Aberforth Split Level Income Trust plc

Annual Report and Financial Statements

30 June 2021

Contents

Investor Disclosure Document

The EU Alternative Investment Fund Managers Directive (AIFMD) requires certain information to be made available to investors prior to their investment in the shares of a Company. The Company’s Investor Disclosure Document is available to view at www.aberforth.co.uk and contains details of the Company’s investment objective, policy and strategy together with leverage and risk policies.

Strategic Report

The Board is pleased to present the Strategic Report (pages 1 to 17), which incorporates the Chairman's Statement and Managers' Report. It has been prepared by the Directors in accordance with Section 414 of the Companies Act 2006, as amended.

Investment Objective

The investment objective of Aberforth Split Level Income Trust plc (ASLIT) is to provide Ordinary Shareholders with a high level of income, with the potential for income and capital growth, and to provide Zero Dividend Preference Shareholders with a pre-determined final capital entitlement of 127.25p on the planned winding-up date of 1 July 2024.

Financial Highlights

Total Return Performance[1]

Periods to 30 June 2021	Total Assets[1]	Ordinary Share NAV[1]	Ordinary Share Share Price[1]	ZDP Share NAV[1]	ZDP Share Share Price[1]
1 year	**61.9%**	**94.4%**	**97.7%**	**3.6%**	**7.5%**
Annualised					
Since inception[3]	3.2%	3.4%	1.3%	3.4%	3.3%
Cumulative					
Since inception[3]	13.4%	14.4%	5.3%	14.5%	14.0%

Ordinary Share

	Net Asset Value per Share[2]	Share Price	Discount/ (Premium)[1]	Ordinary Dividends per Share[2]	Special Dividends per Share	Ongoing Charges[3]	Gearing[3]
30 June 2021	**95.7p**	**87.2p**	**8.8%**	**3.05p**	**–**	**1.2%**	**29.9%**
30 June 2020	52.5p	47.3p	10.0%	4.22p	–	1.3%	52.6%
30 June 2019	86.7p	77.0p	11.2%	4.16p	0.19p	1.2%	30.7%

At inception an Ordinary Share had a NAV of 100p and a gearing[3] level of 25%.

Zero Dividend Preference Share (ZDP Share)

	Net Asset Value per Share[2]	Share Price	Discount/ (Premium)[1]	Return per Share[2]	Projected Final Cumulative Cover[3]	Redemption Yield[3]
30 June 2021	**114.5p**	**114.0p**	**0.4%**	**4.0p**	**3.6x**	**3.7%**
30 June 2020	110.5p	106.0p	4.0%	3.8p	2.3x	4.7%
30 June 2019	106.6p	111.5p	(4.6%)	3.7p	3.1x	2.7%

At inception a ZDP Share had a NAV of 100p, a Projected Final Cumulative Cover[3] of 3.4x, and a Redemption Yield[3] of 3.5%.

Source: Aberforth Partners LLP

[1] Alternative Performance Measure (refer to Glossary on page 54).
[2] UK GAAP Measure (refer to Glossary on page 54).
[3] Defined in the Glossary on page 55.

The valuation statistics above consisting of Redemption Yields and Final Cumulative Cover are projected, illustrative and do not represent profit forecasts. There is no guarantee these returns will be achieved.

Chairman's Statement

Introduction

I present the fourth annual report of Aberforth Split Level Income Trust ("ASLIT" or "the Company"), which covers a truly remarkable period, the twelve months to 30 June 2021.

You will recall that, as the financial year started, the pandemic was in full swing and the share prices of small UK quoted companies were on historically low valuations. However, by the time of the interim report, the gloom was lifting and the rebound in share prices has proved as dramatic as the previous collapse. The approval of several vaccines and their continued rollout has been remarkably quick, particularly in the UK. This has led to significant re-appraisal of value for many stocks and sectors, which had been deemed "covid losers" and whose viability was being widely questioned.

The improved backdrop has been very helpful for an investment trust with ASLIT's capital structure and investment policy. However, before moving on to the numbers themselves, it would be remiss of me not to acknowledge that this year's strong performance follows a difficult year in which share prices felt the full force of the pandemic and recession.

Performance

Stockmarket returns were favourable for the year to 30 June 2021. The Numis Smaller Companies Index (excluding Investment Companies) ("the Index" or "NSCI (XIC)"), which defines ASLIT's opportunity base of small UK quoted companies, generated a total return of 49.8% over the twelve months. Larger UK listed companies, represented by the FTSE All-Share Index, recorded a total return of 21.5%.

Influenced by market conditions that have favoured a portfolio invested in smaller UK companies and utilising a value investment style, ASLIT's total assets total return, which captures the Company's ungeared portfolio performance, was, at 61.9% during the year to 30 June 2021, significantly better than that of the Index. However, when geared by the Zero Dividend Preference (ZDP) Shares, the net asset value total return of the Ordinary Shares was 94.4%, which reflects the return attributable to equity shareholders of 46.75p per Ordinary Share together with the effect of the reinvestment of previously declared dividends. The Ordinary Share price total return of 97.7% was also helped by a narrowing of the share price's discount to the net asset value. The recovery in valuations this year following the onset of the pandemic last year is reflected in the Company's two year performance with ASLIT recording a total assets total return of 19.0% and Ordinary Share net asset value total return of 24.0%.

As the capital value of the portfolio has recovered, the projected final cumulative cover of the ZDP shares has rebuilt to 3.6 times at the end of the reporting period, compared with 2.3 times twelve months earlier.

Further detail on portfolio performance is provided in the Managers' Report.

Earnings and Dividends

It is well known that the Covid-19 pandemic has had a severe detrimental impact on dividends from both large and small UK quoted companies. The London Business School calculates that aggregate dividends from NSCI (XIC) constituents reduced by c.52% in real terms during calendar year 2020. The effect on ASLIT's Income Statement is felt in two financial years, though the Board chose to utilise revenue reserves to maintain the dividend in respect of the year to 30 June 2020. The consequence of that decision was to defer the impact of the pandemic on ASLIT's dividends to the year to 30 June 2021. This resulted in a 39% reduction in the first interim dividend compared with the previous year. When the Board announced this cut in January, we also observed that the first half of calendar 2021 – the second half of ASLIT's financial year to 30 June 2021 – would be very important for understanding the full extent of the dividend downturn and the trajectory of the recovery.

In the event, the dividend experience of the past six months has been more positive than expected in January. Two special dividends have been paid by holdings and, as the Managers describe in their report, more holdings have resumed dividend payments than expected. This positive backdrop, which owes much to the resilience and good management of the investee companies, has resulted in earnings per ordinary share in the second half of the financial year to 30 June 2021 more than doubling compared with the corresponding period a year earlier. It gives the Board more flexibility with regard to ASLIT's second interim dividend, which in January we had indicated would decline at no worse a rate than the first interim dividend. ASLIT generated a Revenue Return of 2.90p for the year to 30 June 2021.

The Board declares a second interim dividend of 2.13p per Ordinary Share, which compares with 2.71p in the prior year. This represents a 21% reduction and is an improvement on the 39% rate of decline in the first interim dividend. The total dividend per Ordinary Share in respect of the year to 30 June 2021 is 3.05p, a decrease of 28% year-on-year. To pay the total dividend, it is necessary to utilise 0.15p of ASLIT's revenue reserves, which were 0.86p per Ordinary Share at the start of the year to 30 June 2021.

Chairman's Statement

In arriving at this decision, the Board has carefully considered the Managers' income forecasts and the likely trajectory of the dividend recovery. We have sought to balance the encouraging recent developments with the inherent uncertainty in forecasts over a period still subject to the lingering effects of the pandemic. The remaining revenue reserves, though modest since ASLIT is a relatively young company, offer scope to offset a degree of deviation from the central forecast and will, in any case, be returned to Ordinary Shareholders over the remaining three years of the Company's planned life.

The second interim dividend of 2.13p per Ordinary Share will be paid on 27 August 2021 to Ordinary Shareholders on the register on 6 August 2021. The ex dividend date is 5 August 2021. Your Company operates a Dividend Reinvestment Plan. Details of the plan, including the Form of Election, are available from Aberforth Partners LLP or on the website, www.aberforth.co.uk.

Annual General Meeting ("AGM")

The AGM will be held at 14 Melville Street, Edinburgh EH3 7NS at 11.00 a.m. on 28 October 2021. Details of the resolutions to be considered by Shareholders are set out in the Notice of the Meeting on page 57. Shareholders are encouraged to submit their votes by proxy in advance of the meeting in case restrictions related to the Covid-19 pandemic persist and it is therefore not possible for shareholders to attend in person. The Company will issue a regulatory news announcement, which will also be posted on its website, if the only attendees permitted will be those required to allow the business of the meeting to be conducted. The Board welcomes questions from Shareholders and invites them to be submitted by email to enquiries@aberforth.co.uk before the meeting, in case attendance is not allowed. In light of the circumstances an update on performance and the portfolio will be available on the Managers' website following the meeting.

Outlook

When considering ASLIT's prospects, I am conscious that the virus, in its several variants, is still very much with us and continues to affect how we live and do business. Nevertheless, it does seem that the vaccines have moved the world from apparent disaster to recovery in a remarkably short period of time. There is genuine confidence that economic activity is rebounding, as investment and consumption increase across the world. This optimism is reflected in rising share prices and an uptick in the frequency of M&A deals. In addition, for the first time in several years, UK stockmarkets are not being left behind by their international peers. While challenges remain under the terms of the trade deal with the EU, political uncertainty has diminished.

An emerging consideration which has been widely commented upon is the potential return of inflation. Evidence of inflationary pressures abounds at present, but it is unclear whether this is a temporary or lasting phenomenon. If it proves more than transitory, it could herald a change in market leadership away from the highly valued growth stocks that have flourished under the "lower for longer" interest rate environment since the global financial crisis. Such a development could be helpful for your Company and the value investment discipline followed by the Managers.

An important source of confidence for me and my fellow directors is the resilience of ASLIT's investee companies through the intensely difficult conditions of the pandemic period. As the Managers explain in their report, costs and cash were carefully husbanded by experienced boards, so that the businesses are now in a good position to benefit from recovering demand. The Managers have been exemplary in these very trying times and we thoroughly commend them for "keeping the faith" in the investee companies when the market had not and for sticking to what they do best. They have produced excellent returns this year and your Board is encouraged by their confidence for the future. While the Ordinary Shares' net asset value remains just below its level at launch, there is good reason to believe that returns over the last three years of ASLIT's planned life will be consistent with the investment objective and to the benefit of all shareholders.

Finally, we directors welcome the views of shareholders and are available should you wish to discuss these with us. My email address is noted below. Thank you for your support.

Angus Gordon Lennox
Chairman
28 July 2021

Angus.GordonLennox@aberforth.co.uk

Investment Policy and Strategy

Investment Policy

The Company aims to achieve its objective by investing in a diversified portfolio of securities issued by small UK quoted companies. Small UK quoted companies are those having a market capitalisation, at time of purchase, equal to or lower than the largest company in the bottom 10%, by market capitalisation, of the London Stock Exchange's Main Market for listed securities or companies in the Numis Smaller Companies Index (excluding investment companies) ("NSCI (XIC)"). As at 1 January 2021 (the date of the last annual NSCI (XIC) rebalancing), the NSCI (XIC) included 334 companies, with an aggregate market capitalisation of £141 billion. Its upper market capitalisation limit was £1.5 billion, although this limit changes owing to movements in the stockmarket. If any holding no longer satisfies this definition of a small UK quoted company its securities become candidates for sale unless the Managers determine that the Company's investment objective would be better served by their retention. Notwithstanding the above, the Managers would not normally expect more than 10% of the value of the Company's portfolio to be invested in a combination of: (i) securities issued by small UK quoted companies that are neither securities with equity rights, nor securities convertible to such; and/or (ii) holdings in companies that satisfied the definition of a small UK quoted company at the time of purchase but no longer do so and that are not categorised as candidates for sale.

The Company may, at the time of purchase, invest up to 15% of its assets in securities issued by any one company although, in practice, each exposure will typically be substantially less and, at market value, generally represents less than 5% of the portfolio on an on-going basis. The Board expects that this approach will normally result in a portfolio comprising holdings in between 50 and 100 companies. The Company will not invest in securities issued by other UK listed closed-ended investment funds except where they are eligible to be included in the NSCI (XIC). In any event, the Company will invest no more than 15% of total assets in other listed closed-ended investment funds.

Investment will only be made in companies with securities traded on the Main Market or, in limited circumstances, in AIM listed investments. AIM listed investments will only be held in the Company's portfolio if they have given a formal commitment to move to the Main Market, or in the situation where an existing investee company has moved its listing from the Main Market to AIM.

The Company will aim to be near to fully invested at all times. There will normally be no attempt to engage in market timing by holding high levels of liquidity though due consideration will be given to liquidity requirements as the Company nears the end of its Planned Life. The Company does not intend to utilise any bank borrowings other than short term overdraft or working capital facilities. The Directors expect that, in normal market conditions, bank borrowings will not exceed 2.5% of Total Assets. The Articles limit the level of such bank borrowings to a maximum of 5% of Total Assets at the time of drawdown. The Company has a policy to maintain total gearing, including the ZDP Shares, below the total of: (i) the accrued capital entitlement of the ZDP Shares from time to time; plus (ii) 5% of its Total Assets at the time of drawdown. The Directors have delegated responsibility to the Managers for the operation of the Company's overdraft and working capital facilities within the above parameters.

Subject to the prior approval of the Board, the Managers may use derivative instruments, such as financial futures, exchange traded funds, and options, for the purpose of efficient portfolio management. The Board's current expectation is that derivatives will rarely be used, if at all.

Any material changes to the Company's investment objective and policy will be subject to Shareholder approval at a general meeting. In the event of a breach of the Company's investment policy, the Directors will announce through a Regulatory Information Service the actions that will be taken to rectify the breach.

Investment Strategy

The Managers adhere to a value investment philosophy. While there can be extended periods when the value investment style is out of favour, there is compelling evidence that the value approach within small UK quoted companies has resulted in superior returns to those of the NSCI (XIC) as a whole over the long term.

In valuing businesses, the Managers place emphasis on the ratio of total enterprise value (which is the market capitalisation of the small UK quoted company adjusted for the average debt or cash level of such company) to the earnings before interest, tax and amortisation that the company generates (in short, the EV/EBITA ratio). The Managers also utilise other valuation metrics, recognising that flexibility is required when assessing businesses in different industries and that buyers of these businesses may include other corporates as well as stockmarket investors. As a result of the value investment approach, the average valuation metrics of the Company's holdings will usually be more modest than those of the NSCI (XIC), the investment universe.

The Managers select companies for the Company's portfolio on the basis of fundamental or "bottom-up" analysis. The "bottom-up" analysis includes the Managers scrutinising prospective investee companies' financial statements and assessing their market positions within their sectors. An important part of the process is regular engagement with the board members and management of prospective and existing investments. In addition, a "top down" evaluation is undertaken regularly.

Opportunities are often found in businesses where short-term trading, broad macro economic concerns or the vagaries of stockmarket sentiment have caused valuations to fall to levels at which the Managers consider significant upside to be available. The closing of valuation gaps usually requires the passage of time but can be expedited by a change of strategy, a change of management or takeover.

In seeking to achieve the investment objective, the Managers believe that the portfolio must be adequately differentiated from the NSCI (XIC), the investment universe. Therefore, within the diversification parameters described in the Company's investment policy, the Managers will regularly review the level of differentiation, with the aim of achieving a meaningful active weight for each holding within the Company's portfolio. Holdings are expected to be sold when their valuations reach the targets determined by the Managers.

Principal Risks

The Board has established an on-going process for identifying, evaluating and managing the principal risks faced by the Company. This process was in operation during the year and continues in place up to the date of this report.

Investment in small companies is generally perceived to carry more risk than investment in large companies. While this is reasonable when comparing individual companies, it is much less so when comparing the risks inherent in diversified portfolios of small and large companies. In addition, the Company has a simple capital structure and outsources all the main operational activities to recognised, well-established firms. The Board receives internal control reports from these firms to review the effectiveness of their control frameworks. Since the Covid-19 pandemic, these firms have deployed alternative operational practices, including staff working remotely, to ensure continued business service. As described in the Chairman's Statement and Managers' Report, Covid-19 has caused a significant impact on capital values and dividends from UK small companies.

On a forward looking basis, the principal risks faced by the Company, together with the approach taken by the Board towards them, have been summarised below. Further information regarding the review process can be found in the Corporate Governance and Audit Committee Reports.

(i) Investment policy/performance risk – The investment portfolio is exposed to share price movements owing to the nature of the Company's investment policy and strategy. The performance of the investment portfolio will be influenced by market related risks including market price and liquidity (refer to Note 19 for further details). The Board's aim is to achieve the investment objective by ensuring the investment portfolio is managed in accordance with the policy and strategy. The Board has outsourced portfolio management to experienced Managers with a clearly defined investment philosophy and investment process. The Board receives regular and detailed reports on investment performance. Senior representatives of the Managers attend each Board meeting. Peer group performance is also regularly monitored by the Board.

(ii) Market risk – investment performance is impacted by a number of market risk factors, including uncertainty about future price movements of investments. The Managers regularly assess the exposure to market risk when making investment decisions and the Board monitors the results of the investment process with the Managers. The Board and Managers closely monitor economic and political developments and, in particular, are mindful of the continuing uncertainty following the departure of the UK from the EU; the ongoing impact of the Covid-19 pandemic and government responses; and other geopolitical issues referred to in the Managers' Report.

(iii) Structural conflicts of interest – The different rights and expectations of the holders of Ordinary Shares and the holders of ZDP Shares may give rise to conflicts of interest between them. While the Company's investment objective and policy seek to strike a balance between the interests of both classes of Shareholder, there can be no guarantee that such a balance will be achieved and maintained during the life of the Company.

(iv) Significant fall in investment income – A significant fall in investment income could lead to the inability to provide a high level of income and income growth. The Board receives regular and detailed reports from the Managers on income performance together with income forecasts. The Board and Managers have been monitoring the impact of the Covid-19 pandemic on investment income.

(v) Loss of key investment personnel – The Board believes that a risk exists in the loss of key investment personnel at the Managers. The Board recognises that the collegiate approach employed by the Managers mitigates this risk. Board members are in regular contact with the partners and staff of the Managers and monitor personnel changes.

(vi) Regulatory risk – Breach of regulatory rules could lead to suspension of the Company's share price listings, financial penalties or a qualified audit report. Breach of Section 1158 of the Corporation Tax Act 2010 could lead to the Company losing investment trust status and, as a consequence, any capital gains would then be subject to capital gains tax. The Board reviews regular reports from the Secretaries to monitor compliance with regulations.

Directors’ Duty to Promote the Success of the Company

The Directors have a duty to promote the success of the Company for the benefit of Shareholders as a whole and to describe how they have performed this duty having regard to matters set out in section 172(1) of the Companies Act 2006. In fulfilling this duty, the Directors consider the likely consequences of their actions over the Company’s planned life on Shareholders and on other stakeholders.

As an externally managed investment company, the Company does not have employees. Its main stakeholders therefore comprise its Shareholders, who are also its customers, and a small number of suppliers. These suppliers are external firms engaged by the Board to provide, amongst others, investment management, secretarial, depositary, custodial and banking services. The principal relationship is with the Managers and page 19 contains further information. Their investment management services are fundamental to the success of the Company through the pursuit of the investment objective. The Board regularly monitors the Company’s investment performance in relation to its objective and also to its investment policy and strategy. It seeks to maintain a constructive working relationship with the Managers and on an annual basis reviews their continuing appointment to ensure it is in the best interests of Shareholders. The Board receives and reviews detailed presentations and reports from the Managers and other suppliers to enable the Directors to exercise effective oversight of the Company’s activities. Further information on the Board’s review process is set out in the Corporate Governance Report. The Managers seek to maintain constructive relationships with other suppliers on behalf of the Company, typically through regular communications, provision of relevant information and update meetings.

To act fairly as between the members of the Company, the Board seeks to strike a balance between the interests of Ordinary Shareholders and ZDP Shareholders, undertaking a level of risk that is consistent with the Company’s investment policy and investment objective. The Board acts in a manner that it considers fair, reasonable and equitable to both classes of Shareholder, having regard to the entitlements of each class of Shares under the Company’s Articles of Association. To help the Board in its aim to act fairly as between the Company’s members, it encourages communications with all Shareholders. The Annual and Interim reports are issued to Shareholders and are available on the Managers’ website together with other relevant information including monthly factsheets. The Managers offer to meet the larger Shareholders twice a year to provide detailed reports on the progress of the Company and to receive feedback, which is provided to and considered by the Board. Directors are also available to meet with Shareholders during the year and, in normal circumstances, at the AGM. The Board decides on dividends payable to Ordinary Shareholders each year in accordance with the Company’s dividend policy, based on the income received from the Company’s investment portfolio.

The Board’s decisions are focused on the period of the Company’s planned life lasting until 1 July 2024. However, before this date, the Board will examine means whereby holders of Ordinary Shares may effectively continue their investment, while allowing the ZDP Shareholders to realise their investment.

As described in more detail within the Corporate Governance Report, the Board is committed to maintaining and demonstrating high standards of corporate governance in relation to the Company’s business conduct.

Many investment cases are influenced by environmental, social and governance (ESG) matters, particularly as the increased profile of such issues affects the stockmarket’s valuations of companies. The successful design and implementation of environmental and social policies are the responsibility of a company’s board and governance regime. Whilst the Managers do not exclude investments from the portfolio based on ESG matters alone, and a broad range of factors is used for evaluation, ESG considerations are an important component of the investment case assessment. Where ESG matters impinge upon the investment case, the Managers actively engage with investee companies to encourage the issues to be addressed and improved. The Managers are well placed to undertake this activity, since engagement has always been a fully integrated element of their investment process. The Managers’ adoption of the UK Stewardship Code 2020 highlights more transparently the engagement and voting activity undertaken. Their investment team is well resourced and, collectively, has a deep knowledge and understanding of small UK quoted companies, derived from many years of interaction and fundamental research. The Managers’ long history of investing in small UK quoted companies and their willingness to take significant stakes in investee companies can also be helpful in their engagement with investee company boards. Further detail on the Managers’ stewardship policy, and supporting ESG documentation, is available within the 'About Aberforth' section of the Managers’ website, at www.aberforth.co.uk.

In summary, the Board’s primary focus in promoting the success of the Company for the benefit of its Shareholders as a whole is to direct the Company with a view to achieving the investment objective in a manner consistent with its stated investment policy and strategy. In doing so, and as described above, it has due regard to the impact of its actions on other stakeholders and the wider community.

Viability Statement

Shareholders will be required to vote on proposals from the Directors, relating to the Company's planned life, on or before 1 July 2024. The nature of these proposals and the outcome of the vote represent material uncertainties in the context of assessing the prospects of the Company beyond 1 July 2024. Notwithstanding the outcome of the vote the Directors have assessed the viability of the Company over the five year period to June 2026. The assessment took account of the Company's position, its investment strategy and the potential impact of the relevant principal risks described on page 5, including Covid-19. Based on this assessment, the Directors have a reasonable expectation that the Company will meet its liabilities as they fall due and, subject to the outcome of the vote on the Company's planned life, will be able to continue in operation over the five year period to June 2026.

In making this assumption, the Directors took comfort from the results of a series of stress tests that considered the impact of a number of severe market downturn scenarios on the Company's financial position and, in particular, its ability to settle projected liabilities of the Company as they fall due. The Company invests in companies listed and traded on the London Stock Exchange. These shares are actively traded and, whilst less liquid than larger quoted companies, the portfolio is well diversified by both number of holdings and industry sector. The Directors determined that a five year period to June 2026 is an appropriate period for which to provide this statement given the Company's investment objective, the simplicity of the business model, the resilience demonstrated by the stress testing and the relatively low working capital requirements.

Key Performance Indicators

The Board assesses the Company's performance in meeting its objectives against the following key performance indicators.

- Total Assets total return
- Ordinary Share Net Asset Value total return
- Ordinary Share Net Asset Value
- Ordinary Share Price discount
- Dividend per Ordinary Share
- ZDP Share Net Asset Value
- ZDP Share Projected Final Cumulative Cover
- Hurdle Rates

A record of these measures is provided within Financial Highlights (page 1), Hurdle Rates and Redemption Yields (below). Further analysis is provided within the Chairman's Statement (pages 2 to 3) and the Managers' Report (pages 8 to 12). The Managers' Report has been prepared by Aberforth Partners LLP and the Board endorses the analysis provided in respect of the key performance indicators. A glossary of Alternative Performance Measures can be found on page 54.

Hurdle Rates & Redemption Yields[1]

Hurdle Rates[2]

	Ordinary Shares Hurdle Rates to return			ZDP Shares Hurdle Rates to return	
At 30 June	100p	Share Price	Zero Value	127.25p	Zero Value
2021	**3.4%**	**-0.1%**	**-35.5%**	**-35.5%**	**-87.0%**
2020	15.1%	1.4%	-19.1%	-19.1%	-75.6%
Inception[2]	1.5%	n/a	-17.0%	-17.0%	-57.2%

Redemption Yields[2] as at 30 June 2021 (Ordinary Shares)

	Ordinary Share Redemption Yields[2] Dividend Growth (per annum)					
Capital Growth (per annum)	-20.0%	-10.0%	+0.0%	+10.0%	+20.0%	Terminal NAV[1,2]
-20.0%	-26.8%	-25.9%	-24.9%	-23.7%	-22.3%	29.1p
-10.0%	-10.8%	-10.1%	-9.3%	-8.4%	-7.4%	55.1p
+0.0%	3.3%	3.8%	4.5%	5.2%	6.1%	87.5p
+10.0%	16.4%	16.9%	17.5%	18.1%	18.9%	127.2p
+20.0%	29.0%	29.5%	30.0%	30.5%	31.2%	174.8p

1 The valuation statistics in the tables above are projected, illustrative and do not represent profit forecasts. There is no guarantee these returns will be achieved.

2 Defined in the Glossary on page 55.

Managers' Report

Introduction

The performance described in this report covering the twelve months to 30 June 2021 makes rather more pleasant reading than a year ago. The FTSE All-Share's total return was 21.5%. This was bettered by small UK quoted companies, with a 49.8% return generated by the NSCI (XIC). ASLIT's total asset total return, which is a measure of the portfolio's ungeared performance, was 61.9%. This has allowed a recovery in the prospective final cumulative cover of the ZDP Shares to 3.6 times. After taking into account the gearing provided by the ZDP Shares, the net asset value total return of the Ordinary Shares was 94.4%. These numbers have repaired most of the damage inflicted by the pandemic.

The main influence on this rebound in performance was the vaccines. Their arrival in November last year precipitated a powerful recovery in asset prices, which has continued into 2021. Financial markets anticipated a normalisation in societal behaviour and a strong recovery in activity, which is now showing through in macro economic data releases and in trading updates from companies.

The high returns from ASLIT's portfolio are a reminder of how desperate sentiment had become a year ago. Companies sensitive to the economic cycle, many of which were classified as value stocks, saw their share prices collapse as concerns about these businesses' viability reached a peak. Clearly, the vaccines eased the threat, but it is necessary to acknowledge the resilience of small UK quoted companies through 2020. Some of that resilience was due to external help, from lenders, governments and central banks. Shareholders also played a part, though the frequency of rights issues and placings amongst constituents of the NSCI (XIC) has been lower than the Managers had expected. Much of the resilience was down to internal measures put in place by boards that have undergone several tests in recent years, from the global financial crisis through the Eurozone crisis to Brexit. The consequence is that the corporate sector has passed the inflection point. Despite lingering lockdown conditions, profits are starting to recover and balance sheets are strengthening as free cash flow is generated. The improved outlook has allowed many boards to reinstate dividends, more quickly than expected even six months ago.

Another factor contributing to the good performance of constituents of the portfolio and of the NSCI (XIC) was – for the first time in several years – their "Britishness". This is not a jingoistic point but reflects the fact that prospects for UK companies have been under a cloud since the EU referendum. And, just as the political uncertainty of Brexit was lifting, the challenges of the pandemic and lockdown arrived. These events led to deep under-performance from UK equities over the last five years and to very low valuations in the global context. But the successful vaccine roll-out has been a catalyst for a reappraisal: the FTSE All-Share has out-performed global equities since October 2020, with domestically oriented small companies performing particularly strongly. The renewed interest in UK assets also comes through in higher corporate activity in the form of both M&A and IPOs.

The vaccines have been a catalyst for the reappraisal of "Britishness" and economic cyclicality, which has boosted the share prices of value stocks. The value style has also benefited from concerns about inflation. Growth stocks, whose valuations are skewed to cash flows generated in the more distant future, are more sensitive than value stocks to increases in discount rates and bond yields. Therefore, to the extent that higher inflation – whether actual or expected – raises bond yields, value tends to benefit relative to the growth style.

Evidence of inflationary pressure is abundant at present. Consumer prices are rising at 3-5% per annum in major western economies, while various gauges of inflation expectations have also risen to their highest levels for several years. These top-down measures are corroborated by commentary from many companies. Second order effects of the pandemic are raising raw material prices and, with some teething trouble from the Brexit trade deal, are constraining supply chains. These may be considered temporary consequences of the pandemic, but they are happening against the background of a continuation of extraordinary monetary policy, massive growth in money supply and astonishing trillion dollar fiscal programmes in the US. In this context, it is somewhat puzzling that government bond yields have not risen further, but the inertia that comes with the conditioning of three decades of disinflation is considerable.

Analysis of performance

The following paragraphs describe the main influences on ASLIT's ungeared portfolio performance over the twelve months to 30 June 2021. In that period the total asset total return was +61.9%, while that of the opportunity base represented by the NSCI (XIC) was +49.8%.

Managers' Report

Style

As noted above, the economic and financial market backdrop turned more conducive to the value investment style with the arrival of the vaccines. The London Business School uses price to book ratios to categorise stocks as "value" or "growth". It calculates that the NSCI (XIC)'s value cohort under-performed the growth stocks in the first four months of ASLIT's year, but out-performed strongly after the vaccine announcement. Over the financial year as a whole, value out-performance amounted to 21%. While the Managers' definition of value is broader and their investment cases are based on more than a near term valuation ratio, this degree of difference is indicative of a boost to ASLIT's performance from investment style.

Size

ASLIT's portfolio has had a higher exposure than the NSCI (XIC) to the index's smaller constituents since inception. This reflects the considerably lower valuations on offer down the scale of market capitalisations, irrespective of companies' fundamental prospects. This size positioning was beneficial to ASLIT's returns in the twelve months to 30 June 2021. A useful gauge of this is a comparison of returns from the FTSE SmallCap and the FTSE 250 – the former out-performed the latter by 28%. Despite this, the valuation advantage of smaller small companies remains, so the portfolio ended the financial year with 36% invested in the NSCI (XIC)'s mid cap constituents against 65% in these companies for the NSCI (XIC) itself.

Geography

Exposure to the UK's domestic economy has been an important influence on UK equities since 2016's EU referendum. As sterling adjusted to the implications of the leave vote, the share prices of companies that do most of their business outside the UK performed more strongly than those reliant on the domestic economy. The political clarity promised by the decisive election result at the end of 2019 was short lived. It was quickly overwhelmed by the pandemic as lockdown measures were more punitive for domestic businesses. However, since the vaccine announcements, the share prices of domestic facing companies out-performed by 8% in anticipation of re-opening and a normalisation of spending. This has benefited ASLIT's performance since the portfolio retains a relatively high exposure to the domestic economy. At 30 June 2021, 58% of the portfolio holdings' underlying sales were generated in the UK, compared with 52% for the NSCI (XIC).

Dividends

Recent dividend experience is encouraging, though some context is important. Last year saw the steepest fall in small company dividends since records began in 1955 – according to the London Business School's calculations, aggregate dividends from the NSCI (XIC) fell by 52%, adjusted for inflation. Given the severity of this decline and the effect of a low base, a further fall was unlikely. However, the recovery has so far proved broader and swifter than expected six months ago. This is illustrated in the following table, which splits ASLIT's holdings at 30 June 2021 into categories corresponding to their most recent dividend action.

Nil payer	Cutter	Unchanged payer	Increased payer	Returners	IPO
19	7	8	12	22	1

The "Returners" category points to the resilience of the holdings. It contains companies that stopped dividends in the first part of 2020 as the pandemic took effect but that have returned to paying dividends a year or less later. The Managers expect that current constituents of "Returners" will progress to "Unchanged payer" or "Increased payer" over the next twelve months. The other noteworthy category is "Nil payers", which comprises companies that did not pay a dividend a year ago and have not yet resumed distributions. The Managers believe that all the current "Nil Payers" will be able to recommence dividend payments as the recovery progresses over the next three years.

The early signs of a robust dividend recovery are encouraging and point to the careful management of cash by the investee companies through the downturn. However, based on current forecasts, a full return to pre-pandemic levels of portfolio income is unlikely until the financial year to 30 June 2024. It might be possible, through portfolio management, to accelerate this, but the Managers and Board are keen to balance income receipts with the capital upside from ASLIT's current holdings. In practice, this is a straightforward task in the recovery phase of the economic cycle, when share prices and dividends tend to move in unison.

Managers' Report

Balance sheets

The resilience of small companies illustrated by the dividend analysis also comes through in terms of balance sheet leverage.

Portfolio weight	Net cash	Net debt/EBITDA < 2x	Net debt/EBITDA > 2x	Others*
2020	31%	47%	10%	12%
2021	34%	47%	10%	9%
2022	44%	41%	9%	6%
2023	46%	44%	4%	6%

*Includes loss-makers and lenders

The Managers forecast the portfolio's exposure to companies with net cash to rise strongly over the recovery period, while exposure to companies with relatively high leverage ratios of more than two times declines sharply. This strengthening of balance sheets is driven by the generation of free cash flow – no incremental equity issuance is assumed. Companies have needed to issue less equity through the pandemic period than the Managers had expected. This was due to the combination of tight control of cash by the companies themselves, government support and relaxed terms from existing lenders. However, the ending of furlough schemes and the impact of recovering revenues on working capital requirements may see a tail of equity issues through 2021, while other companies are looking to raise equity to support acquisitions or accelerate investment. In the year to 30 June 2021, ASLIT supported seven equity raises by its holdings, subscribing to a total of just under £3m new equity.

The resilience displayed in the table should allow companies to accelerate investment plans, particularly if they can benefit from the super-deduction scheme announced by Rishi Sunak in the Budget. Alternatively, companies may return cash to shareholders or, if valuations make sense, acquisitions may be considered.

Corporate Activity

The vaccine rally has seen an upsurge in corporate activity around the world. The total value of pending and completed M&A deals announced in the first half of 2021 was an all-time high of $2.8 trillion, according to Refinitiv. The UK has very much been a part of this, with the low valuations of British assets proving particularly attractive to acquirers. On top of the numerous deals outside the NSCI (XIC), there have been eight takeover transactions announced within the index itself. Of these, ASLIT held two in its portfolio. The Managers believe that the valuations of both these deals were fair, but the risk remains that typical takeover premiums fail to reflect appropriate value for small UK quoted companies whose valuations have been depressed by Brexit and the pandemic. It is important not to cede control cheaply to opportunistic would-be acquirers.

On top of the rise in M&A, the UK stockmarket has seen its first meaningful bout of IPO activity for several years. So far in 2021, sixteen companies have floated whose current market capitalisations could make them eligible for inclusion in the NSCI (XIC) on its 1 January 2022 rebalancing. Most of these companies have online business models that thrived during lockdown and so, at today's valuations, are of greater appeal to growth investors. The stretch between the valuations of these recent IPOs and comparable businesses held in the portfolio is considerable. The Managers believe that these divergent valuations fail to reflect the fact that many "old economy" businesses have been investing in their online offerings. Well-articulated "omni-channel" strategies, under which established businesses seek to sell both online and through physical stores, are common and are likely to find increased relevance as lockdown measures are eased.

Portfolio turnover

Portfolio turnover is defined as the lower of purchases and sales divided by average portfolio value. Over the twelve months to 30 June 2021, the rate was 20%. There can be a relationship between higher rates of turnover and better relative performance from portfolios managed by Aberforth – if the share price of a holding rises close to the Managers' target, there is the opportunity to realise value and redeploy the proceeds in another company with a higher upside. The Managers term this the "value roll". If performance remains strong it might be reasonable to expect turnover to rise.

Active share

Active share is a measure of how different a portfolio is from an index. It is calculated as half of the sum of the absolute differences between each stock's weighting in an index and its weighting in the portfolio. The higher a portfolio's active share, the higher its chance of either out or under-performing the index. The Managers target a ratio of at least 70% in relation to the NSCI (XIC). At 30 June 2021, it was 75%.

Managers' Report

Valuations

Portfolio Characteristics	30 June 2021 ASLIT	30 June 2021 NSCI (XIC)	30 June 2020 ASLIT	30 June 2020 NSCI (XIC)
Number of companies	**69**	**324**	69	330
Weighted average market capitalisation	**£761m**	**£996m**	£513m	£760m
Price earnings (PE) ratio (historical)	**15.3x**	**17.4x**	6.7x	10.3x
Dividend yield (historical)	**2.5%**	**1.7%**	4.9%	2.4%
Dividend cover	**2.6x**	**3.4x**	3.0x	4.1x

At points during 2020, with the pandemic at its most intense, the average historical price earnings ratio (PE) of ASLIT's holdings reached extremely low levels, approaching the lowest that the Managers have observed for their portfolios in 30 years. Since the commencement of the vaccine rally, both the absolute portfolio PE and its discount to the NSCI (XIC)'s PE have returned to what might be considered more normal levels. There are two factors behind this normalisation. First, share prices recovered strongly, with ASLIT managing to out-perform the NSCI (XIC)'s return. Second, companies have started reporting results that have been affected by the lockdown conditions of 2020 and so the historical earnings used in the PE calculation have fallen. This latter dynamic has yet to play out in full, which means that the PE should rise further over coming months even if prices stay the same.

Of course, the stockmarket looks ahead and, in taking historical or near term valuation multiples to high levels, is anticipating a recovery of profits over subsequent years. The following table sets out forward valuation multiples, using the Managers' favoured valuation metric of enterprise value to earnings before interest, tax and amortisation (EV/EBITA). The Tracked Universe comprises 246 companies within the NSCI (XIC) that the Managers follow particularly closely.

EV/EBITA	2020	2021	2022	2023
ASLIT	13.3x	10.3x	8.7x	7.6x
Tracked Universe (246 stocks)	15.2x	12.9x	10.7x	9.6x
- 43 growth stocks	19.5x	22.2x	19.2x	16.7x
- 203 other stocks	14.5x	11.9x	9.8x	8.8x

The forecasts underlying the EV/EBITA multiples are the Managers' and anticipate aggregate small company profits to return to pre-pandemic levels in 2023. The profits of the portfolio's holdings are expected to grow more strongly than those of the Tracked Universe over the forecast period. This reflects the higher economic cyclicality of ASLIT's portfolio – profits fell further in 2020 and, all else equal, have greater scope to recover. By 2023, ASLIT's EV/EBITA multiples are around 20% lower than those of the Tracked Universe. This was the sort of discount that prevailed before the onset of the pandemic and, indeed, has been typical over recent years. Another useful reference point is the recent upsurge in M&A deals – these have been struck at much higher multiples than those prevailing for similar businesses in which ASLIT invests.

To be clear, the investment cases for all portfolio holdings are based on more than a near term valuation ratio. The Managers determine a target price for each holding, which is usually based upon an estimate of normalised profits to which a multiple is applied. The emphasis of the investment process is assessment of the appropriate multiple, taking into account factors such as the company's market position, its record, its management and its longer term prospects. The ranking by upside to price targets allows the Managers to circulate capital from companies whose share prices are near their calculated values to those with a larger gap between the two. The relatively low aggregate valuations for the portfolio, shown in the table, indicate the scope for this circulation of capital. Over time this "value roll" can make a meaningful contribution to investment returns.

Managers' Report

Outlook & Conclusion

While the pandemic has almost certainly peaked, it continues to cast a shadow on the outlook. From the epidemiological perspective, new variants would seem inevitable though the vaccines give cause for optimism that this risk can be controlled if global deployment is swift. Arguably, the greater issue for society, for the economy and for companies is how government chooses to address the risk. So-called "Covid Zero" policies would have profound and lasting implications for how we live our lives and do business.

Another set of risks emerges from the measures by governments and central banks to offset the impact of the virus on the economy. Furlough has succeeded in averting mass unemployment, but it is necessary to get through the Autumn's expiry of the Job Retention Scheme to assess the more lasting consequences and the willingness of consumers to spend the substantial savings accumulated during lockdown. The passage of time will also allow better understanding of the underlying effects of the UK's new relationship with the EU, which have so far been largely obscured by the pandemic.

Eventually, the official support programmes will have to be paid for and it seems inevitable that the Chancellor will describe a path to tighter fiscal policy in due course. For the time being, however, monetary and fiscal stimuluses are in full swing, which, together with price pressures arising from the pandemic, is fomenting concern about inflation. On the other hand, it is noteworthy that some of the financial markets' enthusiasm for reflation ebbed in June in response to the Federal Reserve's latest prognostications in the US. The debate between inflationists and deflationists is, therefore, finely balanced at present, but a nuanced outlook can itself be helpful to the value style given that markets have been positioned decisively for deflation ever since the financial crisis. A lasting turn to inflation, and higher bond yields, should be relatively good for the value investment style, though its effect on equity valuations would have to be accompanied by careful scrutiny of the pricing power of individual businesses.

These big picture issues will be important to ASLIT's future investment returns, but the main influence is the fortunes of the investee companies. Just twelve months ago, the stockmarket's judgement of their prospects was unequivocal: many were valued in a way that suggested their very viability was at risk. Given the unprecedented nature of the pandemic, valuations should have reflected a degree of uncertainty, but that judgement has proved much too harsh. The subsequent rebound in economic activity, in profitability and in share prices owes much to the astonishingly rapid development and roll-out of the vaccines. However, companies and their boards deserve credit too: the resilience demonstrated by ASLIT's holdings, and small companies more generally, is testament to the fact that these are well run businesses whose products and services are relevant even in a world living with Covid-19. Once this recovery phase ends, the Managers are confident that these companies will continue to grow their profits in real terms, exceed their cost of capital and generate free cash flow. At some point, the convincing record of these cyclical companies in dealing well with economic shocks should be recognised by the stockmarket with higher valuations.

While the profile of the recovery is assuming the classic "V" shape for the economy and stockmarket, not all of ASLIT's holdings have seen their share prices return to their pre-pandemic levels. At 30 June 2021, 54% of the portfolio was invested in companies whose prices were lower than at 31 December 2019, with a weighted average decline of 21%. This is one illustration that normalisation of economic activity, company profits and share prices should have further to run.

Not all companies will emerge from the pandemic as profitable as when they entered it – there will be longer term winners and losers. At points last year, the stockmarket seemed to judge that ASLIT owned only the losers, while the share prices of technology companies and other work-from-home beneficiaries rose sharply. However, the portfolio contains companies that have taken advantage of the pandemic's disruption to adapt their business models, to improve their ability to do business online and to restructure their cost bases.

In conclusion, the low stockmarket valuations of ASLIT's portfolio holdings contrast with the resilience of the underlying businesses, their return to paying dividends, and their good prospects even beyond the current recovery phase. There are catalysts for a broader recognition of these qualities, with global capital re-embracing UK assets, with cyclicality now desired rather than shunned, and with a more nuanced inflationary outlook. While acknowledging the strong gains of the past eight months, the Managers remain optimistic about ASLIT's prospective investment returns.

Aberforth Partners LLP
Managers
28 July 2021

Thirty Largest Investments

As at 30 June 2021

No.	Company	£'000	% of Total	Business Activity
1	Reach	10,285	4.4	UK newspaper publisher
2	Wincanton	8,031	3.4	Logistics
3	Rathbone Brothers	7,688	3.3	Private client fund manager
4	Brewin Dolphin Holdings	7,583	3.2	Private client fund manager
5	Redde Northgate	7,466	3.2	Van rental
6	TI Fluid Systems	6,982	3.0	Automotive parts manufacturer
7	Morgan Advanced Materials	6,641	2.8	Manufacture of carbon & ceramic materials
8	Vesuvius	6,265	2.7	Metal flow engineering
9	International Personal Finance	5,953	2.5	Home credit provider
10	Bloomsbury Publishing	5,558	2.4	Independent publishing house
	Top Ten Investments	**72,452**	**30.9**	
11	Crest Nicholson	5,502	2.3	Housebuilding
12	Vistry Group	5,390	2.3	Housebuilding
13	Bakkavor Group	5,238	2.2	Food manufacturer
14	CMC Markets	5,221	2.2	Financial derivatives dealer
15	Keller	4,678	2.0	Ground engineering services
16	Anglo Pacific Group	4,529	1.9	Natural resources royalties
17	Vitec Group	4,507	1.9	Photographic & broadcast accessories
18	Eurocell	4,472	1.9	Manufacture of UPVC building products
19	McKay Securities	4,300	1.8	Property - London & South East offices
20	STV Group	4,277	1.8	Multi-channel digital media
	Top Twenty Investments	**120,566**	**51.2**	
21	Wilmington Group	3,820	1.6	Business publishing & training
22	Centamin	3,719	1.6	Gold miner
23	Paypoint	3,709	1.6	Alternative payment services
24	Headlam Group	3,638	1.6	Distributor of floor coverings
25	Castings	3,609	1.5	Engineering - automotive castings
26	Drax Group	3,603	1.5	Electricity generation
27	RPS Group	3,576	1.5	Energy & environmental consulting
28	Kenmare Resources	3,569	1.5	Miner of titanium minerals
29	Rank Group	3,182	1.4	Multi-channel gaming operator
30	City of London Investment Group	3,153	1.3	Asset manager
	Top Thirty Investments	**156,144**	**66.3**	
	Other Investments (39)	79,304	33.7	
	Total Investments	**235,448**	**100.0**	
	Net Liabilities	(53,459)		
	Total Net Assets	**181,989**		

Investment Portfolio

As at 30 June 2021

Sector/Security	Business Activity	Value £'000	% of Total Investments
Software and Computer Services		**3,762**	**1.6**
Micro Focus	Legacy software assets	3,136	1.3
Moneysupermarket.com	Price comparison websites	626	0.3
Technology Hardware and Equipment		**2,958**	**1.3**
TT Electronics	Sensors & other electronic components	2,958	1.3
Telecommunications Service Providers		**2,892**	**1.2**
Zegona Communications	Telecommunications	2,892	1.2
Finance and Credit Services		**10,830**	**4.6**
International Personal Finance	Home credit provider	5,953	2.5
Provident Financial	Personal credit provider	2,960	1.3
S & U	Personal credit provider	1,917	0.8
Investment Banking and Brokerage Services		**23,645**	**10.0**
Brewin Dolphin Holdings	Private client fund manager	7,583	3.2
City of London Investment Group	Asset manager	3,153	1.3
CMC Markets	Financial derivatives dealer	5,221	2.2
Rathbone Brothers	Private client fund manager	7,688	3.3
Life Insurance		**4,380**	**1.9**
Chesnara	Life insurance	2,878	1.2
Hansard Global	Life assurance savings products	1,502	0.7
Non-life Insurance		**5,147**	**2.2**
Conduit Holding	Bermuda based (re)insurer	2,241	1.0
Sabre Insurance Group	Car insurance	2,906	1.2
Real Estate Investment and Services		**2,813**	**1.2**
Foxtons	Estate Agent	1,344	0.6
U and I Group	Property - investment & development	1,469	0.6
Real Estate Investment Trusts		**4,300**	**1.8**
McKay Securities	Property - London & South East offices	4,300	1.8
Automobiles and Parts		**6,982**	**3.0**
TI Fluid Systems	Automotive parts manufacturer	6,982	3.0
Consumer Services		**2,736**	**1.2**
RM	IT services for schools	2,736	1.2
Household Goods and Home Construction		**14,530**	**6.2**
Crest Nicholson	Housebuilding	5,502	2.3
Headlam Group	Distributor of floor coverings	3,638	1.6
Vistry Group	Housebuilding	5,390	2.3
Media		**25,493**	**10.8**
Bloomsbury Publishing	Independent publishing house	5,558	2.4
Centaur Media	B2B publishing	1,553	0.6
Reach	UK newspaper publisher	10,285	4.4
STV Group	Multi-channel digital media	4,277	1.8
Wilmington Group	Business publishing & training	3,820	1.6
Retailers		**10,869**	**4.6**
Card Factory	Retailing - greetings cards	1,410	0.6
DFS Furniture	Furniture retailer	2,558	1.1
Lookers	Motor vehicle retailer	2,538	1.1
Topps Tiles	Ceramic tile retailer	2,628	1.1
Vivo Energy	Fuel and lubricant distribution and sale	1,735	0.7
Travel and Leisure		**10,566**	**4.5**
Go-Ahead Group	Bus & rail operator	2,263	0.9
Hollywood Bowl	Operator of bowling centres	1,355	0.6
Hostelworld Group	Hostel booking platform	1,747	0.7
Rank Group	Multi-channel gaming operator	3,182	1.4
Stagecoach Group	Bus & rail operator	2,019	0.9

Investment Portfolio

As at 30 June 2021

Sector/Security	Business Activity	Value £'000	% of Total Investments
Beverages		**1,384**	**0.6**
C&C Group	Brewer and drinks distributor	1,384	0.6
Food Producers		**7,851**	**3.3**
Bakkavor Group	Food manufacturer	5,238	2.2
Devro	Sausage casings	2,613	1.1
Personal Care, Drug and Grocery Stores		**398**	**0.2**
McColl's Retail Group	Retailing - convenience stores	398	0.2
Construction and Materials		**7,119**	**3.0**
Forterra	Manufacture of bricks	2,189	0.9
Galliford Try Holdings	Housebuilding & construction	252	0.1
Keller	Ground engineering services	4,678	2.0
Aerospace and Defence		**4,340**	**1.8**
Senior	Aerospace & automotive engineering	1,748	0.7
Ultra Electronics Holdings	Specialist electronic & software technologies	2,592	1.1
Electronic and Electrical Equipment		**6,641**	**2.8**
Morgan Advanced Materials	Manufacture of carbon & ceramic materials	6,641	2.8
General Industrials		**4,472**	**1.9**
Eurocell	Manufacture of UPVC building products	4,472	1.9
Industrial Engineering		**14,381**	**6.1**
Castings	Engineering - automotive castings	3,609	1.5
Vesuvius	Metal flow engineering	6,265	2.7
Vitec Group	Photographic & broadcast accessories	4,507	1.9
Industrial Support Services		**20,706**	**8.8**
Essentra	Filters & packaging products	2,703	1.1
PageGroup	Recruitment	2,149	0.9
Paypoint	Alternative payment services	3,709	1.6
Robert Walters	Recruitment	2,530	1.1
RPS Group	Energy & environmental consulting	3,576	1.5
SIG	Specialist building products distributor	2,917	1.2
Smiths News	Newspaper distribution	1,771	0.8
Speedy Hire	Plant hire	1,351	0.6
Industrial Transportation		**16,737**	**7.1**
Redde Northgate	Van rental	7,466	3.2
VP	Equipment rental	1,240	0.5
Wincanton	Logistics	8,031	3.4
Industrial Metals and Mining		**8,098**	**3.4**
Anglo Pacific Group	Natural resources royalties	4,529	1.9
Kenmare Resources	Miner of titanium minerals	3,569	1.5
Precious Metals and Mining		**3,719**	**1.6**
Centamin	Gold miner	3,719	1.6
Chemicals		**2,513**	**1.1**
RHI Magnesita	Refractory products	2,513	1.1
Oil, Gas and Coal		**1,583**	**0.7**
Genel Energy	Oil & gas exploration and production	1,583	0.7
Electricity		**3,603**	**1.5**
Drax Group	Electricity generation	3,603	1.5
Total Investments		**235,448**	**100.0**

Other Portfolio Information

Summary of Investment Transactions

For the year to 30 June 2021

Purchases	Cost £'000	Sales	Proceeds £'000
Centamin	3,419	CMC Markets	5,749
Rathbone Brothers	2,985	Reach	4,433
City of London Investment Group	2,779	Vectura Group	3,713
Crest Nicholson	2,435	Halfords Group	3,364
Conduit Holding	2,139	Forterra	2,300
International Personal Finance	1,846	RDI REIT	2,105
Micro Focus	1,705	Keller	1,824
RHI Magnesita	1,605	Hastings Group	1,521
Robert Walters	1,452	SThree	1,393
Foxtons	1,393	TT Electronics	1,367
S & U	1,309	Wincanton	1,333
C&C Group	1,307	Vitec Group	1,138
VP	1,129	Essentra	1,039
Chesnara	1,090	Eurocell	999
STV Group	1,075	Bloomsbury Publishing	960
Headlam Group	902	Senior	933
Vivo Energy	796	Morgan Advanced Materials	771
Brewin Dolphin Holdings	768	U and I Group	645
Redde Northgate	700	Amigo Holdings	606
Hollywood Bowl	649	Pets at Home Group	603
Other Purchases	5,138	Other Sales	2,613
Total Cost of Purchases	**36,621**	**Total Proceeds of Sales**	**39,409**

FTSE Industry Classification Exposure Analysis

	30 June 2020				**30 June 2021**	
Sector	Portfolio Weight %	Portfolio Valuation £'000	Net Purchases/ (Sales)[1] £'000	Net Appreciation/ (Depreciation)[1] £'000	**Portfolio Valuation £'000**	**Portfolio Weight %**
Technology	3	3,717	337	2,666	**6,720**	**3**
Telecommunications	1	2,140	61	691	**2,892**	**1**
Health care	2	2,617	(3,713)	1,096	**–**	**–**
Financials	18	27,385	6,484	10,134	**44,003**	**19**
Real Estate	4	6,477	(2,747)	3,382	**7,112**	**3**
Consumer Discretionary	27	41,656	(4,073)	33,593	**71,176**	**30**
Consumer Staples	3	4,827	2,240	2,567	**9,634**	**4**
Industrials	35	52,958	(7,036)	28,473	**74,395**	**32**
Basic Materials	4	6,643	5,720	1,967	**14,330**	**6**
Energy	1	1,394	(61)	250	**1,583**	**1**
Utilities	2	2,185	–	1,418	**3,603**	**1**
	100	151,999	(2,788)	86,237	**235,448**	**100**

[1] Includes transaction costs.

Other Portfolio Information

FTSE Index Classification Exposure Analysis

Index Classification	30 June 2020 Number of Companies	30 June 2020 Portfolio Valuation £'000	30 June 2020 Weight %	**30 June 2021 Number of Companies**	**30 June 2021 Portfolio Valuation £'000**	**30 June 2021 Weight %**
FTSE 100	–	–	–	**–**	**–**	**–**
FTSE 250	21	54,633	35.9	**20**	**86,080**	**36.5**
FTSE SmallCap	37	78,080	51.4	**36**	**117,220**	**49.8**
FTSE Fledgling	4	2,782	1.8	**4**	**5,224**	**2.2**
Other	7	16,504	10.9	**9**	**26,924**	**11.5**
	69	151,999	100.0	**69**	**235,448**	**100.0**

Other Business Information

Company Status

The Company is a closed-ended investment trust listed on the London Stock Exchange and an Alternative Investment Fund under the Alternative Investment Fund Managers (AIFM) Directive. The Company has been approved by HM Revenue & Customs as an investment trust from 3 July 2017 subject to the Company continuing to meet the eligibility conditions. The Company will continue to conduct its affairs as an investment trust. Furthermore, the Company is an investment company as defined within the meaning of Section 833 of the Companies Act 2006.

Board Diversity

The Board's diversity policy recognises the importance of diversity in its broadest sense (including skills, experience, gender and tenure) in enabling it to fulfil the present and future needs of the Company. The policy is always to appoint the best person available for the role. Brief biographical details of the Board are shown on page 18. In respect of gender representation, as at 30 June 2021, there were four male directors and one female director.

Environmental, Human Rights, Employee, Social Community Issues

The requirement to detail information about environmental matters, human rights, social and community issues does not apply to the Company as it has no employees, all Directors are non-executive and it has outsourced its functions to third party service providers. The Company's and the Managers' approach to environmental, social and governance matters is set out within the Corporate Governance Report on page 25.

The Strategic Report, contained on pages 1 to 17, has been approved by the Board of Directors on 28 July 2021 and signed on its behalf by:

Angus Gordon Lennox
Chairman

Governance Report

Board of Directors

Angus Gordon Lennox (Chairman)

Appointed: 19 April 2017

Shareholding in the Company: 619,738 Ordinary Shares

Angus Gordon Lennox has an extensive knowledge of the investment industry with 23 years at Cazenove, latterly J.P. Morgan Cazenove, where he was a managing director and Head of the Investment Companies Department. He held this position until 2010 when he retired. Angus is also the executive chairman of two family businesses, chairman of The Mercantile Investment Trust plc and senior independent director of Securities Trust of Scotland plc.

Graeme Bissett

Appointed: 19 April 2017

Shareholding in the Company: 55,058 Ordinary Shares and 6,000 ZDP Shares

Graeme Bissett is chairman of the Audit Committee and is a chartered accountant. He was a senior partner of Arthur Andersen LLP, with responsibility for its corporate finance and audit practices in Scotland from 1990 to 1998. Graeme has previously served as non-executive chairman of Macfarlane Group plc. Graeme has also previously served as finance director of international groups and as a non executive director on a number of private company boards. Graeme is a non-executive director with Smart Metering Systems plc, Calnex Solutions plc, Cruden Holdings Ltd and Anderson Strathern LLP. He is a Member of Court at the University of Glasgow, a trustee of the Scottish Association of Citizens Advice Bureaux, a trustee of the Entrepreneurial Scotland Foundation and a trustee of Pitlochry Festival Theatre.

Dominic Fisher OBE

Appointed: 19 April 2017

Shareholding in the Company: 185,259 Ordinary Shares

Dominic Fisher is a member of the Audit Committee. He was a director of Aberforth Geared Income Trust plc from 2010 to 2017. He is the founder of Thistledown Investment Management Ltd and has worked as an investment manager since 1989. From 1992 to 2001 he worked for Mercury Asset Management (subsequently Merrill Lynch Investment Managers), heading the charities division responsible for management of £2.4 billion of funds and was a member of the smaller companies team.

Lesley Jackson

Appointed: 24 April 2019

Shareholding in the Company: 32,728 Ordinary Shares

Lesley Jackson is a member of the Audit Committee and is a chartered accountant. She was the Group Chief Financial Officer (‘CFO’) for Stock Spirits PLC from 2011 to 2018. She has previously served as the Group CFO for William Grant & Sons, and as Group CFO of United Breweries (an Indian listed public company). She is a non-executive Director of Devro plc, The Artisanal Spirits Company plc and also serves as a Governor on the Federation of Victoria School and Cherry Oak School, special needs schools in South Birmingham.

Graham Menzies

Appointed: 19 April 2017

Shareholding in the Company: 348,036 Ordinary Shares (Beneficial) and 62,835 (Non-beneficial)

Graham Menzies was a director of Aberforth Geared Income Trust plc from 2010 to 2017. He was group chief executive of Adwest Automotive plc until 1999 and group chief executive of Senior plc until 2008. He has been a non-executive director on several industrial company boards, including five public companies and four private companies.

Directors' Report

The Directors present their Annual Report and the audited financial statements for the year to 30 June 2021.

Directors

The Directors of the Company during the year to 30 June 2021 are listed on page 18. Further information about the Board can be found in the Corporate Governance Report, which forms part of this Directors' Report. It is the responsibility of the Board to ensure that there is effective stewardship of the Company's affairs. In common with the majority of investment trusts, the Company has neither executive directors nor any employees. However, the Board has engaged external firms to undertake the investment management, secretarial, depositary and custodial activities of the Company.

Details of Directors' remuneration and shareholdings are shown within the Directors' Remuneration Report on pages 31 and 32.

Objective, Investment Policy, Investment Strategy, Risks and Dividend Policy

These are explained fully on pages 1, 4, 5 and 21.

Return and Dividends

The total return attributable to Ordinary Shareholders for the year to 30 June 2021 amounted to a profit of £88,943,000 (2020: loss of £56,599,000). As at 30 June 2021 the Net Asset Value per Ordinary Share was 95.66p (2020: 52.54p) and per ZDP Share was 114.46p (2020: 110.48p).

Your Board is pleased to declare a second interim dividend of 2.13p (total of £4,052,000), which produces total dividends for the year to 30 June 2021 of 3.05p (total of £5,803,000). The second interim dividend has an ex dividend date of 5 August 2021 and will be paid on 27 August 2021 to Ordinary Shareholders on the register at the close of business on 6 August 2021. The first interim dividend of 0.92p (total of £1,750,000) per Ordinary Share was paid on 9 March 2021.

Managers

Aberforth Partners LLP (the firm, Managers or Aberforth) act as Alternative Investment Fund Manager and Secretaries to the Company. The business was established in 1990 to provide institutional and wholesale investors with a high level of resources focused exclusively on small UK quoted companies and deployed in accordance with a value investment philosophy.

At 30 June 2021, funds under management were £2.4 billion, of which 78% was represented by investment trusts, 10% by a unit trust and 12% by segregated charity funds. All these funds are managed in line with the value philosophy applied to the Company's portfolio. The Managers believe that diseconomies of scale come with managing too much money within an asset class such as small UK quoted companies. Accordingly, they impose a ceiling on funds under management, which in normal circumstances would be equivalent to 1.5% of the total market capitalisation of the NSCI (XIC) investment universe. Consistent with this, current capacity is circa £200 million of funds under management.

The firm is wholly owned by seven partners. Six are investment managers, with the investment team completed by one other who is not currently a partner. Analytical responsibilities are divided by stockmarket sector among the investment managers, but investment decisions and portfolio management are undertaken on a collegiate basis by the full team.

The investment managers are remunerated on the basis of the success of the firm and its funds as a whole. Alignment with Company's Shareholders is further enhanced by the team's meaningful investments in the Company's equity.

These services can be terminated by either party at any time by giving six months' notice of termination. Compensation would be payable in respect of this six month period only if termination were to occur sooner. Aberforth receives a management fee, calculated and payable quarterly in advance, equal to 0.1875% of the Company's Total Assets at the end of the quarter preceding that to which the fee relates. Assuming a constant level of Total Assets, this would be equivalent to 0.75% of Total Assets over the course of a year. The management fee amounted to £1,316,000 (2020: £1,530,000) in the year to 30 June 2021.

The Board reviews the Company's investment management and secretarial arrangements on an on-going basis and formally at its July meeting, where each Director completes a Managers' Evaluation questionnaire. The Board then considers the results of the questionnaire and discusses the following matters, amongst others, in its review.

- investment performance in relation to the investment objective, policy and strategy
- the continuity and quality of personnel managing the assets
- the level of the management fee
- the quality of reporting to the Board
- the administrative services provided by the Secretaries
- the frequency and quality of both verbal and written communications with Shareholders

Following the most recent review, the Board has formed the view that the continued appointment of Aberforth as Manager on the terms agreed is in the best interests of Shareholders.

Directors' Report

Depositary

NatWest Trustee & Depositary Services Limited carries out the duties of Depositary as specified in the Alternative Investment Fund Managers (AIFM) Directive in relation to the Company, including:

- holding or controlling all assets of the Company that are entrusted to it for safekeeping;
- cash monitoring and verifying the Company's cash flows; and
- oversight of the Company and the Managers.

In carrying out such duties, the Depositary acts in the best interests of the Shareholders of the Company. The Depositary is contractually liable to the Company for the loss of any securities entrusted to it. The Depositary is also liable to the Company for all other losses suffered as a result of the Depositary's fraud, negligence and/or failure to fulfil its duties properly.

The Depositary receives an annual fee, payable quarterly in arrears, of 0.0085% of the net assets of the Company and its appointment may be terminated at any time by giving at least six months' notice. A Depositary may only be removed from office when a new Depositary is appointed by the Company.

Company Status

The Company is registered as a public limited company and is an investment company as defined by Section 833 of the Companies Act 2006. The Directors are of the opinion that the Company has conducted its affairs during the year to 30 June 2021 so as to maintain approval as an Investment Trust under section 1158 of the Corporation Tax Act 2010.

The Company has share capital consisting of Ordinary Shares and ZDP Shares. The Company is listed and its two share classes trade on the London Stock Exchange. Furthermore the Company is subject to the laws and regulations relating to UK listed companies. The Company is a member of the Association of Investment Companies (AIC).

Capital Structure

The Company has two classes of Shares. At 30 June 2021 the Company's share capital consisted of Ordinary Shares, of which 190,250,000 were issued, allotted and fully paid, and, ZDP Shares, of which 47,562,500 were issued, allotted and fully paid. The Ordinary Shares represent 80% of the Company's issued share capital and the ZDP Shares represent 20% of the Company's issued share capital. No Shares were held in treasury as at 30 June 2021.

Ordinary Shares

Ordinary Shareholders are entitled to the net assets of the Company on a winding-up, after all liabilities of the Company have been settled and the entitlements of the ZDP Shares have been met. In addition, Ordinary Shareholders will be entitled on a winding-up to receive any undistributed revenue reserves of the Company, which will be paid in the form of a pre-liquidation dividend or during the course of the liquidation, subject to all creditors of the Company having been paid out in full and even if the cover on the ZDP Shares is at the time less than one. The Company's capital structure is such that the underlying value of assets attributable to the Ordinary Shares will be geared by the rising capital entitlements of the ZDP Shares. Accordingly, the Ordinary Shares should be regarded as carrying above average risk.

Zero Dividend Preference Shares

The ZDP Shares were issued with a targeted final capital entitlement of 127.25p per ZDP Share on the planned winding-up date of 1 July 2024. This represents a redemption yield of 3.5% per annum over the life of the ZDP Shares, based on the issue price of 100p at inception on 30 June 2017. Under current legislation, the increase from the issue price of 100p to 127.25p per ZDP Share will generally be treated as a capital gain for UK tax purposes. The holders of ZDP Shares are not entitled to receive dividend payments. ZDP Shares have been recorded as a liability in the Company's Balance Sheet.

Investment Trust Status

The Company is exempt from corporation tax on capital profits, provided it qualifies as an Investment Trust. In respect of the year to 30 June 2021, the main qualifying requirements included:

- the Company must invest in shares, land or other assets with the aim of spreading investment risk and giving members of the Company the benefit of the results of the management of its funds;
- the Company's Shares are listed on a regulated market such as the London Stock Exchange;
- the Company must not retain in respect of each accounting period more than 15% of its total income (for tax purposes); and
- the Company must not be a close company.

The Company has been approved by HM Revenue & Customs as an Investment Trust for accounting periods commencing on or after 3 July 2017 subject to the Company continuing to meet the eligibility conditions. The Company intends to continue to conduct its affairs as an Investment Trust.

Duration of the Company

The Company has a planned life lasting until 1 July 2024. The Directors are required by the Company's Articles of Association to convene a general meeting of the Company on, or within the three months prior to 1 July 2024, at which a special resolution will be proposed to wind up the Company voluntarily by not later than the planned winding-up date. As these arrangements are designed to ensure that the ZDP Shareholders will be entitled to realise their investment, weighted voting provisions shall apply so as to ensure that this resolution will be passed if any Shareholder votes in favour. However, before this date, the Directors will examine means whereby holders of Ordinary Shares may effectively continue their investment while allowing the ZDP Shareholders to realise their investment. The Directors may be released from the obligation to call a general meeting if a special resolution has been passed to that effect not later than 1 July 2024.

Overdraft facility

The Company has a £2 million overdraft facility with The Northern Trust Company, which is subject to an annual review. The interest rate applying to overdrawn balances is 1.5% over the UK Base Rate. In addition an annual arrangement fee of £2,500 is incurred in respect of the facility. During the year to 30 June 2021 the highest utilisation of the overdraft facility was £1.5 million.

Dividend Policy

The Company's dividend policy is to distribute a significant proportion of its net revenue (after payment of expenses and taxation) in the form of dividends to Ordinary Shareholders. As an investment trust the Company must not retain in respect of any accounting period an amount which is greater than 15 per cent of its income for such accounting period. Ordinary Shareholders are entitled to receive all such dividends. The holders of the ZDP Shares are not entitled to receive dividend payments. The Company's dividend policy is to pay two dividends in respect of each financial year: a first interim dividend is paid in February/March and a second interim dividend is paid in August/September. A second interim dividend is paid rather than a final dividend in order to expedite the disbursement for the benefit of Ordinary Shareholders.

Going Concern

The Audit Committee has undertaken and documented an assessment of whether it is appropriate for the Company to adopt the going concern basis of accounting. This assessment included the impact on the Company of Covid-19. The Committee reported the results of its assessment to the Board.

The Company's business activities, capital structure and borrowing facility, together with the factors likely to affect its development and performance, are set out in the Strategic Report. In addition, the Annual Report includes the Company's objectives, policies and processes for managing its capital, its financial risk, details of its financial instruments and its exposures to credit risk and liquidity risk. The Company's assets comprise mainly readily realisable equity securities, which, if necessary, can be sold to meet any funding requirements, though funding flexibility can typically be achieved through the use of the bank overdraft facility. The Company has adequate financial resources to enable it to meet its day-to-day working capital requirements.

In summary and taking into consideration all available information, the Directors have concluded it is appropriate to prepare the financial statements on a going concern basis.

Voting Rights of Shareholders

Ordinary Shareholders have the right to receive notice of, to attend and to vote at general meetings of the Company. Each Ordinary Shareholder has one vote on a show of hands and, on a poll, one vote for every Ordinary Share held. The right of Ordinary Shareholders to vote on certain resolutions on the winding-up, reconstruction or reorganisation of the Company is subject to the restrictions set out in the Articles. Votes are required to be lodged with the Company's Registrar 48 hours before a meeting (excluding non-working days). The holders of ZDP Shares do not have the right to receive notice of any general meeting of the Company or to attend or vote at any such meeting except in respect of any resolution: (i) to vary the special rights or privileges attached to the ZDP Shares; (ii) to wind up the Company. Their separate approval as a class will be required for certain proposals that would be likely to affect their position materially.

The Board is pleased to offer electronic proxy voting, including CREST voting capabilities. Further details can be found in the Notice of the AGM.

Notifiable Share Interests

The Board has received notifications of the following interests in 3% or more of the total voting rights of the Company as at 30 June 2021. The percentage calculation is based on the total voting rights of 190,250,000 Ordinary Shares.

Notified interests	Percentage of Voting Rights Held
Brompton Asset Management LLP	8.3%
Courtiers Asset Management	6.2%
Brooks Macdonald Asset Management Ltd	5.0%
Mr Alistair Whyte	4.0%
Mr David Ross	3.8%
Artemis Investment Management LLP	3.1%

In the period from 30 June 2021 to 28 July 2021 the Company has received notification that 1607 Capital Partners, LLC has an interest in 7.8% of the Ordinary Shares.

Directors' Report

Annual General Meeting

The AGM will be held at 14 Melville Street, Edinburgh EH3 7NS at 11.00 a.m. on 28 October 2021. Shareholders are encouraged to submit their votes by proxy in advance of the meeting in case restrictions related to the Covid-19 pandemic persist and it is therefore not possible for shareholders to attend in person. The Board will continue to consider carefully the arrangements for the AGM in light of Government guidance. The Company will issue a regulatory news announcement, which will also be posted on the Company's website, if the only attendees permitted will be those required to form the quorum and allow the business to be conducted. The Notice of the Meeting and explanatory notes are set out on pages 57 to 58 of the Annual Report and Financial Statements.

The Directors consider each resolution being proposed at the AGM to be in the best interests of Shareholders as a whole and they unanimously recommend that all Shareholders vote in favour of them, as they intend to do in respect of their own beneficial shareholdings.

Additional information in respect of the Companies Act 2006

The following information is disclosed in accordance with Section 992 of the Companies Act 2006.

- The Company's capital structure and voting rights are summarised on pages 20 to 21.
- Details of the substantial Ordinary Shareholders in the Company are listed on page 21.
- The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and the Board's policy is set out on page 24.
- Amendment of the Company's Articles of Association and powers to issue on a non pre-emptive basis or buy back the Company's Shares require a special resolution to be passed by Shareholders.
- There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements to which the Company is party that might affect its control following a takeover bid.
- There are no agreements between the Company and its Directors concerning compensation for loss of office.

Greenhouse Gas Emissions

As the Board has engaged external firms to undertake the principal operational activities of the Company, 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.

Bribery Act 2010

The Company does not tolerate bribery and is committed to carrying out business fairly, honestly and openly. Aberforth, the Company's Managers, have confirmed that they have anti-bribery policies and procedures in place and they do not tolerate bribery.

Modern Slavery Statement

The Company is not within scope of the Modern Slavery Act 2015 and is not, therefore, obliged to make a human trafficking statement. The Company has no employees and its supply chain consists mainly of professional advisers so is considered to be low risk in relation to this matter.

Criminal Finances Act 2017

The Company does not tolerate the criminal facilitation of tax evasion.

Post Balance Sheet Events

Since 30 June 2021 there are no post balance sheet events that would require adjustment of or disclosure in the financial statements.

Independent Auditor

Deloitte LLP has expressed its willingness to be re-appointed as Auditor and a resolution proposing its re-appointment will be put to the forthcoming Annual General Meeting.

Disclosure of Information to Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information, and to establish that the Company's Auditor is aware of that information.

Future Developments

The future success of the Company is dependent primarily on the performance of its investments. Although the Company invests in companies that are listed or quoted in the United Kingdom, the underlying businesses of those companies are affected by various economic factors, many of an international nature. The Board's intention is that the Company will continue to pursue its investment objective and the stated investment strategy and policy.

Approved and authorised for issue by the Board of Directors
Angus Gordon Lennox
Chairman
28 July 2021

Corporate Governance Report

Introduction

The Board is committed to maintaining and demonstrating high standards of corporate governance. The Board has considered the principles and provisions of the 2019 AIC Code of Corporate Governance (the AIC Code). The AIC Code addresses all the principles and provisions set out in the UK Corporate Governance Code, as well as setting out additional provisions on issues that are of specific relevance to investment trusts. The Board considers that reporting in accordance with the principles and provisions of the AIC Code provides more relevant and comprehensive information to Shareholders. The AIC Code is available on the AIC website at www.theaic.co.uk. This report forms part of the Directors' Report on pages 19 to 22.

Compliance

Throughout the year to 30 June 2021 the Company complied with the recommendations of the AIC Code except, as explained below, where the Board does not believe it appropriate to comply.

- The Board, being small in size and composed entirely of independent non-executive Directors, has not appointed a Remuneration or a Nomination Committee. Directors' fees and the appointment of new Directors are considered by the Board as a whole.
- The Board has decided not to nominate a Deputy Chairman or a Senior Independent Director, although the Chairman of the Audit Committee fulfils this role when necessary, for example in taking the lead in the annual evaluation of the Chairman.

The UK Corporate Governance Code includes provisions relating to the role of the chief executive, executive Directors' remuneration and the need for an internal audit function. For reasons set out in the AIC Code, the Board considers these provisions are not relevant to the Company as it is 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.

The Board

The Board is responsible for the effective stewardship of the Company's affairs. Strategic issues and all operational matters of a material nature are considered at its meetings. The Board comprises five non-executive Directors, of whom Angus Gordon Lennox is Chairman. The Board has engaged external firms to provide investment management, secretarial, depositary and custodial services. Contractual arrangements are in place between the Company and these firms.

The Board carefully considers the various guidelines for determining the independence of non-executive Directors, placing particular weight on the view that independence is evidenced by an individual being independent of mind, character and judgement. An individual may therefore be considered to be independent even though the length of service may exceed nine years. No limit on the overall length of service of any of the Directors, including the Chairman, has therefore been imposed, but the Company has a planned life of less than nine years. All Directors are presently considered to be independent. All Directors retire at the AGM each year and, if appropriate, seek re-election. Each Director has signed a letter of appointment to formalise the terms of their engagement as a non-executive Director, copies of which are available on request.

Meetings

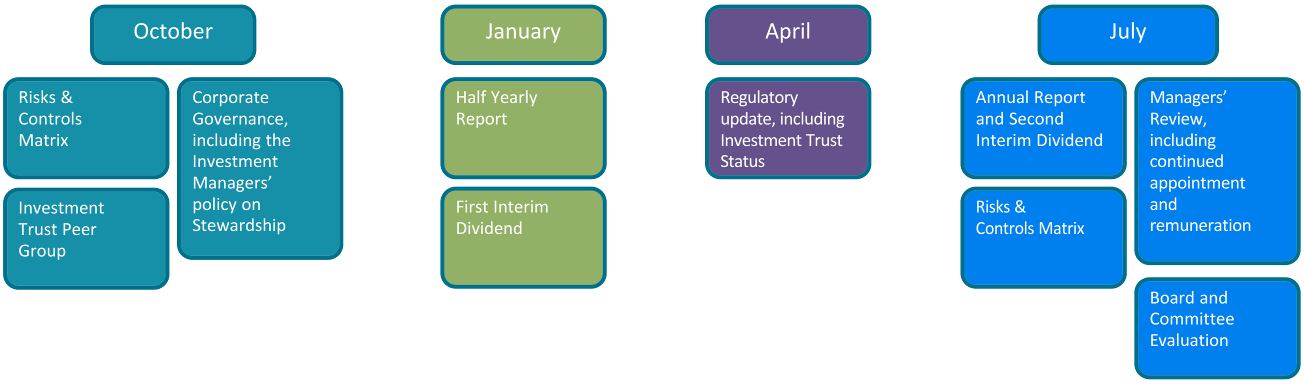
The Board meets at least quarterly to review the overall business of the Company and to consider the matters specifically reserved for it. Detailed information is provided by the Managers and Secretaries for these meetings and additionally at regular intervals to enable the Directors to monitor compliance with the investment objective and the Company's investment performance and review its investment universe. Other matters reviewed by the Directors include:

- the stockmarket environment;
- the Company's investment activity over the quarter relative to its investment policy;
- performance in relation to comparable investment trusts;
- the revenue account, balance sheet and gearing position;
- share price discount;
- Shareholder register (including significant changes);
- regulatory matters; and
- relevant industry issues.

Corporate Governance Report

Annual Plan

The following highlights various additional matters considered by the Board during the reporting period.



The following table sets out the Directors of the Company during the financial period, together with the number of Board and Committee meetings held and the number of meetings attended by each Director (whilst a Director or Committee member). There has been no change to Directors between 30 June 2021 and 28 July 2021. The Chairman of the Board, Angus Gordon Lennox, was a member of the Audit Committee until he stood down on 29 October 2020, upon which date Lesley Jackson was appointed a member of the Audit Committee.

Director	Board Eligible to attend	Board Attended	Audit Committee Eligible to attend	Audit Committee Attended
Angus Gordon Lennox, Chairman	4	4	1	1
Graeme Bissett	4	4	3	3
Dominic Fisher	4	4	3	3
Lesley Jackson	4	4	2	2
Graham Menzies	4	4	–	–

Appointments to the Board

The Board regularly reviews its composition, having regard to the Board's structure and to the present and future needs of the Company. The Board takes into account its diversity, the balance of expertise and skills brought by individual Directors, and length of service, where continuity and experience can add significantly to the strength of the Board. The Board has not yet set diversity targets but its diversity policy is described on page 17.

Board performance and election of Directors

The Board undertakes a formal annual assessment of Directors and their collective performance on a range of issues including the Board's role, processes and interaction with the Managers. This review of the Board and the Audit Committee was conducted by way of evaluation questionnaires, the results of which were summarised and discussed in July 2021, providing valuable feedback for improving Board effectiveness and highlighting areas for further development. The appraisal of the Chairman was led by the Chairman of the Audit Committee. The Board keeps under review the need for the use of external facilitators to conduct the annual evaluation of the Board.

In line with the Board's policy all Directors, being eligible, offer themselves for election at the forthcoming AGM. The Board believes that each Director continues to be effective, bringing a wealth of knowledge and experience to the Board, and the Chairman recommends their election to Shareholders.

Corporate Governance Report

Directors' and Officers' Liability Insurance

The Company maintains appropriate insurance cover in respect of legal action against its Directors. The Company has also entered into qualifying third party deeds of indemnity with each Director to cover any liabilities that may arise to a third party, other than the Company, for negligence, default or breach of trust or duty. The deeds were in force during the year to 30 June 2021 and up to the date of approval of this report. The Directors are not indemnified in respect of liabilities to the Company or costs incurred in connection with criminal proceedings in which the Director is convicted or required to pay any regulatory or criminal fines.

Training and Advice

New Directors are provided with an induction programme that is tailored to the particular requirements of the appointee. Thereafter regular briefings are provided on regulatory developments that affect the Company. Directors are also encouraged to attend industry and other seminars. Directors, in the furtherance of their duties, may also seek independent professional advice at the expense of the Company. No Director took such advice during the financial year under review.

All Directors have access to the advice and services of the Company's Secretaries, Aberforth Partners LLP, who are responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Secretaries are also responsible for advising the Board through the Chairman on all governance matters.

Conflicts of Interest

Company directors have a statutory obligation to avoid a situation in which they (and connected persons) have, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with the interests of the Company. The Board has in place procedures for managing any actual or potential conflicts of interest. No interests conflicting with those of the Company arose during the year under review.

Risk Management and Internal Control

The Board has overall responsibility for the Company's risk management and internal control systems and for reviewing their effectiveness. The Company applies the guidance published by the Financial Reporting Council on internal controls. Internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve the business objective and can provide only reasonable and not absolute assurance against material misstatement or loss. These controls aim to ensure that the assets of the Company are safeguarded, that proper accounting records are maintained and that the Company's financial information is reliable. The Directors have a robust process for identifying, evaluating and managing the significant risks faced by the Company, which are recorded in a risk matrix. As part of its risk process, the Board seeks to identify emerging risks to ensure that they are effectively managed as they develop and recorded in the risk matrix. The Board considers each risk as well as reviewing the mitigating controls in place. Each risk is rated for its "likelihood" and "impact" and the resultant numerical rating determines its ranking into High, Medium or Low Risk. The principal risks faced by the Company and the Board's approach to managing these are set on page 5. This process was in operation during the reporting period and continues in place up to the date of this report. It principally involves the Audit Committee receiving and examining regular reports from the main service providers. The Board then receives a detailed report from the Audit Committee on its findings. Further information on internal control and risks is contained in the Audit Committee Report on page 29. The Directors have not identified any significant failures or weaknesses in respect of the Company's internal control systems.

Communications with Shareholders

The Board places great importance on communication with Shareholders. Directors of the Company are available to meet any Shareholder on request. The Managers meet the larger Shareholders twice a year to provide them with a detailed report on the progress of the Company and to receive feedback. The Board receives reports from the Managers on these Shareholder meetings. The Directors may be contacted via the Secretaries whose details are shown on the Corporate Information page or through the Chairman's email address, ***Angus.GordonLennox@aberforth.co.uk***.

Shareholders have the opportunity, in normal circumstances, to attend the AGM where the Directors and Managers are available to discuss important issues affecting the Company. Proxy voting figures are available at the AGM and via the Managers' website shortly thereafter. In addition to the annual and half yearly reports, daily Net Asset Values, monthly factsheets and other relevant information are published at www.aberforth.co.uk.

Environmental, Social and Governance Matters

The Board expects good standards at the companies in which the Company is invested. It therefore encourages the Managers to engage with investee companies on environmental, social and governance (ESG) matters. It is recognised that these can be material to the investment case and therefore to the long term success of the Company. The Managers believe that sound ESG policies make good business sense and make assessments of these factors in their company valuations and investment decisions. The Managers do not exclude companies from their investment universe purely on the grounds of ESG considerations. Instead, the Managers reflect these considerations in their target valuations for companies and adopt a positive approach, engaging with company directors with the aim of improving operations, culture and, ultimately, valuation. The Board has been encouraged by Aberforth's increasing emphasis on ESG matters, which reflects broader society's increased awareness and its implications for companies' actual and potential valuations. The Managers are a signatory to, and participate in, the annual UNPRI assessment, the results of which are available within the 'About Aberforth' section of the Managers' website, at www.aberforth.co.uk.

UK Stewardship Code

The Board and the Managers support the UK Stewardship Code, issued by the FRC, which sets out the principles of effective stewardship by institutional investors. The Company's investment portfolio is managed by Aberforth Partners LLP who invest exclusively in small UK quoted companies and, as a significant investor within this asset class, the Managers have a strong commitment to effective stewardship. The Managers have embraced the principles and been early adopters of the UK Stewardship Code 2020, publishing their stewardship policy. The Managers have also published supporting documents detailing their Investment Philosophy, Engagement and Voting framework, and providing examples of Engagement and Voting. The Board has reviewed, and endorses, the Managers' Stewardship Policy, which is available within the 'About Aberforth' section of the Managers' website, at www.aberforth.co.uk.

Voting Policy

The Board has given discretionary voting powers to the Managers to exercise the voting rights on every resolution that is put to shareholders of the companies in which the Company is invested. The Board supports the Managers' voting philosophy, which emphasises clients as part owners of the underlying companies. Exercising the rights, they vote on all matters at all meetings. The Managers vote against resolutions that they believe may damage shareholders' rights or economic interests, which specifically includes consideration of environmental and social matters. Under normal circumstances these concerns would have been raised with directors of the company concerned. The Board receives quarterly reports from the Managers on governance issues, including voting, pertaining to investee companies. As part of the Managers' adoption of the UK Stewardship Code 2020, they have published their voting and engagement framework as well as examples of voting and engagement undertaken.

By Order of the Board
Angus Gordon Lennox
Chairman
28 July 2021

Audit Committee Report

The Committee members are all independent non-executive directors who have been selected by the Board to fulfil the Committee's duties based upon their range of financial and commercial expertise. They are Graeme Bissett (Chairman), Dominic Fisher and Lesley Jackson (from 29 October 2020). Mr Angus Gordon Lennox stood down as a Committee member on 29 October 2020. The members' biographies can be found on page 18.

Objective

The main objective of the Committee is to provide assurance to the Board as to the effectiveness of the Company's internal controls and the integrity of its financial records and externally published results. In doing so, the Committee operates within terms of reference that have been agreed by the Board. These are reviewed annually and are available upon request.

Principal Responsibilities

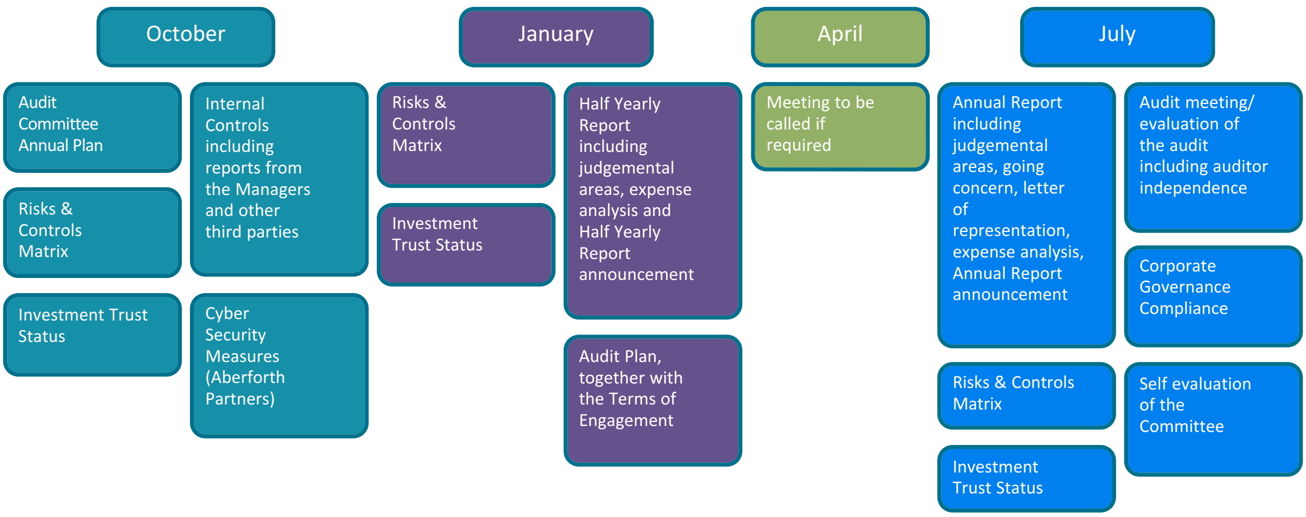
The Committee has been given the following principal responsibilities:

- reviewing the Company's financial statements, the accounting policies adopted and judgemental areas;
- ensuring that the Annual Report, taken as a whole, is fair, balanced and understandable;
- agreeing the external Auditor's terms of appointment, determining the independence and objectivity of the Auditor and assessing the effectiveness of the audit;
- considering whether it is appropriate for certain non-audit services to be carried out by the Auditor;
- reviewing the effectiveness of the Company's internal control and risk management systems and monitoring the mitigating controls that have been established; and
- monitoring compliance with the relevant statutory, regulatory and taxation requirements for a UK based investment trust that is listed on the London Stock Exchange.

The Chairman reports formally to the Board on the Committee's proceedings after each meeting.

Audit Committee Annual Plan

To assist with the various duties of the Committee, a Meeting Plan has been adopted which is reviewed annually.



Meetings

Three meetings are usually held each year. Representatives of Aberforth, who provide the Company with secretarial services, attend all of the meetings. Deloitte LLP (Deloitte), the external Auditor, attends the meeting in July.

Audit Committee Report

During the last reporting period the Committee focused on the areas described below.

Matter Considered and Action taken by the Committee

Financial Reporting

The Committee's business in January 2021 was focused on the preparation and content of the Half Yearly Report and Interim Accounts, together with other aspects such as going concern and fair value of a suspended security, including supporting documentation from the Secretaries. Preparation of the Interim Accounts to 31 December 2020 was required under the Companies Act 2006 to support the payment of the first interim dividend. The 2020 Half Yearly Report was published on 25 January 2021 and was unaudited, as is customary for half yearly reports of investment trusts. The evolving reporting requirements relating to climate change disclosures were also considered by the Committee.

In July 2021, the Committee received a report and supporting presentation from the external Auditor on its audit of the Annual Report and financial statements for the year to 30 June 2021. This included details of the steps taken by the Auditor to confirm the valuation and ownership of the investment portfolio and recognition of income. In addition, the Secretaries reported on the preparation of the financial results and other relevant matters. The Committee considered these reports in detail and its conclusions were further supported by the risk and controls reviews discussed below. The Chairman of the Committee had discussed the outcome of the audit process and the Annual Report with the audit partner without representatives of the Managers being present. As part of its review of the financial statements, the Committee considered the following significant issues.

Significant Issue	*How the issue was addressed*
Ownership and valuation of the investment portfolio as at 30 June 2021	*The Committee reviewed the Managers' control framework, which includes controls over valuation and ownership of investments. The appointed Depositary is responsible for holding and controlling all assets of the Company entrusted for safekeeping. Ownership of investments is verified through reconciliations by the Managers to Custodian records. The Committee reviewed internal control reports from the Company's Custodian. The valuation of the portfolio is undertaken in accordance with the accounting policy for investments as stated in Note 1 to the financial statements.*
Revenue recognition including dividend completeness and the accounting treatment of special dividends	*The Committee reviewed the Managers' control framework, which includes controls over revenue recognition. The Committee reviewed actual and forecast revenue entitlement at each meeting. The accounting treatment of all special dividends is reviewed by the Committee and the external Auditor.*
Investment Trust Status	*The Committee confirmed the position of the Company in respect of compliance with investment trust status at each meeting with reference to a checklist prepared by the Secretaries. The position is also confirmed by the external Auditor as part of the audit process.*
Calculation of management fees	*The Committee reviewed the Managers' internal control framework, which includes controls over expenses, including management fees. The Committee reviewed management fees payable to the Manager. The external Auditor independently recalculated the management fees as part of the audit and no exceptions were reported.*
Impact of Covid-19 on the Company	*The Committee considered the impact of Covid-19 on the Company's financial statements and the references in the Annual Report, including those contained in the 'Principal Risks', 'Going Concern' and 'Managers' Report' sections.*

The Committee read and discussed this Annual Report and concluded that, taken as a whole, it is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, investment objective and strategy. As a result, the Committee agreed that it would recommend to the Board that the Annual Report be approved for publication.

Going Concern and Viability Statement

The Committee received reports on going concern from the Secretaries in January and July, reflecting the guidance published by the Financial Reporting Council. These reports included assessment of the impact of Covid-19 on the Company. The content of the investment portfolio, trading activity and portfolio diversification were also discussed. After due consideration, the Committee concluded it was appropriate to prepare the Company's accounts on a going concern basis and made this recommendation to the Board. The relatively low working capital requirements and the levels of liquidity of the portfolio were the main factors that led to this conclusion.

The Committee also assessed the viability of the Company including, in July 2021, a series of stress tests that considered the impact of severe market downturn scenarios on Shareholders' funds and investment income and the impact of losing investment trust status. The Committee concluded that it was appropriate to provide a Viability Statement for a five year period for the reasons set out in the Statement on page 7 and recommended adoption of the Viability Statement to the Board.

Audit Committee Report

Matter Considered and Action taken by the Committee
Principal Risks and Controls, together with Cyber Security The Committee carefully considered a matrix of the Company's principal risks and the mitigating controls at each meeting. In October 2020 the risks and controls were addressed in more detail. The Committee further enhanced the content of the matrix during the reporting period and this included separating out market risk as a principal risk and adding climate change related risks. The Committee also considered identification and inclusion of emerging risks and assessed the Company's risks using an alternative risk lens to review and validate the matrix. The Committee believes that the matrix continues to reflect accurately the Company's principal risks. These risks, which are detailed on page 5 of this Report have not changed significantly during the year. In October 2020 the Committee received the Managers' report on internal controls, including an assurance report issued by PricewaterhouseCoopers LLP (PwC) on the nature and effectiveness of the control framework that has been established by the Managers. A representative of PwC attended the meeting. In addition, the Committee received internal control reports from the custodian, Northern Trust, and the registrar, Link Group. The Committee reviewed these reports, including the independent audit opinions thereon, and concluded that there were no significant control weaknesses or other issues that needed to be brought to the Board's attention. The Committee continues to monitor closely the increasing risk arising from cyber threats. In October 2020, the Committee received presentations from Aberforth and their external service provider for cyber security, covering the measures that are in place to protect the Managers' systems and the Company information that these systems contain. The Committee noted the assurances that have been given about the effectiveness of control measures. It concluded that, although cyber-attack represents an increasing threat to companies and public bodies worldwide, the Company has taken all reasonable steps to ensure that appropriate protection measures are in place. Nevertheless, this threat will continue to be monitored closely. The Committee also discussed whether there was a need for a dedicated internal audit function. It concluded that, as the Company has no employees and sub-contracts its principal operations to third party suppliers who are able to demonstrate the effectiveness of their own internal control procedures, an internal audit function is not necessary.
External Audit, Audit Planning and Audit Fees Deloitte was appointed as the Company's auditor upon launch of the Company following a tender process. Based upon existing legislation, another tender process would not be required until 2027; however, under the Company's Articles, the Company's planned winding-up date is 1 July 2024. The Company is therefore in compliance with the provisions of "The Statutory Audit Services for Large Companies Market Investigation" (Mandatory use of competitive tender processes and audit committee responsibilities) Order 2014 as issued by the Competition & Markets Authority. The external audit partner from Deloitte presented the detailed audit plan to the Committee in January in advance of the audit of the 2021 Annual Report. The plan set out the scope of the audit, the principal risks that would be addressed (as detailed in the Independent Auditor's Report), the timetable and the proposed fees. These amounted to £36,000, including VAT, in respect of the Annual Report (2020: £29,485) and the Committee considered the increase in line with general audit market trends. There were no non-audit activities carried out by Deloitte.
Evaluation of the Auditor Following the completion of the audit in July 2021, the Committee reviewed the Auditor's effectiveness. The Committee acknowledged that the audit team comprised staff with appropriate levels of knowledge and experience. The Committee noted positive feedback from the Secretaries on Deloitte's performance of the audit. Taking these factors into account, the Committee is satisfied that the external audit was carried out effectively. It has therefore recommended the re-appointment of Deloitte as the Company's auditor for the 2021/22 financial year. The Board has given its support and a proposal will be put to Shareholders at the forthcoming AGM.

Committee Evaluation

A formal internal review of the Committee's effectiveness, using an online evaluation questionnaire, was undertaken during the year. The outcome was positive with no significant concerns expressed.

Graeme Bissett
Audit Committee Chairman
28 July 2021

Directors' Remuneration Policy

This section provides details of the remuneration policy applying to the Directors of the Company. All Directors are non-executive, appointed under the terms of letters of appointment and none has a service contract. The Company has no employees. The Board has prepared this report in accordance with the requirements of the Companies Act 2006.

This policy was approved by Shareholders at the AGM held in October 2018. The policy provisions continue to apply until they are next put to Shareholders for approval, which must be at intervals not exceeding three years. This Policy, together with the Directors' letters of appointment, may be inspected at the Company's registered office.

The Board considers and determines all matters relating to the Directors' remuneration at the beginning of each financial year. A Remuneration Committee has not been formed as all of the Directors are non-executive and considered independent.

Company's Policy on Directors' Remuneration

The Company's policy is that the remuneration of the Directors should be commensurate with the duties and responsibilities of the role and consistent with the requirement to attract and retain Directors of appropriate quality and experience. No Shareholder has expressed any views to the Company in respect of Directors' remuneration. Remuneration Policy is not subject to employee consultation as the Company has no employees. It is intended that this policy will remain in place for the following financial year and subsequent periods.

The Board, at its discretion, will determine Directors' remuneration subject to the aggregate annual fee limit set out in the Company's Articles of Association. The present limit is £200,000 per annum and this may not be changed without seeking Shareholder approval. Such remuneration solely comprised Directors' fees as set out below and Directors are not eligible for any other remuneration.

The table below sets out the annual fees paid to Directors in respect of the year to 30 June 2021 and the fees payable in respect of the year to 30 June 2022. The fees payable to Directors in subsequent financial periods will be determined following an annual review.

	Annual Fees Year to 30 June 2021 £	Annual Fees Year to 30 June 2022 £
Chairman of the Company	**31,350**	31,350
Director and Chairman of the Audit Committee	**28,850**	28,850
Director and Member of the Audit Committee	**25,800**	25,800
Director	**24,500**	24,500

Loss of Office

A Director may be removed without notice and no compensation will be due on loss of office.

Expenses

All Directors are entitled to the reimbursement of expenses paid by them in order to perform their duties as a Director of the Company.

Review of the Remuneration Policy

The Board has agreed to review the above policy at least annually to ensure that it remains appropriate.

Directors' Remuneration Report

Introduction

The Board presents the Directors' Remuneration Report for the year to 30 June 2021, which has been prepared in accordance with the requirements of the Companies Act 2006. An ordinary resolution for the approval of this report will be put to Shareholders at the forthcoming Annual General Meeting. The remuneration policy, which is subject to a triennial vote by Shareholders, is set out on page 30. The law requires the Company's Auditor to audit certain elements of this report and these elements are described below as "Audited". The Auditor's opinion is included in the Independent Auditor's Report on page 34.

Directors' Letters of Appointment

In accordance with the Board's policy, all Directors retire at the Annual General Meeting each year and, if appropriate, seek re-election. Accordingly, each Director has entered into a letter of appointment with the Company for an initial period to the date of the first Annual General Meeting following appointment. Subject to election/re-election by Shareholders at the Annual General Meeting and agreement by the Board, the appointment is renewed for a further period to the date of the subsequent Annual General Meeting.

The terms also provide that a Director may be removed without notice and that no compensation will be due on loss of office. The terms and conditions of appointment of Directors are available for inspection on request at the office of Aberforth Partners LLP during normal business hours and at the registered office of the Company.

The following Directors held office during the year.

Director	Date of Appointment	Date of re-election
Angus Gordon Lennox, *Chairman*	19 April 2017	AGM 2021
Graeme Bissett	19 April 2017	AGM 2021
Dominic Fisher	19 April 2017	AGM 2021
Graham Menzies	19 April 2017	AGM 2021
Lesley Jackson	24 April 2019	AGM 2021

Directors' Fees (Audited)

The emoluments of the Directors who served in the year from 1 July 2020 to 30 June 2021 were as follows.

Director	**Fees 2021 £**	Fees 2020 £
Angus Gordon Lennox, *Chairman*	**31,350**	29,677
Graeme Bissett, Chairman of the Audit Committee	**28,850**	28,850
Dominic Fisher	**25,800**	25,800
Graham Menzies	**24,500**	24,500
Lesley Jackson	**25,428**	24,500
Jonathan Cartwright, (retired 24 October 2019)	**–**	9,899
	135,928	143,226

Directors are remunerated exclusively by fixed fees and do not receive bonuses, share options, pension contributions or other benefits apart from the reimbursement of allowable expenses.

The following table shows the remuneration of the Directors in relation to distributions to Shareholders by way of dividends.

	2021 £'000	2020 £'000	Absolute Change £'000
Total Directors' remuneration	136	143	(7)
Total dividends in respect of that period	5,803	8,029	(2,226)

Directors’ Remuneration Report

Statement of Directors’ Shareholdings and Share Interests (Audited)

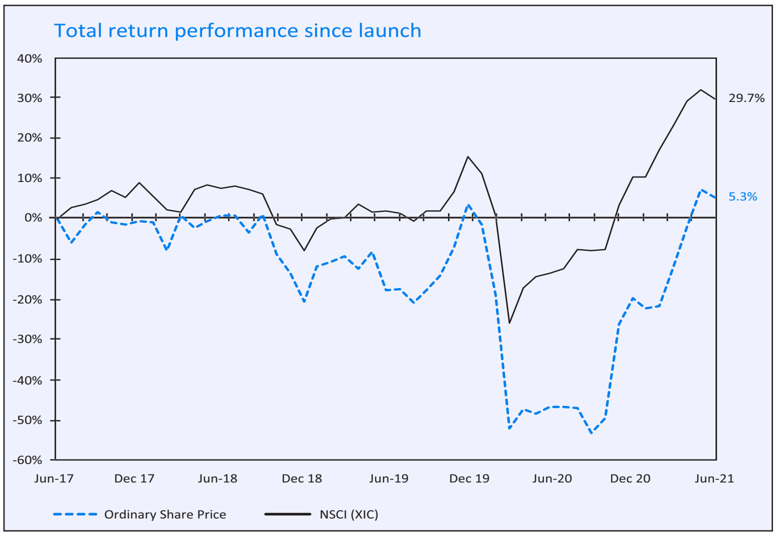
The Directors who held office at any time during the year to 30 June 2021 and their interests (in respect of which transactions are notifiable to the Company) in the Shares of the Company as at 30 June 2021 were as follows.

Directors	Nature of Interest	Share Class	30 June 2021	30 June 2020
Angus Gordon Lennox	Beneficial	Ordinary Shares	619,738	419,738
Graeme Bissett	Beneficial	Ordinary Shares	55,058	34,724
	Beneficial	ZDP Shares	6,000	6,000
Dominic Fisher	Beneficial	Ordinary Shares	185,259	152,934
Lesley Jackson	Beneficial	Ordinary Shares	32,728	32,728
Graham Menzies	Beneficial	Ordinary Shares	348,036	348,036
	Non-beneficial	Ordinary Shares	62,835	62,835

There has been no change in the beneficial or non-beneficial holdings of the Directors between 30 June 2021 and 28 July 2021. The Company has no share options or share schemes. Directors are not required to own Shares in the Company.

Consideration of Shareholders' Views and Statement of Voting

An ordinary resolution to approve the Directors’ Remuneration Report is put to members at each Annual General Meeting. At the Annual General Meeting held on 29 October 2020, Shareholders, on a show of hands, passed the resolution to approve the Directors' Remuneration Report: of the 71,901,358 proxy votes, 71,765,577 (99.8%) were cast in favour and 135,781 (0.2%) were cast against. No votes were withheld. At the Annual General Meeting held on 23 October 2018, Shareholders, on a show of hands, passed the resolution to approve the Directors' Remuneration Policy: of the 65,453,408 proxy votes, 65,355,214 (99.8%) were cast in favour and 98,184 (0.2%) were cast against. No votes were withheld. To date, no Shareholders have commented in respect of the Directors’ Remuneration Report or Policy.



Performance Graph

The adjacent graph compares the performance of the Ordinary Share price with the Numis Smaller Companies Index (excluding investment companies) on a total return basis (assuming all dividends reinvested). The index has been selected since it represents the universe of companies in which the Company may invest. However, the more important influence on the share price performance of the Ordinary Shares over the Company’s lifetime is likely to be its success in meeting the investment objective, as described on page 1. Specifically, the portfolio must generate a high level of income and sufficient capital growth to pay the final entitlement of the ZDP Shareholders and the costs incurred by the Company. During 2020, the Company's performance suffered from the impact of Covid-19 and for Ordinary Shareholders the additional effect of gearing from the ZDP Shares. The main influences on performance over the year are described in the Managers' Report.

Annual Statement

On behalf of the Board, I confirm that the above Directors’ Remuneration Report summarises, as appropriate, for the year to 30 June 2021:

(a) the major decisions on Directors’ remuneration;

(b) any substantial changes relating to Directors’ remuneration made during the year; and

(c) the context in which those changes occurred and decisions have been taken.

On behalf of the Board,

Angus Gordon Lennox
Chairman

28 July 2021

Directors' Responsibility Statement

The Directors are required to prepare financial statements for each financial period in accordance with applicable law and regulations. The Directors are also required to prepare a Strategic Report, Directors' Report, Corporate Governance Statement and Directors' Remuneration Report.

The Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (Financial Reporting Standard 102 and applicable law). 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 judgements and accounting 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 adequate accounting records that are sufficient to show and explain the Company's transactions, that disclose with reasonable accuracy at any time the financial position of the Company and that enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Annual Report is published on www.aberforth.co.uk. This website is maintained by Aberforth and its integrity is, so far as it relates to the Company, the responsibility of Aberforth. The work carried out by the Auditor does not involve consideration of the maintenance and integrity of this website and, accordingly, the Auditor accepts no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Declaration

The Directors who were in office at the date of approving these financial statements, and who are listed on page 18, confirm to the best of their knowledge that:

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

On behalf of the Board
Angus Gordon Lennox
Chairman

28 July 2021

Independent Auditor's Report

To the Members of Aberforth Split Level Income Trust plc

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Aberforth Split Level Income Trust plc (the 'Company'):

- give a true and fair view of the state of the company's affairs as at 30 June 2021 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 income statement;
- the reconciliation of movement in shareholders' funds;
- the balance sheet;
- the cash flow statement; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and 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. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided 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

Key audit matters	The key audit matter that we identified in the current year was valuation and ownership of quoted investments.
Materiality	The materiality that we used in the current year was £1.82m which was determined as 1% of net assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There have been no significant changes in our audit approach for the current year.

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 the Directors' considerations regarding whether they consider it appropriate to adopt the going concern basis of accounting;
- assessing the relevance and reliability of underlying data and key assumptions, such as cash flows and liquidity assumptions used in the prepared forecasts;
- evaluated management's plans for future actions in relation to their going concern assessment
- assessing market altering factors such as COVID-19 by looking at the operational impact;
- assessing the appropriateness of the going concern disclosures in the financial statements; and
- Reviewing management's viability and stress testing papers for reasonableness.

4. Conclusions relating to going concern *(continued)*

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. Key audit matter (Valuation and Ownership of Quoted Investments)

Key audit matter description	*The quoted investments of the company of £235.4m (2020: £152.0m) are key to its performance and account for the majority of the total assets, 99.3% at 30 June 2021 (2020: 99.6%). Quoted investments are valued at their fair value, which is represented by the market bid price. Please see Accounting Policy 1(b) and note 11.* *Investments listed on recognised exchanges are valued at the closing bid price at the year end.* *There is a risk that the investments disclosed in the Accounts may not represent the property of the Company. Given the nature and size of the balance and its importance to the entity, we have considered that there is a potential risk of fraud in this area.*
How the scope of our audit responded to the key audit matter	We have performed the following procedures to test the valuation and ownership of quoted investments at 30 June 2021: • Obtained an understanding of the controls over valuation and ownership of quoted investments; • Agreed 100% of the Company's investment portfolio at the year-end to confirmations received directly from the custodian; • Independently agreed 100% of the bid prices of quoted investments on the investment ledger at year end to closing bid prices published by an independent pricing source; and • Reviewed the internal controls report over the custodian to obtain an understanding of relevant controls. In addition to the above, we also tested the recording of a sample of purchases and sales of listed investments and reviewed the completeness and appropriateness of disclosures in relation to fair value measurement and liquidity risk.
Key observations	Based on the work performed we concluded that the valuation and ownership of quoted investments is appropriate.

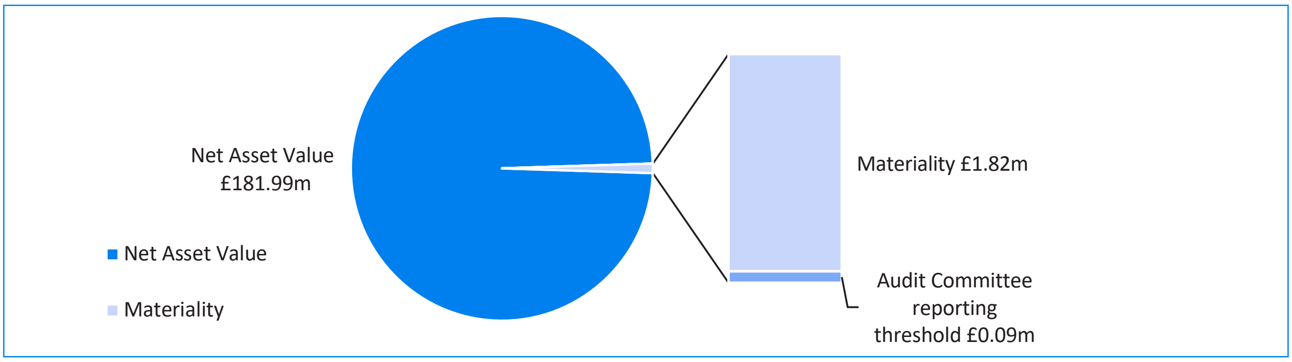
6. Our application of materiality

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:

Materiality	£1.82m (2020: £1.00m)
Basis of determining materiality	1% (2020: 1%) of net assets
Rationale for the benchmark applied	Net assets has been chosen as the benchmark as it is the main focus for investors and is a key driver of shareholder value. Additionally, it is the standard industry benchmark for materiality for investment trusts.



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 2021 audit (2020: 70%). In determining performance materiality, we considered the following factors:

a. *the quality of the control environment over financial reporting; and*
b. *there have been no uncorrected misstatements noted in audits during prior years.*

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £91,000 (2020: £50,000), 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.

As part of our risk assessment, we assessed the control environment in place at Aberforth Partners LLP (the Managers and Secretaries) to the extent relevant to our audit. This was achieved through review of the Aberforth Partners LLP controls report.

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 in 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. 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.

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 directors’ and the Managers remuneration and performance targets;
- results of our enquiries of the Managers 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 their 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 valuation and ownership of quoted 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 frameworks 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, Listing Rules and UK tax legislation.

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 quoted investments as the key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter 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 and reviewing correspondence with HMRC and the FCA; 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 21;
- the directors’ explanation as to its assessment of the company’s prospects, the period this assessment covers and why the period is appropriate set out on page 21;
- the directors' statement on fair, balanced and understandable set out on page 33;
- the board’s confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 25;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 25; and
- the section describing the work of the audit committee set out on page 27.

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.

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 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 the board of directors on 8 December 2017 to audit the financial statements for the period ending 30 June 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 4 years, covering the periods ending 30 June 2018 to 30 June 2021.

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 CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom
28 July 2021

(a) The maintenance and integrity of the Aberforth Partners LLP web site is the responsibility of the partners of Aberforth Partners LLP; the work carried out by the auditor of Aberforth Split Level Income Trust plc does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income Statement

Year to 30 June 2021

	Note	Year to 30 June 2021 Revenue £'000	Year to 30 June 2021 Capital £'000	Year to 30 June 2021 Total £'000	Year to 30 June 2020 Revenue £'000	Year to 30 June 2020 Capital £'000	Year to 30 June 2020 Total £'000
Net gains/(losses) on investments	11	**–**	**86,522**	**86,522**	–	(59,879)	(59,879)
Investment income	3	**6,258**	**–**	**6,258**	7,404	78	7,482
Investment management fee	4	**(395)**	**(921)**	**(1,316)**	(459)	(1,071)	(1,530)
Portfolio transaction costs	6	**–**	**(285)**	**(285)**	–	(490)	(490)
Other expenses	5	**(316)**	**–**	**(316)**	(349)	–	(349)
Net return before finance costs and tax		**5,547**	**85,316**	**90,863**	6,596	(61,362)	(54,766)
Finance costs:							
Appropriation to ZDP Shares	7	**–**	**(1,889)**	**(1,889)**	–	(1,830)	(1,830)
Interest expense and overdraft fee	7	**(3)**	**(6)**	**(9)**	(1)	(2)	(3)
Return on ordinary activities before tax		**5,544**	**83,421**	**88,965**	6,595	(63,194)	(56,599)
Tax on ordinary activities	8	**(22)**	**–**	**(22)**	–	–	–
Return attributable to Equity Shareholders		**5,522**	**83,421**	**88,943**	6,595	(63,194)	(56,599)
Returns per Ordinary Share	10	**2.90p**	**43.85p**	**46.75p**	3.47p	(33.22)p	(29.75)p

The Board declared on 28 July 2021 a second interim dividend of 2.13p per Ordinary Share. The Board also declared on 25 January 2021 an interim dividend of 0.92p per Ordinary Share.

The total column of this statement is the profit and loss account of the Company. All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period. A Statement of Comprehensive Income is not required as all gains and losses of the Company have been reflected in the above statement.

The accompanying notes form an integral part of this statement.

Reconciliation of Movements in Shareholders' Funds

Year to 30 June 2021

	Note	Share capital £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance as at 30 June 2020		1,902	187,035	(95,786)	6,801	99,952
Return on ordinary activities after tax		–	–	83,421	5,522	88,943
Equity dividends paid	9	–	–	–	(6,906)	(6,906)
Balance as at 30 June 2021		**1,902**	**187,035**	**(12,365)**	**5,417**	**181,989**

Year to 30 June 2020

	Note	Share capital £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance as at 30 June 2019		1,902	187,035	(32,592)	8,596	164,941
Return on ordinary activities after tax		–	–	(63,194)	6,595	(56,599)
Equity dividends paid	9	–	–	–	(8,390)	(8,390)
Balance as at 30 June 2020		1,902	187,035	(95,786)	6,801	99,952

The accompanying notes form part of these financial statements.

Balance Sheet

As at 30 June 2021

	Note	30 June 2021 £'000	30 June 2020 £'000
Fixed assets			
Investments at fair value through profit or loss	11	**235,448**	151,999
Current assets			
Debtors	12	**416**	466
Cash at bank	18	**1,200**	90
		1,616	556
Creditors (amounts falling due within one year)	13	**(638)**	(55)
Net current assets		**978**	501
TOTAL ASSETS LESS CURRENT LIABILITIES		**236,426**	152,500
Creditors (amounts falling due after more than one year)			
ZDP Shares	14	**(54,437)**	(52,548)
TOTAL NET ASSETS		**181,989**	99,952
CAPITAL AND RESERVES: EQUITY INTERESTS			
Share capital:			
Ordinary Shares	15	**1,902**	1,902
Reserves:			
Special reserve	17	**187,035**	187,035
Capital reserve	17	**(12,365)**	(95,786)
Revenue reserve	17	**5,417**	6,801
TOTAL SHAREHOLDERS' FUNDS		**181,989**	99,952
Net Asset Value per Ordinary Share	16	**95.66p**	52.54p
Net Asset Value per ZDP Share	16	**114.46p**	110.48p

Approved and authorised for issue by the Board of Directors on 28 July 2021 and signed on its behalf by:

Angus Gordon Lennox
Chairman

Company Number: 10730910.
Registered in England and Wales.

The accompanying notes form an integral part of this statement.

Cash Flow Statement

For the year to 30 June 2021

	Note	Year to 30 June 2021 £'000	Year to 30 June 2020 £'000
Operating activities			
Net revenue before finance costs and tax		**5,547**	6,596
Stock dividends	3	**(328)**	(477)
Tax withheld from income		**(22)**	–
Receipt of special dividends taken to capital	3	**–**	78
Investment management fee charged to capital	4	**(921)**	(1,071)
Decrease in debtors (excluding stock dividends receivable)		**22**	918
(Decrease)/increase in creditors		**(2)**	4
Cash inflow from operating activities		**4,296**	6,048
Investing activities			
Purchases of investments		**(35,708)**	(55,646)
Sales of investments		**39,437**	57,019
Cash inflow from investing activities		**3,729**	1,373
Financing activities			
Equity dividends paid	9	**(6,906)**	(8,390)
Interest and fees paid	7	**(9)**	(3)
Cash outflow from financing activities		**(6,915)**	(8,393)
Change in cash during the period		**1,110**	(972)
Cash at the start of the period		**90**	1,062
Cash at the end of the period		**1,200**	90

The accompanying notes form an integral part of this statement.

Notes to the Financial Statements

1 Significant Accounting Policies

A summary of the principal accounting policies adopted, all of which have been applied consistently throughout the period, is set out below.

(a) Basis of accounting

The financial statements have been presented under Financial Reporting Standard 102 (FRS 102) and the AIC's Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (SORP) issued in 2021. The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include the revaluation of the Company's investments as described below. The Directors' assessment of the basis of going concern is described on page 21. The functional and presentation currency is pounds sterling, which is the currency of the environment in which the Company operates. The Board confirms that no significant accounting judgements or estimates have been applied to the financial statements and therefore there is not a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(b) Investments

The Company's investments have been categorised as "financial assets at fair value through profit or loss" as the Company's business is to invest in financial assets with a view to profiting from their total return in the form of capital growth and income. Quoted investments are valued at their fair value, which is represented by the bid price. Where trading in the securities of an investee company is suspended, the investment is valued at the Board's estimate of its fair value. Purchases and sales of investments are accounted for on trade date. Gains and losses arising from changes in fair value are included in the capital return for the period and transaction costs on acquisition or disposal of a security are expensed to the capital reserve.

(c) Income

Dividends receivable on quoted equity shares are accounted for on the ex dividend date as revenue, except where, in the opinion of the Board, the dividend is capital in nature, in which case it is treated as a return of capital. Where the Company has received its dividends in the form of additional shares rather than in cash, an amount equivalent to the cash dividend is recognised as income. Any surplus or deficit in the value of the shares received compared to the cash dividend forgone is recognised as capital. Other income is accounted for on an accruals basis.

(d) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged to revenue except as follows:

- expenses that are incidental to the acquisition and disposal of an investment are charged to capital; and
- expenses are charged to the capital reserve where a connection with the maintenance or enhancement of the value of the investments can be demonstrated, in which respect the investment management fee and finance costs incurred in connection with the overdraft facility have been allocated 70% to capital reserve and 30% to revenue reserve.

(e) Finance costs

The ZDP Shares are designed to provide a pre-determined capital growth from their original issue price of 100p on 30 June 2017 to a final capital entitlement of 127.25p on 1 July 2024, on which date the Company is planned to be wound up. The final capital entitlement of 127.25p per ZDP Share represents a gross redemption yield of 3.5% per annum over the life of the ZDP Shares, based on the issue price of 100p. No dividends are payable on the ZDP Shares. The provision for the capital growth entitlement of the ZDP Shares is included as a finance cost and charged to capital within the Income Statement. Finance costs incurred in connection with the overdraft facility are accounted for on an accruals basis.

(f) Capital reserve

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- increases and decreases in the valuation of investments held at the period end;
- gains on the return of capital by way of investee companies paying dividends that are capital in nature; and
- expenses, together with the related taxation effect, charged in accordance with the above policies.

(g) Special reserve

This reserve may be treated as distributable profits for all purposes, including the payment of dividends to Ordinary Shareholders and the buy-back of shares, provided, in both cases, that the final cumulative cover of the ZDP Shares does not fall below 3.3 times immediately following any distribution to the Ordinary Shareholders from this reserve.

(h) Revenue reserve

Dividends can be funded from this reserve.

Notes to the Financial Statements

2 Alternative Performance Measures

Alternative Performance Measures (APMs) are measures that are not defined under the requirements of FRS 102. The Company believes that APMs, referred to within "Financial Highlights" on page 1, provide Shareholders with important information on the Company. These APMs are also a component of the internal management reporting to the Board. A glossary of the APMs can be found on page 54.

3 Income

	Year to 30 June 2021			Year to 30 June 2020		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Income from investments						
UK dividends	**5,410**	**–**	**5,410**	6,452	78	6,530
Overseas dividends	**434**	**–**	**434**	246	–	246
Property income distributions	**86**	**–**	**86**	229	–	229
Stock dividends	**328**	**–**	**328**	477	–	477
Total Income	**6,258**	**–**	**6,258**	7,404	78	7,482

During the year to 30 June 2021 the Company received three (2020: seven) special dividends totalling £629,000 (2020: £733,000) and of these a total of £629,000 (2020: £655,000) was recorded as revenue and £nil (2020: £78,000) was recorded as capital, in accordance with the Company's accounting policy for income.

4 Investment Management Fee

	Year to 30 June 2021			Year to 30 June 2020		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Investment management fee	**395**	**921**	**1,316**	459	1,071	1,530
Total	**395**	**921**	**1,316**	459	1,071	1,530

Details of the investment management contract can be found on page 19.

5 Other Expenses

	Year to 30 June 2021 £'000	Year to 30 June 2020 £'000
The following expenses (including VAT, where applicable) have been charged to revenue:		
Directors' fees (refer to Directors' Remuneration Report on page 31)	**132**	143
Auditor's fee – Year end audit	**36**	30
Registrar fee	**35**	35
FCA and LSE listing fees	**17**	16
Depositary fee	**12**	16
AIC Fees	**9**	17
Printing	**9**	12
Custody and other bank charges	**9**	11
Media Listings	**9**	7
Legal fees	**5**	13
Directors' and Officers' liability insurance	**5**	5
Other expenses	**38**	44
Total	**316**	349

Notes to the Financial Statements

6 Portfolio Transaction costs

Expenses incurred in acquiring or disposing of investments classified at fair value through profit or loss are charged to capital and are analysed below.

	Year to 30 June 2021 £'000	Year to 30 June 2020 £'000
Analysis of total purchases		
Purchase consideration before expenses	**36,416**	55,526
Commissions	**65**	116
Taxes	**140**	272
Total purchase expenses	**205**	388
Total purchase consideration	**36,621**	55,914
Analysis of total sales		
Sales consideration before expenses	**39,489**	57,229
Commissions	**(80)**	(102)
Total sale proceeds net of expenses	**39,409**	57,127
Total transaction costs	**285**	490

7 Finance Costs

	Year to 30 June 2021			Year to 30 June 2020		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Appropriation to ZDP Shares	**–**	**1,889**	**1,889**	–	1,830	1,830
Overdraft facility – fee and interest	**3**	**6**	**9**	1	2	3
Total	**3**	**1,895**	**1,898**	1	1,832	1,833

8 Taxation

Analysis of tax charged on return on ordinary activities	**Year to 30 June 2021**			Year to 30 June 2020		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
UK corporation tax charge for the period	**–**	**–**	**–**	–	–	–

Factors affecting current tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK for a large company. The differences are explained below.

	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Returns on ordinary activities before tax	**5,544**	**83,421**	**88,965**	6,595	(63,194)	(56,599)
Notional corporation tax at 19% (2020: 19%)	**1,053**	**15,850**	**16,903**	1,253	(12,007)	(10,754)
Adjusted for the effects of:						
Non-taxable UK dividend income	**(988)**	**–**	**(988)**	(1,316)	(15)	(1,331)
Non-taxable overseas dividend income	**(82)**	**–**	**(82)**	(47)	–	(47)
Non-taxable capital (gains)/losses	**–**	**(16,439)**	**(16,439)**	–	11,377	11,377
Expenses not deductible for tax purposes	**–**	**54**	**54**	–	93	93
Excess expenses for which no relief has been taken	**17**	**535**	**552**	110	552	662
UK corporation tax charge for the year	**–**	**–**	**–**	–	–	–
Overseas taxation suffered	22	–	22	–	–	–
Total tax charge for the year	**22**	**–**	**22**	–	–	–

The Company has not recognised a potential asset for deferred tax of £1,269,000 (2020: £973,000) in respect of unutilised management expenses because it is unlikely that there will be suitable taxable profits from which the future reversal of a deferred tax asset may be deducted.

Notes to the Financial Statements

9 Dividends paid

	Year to 30 June 2021 £'000	Year to 30 June 2020 £'000
Amounts recognised as distributions to equity holders:		
Second interim dividend for year ended 30 June 2019 of 2.71p (paid on 30 August 2019)	–	5,156
Special dividend for year ended 30 June 2019 of 0.19p (paid on 30 August 2019)	–	361
First interim dividend for year ended 30 June 2020 of 1.51p (paid on 6 March 2020)	–	2,873
Second interim dividend for year ended 30 June 2020 of 2.71p (paid on 28 August 2020)	**5,156**	–
First interim dividend for year ended 30 June 2021 of 0.92p (paid on 9 March 2021)	**1,750**	–
Total	**6,906**	8,390

The second interim dividend for the year ended 30 June 2021 of 2.13p (2020: 2.71p) per Ordinary Share is payable on 27 August 2021 and has not been recognised in the financial statements as at 30 June 2021. Deducting the second interim dividend from the Company's revenue reserves at 30 June 2021 leaves revenue reserves equivalent to 0.72p per Ordinary Share.

10 Returns per Share

	Year to 30 June 2021	Year to 30 June 2020
Net return for the period	**£88,943,000**	£(56,599,000)
Weighted average Ordinary Shares in issue during the period	**190,250,000**	190,250,000
Return per Ordinary Share	**46.75p**	(29.75)p
Appropriation to ZDP Shares for the period	**£1,889,000**	£1,830,000
Weighted average ZDP Shares in issue during the period	**47,562,500**	47,562,500
Return per ZDP Share	**3.97p**	3.85p

There are no dilutive or potentially dilutive shares in issue.

11 Investments held at fair value through profit or loss

	Year to 30 June 2021 £'000	Year to 30 June 2020 £'000
Investments at fair value through profit or loss		
Opening fair value	**151,999**	213,581
Opening fair value adjustment	**78,901**	35,023
Opening book cost	**230,900**	248,604
Purchases at cost	**36,416**	55,526
Sale proceeds	**(39,489)**	(57,229)
Realised losses on sales	**(1,481)**	(16,001)
Closing book cost	**226,346**	230,900
Closing fair value adjustment	**9,102**	(78,901)
Closing fair value	**235,448**	151,999

All investments are in ordinary shares listed on the London Stock Exchange.

Gains/(losses) on investments:

	Year to 30 June 2021 £'000	Year to 30 June 2020 £'000
Net realised losses on sales	**(1,481)**	(16,001)
Movement in fair value adjustment	**88,003**	(43,878)
Net gains/(losses) on investments	**86,522**	(59,879)

The company received £39,489,000 (2020: £57,229,000) from investments sold in the year. The book cost of these investments was £40,970,000 (2020: £73,230,000). 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.

Notes to the Financial Statements

11 Investments held at fair value through profit or loss *(continued)*

In accordance with FRS 102, fair value measurements have been classified using the fair value hierarchy:

Level 1 - using unadjusted quoted prices for identical instruments in an active market;
Level 2 - using inputs, other than quoted prices included within Level 1, that are directly or indirectly observable (based on market data); and
Level 3 - using inputs that are unobservable (for which market data is unavailable).

All investments are held at fair value through profit or loss, have been classified as Level 1 and are traded on a recognised stock exchange.

12 Debtors

	30 June 2021 £'000	30 June 2020 £'000
Investment income receivable	**327**	347
Amounts due from brokers	**80**	108
Other debtors	**9**	11
Total	**416**	466

13 Creditors

	30 June 2021 £'000	30 June 2020 £'000
Amounts due to brokers	**585**	–
Other creditors	**53**	55
Total	**638**	55

14 Zero Dividend Preference Shares

	Year to 30 June 2021 £'000	Year to 30 June 2020 £'000
Opening balance	**52,548**	50,718
Issue costs amortised during the period	**44**	43
Capital growth of ZDP Shares	**1,845**	1,787
Closing balance	**54,437**	52,548

Expenses of £312,000 associated with the issue of the ZDP Shares have been capitalised. These are being amortised over the expected life of the ZDP Shares and charged to capital as a finance cost within the Income Statement.

15 Share Capital

	30 June 2021		30 June 2020	
	No. of Shares	**£'000**	No. of Shares	£'000
Issued and Allotted:				
Ordinary Shares of 1p each	**190,250,000**	**1,902**	190,250,000	1,902
ZDP Shares of 1p each	**47,562,500**	**476**	47,562,500	476
Total issued and allotted	**237,812,500**	**2,378**	237,812,500	2,378

Notes to the Financial Statements

16 Net Asset Value ("NAV") per Share

The Net Assets and the Net Asset Value per share attributable to the Ordinary Shares and ZDP Shares are as follows:

	30 June 2021			30 June 2020		
	Ordinary Shares	**ZDP Shares**	**Total**	Ordinary Shares	ZDP Shares	Total
Net Assets attributable	**£181,989,000**	**£54,437,000**	**£236,426,000**	£99,952,000	£52,548,000	£152,500,000
Number of Shares at the reporting date	**190,250,000**	**47,562,500**	**237,812,500**	190,250,000	47,562,500	237,812,500
NAV per Share (a)	**95.66p**	**114.46p**	**99.42p**	52.54p	110.48p	64.13p
Dividend reinvestment factor[1] (b)	**1.196195**	**–**	**1.140600**	1.120159	–	1.092117
NAV per Share on a total return basis at the end of the period (c) = (a) x (b)	**114.43p**	**114.46p**	**113.40p**	58.85p	110.48p	70.04p
NAV per Share on a total return basis at the start of the period (d)	**58.85p**	**110.48p**	**70.04p**	92.31p	106.63p	95.28p
Total Return performance (c) ÷ (d) -1	**94.4%**	**3.6%**	**61.9%**	-36.2%	3.6%	-26.5%

1 Defined in the Glossary on pages 54-55.

17 Capital and Reserves

	Share capital £'000	**Special reserve £'000**	**Capital reserve £'000**	**Revenue reserve £'000**	**Total £'000**
At 30 June 2020	1,902	187,035	(95,786)	6,801	99,952
Net losses on sales of investments	–	–	(1,481)	–	(1,481)
Movement in fair value adjustment	–	–	88,003	–	88,003
Cost of investment transactions	–	–	(285)	–	(285)
Investment management fee charged to capital	–	–	(921)	–	(921)
Interest charged to capital	–	–	(6)	–	(6)
ZDP Shares - Appropriation	–	–	(1,845)	–	(1,845)
ZDP Shares - Amortised issue costs	–	–	(44)	–	(44)
Revenue return attributable to Equity Shareholders	–	–	–	5,522	5,522
Equity dividends paid	–	–	–	(6,906)	(6,906)
At 30 June 2021	**1,902**	**187,035**	**(12,365)**	**5,417**	**181,989**

	Share capital £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 30 June 2019	1,902	187,035	(32,592)	8,596	164,941
Net losses on sales of investments	–	–	(16,001)	–	(16,001)
Movement in fair value adjustment	–	–	(43,878)	–	(43,878)
Cost of investment transactions	–	–	(490)	–	(490)
Investment management fee charged to capital	–	–	(1,071)	–	(1,071)
Interest charged to capital	–	–	(2)	–	(2)
ZDP Shares - Appropriation	–	–	(1,787)	–	(1,787)
ZDP Shares - Amortised issue costs	–	–	(43)	–	(43)
Revenue return attributable to Equity Shareholders	–	–	–	6,595	6,595
Investment income taken to capital	–	–	78	–	78
Equity dividends paid	–	–	–	(8,390)	(8,390)
At 30 June 2020	1,902	187,035	(95,786)	6,801	99,952

Subsequent to the issue of the Ordinary Shares, the Court of Session confirmed, in November 2017, the cancellation of the entire amount standing to the credit of the Share Premium account and the creation of the Special Reserve.

Notes to the Financial Statements

18 Cash and cash equivalents

	30 June 2021 £'000	30 June 2020 £'000
Handelsbanken	**501**	13
The Northern Trust Company	**699**	77
Total cash and cash equivalents	**1,200**	90

19 Financial instruments

The Company's financial instruments comprise its investment portfolio, cash balances, ZDP Shares, debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement, and accrued income. Note 1 sets out the significant accounting policies, including criteria for recognition and the basis of measurement applied for significant financial instruments excluding cash at bank, which is carried at fair value. Note 1 also includes the basis on which income and expenses arising from financial assets and liabilities are recognised and measured.

The main risks that the Company faces arising from its financial instruments are as follows.

(i) *Market price risk* is the risk that the market value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or currency rate movement.

(ii) *Credit risk* is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. Investment transactions are carried out with a large number of Financial Conduct Authority ('FCA') regulated brokers with trades typically undertaken on a delivery versus payment basis.

(iii) *Liquidity risk* is the risk that the Company will encounter difficulty raising funds to meet its cash commitments as they fall due. Liquidity risk may result from either the inability to sell financial instruments quickly at their fair values or from the inability to generate cash inflows as required.

(iv) *Interest rate risk* is the risk that the interest receivable/payable and the market value of investment holdings may fluctuate because of changes in market interest rates. The Company's investment portfolio is currently not directly exposed to interest rate risk. The Company's policy is to hold cash in variable rate bank accounts.

The Company's financial instruments are all denominated in sterling and therefore the Company is not directly exposed to significant currency risk. However, it is recognised that most investee companies, whilst listed in the UK, will be exposed to global economic conditions and currency fluctuations.

Market price risk

The Company's investment portfolio is exposed to market price fluctuations, which are monitored by the Managers in pursuance of the investment objective. It is not the Managers' policy to use derivatives or hedging instruments to manage market price risk.

If the investment portfolio valuation fell by 10% at 30 June 2021, the impact on the profit or loss and therefore Shareholders' funds would have been negative £23.5m (2020: negative £15.2m). If the investment portfolio valuation rose by 10% at 30 June 2021, the impact on the profit or loss and therefore Shareholders' funds would have been positive £23.5m (2020: positive £15.2m). The calculations are based on the portfolio valuation as at the balance sheet date and are not representative of the period as a whole and assume all other variables remain constant. The level of change is used as a reasonable illustration for Shareholders to assess stockmarket volatility on the investment portfolio.

As at 30 June 2021, all of the Company's financial instruments were included in the balance sheet at fair value. The investment portfolio consisted of investments valued at their bid price, which represents fair value. Any cash balances, which are held in variable rate bank accounts, can be withdrawn on demand with no penalty.

Credit risk

The Company invests in UK equities traded on the London Stock Exchange. Investment transactions are carried out with a number of FCA regulated brokers, with trades typically undertaken on a delivery versus payment basis and on a short settlement period.

The Depositary, NatWest Trustee & Depositary Services Limited, is responsible for overseeing the assets of the Company and has strict liability in certain circumstances should assets of the Company be lost. In the event of the loss of assets the Company could potentially claim against NatWest Trustee & Depositary Services Limited.

The investment portfolio assets of the Company are held by The Northern Trust Company, the Company's Custodian, in a segregated account. In the event of the bankruptcy or insolvency of Northern Trust the Company's rights with respect to the securities held by the Custodian may be delayed or limited. Cash balances can be held at Northern Trust and Handelsbanken. The Secretaries monitor the Company's risk by reviewing the credit ratings of Northern Trust and Handelsbanken. Where provided, the Secretaries also review internal control reports from these organisations. As at 28 July 2021 credit ratings for Northern Trust and Handelsbanken were considered acceptable. Outstanding investment income is reconciled to receipts on payment date.

Notes to the Financial Statements

19 Financial instruments *(continued)*

The exposure to credit risk on the Company's financial instruments was as follows.

	30 June 2021 £'000	30 June 2020 £'000
Investment income receivable (representing dividends from investee companies)	**327**	347
Amounts due from brokers	**80**	108
Other receivables	**9**	11
Cash and cash equivalents	**1,200**	90
Total	**1,616**	556

All of the above financial assets are current, their fair values are considered to be the same as the values shown, and the likelihood of a material credit default is considered to be low.

Liquidity risk

The Company's assets comprise mainly readily realisable equity securities, which, if necessary, can be sold to meet funding requirements, though short-term funding flexibility can typically be achieved through the use of the bank overdraft facility. These securities are all Level 1 assets, actively traded and, whilst less liquid than larger quoted companies, the portfolio is well diversified by both numbers of holdings and industry sector. The Company's current liabilities all have a remaining contractual maturity of less than three months. The ZDP Shares have a planned repayment date of 1 July 2024. The remaining contractual maturities were as follows.

Maturity profile of the Company's financial liabilities		**30 June 2021 £'000**	30 June 2020 £'000
Due within 1 month:	Accrued expenses	**53**	55
	Amounts due to brokers	**585**	–
Due in 2 to 5 years:	ZDP Shares	**60,523**	60,523
Total liabilities		**61,161**	60,578

Interest rate risk

If the bank base rate had increased by 1% point, or decreased by 0.1% point, the impact on the profit or loss and Total Equity Shareholders' Funds would be de minimis. There would be no direct impact on the portfolio valuation. The calculations are based on the cash balances as at the Balance Sheet date and are not representative of the financial period as a whole and assume all other variables remain constant. The level of change is a reasonable illustration based on current market conditions.

Capital Management Policies and Procedures

The Company's capital management objectives are to support the Company's objective and to ensure that the Company will be able to continue as a going concern. To achieve the investment objective the Board has a responsibility to ensure the Company is able to continue as a going concern and details of the principal risks and how they are managed are set out on page 5. The Board monitors and reviews the structure of the Company's capital including the extent to which revenue in excess of that which is required to be distributed should be retained. The Companies Act 2006 and Corporation Tax Act 2010 impose capital requirements on the respective ability and obligation to pay dividends. The Board monitors, and has complied with, the externally imposed capital requirements. The Company's investment objective, capital management policies and monitoring processes are unchanged during the period.

20 Contingencies, guarantees, financial commitments and contingent assets

The Company had no contingencies, guarantees, financial commitments or contingent assets as at 30 June 2021 (2020: Nil).

21 Post Balance Sheet Events

Since 30 June 2021 there are no post balance sheet events that would require adjustment of or disclosure in the financial statements.

22 Related party transactions

Under UK GAAP, the Directors have been identified as related parties and their fees and interests have been disclosed in the Directors' Remuneration Report on pages 31 and 32. During the period no Director or entity controlled by a Director was interested in any contract or other matter requiring disclosure under section 412 of the Companies Act 2006.

23 Company information

Aberforth Split Level Income Trust plc is a closed-ended investment company, registered in England No. 10730910, with its Ordinary Shares and ZDP Shares listed on the London Stock Exchange. The address of the registered office is Level 13, Broadgate Tower, 20 Primrose Street, London, EC2A 2EW.

General Information

Financial Calendar

Dividends in respect of the year to 30 June 2021

	1st Interim	2nd Interim
Rate per Ordinary Share:	0.92p	2.13p
Ex dividend date:	11 February 2021	5 August 2021
Record date:	12 February 2021	6 August 2021
Pay date:	9 March 2021	27 August 2021

Half Yearly Report	Published in late January/early February
Annual Report and Financial Statements	Published in late July/early August
Annual General Meeting	28 October 2021
Publication of Net Asset Values	Daily (via a Primary Information Provider and the Managers' website)

Shareholder register enquiries

All administrative enquiries relating to Shareholders, such as queries concerning holdings, dividend payments, notification of change of address, loss of certificate or an addition to a mailing list should be directed to the Company's Registrar, Link Group. (Contact details on page 56.)

Payment of dividends

Dividends can be received more quickly by instructing Link Group, (contact details on page 56), to pay them directly into a bank account; tax vouchers are then mailed to Shareholders separately. This method avoids the risk of dividend cheques being delayed or lost in the post.

Dividend Reinvestment Plan (DRIP)

Link Group, on behalf of the Company, operate a DRIP, which can be used to buy additional Ordinary Shares instead of receiving a cash dividend. For further information contact Link Group (contact details on page 56).

Electronic Communications and Voting

Shareholders can choose to receive communications (including the Annual and Interim reports) from the Company in electronic format. This method may be more convenient and secure for many Shareholders, reduces costs and has environmental benefits. To use this service, Shareholders can register and provide their email address on the Registrar's share portal at www.signalshares.com. Thereafter, Shareholders will receive an email providing the website address link to the relevant document(s). After registering, Shareholders will be able to request paper copies in the future.

Shareholders can return proxy votes electronically by logging onto the Registrar's share portal at www.signalshares.com and following the instructions. Shareholders do not need to register for electronic communications to use electronic proxy voting.

If Shareholders have any queries about this electronic service contact the Registrars, Link Group (contact details on page 56).

Sources of further information

The prices of the Ordinary Shares and ZDP Shares are quoted daily in the Financial Times under the abbreviation of "Abf Spl Inc". The prices are listed in the "Conventional (Ex Private Equity)" and "Zero Dividend Preference Shares" sections. These prices, together with the Net Asset Values and other financial data, can be found on the TrustNet website at www.trustnet.com. Other websites containing useful information on the Company are www.ft.com, www.theaic.co.uk and www.morningstar.co.uk. Company performance and other information, including the Investor Disclosure Document, is available on the Aberforth Partners LLP website at www.aberforth.co.uk.

How to invest

The Company's Ordinary Shares and ZDP Shares are traded on the London Stock Exchange. They can be bought or sold by placing an order with a stockbroker or asking a professional advisor. The Company's Managers, Aberforth Partners LLP, do not offer any packaged products such as ISAs, Savings Schemes or Pension Plans. Each of the Company's listed securities is eligible for inclusion in the "Stocks and Shares" component of an Individual Savings Account (ISA).

Retail Distribution/NMPI Status

The Company's shares are intended for UK investors including retail investors, professionally advised private clients and institutional investors who are seeking exposure to smaller companies in the UK, and who understand and are willing to accept the risks of exposure to equities. The Company currently conducts its affairs, and intends to continue to conduct its affairs, so that its Ordinary Shares and ZDP Shares can be recommended by Independent Financial Advisers (IFAs) to ordinary retail investors in accordance with the rules of the Financial Conduct Authority (FCA) in relation to non-mainstream pooled investment (NPMI) products. The Company's Ordinary Shares and ZDP Shares are excluded from the

General Information

FCA's restrictions that apply to NPMI products because they are shares in an Investment Trust. Please note that past performance is not a guide to the future. Your investment may be at risk as the value of investments may go down as well as up and is not guaranteed. Therefore you may not get back the amount originally invested.

Alternative Investment Fund Managers Directive (AIFMD)

The Company has appointed Aberforth Partners as its Alternative Investment Fund Manager (AIFM). In accordance with the AIFMD, information in relation to the Company's leverage is required to be made available to Shareholders. The Company's maximum and actual leverage levels as at 30 June 2021 are shown below. There have been no changes to, or breaches of the maximum level of leverage employed by the Company.

	30 June 2021		30 June 2020	
Leverage Exposure	**Commitment Method**	**Gross Method**	Commitment Method	Gross Method
Maximum limit	**1.05:1**	**1.05:1**	1.05:1	1.05:1
Actual Level	**1.00:1**	**1.00:1**	1.00:1	1.00:1

Leverage, for the purposes of the AIFM Directive, is any method which increases the Company's exposure to stock markets whether through borrowings, derivatives or any other means. It is expressed as a ratio of the Company's exposure to its Net Asset Value. In summary, the Gross method measures the Company's exposure before applying hedging or netting arrangements. The Commitment method allows certain hedging or netting arrangements to be offset. ASLIT has no hedging or netting arrangements. The ZDP Shares are part of the share capital of the Company and are not considered as borrowings under the AIFM Directive.

Furthermore, in accordance with the AIFMD, the AIFM's remuneration policy and the numerical disclosures in respect of the AIFM's relevant reporting period (year to 30 April 2021) are available from Aberforth Partners' website (www.aberforth.co.uk).

	ISIN	**SEDOL**	**Bloomberg/Reuters**
Security Codes			
Ordinary Shares	GB00BYPBD394	BYPBD39	ASIT LN
ZDP Shares	GB00BYPBD519	BYPBD51	ASIZ LN

Company Identification Numbers

Global Intermediary Identification Number (GIIN)	JM0CLZ.99999.SL.826
Legal Entity Identifier (LEI)	21380013QYWO82NZV529

Association of Investment Companies (AIC)

The Company is a member of the AIC, which produces a detailed Monthly Information Service on the majority of investment trusts. This is available at www.theaic.co.uk.

The Common Reporting Standard

The OECD Common Reporting Standard for Automatic Exchange of Financial Account Information (Common Reporting Standard) requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. Accordingly the Company provides information annually to HMRC on the tax residences of non-UK based certificated Shareholders and corporate entities. All new Shareholders, excluding those whose shares are held in CREST, who come on to the share register will be sent a certification form for the purpose of collecting this information. See HMRC's Quick Guide – information for account holders at the address below.
https://www.gov.uk/government/publications/exchange-of-information-account-holders

Beware of Share Fraud

Investment scams are designed to look like genuine investment opportunities. You might have been contacted by fraudsters if you have been contacted out of the blue, promised tempting returns and told the investment is safe, called repeatedly or told the offer is only available for a limited time. Shareholders may receive unsolicited phone calls or correspondence concerning investment matters that imply a connection to the Company. These may be from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares. Shareholders may also be advised that there is an imminent offer for the Company, and the caller may offer to buy shares at significantly above the market price if an administration fee is paid. Shareholders should treat all such approaches with caution.

You can find more information about investment scams at the Financial Conduct Authority (FCA) website: www.fca.org.uk/consumers/protect-yourself-scams. You can also call the FCA Consumer Helpline on 0800 111 6768.

Data Protection

The Company is committed to ensuring the privacy of any personal data provided to it. Further details can be found in the privacy policy set out on the Aberforth website (www.aberforth.co.uk).

Glossary

Glossary of UK GAAP Measures

Net Asset Value – also described as Shareholders' Funds, is the value of total assets less all liabilities. The Net Asset Value or NAV per Ordinary Share is calculated by dividing this amount by the total number of Ordinary Shares in issue.

Net Asset Value (ZDP Share) – is the value of the entitlement to the ZDP Shareholders. The Net Asset Value or NAV per ZDP Share is calculated by dividing this amount by the total number of ZDP Shares in issue.

Glossary of Alternative Performance Measures

Total Assets Total Return represents the return of the combined funds of the Ordinary Shareholders and ZDP Shareholders assuming that dividends paid to Ordinary Shareholders were reinvested at the NAV per Ordinary Share at the close of business on the day the Ordinary Shares were quoted ex dividend. Total Assets less current liabilities as at 30 June 2021 was £236,426,000 (2020: £152,500,000) and the total number of shares in issue (Ordinary Shares plus ZDP Shares) was 237,812,500 (2020: 237,812,500) producing a Total Assets per Share of 99.42p (2020: 64.13p). Multiplying by the dividend reinvestment factor of 1.1406 (2020: 1.092117) results in a Total Assets per Share on a Total Return basis of 113.40p (2020: 70.04p). The Total Assets Total Return was therefore 61.9% (2020: -26.5%), being the sum of the Total Assets per Share at the end of the period, multiplied by the dividend reinvestment factor divided by the Total Assets per Share calculated on a total return basis at the start of the period, expressed as a percentage (see note 16 on page 49).

Ordinary Share NAV Total Return represents the theoretical return on the NAV per Ordinary Share, assuming that dividends paid to Shareholders were reinvested at the NAV per Ordinary Share at the close of business on the day the shares were quoted ex dividend. The NAV per Ordinary Share as at 30 June 2021 was 95.66p (2020: 52.54p) and the dividend reinvestment factor was 1.196195 (2020: 1.120159). The Ordinary Share NAV Total Return was therefore 94.4% (2020: -36.2%), being the Ordinary Share NAV at the end of the period, multiplied by the dividend reinvestment factor divided by the Ordinary Share NAV calculated on a total return basis at the start of the period, expressed as a percentage (see note 16 on page 49).

ZDP Share NAV Total Return represents the return on the entitlement value of a ZDP Share. The ZDP Share NAV as at 30 June 2021 was 114.46p (2020: 110.48p). The ZDP Share NAV Total Return was therefore 3.6% (2020: 3.6%), being the ZDP Share NAV at the end of the period divided by the ZDP Share NAV at the start of the period, expressed as a percentage (see note 16 on page 49).

Ordinary Share Price Total Return represents the theoretical return to an Ordinary Shareholder, on a closing market price basis, assuming that all dividends received were reinvested, without transaction costs, into the Ordinary Shares of the Company at the close of business on the day the shares were quoted ex dividend. The Ordinary Share price as at 30 June 2021 was 87.2p and the dividend reinvestment factor was 1.207910. The Ordinary Share Price Total Return was therefore 97.7%, being the Ordinary Share price at the end of the period, multiplied by the dividend reinvestment factor divided by the Ordinary Share price calculated on a total return basis at the start of the period, expressed as a percentage.

ZDP Share Price Total Return represents the theoretical return to a ZDP Shareholder, on a closing market price basis. The ZDP Share price as at 30 June 2021 was 114.00p (2020: 106.00p). The ZDP Share Price Total Return was therefore 7.5%, being the ZDP Share price at the end of the period divided by the ZDP Share price at the start of the period.

Discount is the amount by which the stockmarket price per Share is lower than the NAV per Share. The discount is normally expressed as a percentage of the NAV per Share.

Premium is the amount by which the stockmarket price per Share exceeds the NAV per Share. The premium is normally expressed as a percentage of the NAV per Share.

Glossary

Other Glossary Terms

Active Share Ratio is the sum of the absolute differences between a portfolio's weight in a stock and an index's weight in a stock for all stocks in the portfolio or index. The total is then divided by two to give a ratio between 0% and 100%. Active Share is addressed in "How Active is Your Fund Manager?" (Antti Petajisto and Martijn Cremers, Yale School of Management, 2009).

Dividend Reinvestment Factor is calculated on the assumption that dividends paid by the Company were reinvested into Ordinary Shares of the Company at the NAV per Ordinary Share/share price, as appropriate, on the day the Ordinary Shares were quoted ex dividend.

Gearing is calculated by dividing the asset value attributable to the ZDP Shares by the asset value attributable to the Ordinary Shares.

Hurdle Rate is the rate of capital growth per annum in the Company's investment portfolio to return a stated amount per Share at the planned winding-up date.

Key Dates

Company Incorporation Date	19 April 2017
Inception Date	30 June 2017
Launch/Listing Date	3 July 2017
Planned Winding-Up Date	1 July 2024

Ongoing Charges represents the percentage per annum of investment management fees and other operating expenses to the average published Ordinary Shareholders' NAV over the period.

Portfolio Turnover is calculated by summing the lesser of purchases and sales over a one year period divided by the average portfolio value for that period.

Projected Final Cumulative Cover is the ratio of the total assets of the Company as at the calculation date, to the sum of the assets required to pay the final capital entitlement of 127.25p per ZDP Share on the planned winding-up date and future estimated investment management fees charged to capital and estimated winding-up costs.

Redemption Yield (Ordinary Share) is the annualised rate at which projected future income and capital cash flows (based on assumed future capital/dividend growth rates) is discounted to produce an amount equal to the share price at the date of calculation.

Redemption Yield (ZDP Share) is the annualised rate at which the total discounted value of the planned future payment of capital equates to its share price at the date of calculation.

Retained Revenue per Share is a cumulative figure calculated after accounting for dividends, including those not yet recognised in the financial statements.

Terminal NAV (Ordinary Share) is the projected NAV per Ordinary Share at the planned winding-up date at a stated rate of capital growth in the Company's investment portfolio after taking into account the final capital entitlement of the ZDP Shares, future estimated costs charged to capital and estimated winding-up costs.

Corporate Information

Directors

Angus Gordon Lennox (Chairman)
Graeme Bissett
Dominic Fisher, OBE
Lesley Jackson
Graham Menzies

Managers and Secretaries

Aberforth Partners LLP
14 Melville Street
Edinburgh EH3 7NS
Tel: 0131 220 0733
enquiries@aberforth.co.uk
www.aberforth.co.uk

Registered Office and Company Number

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Broadgate Tower
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London EC2A 2EW
Registered in England and Wales
Number 10730910

Depositary

NatWest Trustee & Depositary Services Limited
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Edinburgh EH12 1HQ

Custodian

The Northern Trust Company
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Canary Wharf
London E14 5NT

Bankers

Handelsbanken
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95 Haymarket Terrace
Edinburgh EH12 5HB

Registrars

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL

Shareholder enquiries:

Tel: 0871 664 0300 (Calls cost 12p per minute plus network extras)
enquiries@linkgroup.com
www.linkassetservices.com

Shareholder Portal:
www.signalshares.com

Independent Auditor

Deloitte LLP
Saltire Court
20 Castle Terrace
Edinburgh EH2 2DB

Solicitors

Dickson Minto W.S.
16 Charlotte Square
Edinburgh EH2 4DF

Sponsors

J.P. Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

Notice of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of Aberforth Split Level Income Trust plc will be held at 14 Melville Street, Edinburgh EH3 7NS on 28 October 2021 at 11.00 a.m. for the following purposes.

Ordinary Business

To consider and, if thought fit, pass the following Ordinary Resolutions.

1. That the Report and Financial Statements for the year to 30 June 2021 be adopted.
2. That the Directors' Remuneration Report be approved.
3. That the Directors' Remuneration Policy be approved.
4. That Graeme Bissett be re-elected as a Director.
5. That Dominic Fisher be re-elected as a Director.
6. That Angus Gordon Lennox be re-elected as a Director.
7. That Graham Menzies be re-elected as a Director.
8. That Lesley Jackson be re-elected as a Director.
9. That Deloitte LLP be re-appointed as Auditor.
10. That the Audit Committee be authorised to determine the remuneration of the Auditor for the year to 30 June 2022.

By Order of the Board

Aberforth Partners LLP, *Secretaries*
28 July 2021

Notes to the Notice of the Annual General Meeting

1. Attending the Annual General Meeting in person

A member who is entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend, speak and vote on their behalf. Such a proxy need not also be a member of the Company. Shareholders are encouraged to submit their votes by proxy in advance of the meeting in case restrictions due to the Covid-19 pandemic persist and it is not possible for shareholders to attend in person. The Board will continue to carefully consider the arrangements for the AGM in the light of the Government guidance and the Company will issue a regulatory news announcement which will also be posted on the Company's website if the only attendees permitted will be those required to form the quorum and allow the business to be conducted.

To be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the votes they may cast), members must be registered in the Company's register of members at 11.00 a.m. on 26 October 2021 (or, if the Annual General Meeting is adjourned, 11.00 a.m. on the day two days (excluding non working days) prior to the adjourned meeting). Changes to the register of members after the relevant deadline will be disregarded in determining the rights of any person to attend and vote at the Annual General Meeting.

2. Appointment of Proxy

A Form of Proxy for use by Shareholders is enclosed. Completion of the Form of Proxy will not prevent a Shareholder from attending the meeting and voting in person. To register your vote electronically, log on to the Registrars' website at www.signalshares.com and follow the instructions on screen.

You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different Shares. You may not appoint more than one proxy to exercise rights attached to any one Share. To appoint more than one proxy, please contact the Registrars of the Company. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

To be valid the proxy form must be completed and lodged, together with the power of attorney or any authority under which it is signed, or a notarially certified copy of such power of authority, with the Registrars of the Company no later than 48 hours (excluding non-working days) before the time set for the meeting, or any adjourned meeting.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on 28 October 2021 and any adjournment(s) thereof by using the procedures described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent, Link Group (CREST Participant ID: RA10), no later than 48 hours (excluding non working days) before the time appointed for the meeting.

3. Questions and Answers

The Board continues to welcome questions from shareholders at the AGM. However, it asks shareholders to please submit any questions to the Board by email, to the following address enquiries@aberforth.co.uk before 11.00 a.m. on 26 October 2021 in case attendance at the AGM has to be restricted due to the Covid-19 pandemic for the health and safety of shareholders. In the event the AGM proceeds in its usual format as currently anticipated, pursuant to section 319A of the Companies Act 2006, the Company must provide an answer to any question that is put by a member attending the Annual General Meeting relating to the business being considered, except if a response would not be in the interest of the Company or for the good order of the meeting or if to do so would involve the disclosure of confidential information. The Company may however elect to provide an answer to a question within a reasonable period of days after the conclusion of the Annual General Meeting.

4. Total Voting Rights

As at 28 July 2021, the latest practicable date prior to publication of this document, the Company had 190,250,000 Ordinary Shares and 47,562,500 ZDP Shares in issue. The holders of ZDP Shares will not normally be entitled to vote at general meetings of the Company. In respect of the resolutions the Ordinary Shareholders have a total of 190,250,000 voting rights.

5. Information on the Company's website

In accordance with section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of Shares in respect of which members are entitled to exercise voting rights at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Managers' website at www.aberforth.co.uk.

6. Nominated Persons

Any 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 such person and the Shareholder nominating such person, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise such right, the Nominated Person may, under any such agreement, have a right to give instructions to the registered Shareholder as to the exercise of voting rights.

7. Audit concerns

The members of the Company may require the Company (without payment) to publish, on its website, a statement (which is also to be passed to the Auditor) setting out any matter relating to the audit of the Company's Financial Statements, including the Auditor's report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5% of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold Shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing, state full names and addresses, and be sent to the registered address of the Company.

Notes

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J. Thomson Colour Printers Glasgow 196213