments</b>		<b>214,197</b>	<b>42.3</b>	
Weir Group	Industrial Engineering	14,717	2.9	13,974
Intermediate Capital	Investment Banking and Brokerage Services	14,438	2.8	12,946
Novo-Nordisk	Pharmaceuticals and Biotechnology	14,234	2.8	9,784
Aveva	Software and Computer Services	14,123	2.8	16,729
Pets At Home	Retailers	13,729	2.7	5,167
GlaxoSmithKline	Pharmaceuticals and Biotechnology	13,582	2.7	19,906
Close Brothers	Banks	13,127	2.6	9,950
Assura	Real Estate Investment Trusts	13,083	2.6	16,815
Sirius Real Estate	Real Estate Investment and Services	12,733	2.5	10,201
ASML	Technology Hardware and Equipment	11,990	2.4	9,409
<b>Twenty largest investments</b>		<b>349,953</b>	<b>69.1</b>	
Persimmon	Household Goods and Home Construction	11,926	2.4	-
Marshalls	Construction and Materials	11,612	2.3	9,101
Hannover Re	Non-life Insurance	11,358	2.2	8,629
Ashmore	Investment Banking and Brokerage Services	11,262	2.2	14,948
Croda	Chemicals	10,764	2.1	9,828
London Stock Exchange	Finance and Credit Services	9,816	1.9	8,078
Morgan Sindall	Construction and Materials	9,766	1.9	-
M&G	Investment Banking and Brokerage Services	9,683	1.9	6,135
Euromoney Institutional Investor	Industrial Support Services	9,257	1.8	9,683
Edenred	Industrial Support Services	8,875	1.7	7,924
<b>Thirty largest investments</b>		<b>454,272</b>	<b>89.5</b>	

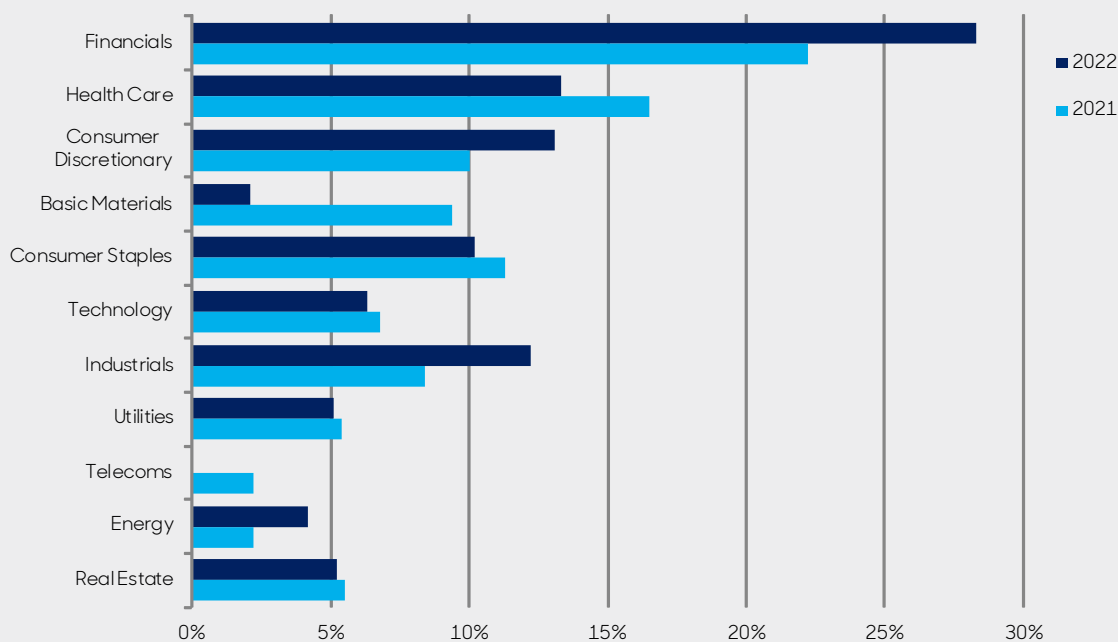
# Portfolio

## Continued

Company	FTSE All-Share Index Sector	Valuation 2022 £'000	Total assets %	Valuation 2021 £'000
Unilever	Personal Care, Drug and Grocery Stores	8,486	1.7	6,826
Volvo	Industrial Transportation	7,472	1.5	-
Dechra Pharmaceuticals	Pharmaceuticals and Biotechnology	5,518	1.1	5,874
Ubisoft	Leisure Goods	5,306	1.0	6,530
Games Workshop	Leisure Goods	5,150	1.0	4,107
Genus	Pharmaceuticals and Biotechnology	5,082	1.0	5,500
Prosus	Software and Computer Services	4,926	1.0	6,806
Moonpig	Retailers	4,713	0.9	-
Abcam	Pharmaceuticals and Biotechnology	1,498	0.3	4,819
<b>Total investments</b>		<b>502,423</b>	<b>99.0</b>	
<b>Net current assets<sup>A</sup></b>		<b>4,921</b>	<b>1.0</b>	
<b>Total assets less current liabilities<sup>A</sup></b>		<b>507,344</b>	<b>100.0</b>	

<sup>A</sup> Excluding bank loan of £13,034,000.

## Portfolio Sector Breakdown



# Sector Analysis

As at 31 January 2022

		FTSE All-Share Index weighting 2022 %	Portfolio weighting 2022 %	Portfolio weighting 2021 %
<b>Energy</b>	Oil, Gas and Coal	9.3	4.2	2.2
		<b>9.3</b>	<b>4.2</b>	<b>2.2</b>
<b>Basic Materials</b>	Chemicals	0.8	2.1	2.0
	Industrial Metals & Mining	6.5	-	7.3
	Precious Metals & Mining	0.4	-	-
		<b>7.7</b>	<b>2.1</b>	<b>9.3</b>
<b>Industrials</b>	Aerospace & Defence	1.7	-	-
	Construction and Materials	1.6	4.2	1.9
	Electronic & Electrical Equipment	1.0	-	-
	General Industrials	1.9	-	-
	Industrial Engineering	0.7	2.9	2.8
	Industrial Transportation	1.2	1.5	-
	Industrial Support Services	4.6	3.5	3.6
		<b>12.7</b>	<b>12.1</b>	<b>8.3</b>
<b>Consumer Discretionary</b>	Automobiles & Parts	0.1	-	-
	Consumer Services	1.2	-	-
	Household Goods and Home Construction	1.4	2.4	2.6
	Leisure Goods	0.1	2.0	2.1
	Media	3.2	5.0	3.0
	Personal Goods	0.5	-	-
	Retailers	1.9	3.6	2.2
	Travel & Leisure	3.2	-	-
		<b>11.6</b>	<b>13.0</b>	<b>9.9</b>
<b>Health Care</b>	Healthcare Providers	0.1	-	-
	Medical Equipment and Services	0.5	-	2.2
	Pharmaceuticals and Biotechnology	9.3	13.2	14.2
		<b>9.9</b>	<b>13.2</b>	<b>16.4</b>

# Sector Analysis

Continued

As at 31 January 2022

		FTSE All-Share Index weighting 2022 %	Portfolio weighting 2022 %	Portfolio weighting 2021 %
<b>Consumer Staples</b>	Beverages	3.8	8.4	7.1
	Food Producers	0.6	-	-
	Personal Care, Drug and Grocery Stores	7.1	1.7	1.4
	Tobacco	3.6	-	2.7
		<b>15.1</b>	<b>10.1</b>	<b>11.2</b>
<b>Real Estate</b>	Real Estate Investment and Services	0.6	2.5	2.1
	Real Estate Investment Trusts	2.7	2.6	3.4
		<b>3.3</b>	<b>5.1</b>	<b>5.5</b>
<b>Telecommunications</b>	Telecommunications Equipment	0.1	-	-
	Telecommunications Service Providers	2.2	-	2.2
		<b>2.3</b>	<b>-</b>	<b>2.2</b>
<b>Utilities</b>	Electricity	0.8	5.0	2.0
	Gas, Water & Multi-utilities	2.5	-	3.4
		<b>3.3</b>	<b>5.0</b>	<b>5.4</b>
<b>Financials</b>	Banks	8.6	6.8	3.3
	Finance and Credit Services	1.3	1.9	1.7
	Investment Banking and Brokerage Services	2.9	7.0	6.8
	Life Insurance	3.0	7.0	5.6
	Non-life Insurance	0.9	5.3	4.6
		<b>16.7</b>	<b>28.0</b>	<b>22.0</b>
<b>Investment Companies</b>	Equity Investment Instruments	<b>6.6</b>	-	-
<b>Technology</b>	Software & Computer Services	1.4	3.8	4.8
	Technology, Hardware & Equipment	0.1	2.4	1.9
		<b>1.5</b>	<b>6.2</b>	<b>6.7</b>
<b>Total investments</b>		<b>100.0</b>	<b>99.0</b>	<b>99.1</b>
<b>Net current assets before borrowings<sup>A</sup></b>			1.0	0.9
<b>Total assets less current liabilities<sup>A</sup></b>			<b>100.0</b>	<b>100.0</b>

<sup>A</sup> Excluding bank loan of £13,034,000.

# Investment Case Studies

## Sustainable Leader: Croda

Croda is a British speciality chemicals company, known as a world leader in the supply of active ingredients into the personal care and life sciences markets. It operates in niche segments, providing significant value to its customers which, combined with a culture of continuous innovation and entrenched client relationships, delivers attractive financial returns and has enabled a long track record of strong profit, cash flow and dividend growth. An example of a recent success has been its excipients, which are inactive substances that act as the vehicle for a drug or other active substance and have played a key role in the deployment of the Pfizer BioNTech Covid-19 vaccine.

Sustainability is integral to the company's strategy. It has in place a dedicated senior management team to drive its programme which, along with innovation, makes up one of the two key strategic priorities of the business. The company's ambition is to be the world's most sustainable supplier of innovative ingredients and it has externally verified 1.5c Science Based Targets for its decarbonisation roadmap which is to be achieved by 2030. This approach gives it a critical edge and aligns its sustainability and commercial agendas, exemplified by its new bio-based surfactant plant in Atlas Point, Delaware which is the first of its kind in the United States and allows the substitution of oil based ingredients with natural alternatives



# Investment Case Studies

Continued



## Solutions Provider: Novo-Nordisk

Novo-Nordisk is a global healthcare company with a world leading position in diabetes treatment that is expanding into obesity care as well as biopharma and other serious chronic diseases with high unmet needs. Nearly 500 million people worldwide are estimated to have diabetes, and eight out of ten live in low- and middle-income countries, less than half of which are treated. The high social and human costs have made diabetes a key government focus and Novo-Nordisk has a critical role to play in both broadening access to treatment and in innovating to provide better treatments for the management of diabetes, as well as tackling root causes and associated medical conditions.

Control by the Novo Foundation ensures a long term perspective and the company traces its history right back to the beginning of the production of insulin in the 1920's. It has consistently led in the discovery of innovative new medicines. Most recently initiating the GLP1 class of treatments, developing tablet solutions to replace some injectables and discovering truly ground breaking obesity treatments in the form of Wegovy. Improving access to medicine is an explicit part of the corporate strategy and Novo-Nordisk represents a good example of a company with a commercial strategy that is clearly aligned with providing solutions to one the most significant global health challenges that we face, allowing it to generate strong profit growth over the long-term while at the same time building a sustainable business.



## Sustainable Improver: TotalEnergies

TotalEnergies is a leading energy company listed on the French stock market. Most oil & gas companies do not make it through our screening process given their mix of business is deemed unsustainable. However, TotalEnergies is a business adapting to the energy transition and already making enough progress on lower carbon energy sources and renewables to allow us to consider the merits of its investment case. Over half the volume and around 40% of the value of its upstream production is from natural gas. Alongside this, they have one of the world's leading Liquid Natural Gas ("LNG") operations, responsible for sourcing and shipping what is an important transition fuel. Its renewable energy portfolio is also of a substantial size with over 10 GW/h of electricity generating assets, primarily from solar power with plans to more than triple that by 2025. Importantly, the company also has minimal unconventional production, such as shale, and has committed to no further investment in these areas.

An independent group, the Transition Pathway Initiative, assesses that TotalEnergies' emissions intensity reduction target is aligned with a 1.5 degree scenario, putting it in a very select group of energy companies expecting to meet that goal. TotalEnergies isn't perfect, which is why we deem it an improver, but we see enough evidence that it is making strong efforts to transition to be able to consider it as an investment. We are engaging with the company directly and through industry groups, such as Climate Action 100+, to encourage it to accelerate its transformation and enhance its reporting. If the company can deliver its future plans for a sustainable, lower carbon energy company, then we see an attractive investment case. This is a company growing strongly in LNG, renewable energy generation and in new molecules such as biofuels, bio gas and green hydrogen, generating both cash flow for investment and for the payment of a steadily growing dividend.



# Governance





The Company is committed to high standards of corporate governance and applies the principles identified in the UK Corporate Governance Code and the AIC Code of Corporate Governance.

The Directors, all of whom are non-executive and independent of the Manager, supervise the management of the Company and represent the interests of shareholders

# Board of Directors



## David Barron

Independent Non-Executive Chairman

### Experience:

David Barron was, until November 2019, Chief Executive of Miton Group PLC and is currently a non-executive director of Premier Miton Group PLC. He was, until 2013, Head of Investment Trusts at JPMorgan Asset Management and, until 2014, a director of The Association of Investment Companies. He is also a non-executive director of BlackRock Sustainable American Income Trust plc and Fidelity Japan Trust PLC.

### Length of service:

6 years, appointed a Director on 1 February 2016 and Chairman on 23 May 2017

### Last re-elected to the Board:

10 June 2021

### Committee membership:

Management Engagement Committee and Nomination and Remuneration Committee

### Contribution:

The Nomination and Remuneration Committee has reviewed the contribution of David Barron in light of his proposed re-election at the AGM and has concluded that he has continued to Chair the Company expertly, fostering a collaborative spirit between the Board and Manager whilst ensuring that meetings remain focused on the key areas of stakeholder relevance. In addition, he has continued to provide significant investment trust expertise to the Board.



## Gay Collins

Independent Non-Executive Director

### Experience:

Gay Collins has over 35 years of experience in the financial services sector and has founded and grown three PR companies, Montfort Communications, Penrose Financial (which became MHP) and Ludgate Communications, and has an executive role at Montfort where she advises financial services companies on communications. She is also a non-executive director of the Association of Investment Companies and JPMorgan Global Growth & Income plc.

### Length of service:

Appointed a Director on 1 July 2021

### Last re-elected to the Board:

n/a

### Committee membership:

Audit Committee, Management Engagement Committee and Nomination and Remuneration Committee

### Contribution:

The Nomination and Remuneration Committee has reviewed the contribution of Gay Collins in light of her proposed election at the AGM and has concluded that she has significant experience of the financial services sector and knowledge of the investment trust sector.



## Jasper Judd

Independent Non-Executive Director and Chairman of the Audit Committee

### Experience:

Jasper Judd worked for Brambles Limited, a listed Australian multi-national, where he held a number of senior executive roles including Global Head of Strategy. He is also a non-executive director of JPMorgan Indian Investment Trust plc. He is a Chartered Accountant.

### Length of service:

6 years, appointed a Director on 1 February 2016

### Last re-elected to the Board:

10 June 2021

### Committee membership:

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

### Contribution:

The Nomination and Remuneration Committee has reviewed the contribution of Jasper Judd in light of his proposed re-election at the AGM and has concluded that he has continued to chair the Audit Committee expertly through the year and provide financial insight to the Board and knowledge of the investment trust sector.



## Christine Montgomery

Independent Non-Executive Director and Chairman of the Management Engagement Committee

### Experience:

Christine Montgomery has over 30 years of investment management experience, most recently as Head of Global Equities at AustralianSuper in Melbourne from 2016 to 2019. She previously held roles as a global equities portfolio manager at Fidelity Worldwide Investments, Martin Currie and Edinburgh Partners. She is also a non-executive director of The Scottish American Investment Company PLC and True Potential Administration LLP.

### Length of service:

2 years, appointed a Director on 1 February 2020

### Last re-elected to the Board:

10 June 2021

### Committee membership:

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

### Contribution:

The Nomination and Remuneration Committee has reviewed the contribution of Christine Montgomery in light of her proposed re-election at the AGM and has concluded that she has continued to provide significant investment insight to the Board and knowledge of the investment management sector.

# Board of Directors

## Continued



### **Howard Williams**

Senior Independent Non-Executive Director and Chairman of the Nomination and Remuneration Committee

#### **Experience:**

Howard Williams has over 35 years' of fund management experience and was, until October 2017, Chief Investment Officer and Head of the Global Equity Team at JPMorgan Asset Management. Prior to joining JPMorgan Asset Management in 1994, he held a number of senior positions at Shell Pensions and Kleinwort Benson Asset Management. He started his career at James Capel & Co. He is also a non-executive director of Schroders Unit Trust Limited and Lifesight Limited.

#### **Length of service:**

4 years, appointed a Director on 1 April 2018 and Senior Independent Director on 16 July 2020

#### **Last re-elected to the Board:**

10 June 2021

#### **Committee membership:**

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

#### **Contribution:**

The Nomination and Remuneration Committee has reviewed the contribution of Howard Williams in light of his proposed re-election at the AGM and has concluded that he continues to provide significant investment insight to the Board and knowledge of the investment management sector.

# Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 January 2022.

## Results and Dividends

The financial statements for the year ended 31 January 2022 are contained on pages 77 to 100. First, second and third interim dividends, each of 3.00p per Ordinary share, were paid on 27 August 2021, 26 November 2021 and 25 February 2022 respectively. The Directors now recommend a final dividend of 3.90p per Ordinary share payable on 27 May 2022 to shareholders on the register on 6 May 2022. The ex-dividend date is 5 May 2022. A resolution to approve the final dividend will be proposed at the Annual General Meeting.

## Principal Activity and Status

The Company is registered as a public limited company (registered in Scotland No. SC000881) and is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company has been approved by HM Revenue & Customs as an investment trust subject to it continuing to meet the relevant eligibility conditions of Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements of Part 2 Chapter 3 Statutory Instrument 2011/2999 for all financial years commencing on or after 1 February 2012. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 January 2022 so as to enable it to comply with the ongoing requirements for investment trust status.

## Individual Savings Accounts

The Company has conducted its affairs in such a way as to satisfy the requirements as a qualifying security for Individual Savings Accounts. The Directors intend that the Company will continue to conduct its affairs in this manner.

## Capital Structure and Voting Rights

The issued Ordinary share capital at 31 January 2022 consisted of 148,164,670 Ordinary shares of 25p and 5,513,265 Ordinary shares held in treasury.

Each Ordinary share holds one voting right and shareholders are entitled to vote on all resolutions which are proposed at general meetings of the Company. The Ordinary shares, excluding treasury shares, carry a right to receive dividends. On a winding up or other return of capital, after meeting the liabilities of the Company, the surplus assets will be paid to Ordinary shareholders in proportion to their shareholdings.

There are no restrictions on the transfer of Ordinary shares in the Company other than certain restrictions which may from time to time be imposed by law.

## Management Agreement

The Company has appointed Aberdeen Standard Fund Managers Limited ("ASFML"), a wholly owned subsidiary of abrdn plc, as its alternative investment fund manager. ASFML has been appointed to provide investment management, risk management, administration and company secretarial services and promotional activities to the Company. The Company's portfolio is managed by Aberdeen Asset Managers Limited ("AAML") by way of a group delegation agreement in place between ASFML and AAML. In addition, ASFML has sub-delegated administrative and secretarial services to Aberdeen Asset Management PLC and promotional activities to AAML. Details of the management fees and fees payable for promotional activities are shown in notes 4 and 5 to the financial statements.

The management agreement is terminable on not less than six months' notice. In the event of termination by the Company on less than the agreed notice period, compensation is payable to the Manager in lieu of the unexpired notice period.

## Substantial Interests

As at 31 January 2022, the following interests in the issued Ordinary share capital of the Company had been disclosed in accordance with the requirements of the FCA's Disclosure Guidance and Transparency Rules:

Shareholder	Number of shares held	% held
Aberdeen Asset Managers Limited Retail Plans <sup>A</sup>	34,781,676	23.5

<sup>A</sup> Non-beneficial interest

There have been no changes notified to the Company between the year end and the date of approval of this Report.

## Directors

At the end of the year, the Board comprised five non-executive Directors, each of which is considered by the Board to be independent of the Company and the Manager. David Barron is the Chairman and Howard Williams is the Senior Independent Director.

# Directors' Report

## Continued

Elisabeth Scott retired as a Director on 10 June 2021 and Gay Collins was appointed as an independent non-executive Director on 1 July 2021.

The Directors attended scheduled Board and Committee meetings during the year ended 31 January 2022 as follows (with their eligibility to attend the relevant meetings in brackets):

	Board Meetings	Audit Committee Meetings	Management Engagement Committee Meetings	Nomination and Remuneration Committee Meetings
David Barron	4 (4)	- (-)	1 (1)	1 (1)
Gay Collins <sup>A</sup>	2 (2)	1 (1)	1 (1)	1 (1)
Jasper Judd	4 (4)	2 (2)	1 (1)	1 (1)
Christine Montgomery	4 (4)	2 (2)	1 (1)	1 (1)
Elisabeth Scott <sup>B</sup>	2 (2)	1 (1)	- (-)	- (-)
Howard Williams	4 (4)	2 (2)	1 (1)	1 (1)

<sup>A</sup> Appointed on 1 July 2021

<sup>B</sup> Retired on 10 June 2021

The Board meets more frequently when business needs require. Four additional Board meetings and one additional Nomination and Remuneration Committee meeting were held during the year, at which all Directors were present.

Under the terms of the Company's Articles of Association, Directors are subject to election at the first Annual General Meeting after their appointment and are required to retire and be subject to re-election at least every three years thereafter. However, the Board has decided that all Directors will retire annually.

Gay Collins will stand for election at the Annual General Meeting. Jasper Judd, Howard Williams, Christine Montgomery and David Barron will retire at the Annual General Meeting and, being eligible, offer themselves for re-election.

The Board believes that all the Directors seeking election/re-election remain independent of the Manager and free from any relationship which could materially interfere with the exercise of their judgement on issues of strategy, performance, resources and standards of conduct. The biographies of each of the Directors are shown on pages 50 to 52, setting out their range of skills and experience as well as length of service and their contribution to the Board during the year. The Board believes that each Director has the requisite high level and range of business, investment and financial experience

which enables the Board to provide clear and effective leadership and proper governance of the Company. Following formal performance evaluations, each Director's performance continues to be effective and demonstrates commitment to the role, and their individual performances contribute to the long-term sustainable success of the Company. The Board therefore recommends the election/re-election of each of the Directors at the Annual General Meeting.

## Board's Policy on Tenure

In normal circumstances, it is the Board's expectation that Directors will not serve beyond the Annual General Meeting following the ninth anniversary of their appointment. However, the Board takes the view that independence of individual Directors is not necessarily compromised by length of tenure on the Board and that continuity and experience can add significantly to the Board's strength. The Board believes that recommendation for re-election should be on an individual basis following a rigorous review which assesses the contribution made by the Director concerned, but also taking into account the need for managed succession and diversity.

It is the Board's policy that the Chairman of the Board will not serve as a Director beyond the Annual General Meeting following the ninth anniversary of his or her appointment to the Board. However, this may be extended in exceptional circumstances or to facilitate effective succession planning and the development of a diverse Board. In such a situation the reasons for the extension will be fully explained to shareholders and a timetable for the departure of the Chairman clearly set out.

## The Role of the Chairman and Senior Independent Director

The Chairman is responsible for providing effective leadership of the Board, demonstrating objective judgement and promoting a culture of openness and debate. The Chairman facilitates the effective contribution and encourages active engagement by each Director. In conjunction with the Company Secretary, the Chairman ensures that Directors receive accurate, timely and clear information to assist them with effective decision-making. The Chairman acts upon the results of the Board evaluation process by recognising strengths and addressing any weaknesses and also ensures that the Board engages with major shareholders and that all Directors understand shareholder views.



The Senior Independent Director acts as a sounding board for the Chairman and acts as an intermediary for other Directors, when necessary. Working closely with the Nomination and Remuneration Committee, the Senior Independent Director takes responsibility for an orderly succession process for the Chairman, and leads the annual appraisal of the Chairman's performance. The Senior Independent Director is also available to shareholders to discuss any concerns they may have.

### **Directors' and Officers' Liability Insurance**

The Company maintains insurance in respect of Directors' and Officers' liabilities in relation to their acts on behalf of the Company. Each Director is entitled to be indemnified out of the assets of the Company to the extent permitted by law against any loss or liability incurred by him or her in the execution of his or her duties in relation to the affairs of the Company. These rights are included in the Articles of Association of the Company.

### **Management of Conflicts of Interest**

The Board has a procedure in place to deal with a situation where a Director has a conflict of interest. As part of this process, each Director prepares a list of other positions held and all other conflict situations that may need to be authorised either in relation to the Director concerned or his or her connected persons. The Board considers each Director's situation and decides whether to approve any conflict, taking into consideration what is in the best interests of the Company and whether the Director's ability to act in accordance with his or her wider duties is affected. Each Director is required to notify the Company Secretary of any potential, or actual, conflict situations that will need authorising by the Board. Authorisations given by the Board are reviewed at each Board meeting.

No Director has a service contract with the Company although all Directors are issued with letters of appointment. There were no contracts during, or at the end of the year, in which any Director was interested.

The Company has a policy of conducting its business in an honest and ethical manner. The Company takes a zero-tolerance approach to bribery and corruption and has procedures in place that are proportionate to the Company's circumstances to prevent them. The Manager also adopts a group-wide zero-tolerance approach and has its own detailed policy and procedures in place to prevent bribery and corruption. Copies of the Manager's anti-bribery and corruption policies are available on its website.

In relation to the corporate offence of failing to prevent tax evasion, it is the Company's policy to conduct all business

in an honest and ethical manner. The Company takes a zero-tolerance approach to facilitation of tax evasion whether under UK law or under the law of any foreign country and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships.

### **Corporate Governance**

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good governance and this statement describes how the Company has applied the principles identified in the UK Corporate Governance Code as published in July 2018 (the "UK Code"), which is available on the Financial Reporting Council's (the "FRC") website: [frc.org.uk](http://frc.org.uk).

The Board has also considered the principles and provisions of the AIC Code of Corporate Governance as published in February 2019 (the "AIC Code"). The AIC Code addresses the principles and provisions set out in the UK Code, as well as setting out additional provisions on issues that are of specific relevance to the Company. The AIC Code is available on the AIC's website: [theaic.co.uk](http://theaic.co.uk).

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the FRC, provides more relevant information to shareholders.

The Board confirms that, during the year, the Company complied with the principles and provisions of the AIC Code and the relevant provisions of the UK Code, except as set out below.

The UK Code includes provisions relating to:

- interaction with the workforce (provisions 2, 5 and 6);
- the role and responsibility of the chief executive (provisions 9 and 14);
- previous experience of the chairman of a remuneration committee (provision 32); and
- executive directors' remuneration (provisions 33 and 36 to 41).

The Board considers that these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

Full details of the Company's compliance with AIC Code can be found on its website.

# Directors' Report

## Continued

### Board Committees

The Board has appointed a number of Committees, as set out below. Copies of their terms of reference, which clearly define the responsibilities and duties of each Committee, are available on the Company's website, or upon request from the Company. The terms of reference of each of the Committees are reviewed and re-assessed by the Board for their adequacy on an ongoing basis.

#### Audit Committee

The Audit Committee's Report is contained on pages 63 to 65.

#### Management Engagement Committee

The Management Engagement Committee consists of all the Directors. The Committee was chaired by Elisabeth Scott until her retirement from the Board on 10 June 2021 at which point Christine Montgomery was appointed as Chairman. The terms and conditions of the Manager's appointment, including an evaluation of performance and fees, are reviewed by the Committee on an annual basis. The Committee also keeps the resources of the abrdn Group under review, together with its commitment to the Company and its investment trust business. In addition, the Committee conducts an annual review of the performance, terms and conditions of the Company's main third party suppliers.

The Board remains satisfied with the capability of the abrdn Group to deliver satisfactory investment performance, that its investment screening processes are thorough and robust and that it employs a well-resourced team of skilled and experienced fund managers. In addition, the Board is satisfied that the abrdn Group has the secretarial, administrative and promotional skills required for the effective operation and administration of the Company. Accordingly, the Board believes that the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole.

#### Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of all the Directors. The Committee is chaired by Howard Williams who has relevant experience and understanding of the Company. The Committee reviews the effectiveness of the Board, succession planning, Board appointments, appraisals and training, and determines the Directors' remuneration policy and level of remuneration, including for the Chairman. The Committee also considers the need to appoint an external remuneration consultant. Further details of the remuneration policy are provided in the Directors' Remuneration Report on pages 59 to 62.

During the year, through the work of the Nomination and Remuneration Committee, the Board engaged an independent external firm, Lintstock Limited, to facilitate a review of the Board, its Committees and the performance of individual Directors. The process involved the completion of questionnaires by each Director and the production of a report to the Board by Lintstock Limited summarising the findings of the review. The results of the process were discussed by the Board following its completion, with appropriate action points made. The main actions points were for the Board to enhance detailed oversight of marketing activities, to conduct additional training of Directors especially in relation to evolving ESG regulatory and reporting requirements, and to consider ways of improving the use of time in and around Board meetings. These matters will be addressed by the Board during the current financial year.

Following the evaluation process, the Board believes that it continues to operate in an efficient and effective manner with each Director making a significant contribution to the Board. The intention is that the evaluation of the Board will be externally facilitated every three years, the next such review to be conducted during the year ending 31 January 2025.

The Committee considers succession planning on at least an annual basis. Potential new Directors are identified against the requirements of the Company's business and the need to have a balance of skills, experience, independence, diversity and knowledge of the Company within the Board.

In respect of the appointment of Gay Collins, who was appointed as an independent non-executive Director on 1 July 2021, the Board used the services of an external search consultant, Cornforth Consulting Limited. Cornforth Consulting Limited does not have any other connections with the Company or individual Directors.

### Going Concern

The Company's assets consist mainly of equity shares in companies listed on the London Stock Exchange and in most circumstances are considered to be realisable within a short timescale. The Board has set limits for borrowing and derivative contract positions and regularly reviews actual exposures, cash flow projections and compliance with loan covenants. The Board has also performed stress testing and liquidity analysis.

The Directors believe that the Company has adequate financial resources to continue in operational existence for the foreseeable future and for at least twelve months from the date of this Report. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements.

## Accountability and Audit

The respective responsibilities of the Directors and the Auditor in connection with the financial statements appear on pages 68, and 73.

Each Director confirms that, so far as he or she is aware, there is no relevant audit information of which the Company's Auditor is unaware, and they have taken all the steps that they could reasonably be expected to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

## Independent Auditor

The Company's Auditor, Deloitte LLP, has indicated its willingness to remain in office. The Board will propose resolutions at the Annual General Meeting to re-appoint Deloitte LLP as Auditor for the ensuing year and to authorise the Directors to determine its remuneration.

## Relations with Shareholders

The Directors place a great deal of importance on communications with shareholders. Shareholders and investors may obtain up to date information on the Company through its website and the Manager's Customer Services Department (see Contact Addresses).

The Board's policy is to communicate directly with shareholders and their representative bodies without the involvement of the management group (including the Company Secretary or the Manager) in situations where direct communication is required, and representatives from the Board and Manager meet with major shareholders on at least an annual basis in order to gauge their views. In addition, the Company Secretary only acts on behalf of the Board, not the Manager, and there is no filtering of communication. At each Board meeting the Board receives full details of any communication from shareholders to which the Chairman responds personally as appropriate.

Directors attend meetings with the Company's largest shareholders and meet other shareholders at the Annual General Meeting and, as explained in the Chairman's Statement, the Company will hold an online shareholder presentation in advance of the Annual General Meeting this year, which will include an interactive question and answer session.

The notice of the Annual General Meeting is sent out at least 20 working days in advance of the meeting. All shareholders have the opportunity to put questions to the Board and Manager at the meeting.

## Disclosures in Strategic Report

In accordance with Section 414 C (11) of the Companies Act 2006, the following information otherwise required to be set out in the Directors' Report has been included in the Strategic Report: risk management objectives and policies and likely future developments in the business.

## Annual General Meeting and Online Shareholder Presentation

The Annual General Meeting will be held at Bow Bells House, 1 Bread Street, London EC4M 9HH on Tuesday 24 May 2022 at 12 noon. In addition, and as set out in more detail in the Chairman's Statement, there will be an online shareholder presentation on Monday 16 May 2022.

Given the evolving nature of the Covid-19 pandemic, should circumstances change significantly before the time of the Annual General Meeting, the Company will notify shareholders of any changes to the arrangements by updating the Company's website and through an RIS announcement, where appropriate, as early as is possible before the date of the meeting. Shareholders should note that if law or Government guidance so requires at the time of the meeting, the Chairman of the meeting will limit, in his or her sole discretion, the number of individuals in attendance at the meeting and may be required to impose entry restrictions on certain persons wishing to attend the meeting in order to ensure the safety of those attending.

The Notice of the Meeting is included on pages 113 to 117. Resolutions including the following business will be proposed:

### Allotment of Shares

Resolution 11 will be proposed as an ordinary resolution to confer an authority on the Directors, in substitution for any existing authority, to allot up to 33.33% of the issued Ordinary share capital of the Company (excluding treasury shares) as at the date of the passing of the resolution (up to a maximum aggregate nominal amount of £12,354,154 based on the number of Ordinary shares in issue as at the date of this Report) in accordance with Section 551 of the Companies Act 2006. The authority conferred by this resolution will expire at the next Annual General Meeting of the Company or 31 July 2023, whichever is earlier (unless previously revoked, varied or extended by the Company in general meeting).

The Directors consider that the authority proposed to be granted by resolution 11 is necessary to retain flexibility, although they do not at the present time have any intention of exercising such authority.

# Directors' Report

## Continued

### Limited Disapplication of Pre-emption Provisions

Resolution 12 will be proposed as a special resolution and seeks to give the Directors power to allot Ordinary shares and to sell Ordinary shares held in treasury (see below) (i) by way of a rights issue (subject to certain exclusions); (ii) by way of an open offer or other offer of securities (not being a rights issue) in favour of existing shareholders in proportion to their shareholdings (subject to certain exclusions); and (iii) to persons other than existing shareholders for cash up to a maximum aggregate nominal amount representing 5% of the Company's issued Ordinary share capital as at the date of the passing of the resolution (up to an aggregate nominal amount of £1,853,308 based on the number of Ordinary shares in issue as at the date of this Report), without first being required to offer such shares to existing shareholders pro rata to their existing shareholding.

This power will expire at the conclusion of the next Annual General Meeting of the Company or 31 July 2023, whichever is earlier (unless previously revoked, varied or extended by the Company in general meeting).

The Company may buy back and hold shares in treasury and then sell them at a later date for cash rather than cancelling them. Such sales are required to be on a pre-emptive, pro rata basis to existing shareholders unless shareholders agree by special resolution to disapply such pre-emption rights. Accordingly, in addition to giving the Directors power to allot unissued Ordinary share capital on a non pre-emptive basis, resolution 12 will also give the Directors power to sell Ordinary shares held in treasury on a non pre-emptive basis, subject always in both cases to the limitations noted above. Pursuant to this power, Ordinary shares would only be issued for cash, and treasury shares would only be sold for cash, at a premium to the net asset value per share (calculated after the deduction of prior charges at market value). Treasury shares are explained in more detail under the heading "Market Purchase of the Company's own Ordinary Shares" below.

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

Resolution 13 will be proposed as a special resolution to authorise the Company to make market purchases of its own Ordinary shares. The Company may do either of the following things in respect of its own Ordinary shares which it buys back and does not immediately cancel but, instead, holds in treasury:

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

Treasury shares may be re-sold quickly and cost effectively. The Directors therefore intend to continue to take advantage of this flexibility as they deem appropriate. Treasury shares also enhance the Directors' ability to manage the Company's capital base.

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% of the issued Ordinary share capital of the Company as at the date of the passing of the resolution (approximately 22.2 million Ordinary shares). The minimum price which may be paid for an Ordinary share is 25p (exclusive of expenses). The maximum price (exclusive of expenses) which may be paid for the shares is the higher of a) 5% above the average of the middle market quotations of the Ordinary shares (as derived from the Daily Official List of the London Stock Exchange) for the shares for the five business days immediately preceding the date of purchase; and b) the higher of the price of the last independent trade and the highest current independent bid on the main market for the Ordinary shares.

This authority, if conferred, will expire at the conclusion of the next Annual General Meeting of the Company or 31 July 2023, whichever is earlier (unless previously revoked, varied or extended by the Company in general meeting), and will be exercised only if it would result in an increase in net asset value per Ordinary share for the remaining shareholders and if it is in the best interests of shareholders as a whole.

### Recommendation

The Directors consider that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders and recommend that shareholders vote in favour of the resolutions as they intend to do in respect of their own beneficial shareholdings, amounting to 46,966 Ordinary shares, representing 0.3% of the issued share capital.

### By order of the Board

#### Aberdeen Asset Management PLC

Company Secretary  
1 George Street  
Edinburgh EH2 2LL  
6 April 2022

# Directors' Remuneration Report

This Directors' Remuneration Report comprises three parts:

1. a Remuneration Policy which is subject to a binding shareholder vote every three years (or sooner if varied during this interval) – most recently voted on at the Annual General Meeting on 16 July 2020;
2. an Implementation Report which is subject to an advisory vote on the level of remuneration paid during the year; and
3. an Annual Statement.

Company law requires the Company's Auditor to audit certain of the disclosures provided in the Directors' Remuneration Report. Where disclosures have been audited, they are indicated as such. The Auditor's report is included on pages 69 to 76.

The Director's Remuneration Policy and level of Directors' remuneration are determined by the Nomination and Remuneration Committee, which is chaired by Howard Williams and comprises all of the Directors.

## Remuneration Policy

The Directors' Remuneration Policy takes into consideration the principles of the UK Corporate Governance Code and the AIC's recommendations regarding the application of those principles to investment companies.

No shareholder views have been sought in setting the remuneration policy although any comments received from shareholders are considered.

Directors' fees are set within the limits of the Company's Articles of Association which limit the aggregate fees payable to the Board of Directors per annum. The current limit is £200,000 per annum and may only be increased by shareholder resolution.

The Board's policy is that the remuneration of non-executive Directors should be sufficient to attract Directors of the quality required to run the Company successfully. The remuneration should also reflect the nature of the Directors' duties, responsibilities, the value of their time spent and be fair and comparable to that of other investment trusts that are similar in size, and have similar capital structures and similar investment objectives.

The levels of fees at the year end are set out in the table below. Fees are reviewed annually and were most recently changed with effect from 1 February 2021.

	31 January 2022 £	31 January 2021 £
Chairman	38,000	37,000
Chairman of Audit Committee	29,500	28,500
Director	24,750	24,000

An additional fee of £2,000 per annum is payable to the Senior Independent Director.

## Appointment

- The Company only intends to appoint non-executive Directors.
- All the Directors are non-executive and are appointed under the terms of letters of appointment.
- Under the terms of the Company's Articles of Association, Directors are subject to election at the first Annual General Meeting after their appointment and are required to retire and be subject to re-election at least every three years thereafter. However, the Board has decided that all Directors will retire annually.
- Any Director newly appointed to the Board will receive the fee applicable to each of the other Directors at the time of appointment together with any other fee then currently payable in respect of a specific role which the new Director is to undertake for the Company.
- No incentive or introductory fees will be paid to encourage a person to become a Director.
- Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.
- Directors are entitled to re-imbursalment of out-of-pocket expenses incurred in connection with the performance of their duties, including travel expenses.
- The Company indemnifies its Directors for all costs, charges, losses, expenses and liabilities which may be incurred in the discharge of duties as a Director of the Company.

# Directors' Remuneration Report

## Continued

### Performance, Service Contracts, Compensation and Loss of Office

- Directors' remuneration is not subject to any performance related fee.
- No Director has a service contract.
- No Director was interested in contracts with the Company during the period or subsequently.
- The terms of appointment provide that a Director may be removed without notice.
- Compensation will not be due upon leaving office.
- No Director is entitled to any other monetary payment or any assets of the Company.

Directors' & Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

There were no changes to the Directors' Remuneration Policy during the year nor are there any proposals for changes in the foreseeable future. The Remuneration Policy is reviewed by the Nomination and Remuneration Committee on an annual basis and it is the Committee's intention that this Remuneration Policy will apply for the three year period ending 31 January 2023.

### Statement of Voting at General Meeting

At the Annual General Meeting held on 16 July 2020, shareholders approved the Directors' Remuneration Policy. 97.4% of proxy votes were in favour of the resolution, 1.7% were against and 0.9% abstained.

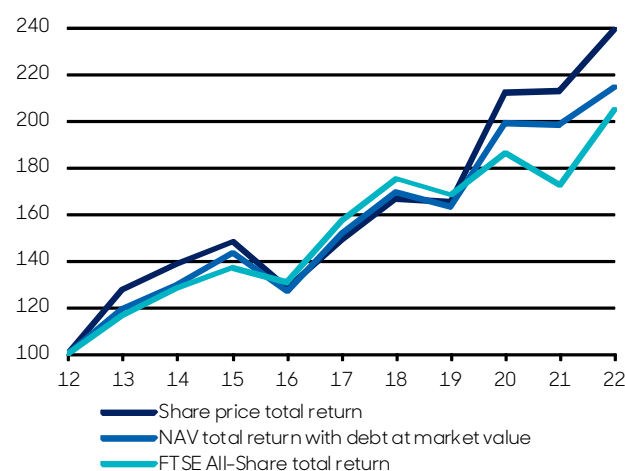
## Implementation Report

### Review of Directors' Fees

The Nomination and Remuneration Committee carried out a review of the level of Directors' fees during the year, which included consideration of fees paid by comparable investment trusts and the sector as a whole. Following this review, the Committee concluded that, with effect from 1 February 2022, fees should be increased to £40,000 for the Chairman, £31,500 for the Audit Committee Chairman and £26,500 for the other Directors. It was also agreed that an additional fee of £2,000 per annum should continue to be payable to the Senior Independent Director. There are no further fees to disclose as the Company has no employees, chief executive or executive directors.

### Company Performance

The graph below shows the share price and NAV total return (assuming all dividends are reinvested) to Ordinary shareholders compared to the total return from the FTSE All-Share Index for the ten year period to 31 January 2022 (rebased to 100 at 31 January 2012). This Index was chosen for comparison purposes as it is the Company's benchmark used for investment performance measurement purposes.



### Spend on Pay

As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders. The total fees paid to Directors are shown below.

## Audited Information

### Fees Payable

The Directors who served during the year received the following emoluments in the form of fees.

Director	2022 £	2021 £
David Barron	38,000	37,000
Catherine Claydon <sup>A</sup>	-	11,952
Gay Collins <sup>B</sup>	14,438	-
Jasper Judd	29,500	28,500
Christine Montgomery	24,750	24,000
Elisabeth Scott <sup>C</sup>	8,937	24,000
Howard Williams <sup>D</sup>	26,750	24,755
<b>Total</b>	<b>142,375</b>	<b>150,207</b>

<sup>A</sup> Retired on 16 July 2020

<sup>B</sup> Appointed on 1 July 2021

<sup>C</sup> Retired on 10 June 2021

<sup>D</sup> Appointed Senior Independent Director on 16 July 2020

The above amounts exclude any employers' national insurance contributions. All fees are at a fixed rate and there is no variable remuneration. Fees are pro-rated where a change takes place during a financial year. There were no payments to third parties included in the fees referred to in the table above.

### Annual Percentage Change in Directors' Remuneration

The table below sets out the annual percentage change in Directors' fees for the past two years.

Director	Year ended 31 January 2022	Year ended 31 January 2021
	%	%
David Barron	2.7	5.7
Gay Collins <sup>A</sup>	n/a	n/a
Jasper Judd	3.5	5.6
Christine Montgomery	3.1	n/a
Howard Williams <sup>B</sup>	8.1	7.6

<sup>A</sup> Appointed on 1 July 2021

<sup>B</sup> Appointed Senior Independent Director on 16 July 2020

## Directors' Interests in the Company

The Directors are not required to have a shareholding in the Company. The Directors (including their connected persons) at 31 January 2022 and 31 January 2021 had no interest in the share capital of the Company other than those interests, all of which are beneficial, shown in the following table.

	31 January 2022 Ordinary shares	31 January 2021 Ordinary shares
David Barron	21,977	21,977
Gay Collins <sup>A</sup>	3,032	-
Jasper Judd	5,000	5,000
Christine Montgomery	5,000	5,000
Elisabeth Scott <sup>B</sup>	4,800	4,800
Howard Williams	11,843	11,391

<sup>A</sup> Appointed on 1 July 2021

<sup>B</sup> At date of retirement on 10 June 2021

Since the year end Howard Williams has acquired an additional 114 Ordinary shares through a dividend re-investment plan. There have been no other changes to the Directors' interests in the share capital of the Company since the year end up to the date of approval of this Report.

### Statement of Voting at General Meeting

At the Company's last Annual General Meeting, held on 10 June 2021, shareholders approved the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) in respect of the year ended 31 January 2021. 97.2% of proxy votes were in favour of the resolution, 1.4% were against and 1.4% abstained.

A resolution to receive and adopt the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) in respect of the year ended 31 January 2022 will be proposed at the Annual General Meeting.

# Directors' Remuneration Report

## Continued

### Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, it is confirmed that the above Remuneration Report summarises, as applicable, for the year to 31 January 2022:

- the major decisions on Directors' remuneration;
- any substantial changes relating to Directors' remuneration made during the year; and
- the context in which the changes occurred and decisions have been taken.

### On behalf of the Board

**David Barron**

Chairman

6 April 2022



# Audit Committee's Report

The Audit Committee presents its Report for the year ended 31 January 2022.

## Committee Composition

Throughout the year the Audit Committee consisted of all the Directors except for the Chairman of the Board, David Barron. The Committee is chaired by Jasper Judd who is a Chartered Accountant and has recent and relevant financial experience. The Board is satisfied that the Committee as a whole has competence relevant to the investment trust sector.

## Functions of the Audit Committee

The principal role of the Audit Committee is to assist the Board in relation to the reporting of financial information, the review of financial controls and the management of risk. The Committee has defined terms of reference which are reviewed and re-assessed for their adequacy on at least an annual basis. Copies of the terms of reference are published on the Company's website and are available from the Company on request.

The Committee's main functions are listed below:

- to review and monitor the internal control systems and risk management systems (including review of non-financial risks) on which the Company is reliant (the Directors' statement on the Company's internal controls and risk management is set out below);
- to consider whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the half-yearly and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Manager;
- to review, and report to the Board on, the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, half-yearly financial reports, announcements and related formal statements;
- to review the content of the Annual Report and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- to meet with the Auditor to review the proposed audit programme of work and the findings of the Auditor. The Committee shall also use this as an opportunity to assess the effectiveness of the audit process;
- to develop and implement policy on the engagement of the Auditor to supply non-audit services. Non-audit fees paid to the Auditor during the year under review

amounted to £8,000 (2021: £8,000), representing the review of the Half-Yearly Financial Report. All non-audit services must be approved in advance by the Audit Committee and will be reviewed in the light of statutory requirements and the need to maintain the Auditor's independence;

- to review a statement from the abrdn Group detailing the arrangements in place within the group whereby staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters;
- to make recommendations in relation to the appointment of the Auditor and to approve the remuneration and terms of engagement of the Auditor; and
- to monitor and review the Auditor's independence, objectivity, effectiveness, resources and qualification.

## Activities During the Year

The Audit Committee met twice during the year when, amongst other things, it considered the Annual Report and the Half-Yearly Financial Report in detail. Representatives of the abrdn Group's internal audit, risk and compliance departments reported to the Committee at these meetings on matters such as internal control systems, risk management and the conduct of the business in the context of its regulatory environment.

## Internal Controls and Risk Management

There is an ongoing process for identifying, evaluating and managing the Company's significant business and operational risks, that has been in place for the year ended 31 January 2022 and up to the date of approval of the Annual Report, is regularly reviewed by the Board and accords with the FRC's guidance on internal controls.

The Board has overall responsibility for ensuring that there is a system of internal controls in place and a process for reviewing its effectiveness. Any system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The design, implementation and maintenance of controls and procedures to safeguard the assets of the Company and to manage its affairs properly extends to operational and compliance controls and risk management. The Board, through the Audit Committee, has prepared its own risk register which lists potential risks as set out in the Strategic Report on pages 14 to 16. The Board considers the potential cause and possible effect of these risks as well as reviewing the controls in place to mitigate them.

# Audit Committee's Report

## Continued

Clear lines of accountability have been established between the Board and the Manager. The Board receives regular reports covering key performance and risk indicators and considers control and compliance issues brought to its attention. In carrying out its review, the Board has had regard to the activities of the abrdrn Group, including its internal audit and compliance functions, and the Auditor.

The Board has reviewed the abrdrn Group's process for identifying and evaluating the significant risks faced by the Company and the policies and procedures by which these risks are managed. The Board has also reviewed the effectiveness of the abrdrn Group's system of internal control including its annual internal controls report prepared in accordance with the International Auditing and Assurance Standards Board's International Standard on Assurance Engagements ("ISAE") 3402, "Assurance Reports on Controls at a Service Organization".

Risks are identified and documented through a risk management framework by each function within the abrdrn Group's activities. Risk is considered in the context of the FRC's guidance on internal controls and includes financial, regulatory, market, operational and reputational risk. This helps the internal audit risk assessment model identify those functions for review. Any weaknesses identified are reported to the Board and timetables are agreed for implementing improvements to systems. The implementation of any remedial action required is monitored and feedback provided to the Board.

The key components designed to provide effective internal control are outlined below:

- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers;
- the Board and Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board;
- the Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance; the emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception;
- as a matter of course the abrdrn Group's compliance department continually reviews the Company's operations; and

- at its meeting in March 2022, the Audit Committee carried out an annual assessment of internal controls for the year ended 31 January 2022 by considering documentation from the abrdrn Group, including the internal audit and compliance functions and taking account of events since 31 January 2022.

The Board has considered the need for an internal audit function. However, the Company has no employees and the day-to-day management of the Company's assets has been delegated to the abrdrn Group which has its own compliance and internal control systems. The Board has therefore decided to place reliance on those systems and internal audit procedures and has concluded that it is not necessary for the Company to have its own internal audit function.

## Financial Statements and Significant Issues

During its review of the Company's financial statements for the year ended 31 January 2022, the Audit Committee considered the following significant issues, in particular those communicated by the Auditor during its planning and reporting of the year-end audit:

### Valuation and Existence of Investments

*How the issue was addressed* – The Company's investments have been valued in accordance with the accounting policies, as disclosed in note 2 (c) to the financial statements. All investments are in quoted securities in active markets, are considered to be liquid and have been categorised as Level 1 within the FRS102 fair value hierarchy. The portfolio holdings and their pricing is reviewed and verified by the Manager on a regular basis and management accounts, including a full portfolio listing, are prepared for each Board meeting. The Company uses the services of an independent Depositary (The Bank of New York Mellon (International) Limited) to hold the assets of the Company. The Depositary checks the consistency of its records with those of the Manager on a monthly basis and reports to the Board on an annual basis.

### Recognition of Investment Income

*How the issue was addressed* – The recognition of investment income is undertaken in accordance with the stated accounting policies. In addition, the Directors review the Company's income, revenue forecasts and dividend comparisons at each Board meeting.

### **Maintenance of Investment Trust Status**

*How the issue was addressed*- The Company has been approved as an investment trust under Sections 1158 and 1159 of the Corporation Tax Act 2010. Ongoing compliance with the eligibility criteria is monitored on a regular basis by the Manager and reported at each Board meeting.

### **Review of the Auditor**

The Audit Committee has reviewed the effectiveness of the Auditor, Deloitte LLP ("Deloitte"), including:

- Independence - the Auditor discusses with the Audit Committee, at least annually, the steps it takes to ensure its independence and objectivity and makes the Committee aware of any potential issues, explaining all relevant safeguards.
- Quality of audit work - including the ability to resolve issues in a timely manner (identified issues are satisfactorily and promptly resolved), its communications/presentation of outputs (the explanation of the audit plan, any deviations from it and the subsequent audit findings are comprehensive and comprehensible), and working relationship with management (the Auditor has a constructive working relationship with the Manager).
- Quality of people and service - including continuity and succession plans (the audit team is made up of sufficient, suitably experienced staff with provision made for knowledge of the investment trust sector and retention on rotation of the audit partner).

In reviewing the Auditor, the Committee also took into account the FRC's Audit Quality Inspection Report for Deloitte.

### **Tenure of the Auditor**

Deloitte was initially appointed as the Company's Auditor at the Annual General Meeting on 23 May 2017. In accordance with present professional guidelines the audit partner is rotated after no more than five years and the year ended 31 January 2022 is the fifth year for which the present audit partner, Andrew Partridge, has served. A new audit partner has been introduced to the Audit Committee and Deloitte has confirmed that there will be continuity in the audit team.

In compliance with the appropriate regulations, the next audit tender of the Company is due to take place by 2027.

The Audit Committee is satisfied that Deloitte is independent and therefore supports the recommendation to the Board that the re-appointment of Deloitte be put to shareholders for approval at the Annual General Meeting.

#### **Jasper Judd**


Chairman of the Audit Committee

6 April 2022



# Financial Statements

8.4% of the Company's total assets are invested in the Beverages sub-sector.

The background of the page is a photograph of a large industrial copper vessel, possibly a boiler or heat exchanger, with a wooden walkway in the foreground. The copper has a warm, reddish-orange hue and is highly reflective, showing bright highlights from overhead lights. The wooden walkway is in the lower-left foreground, and a metal railing is visible on the right side. The text is overlaid on the upper right portion of the image.

The Company's net asset value ("NAV") increased by 8.1% on a total return basis, underperforming the FTSE All-Share Index which produced a total return of 18.9%. The share price total return for the year of 12.5% exceeded the NAV total return, reflecting a move from a discount to NAV to a small premium at the end of the year.

# Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland'.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Statement of Corporate Governance that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, but not for the content of any information included on the website that has been prepared or issued by third parties. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that to the best of their knowledge:

- the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Annual Report taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's position and performance, business model and strategy; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

**On behalf of the Board**

**David Barron**

Chairman

6 April 2022

# Independent Auditor's Report to Dunedin Income Growth Investment Trust PLC

## 1. Opinion

In our opinion the financial statements of Dunedin Income Growth Investment Trust PLC (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 31 January 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice issued by the Association of Investment Companies in April 2021 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity;
- the Statement of Cash Flows; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice issued by the Association of Investment Companies ("SORP") in April 2021 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'.

## 2. Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Company for the year are disclosed in note 5 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## 3. Summary of Our Audit Approach

<b>Key audit matters</b>	The key audit matter that we identified in the current period was valuation and ownership of investments.
<b>Materiality</b>	The materiality that we used in the current year was £4.6 million (2021: £4.4 million) which was determined on the basis of 1% of net assets.
<b>Scoping</b>	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
<b>Significant changes in our approach</b>	There were no significant changes in our approach in the current year.

# Independent Auditor's Report to Dunedin Income Growth Investment Trust PLC

## Continued

### 4. Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- assessing liquidity and the ability of the Manager to trade in the investment portfolio in order to cover operational expenditure as it falls due;
- assessing whether the Company has complied with the covenant tests for its borrowing facilities to assess the continued availability of the borrowing facilities;
- assessing the appropriateness of the going concern disclosures included within the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Company has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

### 5. Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### 5.1 Valuation and Ownership of Investments

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<b>Key audit matter description</b>	<p>As an investment entity, the Company holds investments valued at fair value of £502.4 million as at 31 January 2022 (2021: £487.4 million) which has increased by 3% from the prior year-end. These represent the most quantitatively significant financial statement line on the Statement of Financial Position, hence alteration of investment quantity and/or prices is deemed more susceptible to manipulation by fraud.</p> <p>The activities of the Company's operations are outsourced to the administrator, BNP Paribas, and investments are held by the Depositary, The Bank of New York Mellon (International) Limited. Refer to note 2 (c) to the financial statements for the accounting policy on investments and details of the investments are disclosed in note 10 to the financial statements.</p>
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**How the scope of our audit responded to the key audit matter**

We performed the following procedures to address the valuation and ownership of the investment portfolio:

- obtained an understanding of relevant controls at the administrator, BNP Paribas, over the ownership and valuation of quoted investments and tested relevant controls;
- agreed 100% of the Company's investment portfolio at the year end to confirmations received directly from the Depository, BNY Mellon; and
- agreed 100% of the bid prices of quoted investments on the investment listing at year end to closing bid prices published by an independent pricing source.

In addition, we performed the following procedures:

- tested the accuracy of a sample of purchases and sales of investments; and
- assessed the completeness and appropriateness of disclosures in relation to fair value measurements and liquidity risk.

**Key observations**

Based on the work performed, we concluded that the valuation and ownership of investments was appropriate.

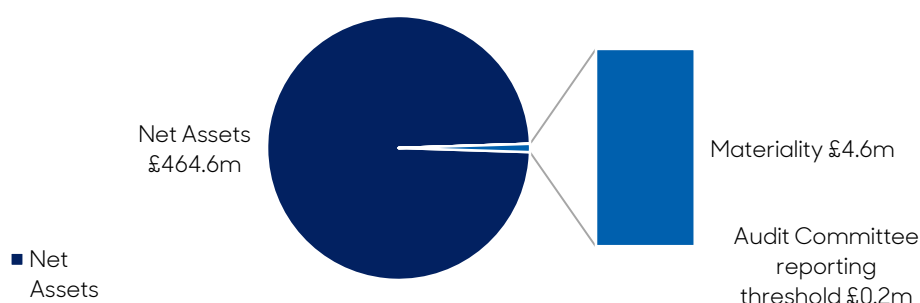
## 6. Our Application of Materiality

### 6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<b>Materiality</b>	£4.6 million (2021: £4.4 million)
<b>Basis for determining materiality</b>	1% (2021: 1%) of net assets
<b>Rationale for the benchmark applied</b>	Net assets has been chosen as it is considered the most relevant benchmark for investors and is a key driver of shareholder value



# Independent Auditor's Report to Dunedin Income Growth Investment Trust PLC

## Continued

### 6.2 Performance Materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2022 audit (2021: 70%). In determining performance materiality, we considered the following factors:

- our risk assessment, including our assessment of the Company's overall control environment; and
- our experience from previous audits has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

### 6.3 Error Reporting Threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.2 million (2021: £0.2 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## 7. An Overview of the Scope of our Audit

### 7.1 Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control and assessing the risks of material misstatement through quantitative and qualitative factors relating to each account balance, class of transactions and disclosure. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

### 7.2 Our Consideration of the Control Environment

The administrator of the Company, BNP Paribas, provides day to day administration of the Company and is also responsible for the Company's general administrative functions, including the calculation and publication of the net asset value and maintenance of the Company's accounting and statutory records.

As part of our risk assessment, we assessed the control environment in place at the administrator, to the extent relevant to our audit. As part of this, we relied upon the controls report of the administrator and adopted a controls reliance approach with respect to valuation and ownership of investments.

### 7.3 Our Consideration of Climate-Related Risks

In planning our audit, we have considered the potential impact of climate change on the Company's business and its financial statements. The Company continues to develop its assessment of the potential impacts of environmental, social and governance ("ESG") related risks as outlined on page 17. As a part of our audit, we held discussions to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Company's financial statements. We performed our own qualitative risk assessment of the potential impact of climate change on the Company's account balances and classes of transactions.

## 8. Other Information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## 9. Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## 10. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## 11. Extent to which the Audit was Considered Capable of Detecting Irregularities, Including Fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

# Independent Auditor's Report to Dunedin Income Growth Investment Trust PLC

## Continued

### 11.1 Identifying and Assessing Potential Risks Related to Irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Company's remuneration policies, key drivers for remuneration, bonus levels and performance targets;
- results of our enquiries of management and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Company's documentation of its policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: valuation and ownership of investments. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, the Listing Rules and UK tax legislation, given the Company's qualification as an investment trust.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. This included the requirements of the United Kingdom's Financial Conduct Authority ("FCA").

### 11.2 Audit Response to Risks Identified

As a result of performing the above, we identified valuation and ownership of investments as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

## **Report on Other Legal and Regulatory Requirements**

### **12. Opinions on Other Matters Prescribed by the Companies Act 2006**

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

### **13. Corporate Governance Statement**

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit: the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 56;

- the Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate page 18;
- the Directors' statement on fair, balanced and understandable page 68;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks page 14;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems pages 63 to 64; and
- the section describing the work of the Audit Committee pages 63 to 65.

## **14. Matters on Which we are Required to Report by Exception**

### **14.1 Adequacy of Explanations Received and Accounting Records**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

# Independent Auditor's Report to Dunedin Income Growth Investment Trust PLC

## Continued

### 14.2 Directors' Remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

## 15. Other Matters Which we Are Required to Address

### 15.1 Auditor Tenure

Following the recommendation of the Audit Committee, we were appointed by shareholders at the Annual General Meeting on 23 May 2017 to audit the financial statements for the period ending 31 January 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is five years, covering the years ending 31 January 2018 to 31 January 2022.

### 15.2 Consistency of the Audit Report with the Additional Report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

## 16. Use of Our Report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Andrew Partridge (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Edinburgh, United Kingdom

6 April 2022

# Statement of Comprehensive Income

	Notes	Year ended 31 January 2022			Year ended 31 January 2021		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	10	-	17,551	17,551	-	(16,360)	(16,360)
Currency profit/(loss)		-	525	525	-	(676)	(676)
Income	3	21,518	-	21,518	18,346	-	18,346
Investment management fee	4	(727)	(1,091)	(1,818)	(663)	(994)	(1,657)
Administrative expenses	5	(882)	-	(882)	(986)	-	(986)
<b>Net return before finance costs and taxation</b>		<b>19,909</b>	<b>16,985</b>	<b>36,894</b>	<b>16,697</b>	<b>(18,030)</b>	<b>(1,333)</b>
Finance costs	6	(569)	(824)	(1,393)	(540)	(800)	(1,340)
<b>Return before taxation</b>		<b>19,340</b>	<b>16,161</b>	<b>35,501</b>	<b>16,157</b>	<b>(18,830)</b>	<b>(2,673)</b>
Taxation	7	(267)	-	(267)	-	-	-
<b>Return after taxation</b>		<b>19,073</b>	<b>16,161</b>	<b>35,234</b>	<b>16,157</b>	<b>(18,830)</b>	<b>(2,673)</b>
<b>Return per Ordinary share (pence)</b>	9	<b>12.87</b>	<b>10.91</b>	<b>23.78</b>	<b>10.90</b>	<b>(12.71)</b>	<b>(1.81)</b>

The column of this statement headed "Total" represents the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations.

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

# Statement of Financial Position

	Notes	As at 31 January 2022 £'000	As at 31 January 2021 £'000
<b>Non-current assets</b>			
Investments at fair value through profit or loss	10	502,423	487,430
<b>Current assets</b>			
Debtors	11	2,672	1,053
Cash and cash equivalents		2,855	4,002
		<b>5,527</b>	<b>5,055</b>
<b>Creditors: amounts falling due within one year</b>			
Bank loan	12	(13,034)	(13,802)
Other creditors	12	(606)	(666)
		<b>(13,640)</b>	<b>(14,468)</b>
<b>Net current liabilities</b>		<b>(8,113)</b>	<b>(9,413)</b>
<b>Total assets less current liabilities</b>		<b>494,310</b>	<b>478,017</b>
<b>Creditors: amounts falling due after more than one year</b>	13	<b>(29,731)</b>	<b>(29,724)</b>
<b>Net assets</b>		<b>464,579</b>	<b>448,293</b>
<b>Capital and reserves</b>			
Called-up share capital	14	38,419	38,419
Share premium account		4,619	4,619
Capital redemption reserve		1,606	1,606
Capital reserve		396,303	380,142
Revenue reserve	16	23,632	23,507
<b>Equity shareholders' funds</b>		<b>464,579</b>	<b>448,293</b>
<b>Net asset value per Ordinary share (pence)</b>	17	<b>313.56</b>	<b>302.56</b>

The financial statements were approved and authorised for issue by the Board of Directors on 6 April 2022 and were signed on its behalf by:

**David Barron**

Director

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



# Statement of Changes in Equity

## For the year ended 31 January 2022

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>Balance at 31 January 2021</b>		38,419	4,619	1,606	380,142	23,507	448,293
Return after taxation		-	-	-	16,161	19,073	35,234
Dividends paid	8	-	-	-	-	(18,948)	(18,948)
<b>Balance at 31 January 2022</b>		38,419	4,619	1,606	396,303	23,632	464,579

## For the year ended 31 January 2021

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 January 2020		38,419	4,619	1,606	399,028	26,134	469,806
Return after taxation		-	-	-	(18,830)	16,157	(2,673)
Dividends paid	8	-	-	-	-	(18,784)	(18,784)
Buyback of Ordinary shares for treasury		-	-	-	(56)	-	(56)
<b>Balance at 31 January 2021</b>		38,419	4,619	1,606	380,142	23,507	448,293

The Revenue reserve and the part of the Capital reserve represented by realised capital gains represent the amount of the Company's reserves distributable by way of dividend.

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

# Statement of Cash Flows

	Notes	Year ended 31 January 2022 £'000	Year ended 31 January 2021 £'000
<b>Operating activities</b>			
Net return before finance costs and taxation		36,894	(1,333)
Adjustment for:			
(Gains)/losses on investments		(17,551)	16,360
Currency (gains)/losses		(525)	676
(Increase)/decrease in accrued dividend income		(223)	318
Stock dividends included in dividend income		(1,333)	(1,325)
Decrease in other debtors excluding tax		5	18
(Decrease)/increase in other creditors		(66)	227
Net tax (paid)/received		(811)	599
<b>Net cash flow from operating activities</b>		<b>16,390</b>	<b>15,540</b>
<b>Investing activities</b>			
Purchases of investments		(142,812)	(114,507)
Sales of investments		145,846	107,274
<b>Net cash from/(used in) investing activities</b>		<b>3,034</b>	<b>(7,233)</b>
<b>Financing activities</b>			
Interest paid		(1,380)	(1,332)
Dividends paid	8	(18,948)	(18,784)
Buyback of Ordinary shares for treasury		-	(56)
Loan repayment		(13,323)	(1,274)
Loan drawdowns		13,323	3,501
<b>Net cash used in financing activities</b>		<b>(20,328)</b>	<b>(17,945)</b>
<b>Decrease in cash and cash equivalents</b>		<b>(904)</b>	<b>(9,638)</b>
<b>Analysis of changes in cash and cash equivalents during the year</b>			
Opening balance		4,002	13,754
Effect of exchange rate fluctuations on cash held		(243)	(114)
Decrease in cash as above		(904)	(9,638)
<b>Closing balance</b>		<b>2,855</b>	<b>4,002</b>

The accompanying notes are an integral part of the financial statements. A reconciliation of the changes in net debt can be found in note 18 on page 93.

# Notes to the Financial Statements

For the year ended 31 January 2022

## 1. Principal activity

The Company is a closed-end investment company, registered in Scotland No. SC000881, with its Ordinary shares being listed on the London Stock Exchange.

## 2. Accounting policies

- (a) **Basis of preparation and going concern.** The financial statements have been prepared in accordance with Financial Reporting Standard 102 and with the AIC ("Association of Investment Companies") Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in April 2021. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000. They have also been prepared on the assumption that approval as an investment trust will continue to be granted.

The Company's assets consist substantially of equity shares in companies listed on recognised stock exchanges and in most circumstances are realisable within a short timescale. The Board has set limits for borrowing and regularly reviews actual exposures, cash flow projections and compliance with banking covenants. The Board has also performed stress testing and liquidity analysis. The Company has a £40 million multi-currency revolving loan facility which expires in July 2023 and the Board has considered the ability of the Company to refinance it. Having taken these factors into account as well as the impact of Covid-19 and having assessed the principal risks and other matters set out in the Viability Statement on page 18, the Directors believe that, after making enquiries, the Company has adequate resources to continue in operational existence for the foreseeable future and has the ability to meet its financial obligations as they fall due for a period of at least twelve months from the date of approval of this Report. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is included in the Directors' Report (unaudited) on page 56.

**Critical accounting judgements and key sources of estimation uncertainty.** The preparation of financial statements requires the use of certain significant accounting judgements, estimates and assumptions which requires management to exercise its judgement in the process of applying the accounting policies and are continually evaluated. The Board considers that there are no accounting judgements, estimates and assumptions which would significantly impact the financial statements.

- (b) **Revenue, expenses and interest payable.** Income from equity investments (other than special dividends), including taxes deducted at source, is included in revenue by reference to the date on which the investment is quoted ex-dividend. Special dividends are credited to revenue or capital according to the circumstances. Foreign income is converted at the exchange rate applicable at the time of receipt. Interest receivable on short term deposits and expenses are accounted for on an accruals basis. Income from underwriting commission is recognised as earned. Interest payable is calculated on an effective yield basis. Stock lending income is recognised on an accruals basis.

Underwriting commission is taken to revenue, unless any shares underwritten are required to be taken up, in which case the proportionate commission received is deducted from the cost of the investment.

Expenses are charged to capital when they are incurred in connection with the maintenance or enhancement of the value of investments. In this respect, the investment management fee and relevant finance costs, including the amortisation of expenses, are allocated between revenue and capital in line with the Board's expectation of returns from the Company's investments over the long-term of 40% to revenue and 60% to capital.

# Notes to the Financial Statements

## Continued

(c) **Investments.** Investments have been designated upon initial recognition as fair value through profit or loss. Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are measured initially at fair value. Subsequent to initial recognition, investments are recognised at fair value through profit or loss. For listed investments, this is deemed to be bid market prices or closing prices for SETS stocks sourced from the London Stock Exchange. SETS is the London Stock Exchange electronic trading service covering most of the market including all FTSE All-Share and the most liquid AIM constituents. Gains or losses arising from changes in fair value are included in net profit or loss for the period as a capital item in the Statement of Comprehensive Income.

(d) **Dividends payable.** Final dividends payable to equity shareholders are recognised in the financial statements when they have been approved by Shareholders and become a liability of the Company. Interim dividends are recognised in the financial statements in the period in which they are paid.

(e) **Nature and purpose of reserves**

**Called-up share capital.** The Ordinary share capital on the Statement of Financial Position relates to the number of shares in issue and in treasury. Only when the shares are cancelled, either from treasury or directly, is a transfer made to the capital redemption reserve.

**Share premium account.** The balance classified as share premium includes the premium above the nominal value from the proceeds on issue of any equity share capital comprising Ordinary shares of 25p.

**Capital redemption reserve.** The capital redemption reserve is used to record the amount equivalent to the nominal value of any of the Company's own shares purchased and cancelled in order to maintain the Company's capital.

**Capital reserve.** Gains or losses on the disposal of investments and changes in the fair values of investments are transferred to the capital reserve. The capital element of the management fee and relevant finance costs are charged to this reserve. Any associated tax relief is also credited to this reserve. Certain other items including gains or losses on foreign currency and special dividends are also allocated to this reserve as appropriate. The part of this reserve represented by realised capital gains is available for distribution by way of dividend.

The costs of share buybacks to be held in treasury are also deducted from this reserve.

**Revenue reserve.** Income and expenses which are recognised in the revenue column of the Statement of Comprehensive Income are transferred to the revenue reserve. The revenue reserve is available for distribution by way of dividend.

(f) **Taxation.** The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Owing to the Company's status as an investment trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

(g) **Foreign currency.** Monetary assets and liabilities and non-monetary assets held at fair value denominated in foreign currencies are converted into sterling at the rate of exchange ruling at the reporting date. Transactions during the year involving foreign currencies are converted at the rate of exchange ruling at the transaction date. Gains or losses arising from a change in exchange rates subsequent to the date of a transaction are included as a currency gain or loss in revenue or capital in the Statement of Comprehensive Income, depending on whether the gain or loss is of a revenue or capital nature. The Company receives a proportion of its investment income in foreign currency. These amounts are translated at the rate ruling on the date of receipt.

(h) **Traded options.** The Company may enter into certain derivative contracts (e.g. options). Option contracts are accounted for as separate derivative contracts and are therefore shown in other assets or other liabilities at their fair value. The initial fair value is based on the initial premium, which is recognised upfront. The premium received and fair value changes in the open position which occur due to the movement in underlying securities are recognised in the revenue column, losses realised on the exercise of the contracts are recorded in the capital column of the Statement of Comprehensive Income.

In addition, the Company may enter into derivative contracts to manage market risk and gains or losses arising on such contracts are recorded in the capital column of the Statement of Comprehensive Income.

(i) **Borrowings.** Borrowings are measured initially at the fair value of the consideration received, net of any issue expenses, and subsequently at amortised cost using the effective interest method. The finance costs of such borrowings are accounted for on an accruals basis using the effective interest rate method and are charged 40% to revenue and 60% to capital in the Statement of Comprehensive Income to reflect the Company's investment policy and prospective income and capital growth.

### 3. Income

	2022 £'000	2021 £'000
<b>Income from investments</b>		
UK dividend income	14,463	13,411
Overseas dividends	3,895	1,840
Stock dividends	1,333	1,325
	<b>19,691</b>	16,576
<b>Other income</b>		
Income on derivatives	1,826	1,748
Deposit interest	-	1
Interest received on withholding tax refunds	1	21
	<b>1,827</b>	1,770
<b>Total income</b>	<b>21,518</b>	18,346

During the year, the Company earned premiums totalling £1,826,000 (2021 - £1,748,000) in exchange for entering into derivative transactions. The Company had no open positions in derivative contracts at 31 January 2022 (2021 - no open positions). Losses realised on the exercise of derivative transactions are disclosed in note 10.

# Notes to the Financial Statements

## Continued

### 4. Management fee

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	727	1,091	1,818	663	994	1,657

The Company has an agreement with Aberdeen Standard Fund Managers Limited ("ASFML") for the provision of investment management, risk management, accounting, administrative and secretarial services. The management fee is calculated and charged, on a monthly basis, at 0.45% per annum on the first £225 million, 0.35% per annum on the next £200 million and 0.25% per annum on amounts over £425 million of the net assets of the Company, with debt at par and excluding commonly managed funds. The balance due at the year end was £154,000 (2021 - £291,000). The management fee is allocated 40% to revenue and 60% to capital. There were no commonly managed funds held in the portfolio during the year to 31 January 2022 (2021 - none).

The management agreement may be terminated by either party on six months' written notice.

### 5. Administrative expenses

	2022 £'000	2021 £'000
Directors' fees	142	150
Auditor's remuneration (excluding VAT):		
- fees payable to the Company's Auditor for the audit of the Company's annual accounts	27	24
- fees payable to the Company's Auditor for other services:		
- interim review	8	8
Promotional activities	243	361
Registrar's fees	51	51
Share plan fees	90	129
Printing and postage	48	50
Other expenses	273	213
	882	986

Expenses of £243,000 (2021 - £361,000) were paid to ASFML in respect of the promotion of the Company. The balance outstanding at the year end was £24,000 (2021 - £20,000). All amounts are inclusive of VAT.

All of the expenses above, with the exception of Auditor's remuneration, include VAT where applicable. The VAT charged on the Auditor's remuneration is disclosed within other expenses.

## 6. Finance costs

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Bank loan	68	102	170	51	78	129
Loan Notes - repayable after more than five years	479	718	1,197	479	718	1,197
Amortised Loan Notes issue expenses	3	4	7	2	4	6
Bank overdraft	19	-	19	8	-	8
	<b>569</b>	<b>824</b>	<b>1,393</b>	540	800	1,340

Finance costs (excluding bank overdraft interest) are allocated 40% to revenue and 60% to capital.

## 7. Taxation

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>(a) Analysis of charge for the year</b>						
Overseas tax suffered	961	-	961	248	-	248
Overseas tax reclaimable	(694)	-	(694)	(107)	-	(107)
Overseas tax refunded	-	-	-	(141)	-	(141)
<b>Total tax charge for the year</b>	<b>267</b>	<b>-</b>	<b>267</b>	<b>-</b>	<b>-</b>	<b>-</b>

**(b)** Factors affecting the tax charge for the year. The UK corporation tax rate is 19% (2021 - 19%). The tax assessed for the year is lower than the rate of corporation tax. The differences are explained below:

# Notes to the Financial Statements

## Continued

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Return before taxation</b>	<b>19,340</b>	<b>16,161</b>	<b>35,501</b>	16,157	(18,830)	(2,673)
Corporation tax at 19% (2021 - 19%)	3,675	3,071	6,746	3,070	(3,577)	(507)
Effects of:						-
Non-taxable UK dividend income	(2,748)	-	(2,748)	(2,548)	-	(2,548)
Non-taxable stock dividends	(254)	-	(254)	(217)	-	(217)
Capital (gains)/losses on investments not taxable	-	(3,335)	(3,335)	-	3,108	3,108
Expenses not deductible for tax purposes	1	-	1	-	-	-
Currency (gains)/losses not taxable	-	(99)	(99)	-	128	128
Overseas taxes	267	-	267	141	-	141
Overseas taxes refunded	-	-	-	(141)	-	(141)
Non-taxable overseas dividends	(687)	-	(687)	(314)	-	(314)
Excess management expenses	13	363	376	9	341	350
<b>Total tax charge</b>	<b>267</b>	<b>-</b>	<b>267</b>	<b>-</b>	<b>-</b>	<b>-</b>

- (c) **Factors that may affect future tax charges.** At the year end, the Company has, for taxation purposes only, accumulated unrelieved management expenses and loan relationship deficits of £132,362,000 (2021 - £130,381,000). A deferred tax asset in respect of this has not been recognised and these unrelieved expenses will only be utilised if the Company has profits chargeable to corporation tax in the future.

On 3 March 2021 the UK government announced an intention to increase the UK corporation tax rate to 25% with effect from 1 April 2023. If enacted this will impact the value of UK deferred tax balances, and the tax charged on UK profits generated in 2023 and thereafter. The impact of these proposed changes has yet to be assessed.

## 8. Ordinary dividends on equity shares

	2022 £'000	2021 £'000
Amounts recognised as distributions paid during the year:		
Third interim dividend for 2021 - 3.00p (2020 - 3.00p)	4,445	4,446
Fourth interim dividend for 2021 - 3.80p (2020 - final - 3.70p)	5,630	5,483
First interim dividend for 2022 - 3.00p (2021 - 3.00p)	4,445	4,446
Second interim dividend for 2022 - 3.00p (2021 - 3.00p)	4,445	4,445
Return of unclaimed dividends	(17)	(36)
	<b>18,948</b>	<b>18,784</b>



A third interim dividend of 3.00p per Ordinary share was declared on 2 December 2021, payable on 25 February 2022 to shareholders on the register on 4 February 2022 and has not been included as a liability in these financial statements. The final dividend of 3.90p per Ordinary share was approved by the Board on 6 April 2022, payable on 27 May 2022 to shareholders on the register on 6 May 2022 and has not been included as a liability in the financial statements.

The table below sets out the total dividends paid and proposed in respect of the financial year, which is the basis upon which the requirements of Sections 1158-1159 of the Corporation Tax Act 2010 are considered. The net revenue available for distribution by way of dividend for the year is £19,073,000 (2021 - £16,157,000).

	2022 £'000	2021 £'000
First interim dividend for 2022 - 3.00p (2021 - 3.00p)	4,445	4,446
Second interim dividend for 2022 - 3.00p (2021 - 3.00p)	4,445	4,445
Third interim dividend for 2022 - 3.00p (2021 - 3.00p)	4,445	4,445
Final dividend for 2022 - 3.90p (2021 - fourth interim dividend of 3.80p)	5,782	5,630
	<b>19,117</b>	18,966

The final dividend is based on the latest share capital of 148,264,670 Ordinary shares excluding those held in treasury.

## 9. Return per Ordinary share

	2022		2021	
	£'000	p	£'000	p
Revenue return	19,073	12.87	16,157	10.90
Capital return	16,161	10.91	(18,830)	(12.71)
<b>Total return</b>	<b>35,234</b>	<b>23.78</b>	<b>(2,673)</b>	<b>(1.81)</b>
<b>Weighted average number of Ordinary shares in issue</b>	<b>148,164,670</b>		148,179,575	

# Notes to the Financial Statements

## Continued

### 10. Investments at fair value through profit or loss

	2022 £'000	2021 £'000
Opening book cost	410,222	380,538
Investment holdings gains	77,208	111,577
Opening fair value	487,430	492,115
<b>Analysis of transactions made during the year</b>		
Purchases	144,145	115,832
Sales - proceeds	(146,703)	(104,157)
Gains/(losses) on investments	17,551	(16,360)
<b>Closing fair value</b>	<b>502,423</b>	<b>487,430</b>
Closing book cost	428,488	410,222
Closing investment holdings gains	73,935	77,208
<b>Closing fair value</b>	<b>502,423</b>	<b>487,430</b>

The Company received £146,703,000 (2021 – £104,157,000) from investments sold in the year. The book cost of these investments when they were purchased were £125,879,000 (2021 – £86,148,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

The realised gains figure above includes losses realised on the exercise of traded options of £971,000 (2021 – £936,000). Premiums received of £1,826,000 (2021 – £1,748,000) are included within income per note 3.

**Transaction costs.** During the year expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within gains/(losses) on investments in the Statement of Comprehensive Income. The total costs were as follows:

	2022 £'000	2021 £'000
Purchases	592	436
Sales	79	62
	<b>671</b>	<b>498</b>

The above transaction costs are calculated in line with the AIC SORP. The transaction costs in the Company's Key Information Document are calculated on a different basis and in line with the PRIIPs regulations.

## 11. Debtors: amounts falling due within one year

	2022 £'000	2021 £'000
Net dividends and interest receivable	781	558
Tax recoverable	1,017	473
Amounts due from brokers	857	-
Other loans and receivables	17	22
	<b>2,672</b>	1,053

## 12. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
(a) Bank loan		
EUR 15,600,000 - 15 February 2021	-	13,802
EUR 15,600,000 - 11 February 2022	13,034	-
	<b>13,034</b>	13,802

The Company's multi-currency revolving credit facility with Scotiabank for £15,000,000 expired on 13 July 2021. The company entered into a new £30,000,000 multi-currency revolving credit facility with The Bank of Nova Scotia, London Branch committed until 13 July 2023. Under the terms of the facility, subject to the lender's credit approval, the Company has the option to increase the level of the facility from £30,000,000 to £40,000,000 at any time, should further investment opportunities be identified. As at 31 January 2022 €15,600,000 had been drawn down at a rate of 1.0% (2021 - €15,600,000 at a rate of 0.9%), which matured on 11 February 2022. At the date this Report was approved €15,600,000 had been drawn down at a rate of 1.0%, maturing on 11 April 2022. The terms of the loan facility contain covenants that the adjusted asset coverage is not be less than 4.00 to 1.00 and that the minimum net assets of the Company are £200 million.

	2022 £'000	2021 £'000
(b) Other creditors		
Loan Notes and bank loan interest	189	183
Sundry creditors	417	483
	<b>606</b>	666

# Notes to the Financial Statements

## Continued

### 13. Creditors: amounts falling due after more than one year

	2022 £'000	2021 £'000
3.99% Loan Notes 2045	30,000	30,000
Unamortised Loan Note issue expenses	(269)	(276)
	<b>29,731</b>	<b>29,724</b>

The 3.99% Loan Notes were issued in December 2015 and are due to be redeemed at par on 8 December 2045. Interest is payable in half-yearly instalments in June and December. The Loan Notes are secured by a floating charge over the whole of the assets of the Company. The Company has complied with the Loan Note Trust Deed covenant that total net borrowings (ie. after the deduction of cash balances) should not exceed 33% of the Company's net asset value and that the Company's net asset value should not be less than £200 million.

The fair value of the Loan Notes as at 31 January 2022 was £36,441,000 (2021 - £37,017,000), the value being calculated per the disclosure in note 19. The effect on the net asset value of deducting the Loan Notes at fair value rather than at par is disclosed in note 17.

### 14. Called-up share capital

	2022 £'000	2021 £'000
<b>Allotted, called up and fully paid:</b>		
148,164,670 (2021 - 148,164,670) Ordinary shares of 25p each - equity	<b>37,041</b>	37,041
<b>Treasury shares:</b>		
5,513,265 (2021 - 5,513,265) Ordinary shares of 25p each - equity	<b>1,378</b>	1,378
	<b>38,419</b>	<b>38,419</b>

The Ordinary share capital on the Statement of Financial Position relates to the number of shares in issue and in treasury. Only when the shares are cancelled, either from treasury or directly, is a transfer made to the capital redemption reserve.

During the year the Company repurchased no Ordinary shares (2021 - 22,449 shares repurchased at a cost of £56,000 including expenses). All of these shares were placed in treasury.

## 15. Analysis of changes in financing during the year

	2022		2021	
	Equity share capital (including premium) £'000	Loan Notes £'000	Equity share capital (including premium) £'000	Loan Notes £'000
Opening balance at 31 January 2021	43,038	29,724	43,038	29,718
Movement in unamortised Loan Notes issue expenses	-	7	-	6
<b>Closing balance at 31 January 2022</b>	<b>43,038</b>	<b>29,731</b>	<b>43,038</b>	<b>29,724</b>

## 16. Revenue reserve per share

The following information is presented supplemental to the financial statements to show the Companies Act position at the year end.

	2022	2021
<b>Revenue reserve (£'000)</b>	<b>23,632</b>	<b>23,507</b>
<b>Number of Ordinary shares in issue at year end</b>	<b>148,164,670</b>	<b>148,164,670</b>
Revenue reserve per Ordinary share	15.95p	15.87p
Less: - third interim dividend	(3.00)p	(3.00)p
- final dividend	(3.90)p	-
- fourth interim dividend	-	(3.80)p
<b>Revenue reserve per Ordinary share</b>	<b>9.05p</b>	<b>9.07p</b>

# Notes to the Financial Statements

## Continued

### 17. Net asset value per share

Equity shareholders' funds have been calculated in accordance with the provisions of FRS 102. The analysis of equity shareholders' funds on the face of the Statement of Financial Position does not reflect the rights under the Articles of Association of the Ordinary shareholders on a return of assets. These rights are reflected in the net asset value and the net asset value per share attributable to Ordinary shareholders at the year end, adjusted to reflect the deduction of the Loan Notes at par. A reconciliation between the two sets of figures is as follows:

	2022	2021
Net assets attributable (£'000)	464,579	448,293
Number of Ordinary shares in issue at year end <sup>A</sup>	148,164,670	148,164,670
Net asset value per Ordinary share	313.56p	302.56p

<sup>A</sup> Excluding shares held in treasury.

<b>Adjusted net assets</b>	2022	2021
Net assets attributable (£'000) as above	464,579	448,293
Unamortised Loan Note issue expenses (note 13)	(269)	(276)
<b>Adjusted net assets attributable (£'000)</b>	<b>464,310</b>	<b>448,017</b>

Number of Ordinary shares in issue at year end <sup>A</sup>	148,164,670	148,164,670
<b>Adjusted net asset value per Ordinary share</b>	<b>313.37p</b>	<b>302.38p</b>

<sup>A</sup> Excluding shares held in treasury.

<b>Net assets - debt at fair value</b>	£'000	£'000
Net assets attributable	464,579	448,293
Amortised cost Loan Notes	29,731	29,724
Market value Loan Notes	(36,441)	(37,017)
<b>Net assets attributable</b>	<b>457,869</b>	<b>441,000</b>

Number of Ordinary shares in issue at the period end <sup>A</sup>	148,164,670	148,164,670
<b>Net asset value per Ordinary share (debt at fair value)</b>	<b>309.03p</b>	<b>297.64p</b>

<sup>A</sup> Excluding shares held in treasury.

## 18. Analysis of changes in net debt

	At 31 January 2021 £'000	Currency differences £'000	Cash flows £'000	Non-cash movements £'000	At 31 January 2022 £'000
Cash and cash equivalents	4,002	(243)	(904)	-	2,855
Debt due within one year	(13,802)	768	-	-	(13,034)
Debt due after more than one year	(29,724)	-	-	(7)	(29,731)
	(39,524)	525	(904)	(7)	(39,910)

	At 31 January 2020 £'000	Currency differences £'000	Cash flows £'000	Non-cash movements £'000	At 31 January 2021 £'000
Cash and cash equivalents	13,754	(114)	(9,638)	-	4,002
Debt due within one year	(11,013)	(562)	(2,227)	-	(13,802)
Debt due after more than one year	(29,718)	-	-	(6)	(29,724)
	(26,977)	(676)	(11,865)	(6)	(39,524)

A statement reconciling the movement in net funds to the net cash flow has not been presented as there are no differences from the above analysis.

## 19. Financial instruments and risk management

The Company's investment activities expose it to various types of financial risk associated with the financial instruments and markets in which it invests. The Company's financial instruments comprise securities and other investments, cash balances, loans and debtors and creditors that arise directly from its operations; for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income. The Company also has the ability to enter into derivative transactions in the form of option contracts for the purpose of generating income and futures/options for hedging market exposures.

During the year, the Company entered into certain options contracts for the purpose of generating income. Positions closed during the year realised a loss of £971,000 (2021 - £936,000). As disclosed in note 3, the premium received and fair value changes in respect of options written in the year was £1,826,000 (2021 - £1,748,000). The largest position in derivative contracts held during the year at any given time was £558,000 (2021 - £931,000). The Company had no open positions in derivative contracts at 31 January 2022 (2021 - none).

The Board relies on Aberdeen Standard Fund Managers Limited ("ASFML" or the "Manager") for the provision of risk management activities under the terms of its management agreement with ASFML (further details of which are included under note 4). The Board regularly reviews and agrees policies for managing each of the key financial risks identified with the Manager. The types of risk and the Manager's approach to the management of each type of risk, are summarised below. Such approach has been applied throughout the year and has not changed since the previous accounting period. The numerical disclosures exclude short-term debtors and creditors on the grounds that they are not considered to be material.

# Notes to the Financial Statements

## Continued

The Company's Manager has an independent Investment Risk department for reviewing the investment risk parameters of all core equity, fixed income and alternative asset classes on a regular basis. The department reports to the Manager's Performance Review Committee which is chaired by the Manager's Chief Investment Officer. The department's responsibility is to review and monitor ex-ante (predicted) portfolio risk and style characteristics using best practice, industry standard multi-factor models.

**Risk management framework.** The directors of ASFML collectively assume responsibility for ASFML's obligations under the AIFMD including reviewing investment performance and monitoring the Company's risk profile during the year.

ASFML is a fully integrated member of the abrdn Group (the "Group") which provides a variety of services and support to ASFML in the conduct of its business activities, including in the oversight of the risk management framework for the Company. ASFML has delegated the day to day administration of the investment policy to Aberdeen Asset Managers Limited, which is responsible for ensuring that the Company is managed within the terms of its investment guidelines and the limits set out in its pre-investment disclosures to investors (details of which can be found on the Company's website). ASFML has retained responsibility for monitoring and oversight of investment performance, product risk and regulatory and operational risk for the Company.

The Manager conducts its risk oversight function through the operation of the Group's risk management processes and systems which are embedded within the Group's operations. The Group's Risk Division supports management in the identification and mitigation of risks and provides independent monitoring of the business. The Division includes Compliance, Business Risk, Market Risk, Risk Management and Legal. The team is headed up by the Group's Head of Risk, who reports to the Chief Executive Officers of the Group. The Risk Division achieves its objective through embedding the Risk Management Framework throughout the organisation using the Group's operational risk management system ("SHIELD").

The Group's Internal Audit Department is independent of the Risk Division and reports directly to the Group's Chief Executive Officers and to the Audit Committee of the Group's Board of Directors. The Internal Audit Department is responsible for providing an independent assessment of the Group's control environment.

The Group's corporate governance structure is supported by several committees to assist the board of directors of abrdn, its subsidiaries and the Company to fulfil their roles and responsibilities. The Group's Risk Division is represented on all committees, with the exception of those committees that deal with investment recommendations. The specific goals and guidelines on the functioning of those committees are described on the committees' terms of reference.

**Risk Management.** The main risks the Company faces from its financial instruments are (i) market risk (comprising interest rate risk, currency risk and other price risk), (ii) liquidity risk and (iii) credit risk.

The Board regularly reviews and agrees policies for managing each of these risks. The Group's policies for managing these risks are summarised below and have been applied throughout the year. The numerical disclosures exclude short-term debtors and creditors, other than for currency disclosures.

(i) **Market risk.** Market risk comprises three elements - interest rate risk, currency risk and price risk.

(a) **Interest rate risk.** Interest rate movements may affect:

- the fair value of the investments in fixed interest rate securities;
- the level of income receivable on cash deposits; and
- interest payable on the Company's variable rate borrowings.

**Management of the risk.** The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment and borrowing decisions.



The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. Borrowings comprise fixed rate, revolving, and uncommitted facilities. Details of borrowings at 31 January 2022 are shown in notes 12 and 13.

**Interest risk profile.** The interest rate risk profile of the portfolio of financial assets and liabilities at the Statement of Financial Position date was as follows:

	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
<b>At 31 January 2022</b>				
<b>Assets</b>				
Sterling	-	-	-	2,855
<b>Total assets</b>	-	-	-	2,855
<b>Liabilities</b>				
Bank loans	0.08	1.00	(13,034)	-
Loan Notes	23.87	3.99	(29,731)	-
<b>Total liabilities</b>	-	-	(42,765)	-
<b>At 31 January 2021</b>				
<b>Assets</b>				
Sterling	-	-	-	4,002
<b>Total assets</b>	-	-	-	4,002
<b>Liabilities</b>				
Bank loans	0.08	0.90	(13,802)	-
Loan Notes	24.87	3.99	(29,724)	-
<b>Total liabilities</b>	-	-	(43,526)	-

# Notes to the Financial Statements

## Continued

The weighted average interest rate is based on the current yield of each asset, weighted by its market value. The weighted average interest rate on bank loans is based on the interest rate payable, weighted by the total value of the loans. The maturity dates of the Company's borrowings are shown in notes 12 and 13 to the financial statements.

The floating rate assets consist of cash deposits all earning interest at prevailing market rates.

The Company's equity portfolio and short-term debtors and creditors (excluding bank loans) have been excluded from the above tables. All financial liabilities are measured at amortised cost.

**Interest rate sensitivity.** Movements in interest rates would not significantly affect net assets attributable to the Company's shareholders and total profit.

**(b) Foreign currency risk.** A proportion of the Company's investment portfolio is invested in overseas securities whose values are subject to fluctuation due to changes in exchange rates. In addition, the impact of changes in foreign exchange rates upon the profits of investee companies can result, indirectly, in changes in their valuations. Consequently the Statement of Financial Position can be affected by movements in exchange rates.

**Management of the risk.** It is not the Company's policy to hedge this risk on a continuing basis but the Company may, from time to time, match specific overseas investment with foreign currency borrowings. A proportion of the Company's borrowings, as detailed in note 12, is in foreign currency as at 31 January 2022. The revenue account is subject to currency fluctuations arising on dividends received in foreign currencies and, indirectly, due to the impact of foreign exchange rates upon the profits of investee companies. The Company does not hedge this currency risk.

### Foreign currency risk exposure by currency of denomination:

	31 January 2022			31 January 2021		
	Investments £'000	Net monetary assets £'000	Total currency exposure £'000	Investments £'000	Net monetary assets £'000	Total currency exposure £'000
Euro	63,632	(12,098)	51,534	64,452	(13,662)	50,790
Swiss Francs		216	216	11,808	221	12,029
Danish Krone	14,234	94	14,328	9,783	100	9,883
Norwegian Krone	-	13	13	-	13	13
Swedish Krona	28,847	-	28,847	-	-	-
Sterling	395,710	(26,069)	369,641	401,387	(25,809)	375,578
<b>Total</b>	<b>502,423</b>	<b>(37,844)</b>	<b>464,579</b>	<b>487,430</b>	<b>(39,137)</b>	<b>448,293</b>

The asset allocation between specific markets can vary from time to time based on the Manager's opinion of the attractiveness of the individual stocks in these markets.

**Foreign currency sensitivity.** There is no sensitivity analysis included as the Board believes the amount exposed to foreign currency denominated monetary assets to be immaterial. Where the Company's equity investments (which are non-monetary items) are priced in a foreign currency, they have been included within the other price risk sensitivity analysis so as to show the overall level of exposure.

**(c) Price risk.** Price risks (i.e. changes in market prices other than those arising from interest rate or currency risk) may affect the value of the quoted investments and traded options.

**Management of the risk.** It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular company or sector. Both the allocation of assets and the stock selection process, as detailed on page 26 to 33, act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The investments held by the Company are listed on various stock exchanges in the UK and Europe.

**Price risk sensitivity.** If market prices at the Statement of Financial Position date had been 10% higher while all other variables remained constant, the return attributable to Ordinary shareholders for the year ended 31 January 2022 would have increased by £50,242,000 (2021 - increase of £48,743,000) and equity reserves would have increased by the same amount. Had market prices been 10% lower the converse would apply.

- (ii) **Liquidity risk.** This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities as they fall due in line with the maturity profile analysed below.

	Within 1 year £'000	Within 1-2 years £'000	Within 2-3 years £'000	Within 3-4 years £'000	Within 4-5 years £'000	More than 5 years £'000	Total £'000
<b>At 31 January 2022</b>							
Bank loans	13,034	-	-	-	-	-	13,034
Loan Notes	-	-	-	-	-	30,000	30,000
Interest cash flows on bank loans and loan notes	1,207	1,197	1,197	1,197	1,197	22,743	28,738
Cash flows on other creditors	417	-	-	-	-	-	417
	<b>14,658</b>	<b>1,197</b>	<b>1,197</b>	<b>1,197</b>	<b>1,197</b>	<b>52,743</b>	<b>72,189</b>

	Within 1 year £'000	Within 1-2 years £'000	Within 2-3 years £'000	Within 3-4 years £'000	Within 4-5 years £'000	More than 5 years £'000	Total £'000
<b>At 31 January 2021</b>							
Bank loans	13,802	-	-	-	-	-	13,802
Loan Notes	-	-	-	-	-	30,000	30,000
Interest cash flows on bank loans and loan notes	1,197	1,197	1,197	1,197	1,197	23,940	29,925
Cash flows on other creditors	483	-	-	-	-	-	483
	<b>15,482</b>	<b>1,197</b>	<b>1,197</b>	<b>1,197</b>	<b>1,197</b>	<b>53,940</b>	<b>74,210</b>

**Management of the risk.** The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. Borrowings comprise Loan Notes and a revolving facility. The Loan Notes provide secure long-term funding while short term flexibility is achieved through the borrowing facility. It is the Board's policy to maintain a gearing level, measured on the most stringent basis of calculation after netting off cash equivalents, of less than 30% at all times. Details of borrowings at 31 January 2022 are shown in notes 12 and 13.

# Notes to the Financial Statements

## Continued

Liquidity risk is not considered to be significant as the Company's assets comprise mainly cash and listed securities, which can be sold to meet funding commitments if necessary. Short-term flexibility is achieved through the use of loan and overdraft facilities, details of which can be found in note 12. Under the terms of the loan facility, the Manager provides the lender with loan covenant reports on a monthly basis, to provide the lender with assurance that the terms of the facility are not being breached. The Manager will also review the credit rating of a lender on a regular basis. Details of the Board's policy on gearing are shown in the interest rate risk section of this note.

**Liquidity risk exposure.** At 31 January 2022 and 31 January 2021 the amortised cost of the Company's Loan Notes was £29,731,000 and £29,724,000 respectively. At 31 January 2022 and 31 January 2021 the Company's bank loans amounted to £13,034,000 and £13,802,000 respectively. The facility is committed until 13 July 2023.

- (iii) **Credit risk.** This is failure of the counterparty to a transaction to discharge its obligations under that transaction that could result in the Company suffering a loss.

Management of the risk. Investment transactions are carried out with a large number of brokers, whose credit standing is reviewed periodically by the Manager, and limits are set on the amount that may be due from any one broker;

- the risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the review of failed trade reports on a daily basis. In addition, both stock and cash reconciliations to the custodians' records are performed on a daily basis to ensure discrepancies are investigated on a timely basis. The Group's Compliance department carries out periodic reviews of the custodian's operations and reports its findings to the abrdn Group's Risk Management Committee. This review will also include checks on the maintenance and security of investments held;

- cash is held only with reputable banks whose credit ratings are monitored on a regular basis.

There are internal exposure limits to cash balances placed with counterparties. The credit worthiness of counterparties is also reviewed on a regular basis.

None of the Company's financial assets are secured by collateral or other credit enhancements.

**Credit risk exposure.** In summary, compared to the amounts in the Statement of Financial Position, the maximum exposure to credit risk at 31 January was as follows:

	2022		2021	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
<b>Non-current assets</b>				
Investments at fair value through profit or loss	502,423	-	487,430	-
<b>Current assets</b>				
Cash and short term deposits	2,855	2,855	4,002	4,002
	<b>505,278</b>	<b>2,855</b>	491,432	4,002

None of the Company's financial assets is past due or impaired.

**Fair values of financial assets and financial liabilities.** The fair value of borrowings has been calculated at £49,475,000 as at 31 January 2022 (2021 - £50,819,000) compared to an accounts value in the financial statements of £42,765,000 (2021 - £43,526,000) (notes 12 and 13). The fair value of each loan is determined by aggregating the expected future cash flows for that loan discounted at a rate comprising the borrower's margin plus an average of market rates applicable to loans of a similar period of time and currency. All other assets and liabilities of the Company are included in the Statement of Financial Position at fair value.

## 20. Fair value hierarchy

FRS 102 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following classifications:

Level 1: unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.

Level 3: inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

The financial assets and liabilities measured at fair value in the Statement of Financial Position are grouped into the fair value hierarchy at the reporting date as follows:

As at 31 January 2022	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	502,423	-	-	502,423
<b>Total</b>		<b>502,423</b>	<b>-</b>	<b>-</b>	<b>502,423</b>

As at 31 January 2021		Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	487,430	-	-	487,430
<b>Total</b>		<b>487,430</b>	<b>-</b>	<b>-</b>	<b>487,430</b>

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

# Notes to the Financial Statements

## Continued

### 21. Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern; and
- to maximise the return to its equity shareholders through an appropriate balance of equity capital and debt.

The capital of the Company consists of equity, comprising issued capital, reserves and retained earnings.

The Board monitors and reviews the broad structure of the Company's capital. This review includes the nature and planned level of gearing, which takes account of the Manager's views on future expected returns and the extent to which revenue in excess of that which is required to be distributed should be retained. The Company is not subject to any externally imposed capital requirements.

### 22. Related party transactions and transactions with the Manager

Directors' fees and interests. Fees payable during the year to the Directors and their interest in shares of the Company are disclosed within the Directors' Remuneration Report on page 61.

Transactions with the Manager. The Company has an agreement with the abrdn Group for the provision of management, secretarial, accounting and administration services and also for the provision of promotional activities. Details of transactions during the year and balances outstanding at the year end are disclosed in notes 4 and 5.

# Corporate Information



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

# Investor Information

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

The Company has appointed Aberdeen Standard Fund Managers Limited as its alternative investment fund manager and The Bank of New York Mellon (International) Limited as its depositary under the AIFMD.

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

**[dunedinincomegrowth.co.uk](http://dunedinincomegrowth.co.uk)**. The periodic disclosures required to be made by the AIFM under the AIFMD are set out on page 109.

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

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

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

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

## Shareholder Enquiries

For queries regarding shareholdings, lost certificates, dividend payments, registered details and related matters, shareholders holding their shares directly in the Company are advised to contact the Registrars (see Contact Addresses). Changes of address must be notified to the Registrars in writing.

Any general queries about the Company should be directed to the Company Secretary in writing (see Contact Addresses) or by email to:

**[CEF.CoSec@abrdrn.com](mailto:CEF.CoSec@abrdrn.com)**.

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

### abrdrn Investment Trusts

PO Box 11020  
Chelmsford  
Essex CM99 2DB

## Dividend Tax Allowance

The annual tax-free personal allowance for dividend income for UK investors is £2,000 for the 2022/23 tax year. Above this amount, individuals pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company provides registered shareholders with a confirmation of dividends paid and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

## How to Invest

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



## **abrdrn Investment Plan for Children**

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

## **abrdrn Investment Trust Share Plan**

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

## **abrdrn Investment Trust Stocks and Shares ISA**

abrdrn operates an Investment Trust Stocks and Shares ISA ("ISA") through which an investment may be made of up to £20,000 in the 2022/23 tax year.

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

## **ISA Transfer**

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

## **Nominee Accounts and Voting Rights**

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

## **How to Attend and Vote at Company Meetings**

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

Investors who hold their shares via another platform or share plan provider (for example Hargreaves Lansdown, Interactive Investor or AJ Bell) and would like to attend and vote at Company meetings (including AGMs) should contact their platform or share plan provider directly to make arrangements.

## **Keeping You Informed**

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

The Company's Ordinary share price appears under the heading 'Investment Companies' in the Financial Times.

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

**Twitter:**

**@abrdrnTrusts**

**LinkedIn:**

**abrdrn Investment Trusts**

# Investor Information

## Continued

### Key Information Document ("KID")

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

### Literature Request Service

For literature and application forms for abrdn Investment Trusts' products, please contact us through: [invtrusts.co.uk](http://invtrusts.co.uk).

Or telephone: **0808 500 4000**

Or write to:

**abrdn Investment Trusts**  
**PO Box 11020**  
**Chelmsford**  
**Essex CM99 2DB**

### Terms and Conditions

Terms and conditions for abrdn-managed savings products can also be found at: [invtrusts.co.uk](http://invtrusts.co.uk).

### Suitable for Retail/NMPI Status

The Company's shares are intended for investors, primarily in the UK, including retail investors, professionally-advised private clients and institutional investors who are seeking growth of income and capital from a portfolio invested mainly in companies listed or quoted in the United Kingdom, and who understand and are willing to accept the risks of exposure to equities.

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

The Company currently conducts its affairs so that the securities issued by the Company can be recommended by a financial adviser to ordinary retail investors in accordance with the Financial Conduct Authority's rules in relation to non-mainstream pooled investments ("NMPIs") and intends to continue to do so for the foreseeable future. The Company's securities are excluded from the Financial Conduct Authority's restrictions which apply to NMPIs because they are securities issued by an investment trust.

### Online Dealing

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

### Discretionary Private Client Stockbrokers

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

### Financial Advisers

To find an adviser who recommends on investment trusts, visit: [unbiased.co.uk](http://unbiased.co.uk).

### Regulation of Stockbrokers

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

### Note

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

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

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

*The information on page 101 and pages 102 to 104 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.*

# Glossary of Terms

## **abrdn Group or abrdn**

The abrdn plc group of companies. abrdn is the brand of abrdn plc.

## **AIC**

The Association of Investment Companies.

## **AIFMD**

The Alternative Investment Fund Managers Directive. The AIFMD is European legislation which created a European-wide framework for regulating managers of 'alternative investment funds' ("AIFs"). It is designed to regulate any fund which is not a UCITS fund and which is managed and/or marketed in the EU. The Company has been designated as an AIF.

## **Benchmark**

This is a measure against which an Investment Trust's performance is compared. The Company's benchmark is the FTSE All-Share Index. The index averages the performance of a defined selection of listed companies over specific time periods.

## **Call Option**

An option contract which gives the buyer the right, but not the obligation, to purchase a specified amount of an asset at the strike price by a future specified date.

## **Closed-End Fund**

A collective investment scheme which has a fixed number of shares which are not redeemable from the fund itself. Unlike open-ended funds, new shares/units are not created by managers to meet demand from investors; instead, shares are purchased (or sold) only in the market. Closed-end funds are normally listed on a recognised stock exchange, such as the London Stock Exchange, and shares can be bought and sold on that exchange.

## **Discount**

The amount by which the market price per share of an Investment Trust is lower than the Net Asset Value per share. The discount is normally expressed as a percentage of the Net Asset Value per share.

## **Dividend Cover**

Revenue return per share divided by the dividend per share, expressed as a ratio.

## **Dividend Yield**

The annual dividend expressed as a percentage of the share price.

## **FCA**

Financial Conduct Authority.

## **Gearing**

Net gearing is calculated by dividing total borrowings less cash and cash equivalents by shareholders' funds, expressed as a percentage.

## **Investment Manager or AAML**

Aberdeen Asset Managers Limited is a wholly owned subsidiary of abrdn plc and acts as the Company's investment manager. It is authorised and regulated by the FCA.

## **Investment Trust**

A type of Closed-End Fund which invests in other securities, allowing shareholders to share the risks, and returns, of collective investment.

## **Key Information Document or KID**

The Packaged Retail and Insurance-based Investment Products ("PRIIPS") Regulation requires the Manager, as the Company's PRIIP 'manufacturer', to prepare a Key Information Document ("KID") in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available via the Company's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

## **Leverage**

For the purposes of the AIFMD, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its Net Asset Value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

# Glossary of Terms

## Continued

### **Manager, AIFM or ASFML**

Aberdeen Standard Fund Managers Limited is a wholly owned subsidiary of abrdn plc and acts as the Company's Alternative Investment Fund Manager. It is authorised and regulated by the FCA.

### **Net Asset Value or NAV**

The value of total assets less liabilities. Liabilities for this purpose include current and long-term liabilities. The Net Asset Value divided by the number of shares in issue produces the Net Asset Value per Ordinary share.

### **NAV with debt at fair value**

The Net Asset Value with debt valued divided by the number of shares in issue where the Company's borrowings are valued using the discounted cash flow basis.

### **Ongoing Charges**

Ratio of expenses as a percentage of average daily shareholders' funds calculated as per the AIC's industry standard method.

### **Pre-Investment Disclosure Document ("PIDD")**

The AIFM and the Company are required to make certain disclosures available to investors in accordance with the AIFMD. Those disclosures that are required to be made pre-investment are included within a PIDD, which can be found on the Company's website.

### **Premium**

The amount by which the market price per share of an Investment Trust exceeds the Net Asset Value per share. The premium is normally expressed as a percentage of the Net Asset Value per share.

### **Price/Earnings Ratio**

This is calculated by dividing the market price per share by the earnings per share. The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a company's prospects and profit growth potential.

### **Prior Charges**

The name given to all borrowings including debentures, loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital, irrespective of the time until repayment.

### **Total Assets**

Total assets less current liabilities (before deducting Prior Charge as defined above), as per the Statement of Financial Position.

### **Total Return**

Total Return involves reinvesting the net dividend in the month that the share price goes ex-dividend. The NAV Total Return involves investing the same net dividend in the NAV of the Company on the date to which that dividend was earned.

# Your Company's History

The provenance of Dunedin Income Growth Investment Trust PLC goes back to 1873 and to the origins of the investment trust industry in Scotland. In 1873, a 28 year old Robert Fleming (sometimes dubbed the "father of the investment trust industry"), persuaded a group of Dundee's wealthiest investors to back his idea of forming "the first Association in Scotland for investments in American railroad bonds, carefully selected and widely distributed, and where investments would not exceed one-tenth of the capital in any one security". Fleming, who was later founder of the merchant bank that bore this name, showed extraordinary commercial acumen at a very young age. He was born in modest circumstances in Dundee and was first apprenticed as office boy at 13, then rose to become, at 21, book-keeper with the exporting arm of Dundee's largest textile merchant, Edward Baxter & Son.

In 1870, the elderly Mr Baxter sent Robert Fleming to the United States to represent him on business. Fleming returned enthused about the investment opportunities offered by the States, despite the country still suffering from the aftermath of the American Civil War. The "association" proved to be an attractive means for investors to pool their resources, spread risk and put their investments under full-time management. The new fund, then known as The Scottish American Investment Trust, was launched on 1 February 1873. The Scottish American Investment Trust was partly modelled on the Foreign & Colonial Government Trust that was launched in 1868. Unlike Foreign & Colonial, which purchased overseas government stocks, the new trust would invest in "The Bonds of States, cities, railroads and other corporations in the US, but chiefly in the mortgage bonds of railroads". John Guild, one of the chairmen, reported "while in this country you could not lend money on first-class railway debentures at over 4% or 4.5%, in America you could get 7% with the best security of this description". Coupled with the fact that railway infrastructure development in the UK had by then become relatively mature, it was for this reason that the United States was an attractive destination for Scottish funds.

The original prospectus described the intended issue of £150,000 in certificates of £100 each, paying interest of 6% per annum. Such was the level of demand that the original prospectus was withdrawn and a new one was printed with a capital issue of £300,000. The trust started out with 30 stocks, each comprising no more than 10% of the portfolio. Confusingly, a similar sounding investment trust company, launched in Edinburgh, The Scottish American Investment Company was formed in April 1873, just a few months after Fleming's launch in February 1873. In Dundee, two almost identical issues were made in the following two years, described as the "Second Issue" and "Third Issue". The three issues became three separate trust companies, under the Joint Stock Companies Act, in 1879 – the First, Second and Third Scottish American Trust Companies Ltd, but merged into a single trust company in 1969 as The First Scottish American Trust Company Ltd.

In 1984, The First Scottish American Trust Company Ltd became part of the Dunedin Fund Managers' stable of trusts and was subsequently renamed in 1990 as Dunedin Income Growth Investment Trust. Dunedin Fund Managers merged with Edinburgh Fund Managers in 1996, which was then acquired by Aberdeen Asset Management in 2003. Aberdeen Asset Management merged with Standard Life in 2017 to form what is now the abrdn Group.

The book entitled "The History of Dunedin Income Growth Investment Trust PLC" is available on the Company's website.

# Your Company's Share Capital History

## Issued Share Capital at 31 January 2022

148,164,670	Ordinary shares of 25p (153,677,935 including treasury shares)
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## Treasury Shares at 31 January 2022

5,513,265	Ordinary shares
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## Name Change

April 1990	Company name changed from "The First Scottish American Trust PLC" to Dunedin Income Growth Investment Trust PLC
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## Share Capital History

April 1997	Capitalisation issue of four Ordinary shares of 25p issued for each existing Ordinary share
April 1999	Reduction of share capital by way of repayment of £840,000 of 3 ½% Preference stock
Year ended 31 January 2004	50,000 Ordinary shares purchased for cancellation
Year ended 31 January 2005	1,950,000 Ordinary shares purchased for cancellation
Year ended 31 January 2006	450,000 Ordinary shares purchased for cancellation and 450,000 Ordinary shares purchased to hold in treasury
Year ended 31 January 2007	3,231,101 Ordinary shares purchased to hold in treasury
Year ended 31 January 2008	2,237,440 Ordinary shares purchased to hold in treasury, 1,972,800 treasury shares cancelled
Year ended 31 January 2009	1,026,007 Ordinary shares purchased to hold in treasury, 2,000,000 treasury shares cancelled
Year ended 31 January 2010	No shares purchased, cancelled or issued
Year ended 31 January 2011	No shares purchased, cancelled or issued
Year ended 31 January 2012	No shares purchased, cancelled or issued
Year ended 31 January 2013	No shares purchased, cancelled or issued
Year ended 31 January 2014	300,000 shares sold from treasury
Year ended 31 January 2015	No shares purchased, cancelled or issued
Year ended 31 January 2016	No shares purchased, cancelled or issued
Year ended 31 January 2017	493,500 Ordinary shares purchased to hold in treasury
Year ended 31 January 2018	833,000 Ordinary shares purchased to hold in treasury
Year ended 31 January 2019	1,387,018 Ordinary shares purchased to hold in treasury
Year ended 31 January 2020	105,550 Ordinary shares purchased to hold in treasury
Year ended 31 January 2021	22,449 Ordinary shares purchased to hold in treasury
Year ended 31 January 2022	No shares purchased, cancelled or issued

# AIFMD Disclosures (Unaudited)

Aberdeen Standard Fund Managers Limited and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). Those disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ("PIDD") which can be found on the Company's website.

There have been no material changes to the disclosures contained within the PIDD since its most recent update in June 2021.

The periodic disclosures as required under the AIFMD to investors are made below:

- information on the investment strategy, geographic and sector investment focus and principal stock exposures is included in the Strategic Report;
- none of the Company's assets are subject to special arrangements arising from their illiquid nature;
- the Strategic Report, note 19 to the financial statements and the PIDD together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected;
- there are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by ASFML; and
- all authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the AIFM's remuneration policy is available from the Company Secretary, Aberdeen Asset Management PLC, on request, and the remuneration disclosures in respect of the AIFM's reporting period for the year ended 31 December 2021 are available on the Company's website.

## Leverage

The table below sets out the current maximum permitted limit and actual level of leverage for the Company:

	Gross Method	Commitment Method
Maximum level of leverage	2.50:1	2.00:1
Actual level at 31 January 2022	1.17:1	1.18:1

There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There have been no changes to the circumstances in which the Company may be required to post assets as collateral and no guarantees granted under the leveraging arrangement. Changes to the information contained either within this Annual Report or the PIDD in relation to any special arrangements in place, the maximum level of leverage which ASFML may employ on behalf of the Company, the right of use of collateral or any guarantee granted under any leveraging arrangement, or any change to the position in relation to any discharge of liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

*The information on this page has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Standard Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.*

# Alternative Performance Measures

Alternative performance measures are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes FRS 102 and the AIC SORP. The Directors assess the Company's performance against a range of criteria which are viewed as particularly relevant for closed-end investment companies.

## Dividend cover

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

		2022	2021
Revenue return per share	a	12.87p	10.90p
Dividends per share	b	12.90p	12.80p
Dividend cover	a/b	1.0	0.85

## Net gearing

Net gearing measures total borrowings less cash and cash equivalents divided by shareholders' funds, expressed as a percentage. Under AIC reporting guidance cash and cash equivalents includes net amounts due to and from brokers at the period end as well as cash and short term deposits.

		2022	2021
Borrowings (£'000)	a	42,765	43,526
Cash (£'000)	b	2,855	4,002
Amounts due to brokers (£'000)	c	-	-
Amounts due from brokers (£'000)	d	857	-
Shareholders' funds (£'000)	e	464,579	448,293
<b>Net gearing</b>	$(a-b+c-d)/e$	<b>8.41%</b>	<b>8.82%</b>

## Premium/(discount) to net asset value per share with debt at fair value

The premium/(discount) is the amount by which the share price is higher/(lower) than the net asset value per share with debt at fair value, expressed as a percentage of the net asset value with debt at fair value.

		2022	2021
Share price (p)	a	310.00p	287.00p
NAV per Ordinary share (p)	b	309.03p	297.64p
Discount	$(a-b)/b$	0.31%	(3.57%)



## Ongoing charges

The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total of investment management fees and administrative expenses and expressed as a percentage of the average net asset values with debt at fair value throughout the year.

	2022	2021
Investment management fees (£'000)	1,818	1,657
Administrative expenses (£'000)	882	986
Less: non-recurring charges (£'000)	(57)	(11)
<b>Ongoing charges (£'000)</b>	<b>2,643</b>	<b>2,632</b>
<b>Average net assets (£'000)</b>	<b>472,893</b>	<b>414,454</b>
<b>Ongoing charges ratio (excluding look-through costs)</b>	<b>0.56%</b>	<b>0.64%</b>
<b>Look-through costs<sup>A</sup></b>	<b>0.03%</b>	<b>0.03%</b>
<b>Ongoing charges ratio (including look-through costs)</b>	<b>0.59%</b>	<b>0.67%</b>

<sup>A</sup> Professional services comprising new Director recruitment costs and legal fees considered unlikely to recur.

<sup>B</sup> Calculated in accordance with AIC guidance issued in October 2020 to include the Company's share of costs of holdings in investment companies on a look-through basis.

The ongoing charges ratio provided in the Company's Key Information Document is calculated in line with the PRIIPs regulations which amongst other things, includes the cost of borrowings and transaction costs.

## Total return

NAV and share price total returns show how the NAV and share price has performed over a period of time in percentage terms, taking into account both capital returns and dividends paid to shareholders. Share price and NAV total returns are monitored against open-ended and closed-ended competitors, and the Reference Index, respectively.

Year ended 31 January 2022		NAV	Share Price
Opening at 1 February 2021	a	297.6p	287.0p
Closing at 31 January 2022	b	309.0p	310.0p
Price movements	$c=(b/a)-1$	3.8%	8.0%
Dividend reinvestment <sup>A</sup>	d	4.3%	4.5%
<b>Total return</b>	c+d	<b>+8.1%</b>	<b>+12.5%</b>

Year ended 31 January 2021		NAV	Share Price
Opening at 1 February 2020	a	312.2p	301.0p
Closing at 31 January 2020	b	297.6p	287.0p
Price movements	$c=(b/a)-1$	(4.7)%	(4.7)%
Dividend reinvestment <sup>A</sup>	d	4.4%	4.8%
<b>Total return</b>	c+d	<b>(0.3)%</b>	<b>+0.1%</b>

<sup>A</sup> NAV total return involves investing the net dividend in the NAV of the Company with debt at fair value on the date on which that dividend goes ex-dividend. Share price total return involves reinvesting the net dividend in the share price of the Company on the date on which that dividend goes ex-dividend.

# General



The Annual General Meeting will be held at Bow Bells House, 1 Bread Street, London EC4M 9HH on Tuesday 24 May 2022 at 12 noon.

The Company will also be hosting an online shareholder presentation, which will be held at 10.00am on Monday 16 May 2022. Full details on how to register for the online event can be found at:  
[www.workcast.com/register?cpak=7925691640699593](http://www.workcast.com/register?cpak=7925691640699593)

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Dunedin Income Growth Investment Trust PLC (the "Company") will be held at Bow Bells House, 1 Bread Street, London EC4M 9HH on Tuesday 24 May 2022 at 12 noon, for the following purposes:

## Ordinary Business

To consider and, if thought fit, pass the following as ordinary resolutions:

1. To receive the reports of the Directors and Auditor and the financial statements for the year ended 31 January 2022.
2. To receive and adopt the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) for the year ended 31 January 2022.
3. To approve a final dividend of 3.90p per Ordinary share.
4. To re-elect Mr Jasper Judd as a Director of the Company.
5. To re-elect Mr Howard Williams as a Director of the Company.
6. To re-elect Mr David Barron as a Director of the Company.
7. To re-elect Ms Christine Montgomery as a Director of the Company.
8. To elect Ms Gay Collins as a Director of the Company.
9. To re-appoint Deloitte LLP as Auditor of the Company.
10. To authorise the Directors to determine the remuneration of the Auditor for the year to 31 January 2023.
11. That, in substitution for any existing authority under Section 551 of the Companies Act 2006 (the "Act"), but without prejudice to the exercise of any such authority prior to the passing of this resolution, the Directors be and are hereby generally and unconditionally authorised, pursuant to and in accordance with Section 551 of the Act, to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company (such shares and rights together being "relevant securities") up to an aggregate nominal amount of £12,354,154 or, if less, the number representing 33.33% of the issued Ordinary share capital of the Company (excluding treasury shares) as at the date of the passing of this resolution provided that such authorisation expires (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company or on 31 July 2023 (whichever is earlier) save that the Company may, at any time prior to the expiry of such authority, make offers or agreements which would or might require such relevant securities to be allotted after such expiry and the Directors may make such offers or agreements as if such expiry had not occurred.

To consider and, if thought fit, pass the following as special resolutions:

12. That, subject to the passing of resolution number 11 set out above and in substitution for any existing power under Sections 570 and 573 of the Companies Act 2006 (the "Act") but without prejudice to the exercise of any such authority prior to the passing of this resolution, the Directors be and are hereby generally empowered, pursuant to Sections 570 and 573 of the Act, to allot equity securities (as defined in Section 560 of the Act) pursuant to the authority conferred on them by resolution number 11 or by way of a sale of treasury shares (within the meaning of Section 560(3) of the Act), in each case for cash and as if Section 561(1) of the Act did not apply to any such allotment or sale provided that this power shall be limited to:
  - i. the allotment of equity securities or sale of treasury shares (otherwise than pursuant to sub-paragraph (ii) below) up to an aggregate nominal value of £1,853,308 or, if less, the number representing 5% of the issued Ordinary share capital of the Company (excluding treasury shares) as at the date of the passing of this resolution, at a price representing a premium to the net asset value per share at allotment or sale, as determined by the Directors; and

# Notice of Annual General Meeting

## Continued

- ii. the allotment of equity securities by way of rights issue, open offer or other pre-emptive offer in favour of all holders of Ordinary shares where the equity securities respectively attributable to the interests of all such holders are either proportionate (as nearly as may be) to the respective number of Ordinary shares held by them on a record date fixed by the Directors (subject to such exclusions, limitations, restrictions or other arrangements as the Directors consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in or under the laws of, or requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever);

and shall expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company or on 31 July 2023 (whichever is earlier), save that the Company may, at any time prior to the expiry of such authority, make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry and the Directors may make such offers or agreements as if such expiry had not occurred.

13. That, in substitution for any existing authority under Section 701 of the Companies Act 2006 (the "Act"), but without prejudice to the exercise of any such authority prior to the passing of this resolution, the Company be and is hereby generally and unconditionally authorised, for the purposes of Section 701 of the Act, to make one or more market purchases (within the meaning of Section 693(4) of the Act) of fully paid Ordinary shares of 25p each in the capital of the Company ("Ordinary shares") on such terms as the Directors of the Company think fit and to cancel or hold in treasury such shares provided that:

- i. the maximum aggregate number of Ordinary shares hereby authorised to be purchased shall be 22,224,874 Ordinary shares or, if less, the number representing 14.99% of the issued Ordinary share capital of the Company (excluding treasury shares) as at the date of the passing of this resolution;
- ii. the minimum price which may be paid for an Ordinary share shall be 25p (exclusive of expenses);
- iii. the maximum price (exclusive of expenses) which may be paid for an Ordinary share shall be the higher of:
  - a. 5% above the average of the middle market quotations of the Ordinary shares (as derived from the Daily Official List of the London Stock Exchange) for the five business days immediately preceding the date of purchase; and
  - b. the higher of the price of the last independent trade in Ordinary shares and the highest current independent bid for Ordinary shares on the London Stock Exchange; and
- iv. unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or on 31 July 2023 (whichever is the earlier) save that the Company may at any time prior to such expiry, enter into a contract or arrangement to purchase Ordinary shares under this authority which will or might be completed or executed wholly or partly after the expiration of this authority and may make a purchase of shares pursuant to any such contract or arrangement.

By order of the Board  
**Aberdeen Asset Management PLC**  
Company Secretary  
6 April 2022

Registered Office:  
1 George Street  
Edinburgh EH2 2LL

## Notes

- i. A member entitled to attend and vote at the meeting may appoint a proxy or proxies to exercise all or any of his/her rights to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise the rights attached to any one share. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman of the meeting) and give your instructions directly to them. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms or would like to appoint more than one proxy, please contact the Company's Registrars, Equiniti Limited on 0371 384 2441 (charges for calling this number are determined by the caller's service provider. Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday, excluding bank holidays in England and Wales), tel international +44 (0)121 415 7047. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first-named being the most senior). A member present in person or by proxy shall have one vote on a show of hands and on a poll every member present in person or by proxy shall have one vote for every Ordinary share of which he/she is the holder.
- ii. A form of proxy is enclosed. To be valid, any proxy form or other instrument of proxy and any power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power of attorney or authority should be sent to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to arrive not less than 48 hours (excluding non-working days) before the time fixed for the meeting.
- iii. The return of a completed proxy form or other such instrument of proxy will not prevent a member attending the Annual General Meeting and voting in person if he/she wishes to do so.
- iv. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual and by logging on to the website euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- v. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's Registrar (ID RA19) no later than 48 hours (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- vi. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- vii. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

# Notice of Annual General Meeting

## Continued

- viii. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to [www.proxymity.io](http://www.proxymity.io). Your proxy must be lodged by 12 noon on 20 May 2022 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.
- ix. The "vote withheld" option on the proxy form is provided to enable a member to abstain on any particular resolution. It should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes "for" or "against" a particular resolution.
- x. The right to vote at the meeting is determined by reference to the Company's register of members as at 6.30 p.m. on 20 May 2022 or, if the meeting is adjourned, at 6.30 p.m. on the day two days (excluding non-working days) prior to the adjourned meeting. Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the meeting.
- xi. As at 6 April 2022 (being the latest practicable date prior to the publication of this document) the Company's issued share capital comprised 148,264,670 Ordinary shares of 25p each and 5,413,265 treasury shares. Each Ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 6 April 2022 was 148,264,670.
- xii. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the meeting as his/her proxy will need to ensure that both he/she and his/her proxy complies with their respective disclosure obligations under the UK Disclosure Guidance and Transparency Rules.
- xiii. A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the 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. The statements of the rights of members in relation to the appointment of proxies in notes (i) to (iii) above do not apply to a Nominated Person. The rights described in those notes can only be exercised by registered members of the Company.
- xiv. Biographical details of the Directors standing for election and re-election are set out on pages 50 to 52 of this report.
- xv. Members who have general queries about the Annual 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 Annual General Meeting or in any related documents (including the proxy form) is not to be used for the purposes of serving information or documents on, or otherwise communicating with, the Company for any purposes other than those expressly stated.
- xvi. Members should note that, it is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the meeting or any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditor no later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.
- xvii. No Director has a service contract with the Company. Copies of the Directors' letters of appointment are available for inspection on any day (except Saturdays, Sundays and public holidays in England and Wales) from the date of this notice until the date of the meeting during usual business hours at the Company's registered office and for 15 minutes prior to, and at, the meeting.

- xviii. Information regarding the Annual General Meeting is available from the Company's website, [www.dunedinincomegrowth.co.uk](http://www.dunedinincomegrowth.co.uk).
- xix. Pursuant to Section 319A of the Companies Act 2006, any shareholder has the right to put questions at the meeting relating to business being dealt with at the meeting.
- xx. Given the evolving nature of the Covid-19 pandemic, should circumstances change significantly before the time of the Annual General Meeting, the Company will notify shareholders of any changes to the arrangements by updating the Company's website and through an RNS announcement, where appropriate, as early as is possible before the date of the meeting. Shareholders should note that if law or Government guidance so requires at the time of the meeting, the Chairman of the meeting will limit, in his/her sole discretion, the number of individuals in attendance at the meeting and may be required to impose entry restrictions on certain persons wishing to attend the meeting in order to ensure the safety of those attending.









# Contact Addresses

## Directors

David Barron (Chairman)  
Gay Collins  
Jasper Judd  
Christine Montgomery  
Howard Williams

## Registered Office & Company Secretary

Aberdeen Asset Management PLC  
1 George Street  
Edinburgh EH2 2LL

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

## Alternative Investment Fund Manager

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

## Investment Manager

Aberdeen Asset Managers Limited  
1 George Street  
Edinburgh EH2 2LL

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

abrdn Investment Trusts  
PO Box 11020  
Chelmsford  
Essex CM99 2DB

Freephone: **0808 500 0040**

(open Monday to Friday, 9.00 a.m. to 5.00 p.m., excluding public holidays in England and Wales)

Email: [inv.trusts@abrdn.com](mailto:inv.trusts@abrdn.com)

## Company Registration Number

SC000881 (Scotland)

## Website

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

## Registrar

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

Shareholder help can be found at [shareview.co.uk](http://shareview.co.uk).  
Alternatively, you can contact the Shareholder Helpline:  
**0371 384 2441\***

(\*Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Charges for calling telephone numbers starting with '03' are determined by the caller's service provider.)

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

## Depositary

The Bank of New York Mellon (International) Limited  
1 Canada Square  
London E14 5AL

## Stockbroker

JPMorgan Cazenove  
25 Bank Street  
Canary Wharf  
London E14 5JP

## Auditor

Deloitte LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh EH1 2DB

## United States Internal Revenue Service FATCA Registration Number ("GIIN")

CJ1DH9.99999.SL.826

## Legal Entity Identifier ("LEI")

549300PPXLZPR5JTL763





For more information visit [dunedinincomegrowth.co.uk](http://dunedinincomegrowth.co.uk)

**abrdrn.com**