Aberforth Smaller Companies Trust plc

Annual Report and Financial Statements

31 December 2021

Contents

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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 the Company. The Company's Investor Disclosure Document, which is available for viewing at www.aberforth.co.uk, 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 on pages 1 to 20 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 Smaller Companies Trust plc ("ASCoT") is to achieve a net asset value total return (with dividends reinvested) greater than that of the Numis Smaller Companies Index (excluding Investment Companies) ("NSCI (XIC)" or "benchmark") over the long term.

The Company has appointed Aberforth Partners LLP as the investment managers ("the Managers"). Further information can be found on page 22.

Total Return Performance

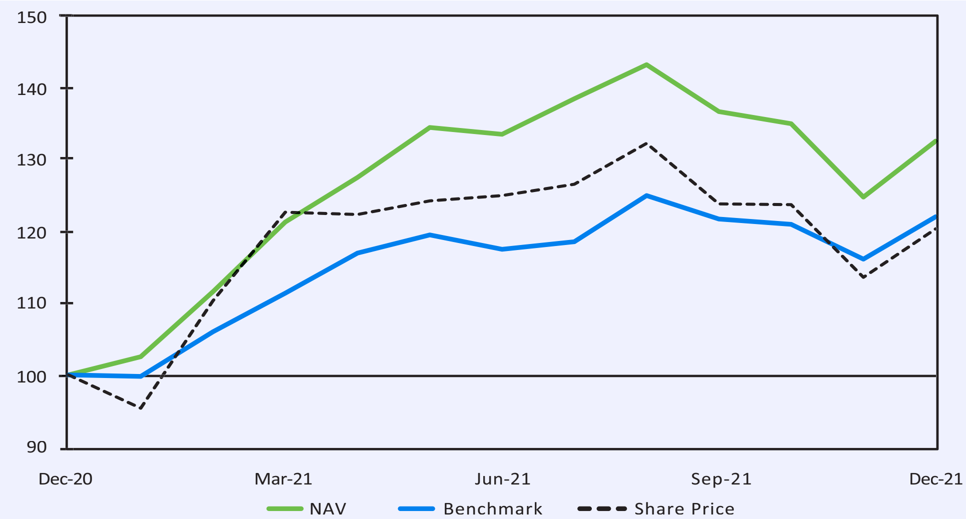
Year to 31 December 2021	%
Net Asset Value per Ordinary Share[2]	**32.5**
Numis Smaller Companies Index (excluding Investment Companies)	**21.9**
Ordinary Share Price[2]	**20.3**

Financial Highlights

	31 December 2021	31 December 2020	% Change
Shareholders' Funds[1]	**£1,473m**	£1,148m	28.3
Market Capitalisation[2]	**£1,288m**	£1,109m	16.1
Actual Gearing employed[1]	**5.6%**	6.1%	n/a
Ordinary Share Net Asset Value[1]	**1,674.35p**	1,292.38p	29.6
Ordinary Share price[2]	**1,464.00p**	1,248.00p	17.3
Ordinary Share discount[2]	**12.6%**	3.4%	n/a
Revenue Return per Ordinary Share[1]	**36.76p**	13.28p	176.8
Dividends per Ordinary Share[1]	**35.20p**	33.30p	5.7
Return attributable to equity shareholders per Ordinary Share[1]	**415.19p**	-245.50p	n/a
Ongoing Charges[2]	**0.75%**	0.81%	n/a
Portfolio Turnover[2]	**25.6%**	30.4%	n/a

[1] UK GAAP Measure [2] Alternative Performance Measure (refer to glossary on page 60) Source: Aberforth Partners LLP

Absolute Performance over past year
(figures are total returns and have been rebased to 100 at 31 December 2020)



Chairman's Statement

Review of performance

It is pleasing to report on a good year for performance in 2021, one that contrasts sharply with the difficulties of 2020. ASCoT's net asset value total return was 32.5%. The share price total return was lower at 20.3%, which reflects the widening of the discount from 3.4% to 12.6% over the course of 2021.

ASCoT's net asset value performance compared well with that of the investment benchmark. The total return of the Numis Smaller Companies Index (excluding Investment Companies) (NSCI (XIC)) was 21.9%. The share prices of large companies also rose, though to a lesser extent with the FTSE All-Share up by 18.3% in total return terms.

The contrast between 2020 and 2021 was due among other things to the arrival of the vaccines, which gave confidence to markets that the pandemic could be controlled without reliance on lockdowns. The on-going uncertainties pertaining to the Omicron variant show that the effects of the coronavirus linger and it continues to extract a regrettable toll in terms of lives lost. However, from the investment perspective, it does feel that the issue at hand is the pace of recovery rather than recovery itself. In this context, it is encouraging that the resilience shown by ASCoT's investee companies in 2020 allowed them to benefit from the first stages of economic recovery in 2021. In turn, as the Managers' Report describes in detail, profits and dividends are rebounding well. The improvement in trading conditions is convincing, though it is necessary to recognise the challenges from inflation and supply chain problems that became increasingly evident through the latter part of the year.

Dividends

The recovery in the profits of small UK quoted companies is amply demonstrated by ASCoT's Income Statement. A large increase in investment income through 2021 was always likely, given how far it had declined in 2020, which was the worst year for UK dividend income in the post war period. However, the degree of the pick-up has been greater than the Board had previously expected. Some of this is due to two special dividends received by the Company during the year, but the heavy lifting was done by numerous investee companies returning promptly to pay dividends having passed them amid 2020's lockdown. This outcome is to the credit of the resilience and stewardship of the companies in which ASCoT invests.

The growth in investment income fed through to a 177% increase in the revenue return per Ordinary Share to 36.76p, which has allowed the Board the flexibility to propose a final dividend of 24.25p per Ordinary Share. This, together with the interim dividend of 10.95 pence, would give a total dividend of 35.20p per Ordinary Share in respect of the year to 31 December 2021. Growth of 5.7% is consistent with the Board's aim to increase dividends in real terms. Notably, the 35.20p total dividend is funded entirely from the year's revenue return – there has been no need to use revenue reserves, which is a better outcome than I had envisaged when I wrote my interim update.

Inflation running at its current elevated rate may prove a more demanding hurdle for the Board's progressive dividend policy if the investee companies struggle in the near term to pass on higher costs. However, the Board takes encouragement from ASCoT's revenue reserves, which were 59.0p per Ordinary Share at 31 December 2021 assuming approval of the final dividend. Additionally, the Managers' dividend estimates for the portfolio plot a path for ASCoT's investment income to exceed 2019's pre-pandemic levels over the next couple of years.

Gearing

Throughout ASCoT's life, it has been the Board's policy to deploy gearing in a tactical fashion. Decisions to gear are motivated by periods of stress in equity markets. The pandemic and lockdown in 2020 produced such an episode, which allowed ASCoT to gear for the fourth time in its 31 year history. The £130m debt facility to enable this is provided by The Royal Bank of Scotland International. It has a term running to June 2023, which is designed to align with the three-yearly continuation vote cycle.

Gearing, which is the ratio of net debt to Shareholders' Funds, was 5.6% at 31 December 2021, down slightly from 6.1% at the start of the year. This reduction in gearing reflects the increase in share prices and therefore in Shareholders' Funds through the year. Despite this recovery, the Board and Managers consider that continued use of the debt facility is appropriate. As the Managers' Report explains, the portfolio's companies continue to make sound progress, while valuations remain attractive.

Share buy-back

The Company seeks authority to buy back up to 14.99% of its Ordinary Shares at the Annual General Meeting. The authority was renewed in March 2021. In the year to 31 December 2021, 874,800 shares were bought back and cancelled. The total value of these repurchases was £12.9m, on an average discount of 11.2%.

The Board continues to believe that, at the margin, buy-backs provide an increase in liquidity for those Shareholders wishing to crystallise their investment and, at the same time, deliver an economic uplift for those Shareholders wishing to remain invested in the Company. Accordingly, the Board will be seeking to renew the buy-back authority at the Annual General Meeting on 3 March 2022.

Stewardship

In November, COP26 reinforced the increasing importance of environmental, social and governance issues for economies and financial markets. As part of its stewardship responsibilities, the Board regularly reviews the Managers' approach to these issues, which is described in additional detail elsewhere in this annual report. The Board endorses the

Chairman's Statement

Managers' stewardship policy, which is set out in their submission as a signatory to the UK Stewardship Code 2020. This, together with examples relating to voting and engagement with investee companies, can be found in the literature library of the Managers' recently refreshed and updated website at www.aberforth.co.uk.

Board changes

The Board regularly reviews its composition and structure in line with corporate governance requirements. As part of the Board's succession planning, Paula Hay-Plumb, who has been a Director for eight years, will not stand for re-election at the forthcoming Annual General Meeting. Paula has made a valuable contribution to the Board's deliberations and we wish her well for the future.

A recruitment process for a new Director, being run by the Board, is well advanced.

Annual General Meeting (AGM)

The AGM will be held at 14 Melville Street, Edinburgh EH3 7NS at 2.30 pm on 3 March 2022. Details of the resolutions to be considered by Shareholders are set out in the Notice of the Meeting on page 56. Shareholders are encouraged to submit their vote by proxy in advance of the meeting in case restrictions related to the Covid-19 pandemic apply 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 the 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. Questions will be considered by the Board and responses provided. In light of these circumstances a brief update on performance and the portfolio will be available on the Managers' website following the meeting. In accordance with normal practice, the results of the AGM will be issued in a regulatory news announcement and also posted on the website.

Conclusion

The enduring fascination of financial markets is that they never cease to surprise. Had I been told at the start of 2021 that ten year government bond yields would finish the year still below their pre-pandemic levels, I would have concluded that nascent inflationary pressures had given way to the disinflationary conditions with which we have become familiar since the global financial crisis. And yet the year ended with inflation running at its highest rates for decades. The Managers' Report explores this conundrum in more detail, but, with the rhetoric from the central banks evolving, it does appear likely that the coming year will bring some form of resolution.

The nature of the resolution will have important implications for the direction of equities as a whole, for the Managers' value investment style and for ASCoT's returns. I would note that financial markets ended 2021 in a familiar manner – bond yields were low and growth stocks had resumed leadership within equity markets. At the risk of being confounded again, I would venture to suggest that the burden of proof does not sit with the value investor.

The second order effects of the pandemic, in the form of inflation and supply chain challenges, threaten to hamper the profit recovery in 2022, but a year of progress nevertheless seems likely. Political developments in many parts of the world remain unpredictable and affect equity valuations. At home, it is remarkable how rapidly political uncertainty has re-emerged after the decisive general election result at the end of 2019. This has no doubt contributed to the valuation of UK equities remaining below their global peers. It is notable, however, that these valuations are attracting the attention of other companies and private equity as M&A activity recovers to levels last seen before the EU referendum.

While politics and economics will be important influences on ASCoT's near term returns, the more important contribution over time is the fortunes of the investee companies. I am struck by how well these businesses have fared through the great challenges of the past two years. Their resilience is brought out in the Managers' Report through analyses of balance sheet strength, good returns on equity and growing dividends. Such characteristics may be considered to sit oddly with a portfolio managed under a value investment philosophy. My interpretation is that this is another instance of the financial markets' ability to surprise and highlights the opportunity for ASCoT's shareholders

Finally, my fellow Directors and I very much welcome the views of Shareholders and are available to talk to you directly. My email address is noted below.

Richard Davidson
Chairman
28 January 2022
richard.davidson@aberforth.co.uk

Investment Policy and Strategy

Investment Policy

The Company aims to achieve its objective by investing in small UK quoted companies. These are companies with a market capitalisation, at time of purchase, equal to or lower than that of the largest company in the bottom 10% of the main UK equity market or companies in the NSCI (XIC). At 1 January 2022 (the date of the last annual index rebalancing), the index included 337 companies, with an aggregate market capitalisation of £156 billion. Its upper market capitalisation limit was £1.6 billion, although this limit changes owing to movements in the stockmarket. If any holding no longer falls within this definition of a small company, its securities become candidates for sale.

Portfolio risk is spread by diversification of holdings in individual companies: the portfolio will usually have holdings in over 80 small UK quoted companies. The Company may, at time of purchase, invest up to 15% of its assets in any one security. However, in practice, each investment will typically be substantially less and, at market value, represent less than 5% of the portfolio on an on-going basis.

The Company's policy towards companies quoted on the Alternative Investment Market ("AIM") generally precludes investment, except either where an investee company moves from the "Main Market" to AIM (so as to avoid being a forced seller) or where a company quoted on AIM has committed to move from AIM to the "Main Market" (so as to enable investment before a full listing is obtained). The Company does not invest in any unquoted companies. Neither does the Company 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 invests no more than 15% of total assets in other listed closed-ended investment funds.

The Managers aim to keep the Company near fully invested in equities at all times and there is normally no attempt to engage in market timing by holding high levels of liquidity. The Company may employ gearing. The Board, in conjunction with the Managers, is responsible for determining the parameters for gearing. When considered appropriate, gearing is used tactically in order to enhance returns.

The Board believes that small UK quoted companies continue to provide opportunities for positive total returns over the long term. Any material changes to the Company's investment objective and policy will be subject to Shareholder approval.

Investment Strategy

The Managers adhere to a value investment philosophy. In practice, this approach utilises several 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 this philosophy, the Company's holdings are usually on more attractive valuations than the average for the NSCI (XIC). While there is good evidence that a value approach within small UK quoted companies results in superior returns over the long term, there can be extended periods when the value style is out of favour.

The Managers select companies for the portfolio on the basis of fundamental or "bottom-up" analysis. Analysis involves scrutiny of businesses' financial statements and assessment of their market positions. An important part of the process is regular engagement with board members of prospective and existing investments. Holdings are sold typically when their valuations reach targets determined by the Managers.

In order to improve the odds of achieving the investment objective, the Managers believe that the portfolio must be adequately differentiated from the benchmark index. Therefore, within the diversification parameters described in Investment Policy, the Managers regularly review the level of differentiation, with the aim of sustaining an active share ratio for the portfolio of at least 70%.

Dividend Policy

The Board confirms its commitment to a policy of progressive dividends. In addition, in order to qualify as an investment trust, the Company must not retain more than 15% of its income from any financial year. The Company pays an interim dividend in August each year based on the forecast net revenue position for the current financial year. A final dividend, subject to shareholder approval, is then paid in March each year based on the actual net income for the financial year just ended and the future earnings forecasts.

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. The Directors have fulfilled this duty and considered the likely consequences of their actions over the long term and on other stakeholders.

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 22 contains further information. Their investment management services are fundamental to the long term 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 long term 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.

Shareholder communications – 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 receive feedback which is provided to the Board. Directors are also available to meet with Shareholders during the year and, in normal times, at the AGM. Shareholders' views are considered as part of the Board's regular strategy reviews. Shareholders have the opportunity to validate the Board's strategy through a triennial vote on the continuation of the Company and the Board encourages Shareholders to participate in this vote.

Enhancing value – In seeking to enhance value for Shareholders over the long term, the Board has also established guidelines to allow the Managers to deploy gearing on a tactical basis when opportunities arise and to implement share buy-backs. During 2020 the Company's borrowing facility was refinanced for a further three years and as described in the Chairman's Statement part of it has been drawn down to take advantage of attractive investment valuations. In addition, the Board remains committed to a progressive dividend policy, as reflected in the dividends announced for the year.

Corporate Governance – 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.

The Board also expects good standards at the companies within which the Company is invested. In this regard, it is satisfied that the Managers' investment process incorporates regular consideration of investee companies' governance structures and procedures. It is also encouraged that the Managers engage consistently and proactively with the boards of investee companies on governance and other matters that are material to the investment case. These activities are ultimately important to the long term success of the Company.

ESG matters – 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 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 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 documentation are available within the 'About Aberforth' section of the Managers' website, at www.aberforth.co.uk.

Summary – In summary, the Board's primary focus in promoting the long term 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.

Principal Risks

The Board carefully considers the risks faced by the Company and seeks to manage these risks through continual review, evaluation, mitigating controls and action as necessary. A risk matrix for the Company is maintained. It groups actual and emerging risks into the following categories: portfolio management; investor relations; regulatory and legal; and financial reporting. Further information regarding the Board's governance oversight of risk, its review process and the context for risks such as conflicts of interest and ESG can be found in the Corporate Governance Report. The Audit Committee Report (pages 30 to 32) details matters considered and actions taken on internal controls and risks during the year. The Company outsources all the main operational activities to recognised, well-established firms and the Board receives internal control reports from these firms, where available, 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.

Emerging risks are those that could have a future impact on the Company. The Board regularly reviews them and, during the year, it added to the risk matrix potential economic risks arising from inflation, reversal of quantitative easing and supply chain constraints. This risk was grouped under the principal risk category of market risk, as described below. The Board regularly monitors how the Managers integrate such risks into the investment decision making.

Principal risks are those risks derived from the matrix that have the highest risk ratings. They tend to be relatively consistent from year to year given the nature of the Company and its business. The principal risks faced by the Company, together with the approach taken by the Board towards them, are summarised below. To indicate the level of monitoring required during this year each principal risk has been categorised as either dynamic risk, requiring detailed monitoring as it can change regularly, or stable risk, requiring less monitoring.

(i) Investment policy/performance risk – The Company's investment policy and strategy exposes the portfolio to share price movements. The performance of the investment portfolio typically differs from the performance of the benchmark and is influenced by stock selection, liquidity and market risk (see (ii) below and Note 19 for further details). 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. *The Board monitors performance against the investment objective over the long term by ensuring the investment portfolio is managed appropriately, in accordance with the investment policy and strategy. The Board has outsourced portfolio management to experienced investment managers with a clearly defined investment philosophy and investment process. The Board receives regular and detailed reports on investment performance including detailed portfolio analysis, risk profile and attribution analysis. Senior representatives of Aberforth Partners attend each Board meeting. Peer group performance is also regularly monitored by the Board. This remains a dynamic risk, with detailed consideration during the year. The Managers' Report contains information on portfolio investment performance and risk.*

(ii) Market risk – Investment performance is affected by external market risk factors, including those creating uncertainty about future price movements of investments. The Board delegates consideration of market risk to the Managers to be carried out as part of the investment process. *The Managers regularly assess the exposure to market risk when making investment decisions and the Board monitors the results via the Managers' quarterly and other reporting. The Board and Managers closely monitor significant economic and political developments and, in particular, are mindful of the continued uncertainty following the departure of the UK from the EU, the impacts of the Covid-19 pandemic and government responses, and the potential effects of climate change. This remained a dynamic risk during the year, in which the Managers reported on market risks including inflation and supply-chain pressures and other geo-political issues as referred to in the Managers' Report.*

(iii) Share price discount – Investment trust shares tend to trade at discounts to their underlying net asset values, but a significant share price discount, or related volatility, could reduce shareholder returns and confidence. *The Board and the Managers monitor the discount daily, both in absolute terms and relative to ASCoT's peers. In this context, the Board intends to continue to use the buy-back authority as described in the Directors' Report. This is considered a dynamic risk as the discount moves daily.*

(iv) Gearing risk – In rising markets, gearing enhances returns, but in falling markets it reduces returns to Shareholders. *The Board and the Managers have specifically considered the gearing strategy and associated risks during the year. At present this is a dynamic risk as the Company's tactical gearing facility is partially deployed.*

(v) Reputational risk – The reputation of the Company is important in maintaining the confidence of shareholders. *The Board and the Managers monitor factors that may affect the reputation of the Company and/or of its main service providers and take action if appropriate. The Board reviews relevant internal control reporting for critical outsourced service providers. This has been monitored as a stable risk.*

(vi) Regulatory risk – Failure to comply with applicable legal and regulatory requirements could lead to suspension of the Company's share price listing, financial penalties or a qualified audit report. A 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 receives quarterly compliance reports from the Secretaries to evidence compliance with rules and regulations, together with information on future developments. This is a stable risk*.

Key Performance Indicators

The Board assesses the Company's performance in meeting its objective against key performance indicators (also referred to as Alternative Performance Measures): net asset value total return; share price total return; relative performance; and share price discount to net asset value. Information on the Company's performance is provided in the Chairman's Statement and Managers' Report and a record of these measures is shown below. In addition to the above, the Board considers the share price discount against its investment trust peer group. A glossary of these Alternative Performance Measures can be found on page 60 and the Company's objective is set out on page 1.

Historical Total Returns

Period	ASCoT NAV	Discrete Annual Returns (%) Index	ASCoT Share Price
1 year to 31 December 2021	**32.5**	**21.9**	**20.3**
1 year to 31 December 2020	-15.4	-4.3	-16.5
1 year to 31 December 2019	26.9	25.2	39.8
1 year to 31 December 2018	-15.4	-15.3	-11.8
1 year to 31 December 2017	22.1	19.5	22.6
1 year to 31 December 2016	5.8	11.1	-4.2
1 year to 31 December 2015	10.2	10.6	13.9
1 year to 31 December 2014	-0.7	-1.9	0.1
1 year to 31 December 2013	52.4	36.9	62.0
1 year to 31 December 2012	31.9	29.9	43.9

Periods to 31 December 2021	Annualised Returns (%)			Cumulative Returns (%)		
	ASCoT NAV	Index	ASCoT Share Price	ASCoT NAV	Index	ASCoT Share Price
2 years from 31 December 2019	5.9	8.0	0.2	12.2	16.7	0.5
3 years from 31 December 2018	12.5	13.5	12.0	42.3	46.1	40.5
4 years from 31 December 2017	4.7	5.4	5.5	20.4	23.6	23.9
5 years from 31 December 2016	8.0	8.1	8.7	46.9	47.8	52.0
6 years from 31 December 2015	7.6	8.6	6.5	55.5	64.1	45.5
7 years from 31 December 2014	8.0	8.9	7.5	71.4	81.5	65.7
8 years from 31 December 2013	6.9	7.5	6.5	70.2	78.2	65.9
9 years from 31 December 2012	11.2	10.4	11.6	159.3	144.0	168.7
10 years from 31 December 2011	13.1	12.2	14.5	242.0	217.0	286.6
15 years from 31 December 2006	7.4	8.1	7.9	192.6	222.7	214.2
20 years from 31 December 2001	10.5	10.2	10.8	635.7	599.1	679.8
31.1 years from inception on 10 December 1990	12.7	10.7	12.3	3,988.5	2,235.1	3,587.9

Ten Year Summary (ASCoT)

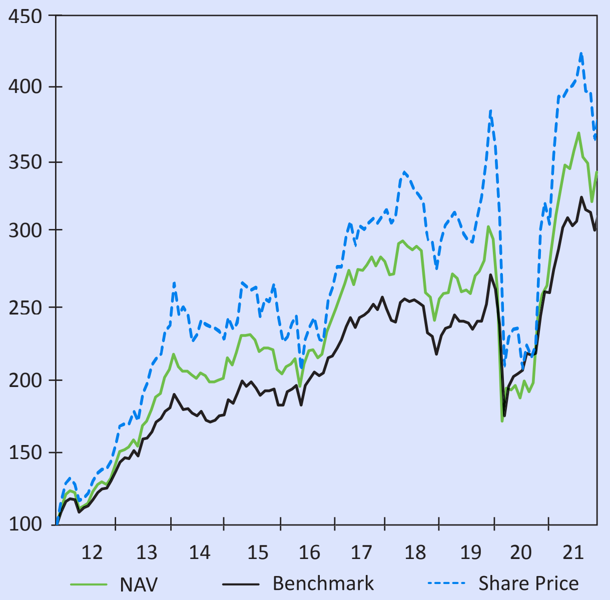
As at 31 December	Net Asset Value per Share p	Share Price p	Discount %	Revenue per Ordinary Share p	Dividends per Ordinary Share net p	Ongoing Charges %	Gearing %
2021	**1,674.4**	**1,464.00**	**12.6**	**36.76**	**35.20**	**0.75**	**5.6**
2020	1,292.4	1,248.00	3.4	13.28	33.30	0.81	6.1
2019	1,570.2	1,540.00	1.9	42.26	36.00	0.77	0.8
2018	1,273.7	1,138.00	10.7	45.30	38.00	0.79	1.3
2017	1,543.7	1,326.00	14.1	41.59	35.50	0.76	0.3
2016	1,292.6	1,109.00	14.2	36.93	30.10	0.80	2.7
2015	1,254.3	1,193.00	4.9	35.03	28.75	0.79	0.3
2014	1,161.4	1,072.00	7.7	27.24	24.75	0.82	2.8
2013	1,193.2	1,095.00	6.7	27.37	23.50	0.79	2.6
2012	802.8	695.50	13.4	26.07	22.25	0.81	5.9
2011	627.3	501.00	20.1	24.13	20.75	0.88	11.1

Performance Indicators

Ten Year Investment Summary

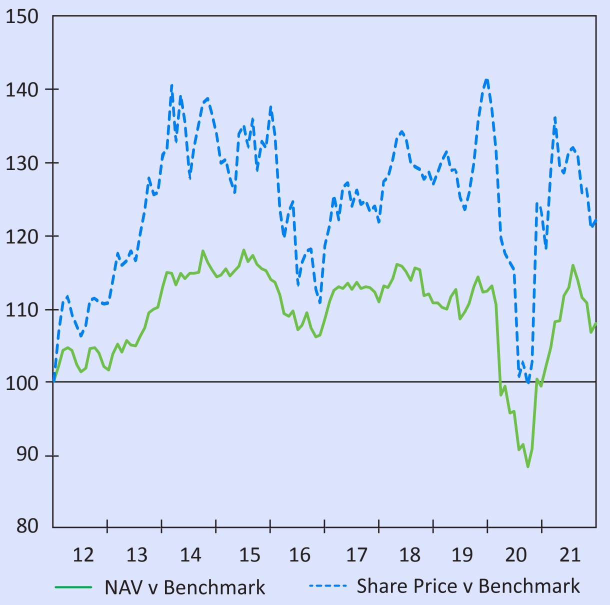
Absolute Performance

(figures are total returns and have been rebased to 100 at 31 Dec 2011)



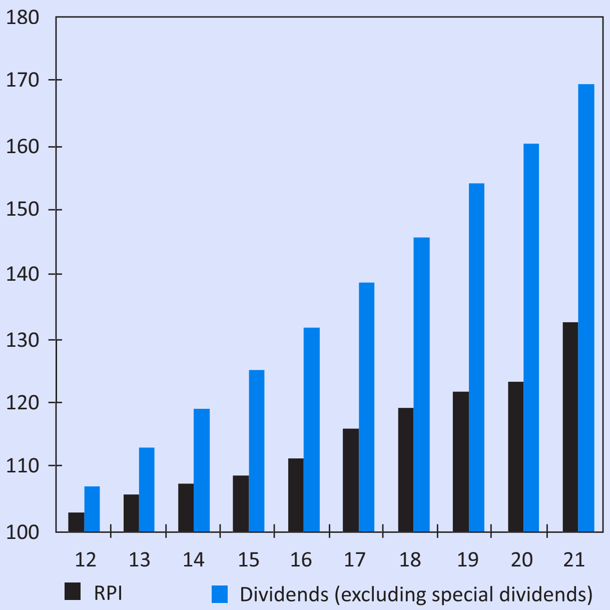
Relative Performance

(figures are total returns and have been rebased to 100 at 31 Dec 2011)



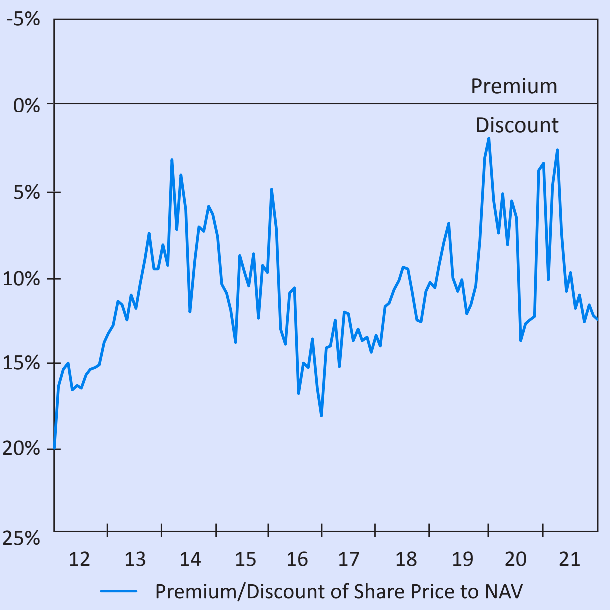
Dividends and RPI Growth

(figures have been rebased to 100 at 31 Dec 2011)



Premium/Discount

(being the difference between Share Price and NAV)



Managers' Report

Introduction

Equity markets performed well in 2021. In the UK, the total return of large companies, represented by the FTSE All-Share, was 18.3%. This was surpassed by the 21.9% return of the NSCI (XIC), which defines ASCoT's investment universe of small UK quoted companies. The net asset value total return of ASCoT itself was 32.5%, while the share price total return was 20.3%.

Following the negative returns of 2020, these numbers depict a welcome reversal of fortunes for UK equity markets. However, it would be remiss to pass over the contrast between this improvement and the development of the pandemic – the world is likely to have seen more deaths associated with the coronavirus in 2021 than in 2020. The disparity between investment returns is explained by the remarkably rapid development of the vaccines, which were announced towards the end of 2020. These spurred a powerful rally in share prices and allowed equity markets to fulfil their function by discounting a future in which the pandemic can be controlled and economic activity can normalise. In due course, the rollout of the vaccines allowed demand to begin its recovery, boosted by high household savings, loose monetary policy and fiscal support. Corporate profits followed, thus starting to justify the rebound in share prices.

The economic recovery progressed more or less as hoped through 2021. Support measures, such as the UK's Job Retention Scheme, have been gradually phased out without, as yet, a significant impact on activity. However, it is notable that share prices struggled through the second half of the year. This reflects uncertainties that stem both from the continuing effects of the coronavirus itself and from the unintended consequences of the stimulus measures deployed in 2020 to mitigate the economic damage of the pandemic. Three particular issues stand out for their effects on equity valuations: variants of the virus, supply chain constraints and inflation.

- Despite the success of the vaccines, the prospect of further lockdowns has lingered owing to the emergence of new variants that might prove more infectious, virulent or resistant to the vaccines. Through 2021 the Delta and Omicron variants highlighted this risk and buffeted sentiment to companies that were benefiting from the return to normal economic activity. This is a factor that is likely to remain relevant until levels of immunity around the world are high enough to compromise the virus's ability to evolve.
- Supply chains have been put under severe stress as demand has surged and as the impact of 2020's lockdowns on industrial production and investment plays out. Employment has also been a challenge: with indications that elements of the labour force have been slow to re-engage after the lockdowns, wage growth is accelerating. In the UK, Brexit is an additional complication, though it is difficult to disentangle from the effects of the pandemic. These issues have combined with rising energy prices to exert pressure on households and on corporate profitability, which is being reflected in the trading updates of companies around the world, including several of the portfolio's holdings. In 2021, this factor has tended merely to take the gloss off results that have been boosted by the demand recovery. However, the effect on profits in 2022 is likely to be greater.
- Supply chain constraints, rising wages and energy prices have combined to produce some of the highest rates of inflation in decades. In the UK, the CPI rose by 5.1% year-on-year in December 2021, while the rate in the US was 7.0%. As the effects of lockdown in 2020 washed through the data, it became clear that this rise in inflation is not as transitory as was widely expected at the start of the year. This is relevant to the performance of the portfolio since there is evidence that the value investment style, as followed by the Managers, fares relatively well when government bond yields rise, which they often do in response to higher inflation. However, in the latter part of 2021, there was little evidence of that relationship. It would seem that equity markets were focused on the possible responses from central banks, fearing that tighter monetary conditions might lower both inflation and real economic growth.

While the effect of these issues on ASCoT's portfolio will become clearer through 2022, reassurance can be taken from the experience of the past two years. The sensitivity of the portfolio companies to economic conditions was clearly displayed both on the way down in 2020 and in the recovery phase in 2021. The resilience of ASCoT's holdings comes with attractive valuations, despite the strong returns achieved in 2021.

Analysis of performance

To recap, ASCoT's net asset value total return in 2021 was 32.5%, which exceeded the NSCI (XIC)'s return of 21.9%. The table below and following paragraphs explain this performance and provide additional detail about the portfolio.

Performance for the 12 months ended 31 December 2021	Basis points
Attributable to the portfolio of investments, based on mid prices	**928**
(after transaction costs of 20 basis points)	
Movement in mid to bid price spread	10
Cash/gearing	202
Purchase of ordinary shares	15
Management fee	(87)
Other expenses	(7)
Total attribution based on bid prices	**1,061**

Note: 100 basis points = 1%. Total Attribution is the difference between the total return of the NAV and the Benchmark Index (i.e. NAV = 32.53%; Benchmark Index = 21.92%; difference is 10.61% being 1,061 basis points).

Managers' Report

Style

After the adverse experience of 2020, the value investment style in equity markets around the world benefited from the vaccine rally. This boosted ASCoT's performance over 2021 as a whole, though its influence waned in the second half in response to the three challenges to equity valuations described above. According to the London Business School, which analyses style effects within the NSCI (XIC) using price to book ratios, value stocks out-performed growth stocks by just under 10% in 2021. This quantification of the style factor is a useful but imprecise gauge of the Managers' approach to value investment. The Managers have always used a broader range of valuation metrics – notably EV/EBITA, the price earnings ratio, free cash flow yield and dividend yield – to determine the price targets for ASCoT's holdings. Moreover, their investment cases are based on more than a statistically low valuation, additionally taking into account factors such as the development of profits, market position, pricing power and track record. Consideration is also given to risks and opportunities emerging from environmental, social and governance (ESG) issues.

Size

The following comments focus on the size effect within the NSCI (XIC), rather than on comparing the performances of large companies and small companies. The NSCI (XIC) is defined as the bottom ten percent by value of the total UK stockmarket. This means that the largest constituent's market capitalisation is around £1.6bn and that roughly two thirds of the NSCI (XIC)'s value is represented by companies that are also members of the FTSE 250. For several years, the Managers have chosen to invest the portfolio in the index's "smaller small" constituents, which can be thought of as non-FTSE 250 companies. The motivation for this was that the "smaller smalls" enjoyed much more attractive valuations, without having to compromise in terms of profit growth, returns on equity or leverage. For most of the period since the global financial crisis, this positioning was unhelpful to ASCoT's returns as general concerns about liquidity overshadowed the opportunity. However, the advent of the vaccines appears to have been a catalyst for a re-evaluation of the "smaller smalls". A gauge of this is the relative performance of the FTSE SmallCap, representative of "smaller smalls", against the FTSE 250. After a strong end to 2020, the former went on to out-perform the latter by 13% in 2021, which is the best calendar year relative performance since 1999. Size was therefore beneficial to ASCoT's performance in 2021.

Geography

The EU referendum in 2016 and the subsequent weakness in sterling led to a phase of share price under-performance by companies with greater exposure to the UK's domestic economy. Just as greater political clarity seemed forthcoming at the end of 2019, domestically oriented businesses were put under renewed pressure by 2020's lockdown, which was particularly troublesome for businesses in the retail, travel and leisure sectors. Moving into 2021, geographical exposure remained relevant, with the share prices of domestically oriented businesses rebounding more powerfully amid the vaccine rally, before giving up some of that out-performance through the middle of the year. Notably, the fourth quarter witnessed under-performance by the overseas oriented companies, which reflects their greater exposure, at least in the near term, to the supply chain issues described in the opening paragraphs. Over 2021 as a whole, the share prices of domestic businesses out-performed those of overseas businesses by 8%. This was helpful to ASCoT's performance, since the portfolio has a weighting of 58% in the domestics, higher than the NSCI (XIC)'s 51%.

Dividends

The swings in the income experience of the portfolio and of small UK quoted companies in general have reflected their capital performance over the past two years. The London Business School calculated that NSCI (XIC) dividends fell by 52% in 2020, the worst outcome in the post war era. In 2021, dividends rebounded by 70%. ASCoT has benefited: the proposed total dividends in respect of 2021 are funded entirely by the year's earnings. Even at the time of the interim results, the Managers had estimated that it would be necessary to draw on revenue reserves, albeit to a lesser extent than in 2020.

Behind this improvement was a better than expected underlying dividend experience, supplemented by two special dividends paid by investee companies to ASCoT. The dividend experience is portrayed in the following table, which categorises the portfolio's 77 holdings at 31 December 2021 by their most recent dividend action.

Nil Payer	Cutter	Unchanged Payer	Increased Payer	Returner	Other*
24	5	5	16	25	2

* Other denotes companies paying dividends for the first time.

The important categories are Returners and Nil Payers. The former captures those holdings that did not pay a dividend in 2020 but that have resumed distributions in 2021. There are more of these than the Managers had expected at the start of 2021, which is testament to the resilience and good stewardship of the investee companies in extremely challenging circumstances. These have provided a significant boost to ASCoT's Income Statement. The Nil Payers category hints at the scope for further impetus. The Managers estimate that 14 of the Nil Payers will make dividend payments in the next two years. The other Nil Payers, which may be thought of as structural Nil Payers, are likely to take longer as their cash flows are prioritised for investment or debt repayment.

Balance sheets

The strong dividend performance described above is influenced by the resilience of balance sheets both within the portfolio and among small companies in general. The table below sets out the weight of the portfolio and the tracked universe in four leverage categories. Using the Managers' estimates, it also shows those weights both at the end of 2021 and at the end of 2023. The tracked universe is those companies in the NSCI (XIC) that the Managers follow closely and represents 97% by value of the NSCI (XIC).

Weight in companies with:	Net cash	Net debt/EBITDA < 2x	Net debt/EBITDA > 2x	Other*
Portfolio: 2021	32%	47%	11%	10%
Portfolio: 2023	43%	43%	7%	7%
Tracked universe: 2021	29%	34%	24%	13%
Tracked universe: 2023	41%	32%	20%	7%

*Includes loss-makers and lenders.

The resilience of small companies is evident from the table. Both the portfolio and the tracked universe are emerging from the pandemic with a skew to companies boasting strong balance sheets. Some of that resilience is due to equity issues in 2020, though these were fewer than the Managers had expected. The more important influences were the control of costs, recovering demand and a focus on free cash generation. It is also notable that, if anything, the portfolio's companies look more conservatively financed than does the tracked universe. The latter has a higher exposure to more highly leveraged companies with net debt / EBITDA ratios above 2x.

The likely strengthening of balance sheets in the wake of the pandemic is consistent with the experience of the global financial crisis. Company boards are naturally slower to utilise their balance sheet strength in the aftermath of such events. Such caution is understandable, but it can be taken too far. A lack of investment is detrimental to the longer term prospects of individual companies and, by extension, to the economy as a whole. Furthermore, in the absence of attractive investment opportunities, excess cash can be returned to shareholders, as long as it does not jeopardise the underlying business's viability.

Return on equity

There is a widespread view that companies in the value cohort of an index should generate much lower returns on equity (RoE) than do the growth cohort. This makes sense since, if the stockmarket is pricing efficiently, companies with high returns on equity should be on higher valuations, all else being equal. In turn, value investors would tend to find more opportunities among companies whose returns on equity and valuations are depressed by some issue but can revert to more normal levels once the issue is addressed.

Weight in companies with:	"Loss makers" RoE < 0% 2019	2020	"Laggards" RoE 0-10% 2019	2020	"Value creators" RoE 10-20% 2019	2020	"Stars" RoE > 20% 2019	2020
Portfolio	6%	25%	24%	37%	40%	19%	29%	19%
Tracked universe	11%	21%	22%	30%	36%	22%	31%	26%

The table shows the exposure of the portfolio and of the tracked universe to companies categorised by their RoE. The impact of 2020's lockdown-induced recession is clear, with weightings in "loss makers" and "laggards" rising as profits declined. A more useful picture is painted by the data for relatively normal conditions of 2019. In that year, the portfolio's exposures to the four categories compare well with those of the tracked universe. This contradicts the widespread view that value investors are condemned to owning less profitable companies. The explanation for this counterintuitive but encouraging finding lies in the portfolio's relatively high exposure to the more attractively valued smaller small companies, which is addressed in more detail in the commentary on valuations below.

Corporate activity

The international appeal of UK assets diminished with 2016's EU referendum. This was reflected in sterling weakness, in a widening of the valuation discount between UK and global equities and in a decline in takeover activity within the NSCI (XIC). However, the past year has seen some appetite return. UK equities have continued to under-perform their global peers, but sterling is above pre pandemic levels and ten percent above the nadir in the wake of the referendum. Of more direct relevance to the portfolio, the incidence of M&A within the NSCI (XIC) was at its highest level in 2021 since 2015. Private equity and other companies, both domestically based and overseas, have been keen to take advantage of the considerable value available within the UK equity market.

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Nineteen constituents of the NSCI (XIC) were acquired last year, with offers for another six still outstanding at 31 December 2021. Of these 25 companies, the portfolio had holdings in six. In addition, there were public approaches for two holdings that were rejected by shareholders and other approaches that the Managers helped rebuff before disclosure was required. It remains the case that the stockmarket valuations for many investee companies are so low that the typical 20-30% premium for control does not get close enough to the Managers' target prices.

ASCoT's interim report described an upsurge in IPO activity in the first half of 2021, with most of the companies brought to the market on high valuations and with more appeal to the growth investor. There were few IPOs in the second half, but the year as a whole saw 23 companies float with current market capitalisations that brought them into the NSCI (XIC) on its 2022 rebalancing. The net effect of this rebalancing increased the number of constituents in the NSCI (XIC) from 334 at 1 January 2021 to 337 at 1 January 2022. The largest constituent in the 2022 vintage at 1 January 2022 had a market capitalisation of £1,645m.

Portfolio Turnover

Portfolio turnover is defined as the lower of purchases and sales divided by average portfolio value. Over the twelve months to 31 December 2021, the rate was 26%. This is in the middle of the range since the financial crisis, with turnover as low as the mid teens and as high as around 40%. There is often a relationship between ASCoT's turnover and the relative performance of the portfolio. If the share prices of holdings rise close to the Managers' targets, there is the opportunity to realise value and redeploy the proceeds in other companies with higher upsides. The Managers term this the "value roll". On the other hand, weaker performance implies that the gaps between share prices and the Managers' targets prices are widening and so, all else being equal, there is less incentive to change the portfolio.

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. At 31 December 2021, the portfolio's active share was 76% relative to the NSCI (XIC), which was well above the Managers' target ratio of at least 70%.

Valuations

Before examining the valuations of the portfolio, it is worth noting that UK equities remain lowly valued in the global context. Research by JP Morgan shows that UK equities have under-performed their US peers by 50% and their European peers by 25% since the EU referendum in 2016. This has left UK valuations relative to global equities over two standard deviations below their long term averages. A significant valuation discount persists even when valuations are adjusted for the UK stockmarket's heavy exposure to the financials and commodities sectors. Though less exposed to these sectors, ASCoT's investment universe and portfolio would appear to bear a UK discount.

	31 December 2021		31 December 2020	
Portfolio characteristics	**ASCoT**	**NSCI (XIC)**	ASCoT	NSCI (XIC)
Number of companies	**77**	**337**	80	334
Weighted average market capitalisation	**£624m**	**£934m**	£587m	£866m
Price earnings (PE) ratio (historical)	**13.3x**	**16.6x**	7.3x	10.8x
Dividend yield (historical)	**1.9%**	**2.1%**	2.2%	1.5%
Dividend cover	**4.0x**	**2.9x**	6.1x	6.2x

The historical PE ratios of the portfolio and of the NSCI (XIC) rose through 2021. This was driven both by the recovery in share prices through the year and by companies reporting lower earnings in respect of the recession year of 2020. The long term average PE for the portfolio is 11.6x, while that of the NSCI (XIC) is 13.4x. At 31 December 2021, therefore, both the portfolio and index are more highly rated than usual. This reflects the fact that recovery in earnings has further to go – the Managers anticipate that pre-pandemic levels of profitability will be reached again in 2023. In relative terms, the portfolio PE is 20% lower than that of the NSCI (XIC) at 31 December 2021. This compares with an average discount over the long term of 13%.

Turning to dividend yields, the portfolio's 1.9% is lower than the 3.2% long term average. While dividends recovered more quickly than expected through 2021, they remain below their pre-pandemic levels. Again, those levels are likely to be seen again in 2023. Consistent with this, the Managers' estimates suggest a portfolio yield two years out of 3.1%. As dividends grow again, the presently high dividend cover of 4.0x should reduce closer to the long term average of 2.7x.

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The table below sets out the forward valuations of the portfolio, the tracked universe and certain subdivisions of the tracked universe. The metric displayed is enterprise value to earnings before interest, tax and amortisation (EV/EBITA), which the Managers use most often in valuing companies. The estimates underlying the ratios are the Managers'. There follows a series of observations about the table.

EV/EBITA	2020	2021	2022	2023
ASCoT	12.4x	9.4x	8.1x	7.2x
Tracked universe (245 stocks)	15.0x	12.9x	10.9x	9.2x
- 46 growth stocks	21.9x	21.2x	20.2x	18.2x
- 199 other stocks	13.5x	11.6x	9.7x	8.0x
- 105 stocks > £600m market cap	14.6x	13.4x	11.5x	9.6x
- 140 stocks < £600m market cap	16.1x	11.5x	9.5x	8.3x

- The decline in ASCoT's EV/EBITA from 2020 to 2023 is driven by recovering profits and by a reduction in EV as free cash flow is generated to reduce debt. The 7.2x multiple in 2023 is based on profits that are expected to be back roughly to 2019 levels.
- Consistent with the Managers' value investment philosophy, the portfolio is more attractively rated than the tracked universe, with a discount of 17% in 2020 expanding to 22% in 2023.
- The valuation stretch among small companies is shown in the EV/EBITA difference between the growth stocks and the rest of the tracked universe. It is in this latter cohort that the Managers focus their attention, though growth stocks do encounter trading issues and can offer opportunities as well.
- The bottom two rows demonstrate the present importance of size. Stocks with market capitalisations above £600m are an approximate match for those NSCI (XIC) constituents that are also members of the FTSE 250. Those with market capitalisations below £600m are the "smaller smalls". Despite their better share price performance in 2021, these remain more attractively valued than their mid cap peers, but they are not inferior in terms of their growth potential, balance sheets and returns on equity. Since the global financial crisis, the stockmarket has penalised these companies for their small size and relative illiquidity. Through its diversified portfolio ASCoT has taken advantage of this and has a meaningfully higher exposure than does the index to the "smaller smalls".
- Turning back to M&A within the NSCI (XIC), the average 2021 EV/EBITA multiple of the takeover targets (excluding property companies) was 17x. This is markedly higher than the 2021 valuation multiples of both the tracked universe and the portfolio, which illustrates the value available among small companies.

The EV/EBITA multiples usefully demonstrate the attractive valuations within the portfolio, but they are not the only element of the Managers' investment cases. Each holding is ascribed a target price, 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, ESG risks and opportunities, management and 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. Over time this "value roll" can make a meaningful contribution to investment returns. It is the full investment cases of the holdings that is the main influence on the Managers' consideration of ASCoT's tactical gearing facility. Since attractive valuations continue to unpin significant estimated upside, it is appropriate that the portfolio remains geared.

Outlook and conclusion

Equity returns are determined by the progress of corporate profits and the rating ascribed to those profits by investors. Inflation and monetary policy are important influences on the latter since they affect the discount rates used to value financial assets. One of the curiosities of 2021 is that the highest rates of inflation for decades have not had a greater impact on the pricing of financial assets. Government bond yields in both the UK and US are still below their pre-pandemic levels, while growth stocks returned to the fore after weaker relative performance amidst the vaccine rally. So far, therefore, the markets appear to be anticipating economic and financial conditions little changed from those that have pervaded since the global financial crisis: low real economic growth, low inflation, low interest rates and low bond yields.

It is not clear that today's inflationary pressures will be short-lived and easily controlled. The supply chain problems will be sorted in time, but there may be more intractable influences. Under-investment in oil and gas development projects in recent years could keep energy prices high. Meanwhile, there is concern that the supply of labour has been affected by issues stemming from the pandemic and, in the UK at least, by Brexit. Macro-economic data and anecdotes from companies indicate that wages are accelerating.

Managers' Report

Inflation raises the stakes. While its recent resurgence clearly does not prevent a return to the disinflationary conditions of the past dozen years, it is perplexing that the financial markets do not yet harbour more doubt. The chance that bond yields prove too low and that growth stocks are too highly valued is higher today than before the pandemic, but that is not reflected in current valuations. Were more doubt to creep into valuations, ASCoT's value investment style should benefit in terms of relative performance. However, we should be careful what we wish for – equities struggle when monetary policy belatedly plays catch-up and relative gains might be achieved against the backdrop of lower share prices.

Turning back to corporate profits, the outlook is encouraging as economic activity normalises and demand continues its rebound from the 2020 recession. Such recovery remains a common theme from the Managers' recent engagement with ASCoT's investee companies. There are, though, risks. First, the pandemic is still with us and may elicit further measures by governments. However, the efficacy of the vaccines means that such measures should affect the pace of recovery rather than threaten the recovery itself. Second, there are the supply chain problems, which are another recurring feature of company trading updates and will take time to resolve. Indeed, energy and labour costs may put sustained pressure on corporate margins, with demand also threatened by the impact of energy costs on consumer spending. Third, there is the chance that central bankers tighten monetary policy to control inflation and thus bring about economic slowdown. At this stage, this risk is more speculative since monetary tightening, such as the Bank of England's 0.15% increase in interest rates in December, has so far been modest – in most western economies interest rates remain deeply negative in real terms.

So, from the strategic perspective, 2022 feels like a pivotal year as the inflation debate comes to a head. Equity valuations will be affected, including those of small UK quoted companies. In such uncertain circumstances, the records of these companies offer reassurance. They have coped with the global financial crisis, the Eurozone crisis, Brexit and the pandemic. Despite their cyclicality they have displayed great resilience through each episode. ASCoT itself benefits from a diversified portfolio of companies, with wide ranging activities and geographical exposures. These companies boast strong balance sheets and generate returns on equity that point to profitable and growing underlying businesses. Remarkably, these characteristics are available to the Managers without having to compromise on the value investment philosophy.

Why should that be? Many aspects of ASCoT's investment policy and strategy – investment in small UK quoted companies with a value philosophy – have been out of favour for several years.

- Since the financial crisis, smallness has come with concerns about low liquidity. These have trumped the longer term associations of smaller size with faster growth and higher total returns.
- Since the EU referendum, UK assets have been out of favour and remain lowly valued in the global context. This is despite the recent upsurge in M&A, which recognises the deep valuation discounts.
- Quoted companies are increasingly being seen as outmoded, with private equity meanwhile lauded for long termism and its ability to use more leverage. However, as mainstream funds increasingly look to take stakes in private businesses, it is notable that the private equity firms themselves are seeking stock exchange listings. Moreover, it is notable that illiquidity is not a concern when it comes to private equity.
- Finally, value investment has been challenged by the environment of low inflation and low interest rates since the global financial crisis. But a continuation of these conditions is not a given, especially in view of current inflationary pressures.

A reversal of one or more of these headwinds could supplement the progress of the underlying businesses in which the portfolio invests to boost returns for ASCoT's shareholders. This optionality, in combination with the resilience of the investee companies, underlines the relevance of ASCoT's investment proposition. These attributes and the upside they suggest are good reason for ASCoT to retain the tactical gearing of the portfolio, which has been in place since June 2020. They have also motivated the Managers to add further to their individual shareholdings in ASCoT.

Aberforth Partners LLP
Managers

28 January 2022

Thirty Largest Investments

As at 31 December 2021

No.	Company	Value £'000	% of Total Net Assets	Business Activity
1	Reach	53,621	3.6	UK newspaper publisher
2	Redde Northgate	46,651	3.2	Van rental
3	Provident Financial	44,372	3.0	Personal credit provider
4	FirstGroup	44,054	3.0	Bus & rail operator
5	Morgan Advanced Materials	41,924	2.9	Manufacture of carbon & ceramic materials
6	Robert Walters	41,538	2.8	Recruitment
7	Rathbones Group	38,920	2.6	Private client fund manager
8	Brewin Dolphin Holdings	38,874	2.6	Private client fund manager
9	Vitec Group	38,007	2.6	Photographic & broadcast accessories
10	Wincanton	35,177	2.4	Logistics
	Top Ten Investments	**423,138**	**28.7**	
11	SIG	33,835	2.3	Specialist building products distributor
12	TI Fluid Systems	33,073	2.2	Automotive parts manufacturer
13	RPS Group	32,633	2.2	Energy & environmental consulting
14	International Personal Finance	32,318	2.2	Home credit provider
15	Keller	30,882	2.1	Ground engineering services
16	Senior	30,770	2.1	Aerospace & automotive engineering
17	Crest Nicholson	29,877	2.0	Housebuilding
18	Just Group	29,270	2.0	Individually underwritten annuities
19	Bakkavor Group	28,729	2.0	Food manufacturer
20	Centamin	27,934	1.9	Gold miner
	Top Twenty Investments	**732,459**	**49.7**	
21	Eurocell	27,534	1.9	Manufacture of UPVC building products
22	Vesuvius	27,075	1.8	Metal flow engineering
23	TT Electronics	26,880	1.8	Sensors & other electronic components
24	Medica Group	26,132	1.8	Teleradiology services provider
25	Micro Focus	26,105	1.8	Legacy software assets
26	EnQuest	26,093	1.8	Oil & gas exploration and production
27	Rank Group	25,945	1.8	Multi-channel gaming operator
28	DFS Furniture	24,770	1.7	Furniture retailer
29	Wilmington Group	24,126	1.6	Business publishing & training
30	Marstons	24,056	1.6	Pub operator
	Top Thirty Investments	**991,175**	**67.3**	
	Other Investments (47)	563,410	38.3	
	Total Investments	**1,554,585**	**105.6**	
	Net Liabilities	(82,020)	(5.6)	
	Total Net Assets	**1,472,565**	**100.0**	

Investments are in Ordinary Shares unless otherwise stated.

Investment Portfolio

As at 31 December 2021

Security	Value £'000	% of Total Net Assets	% of NSCI (XIC)[1]
Software and Computer Services	**32,366**	**2.2**	**6.4**
Alfa Financial Software Holdings	6,261	0.4	
Micro Focus	26,105	1.8	
Technology Hardware and Equipment	**26,880**	**1.8**	**1.8**
TT Electronics	26,880	1.8	
Telecommunications Equipment	**–**	**–**	**0.2**
Telecommunications Service Providers	**188**	**–**	**0.8**
Zegona Communications	188	–	
Health Care Providers	**26,132**	**1.8**	**0.8**
Medica Group	26,132	1.8	
Medical Equipment and Services	**–**	**–**	**0.4**
Pharmaceuticals and Biotechnology	**–**	**–**	**1.4**
Banks	**–**	**–**	**1.6**
Finance and Credit Services	**76,690**	**5.2**	**2.2**
International Personal Finance	32,318	2.2	
Provident Financial	44,372	3.0	
Investment Banking and Brokerage Services	**135,741**	**9.2**	**11.9**
Brewin Dolphin Holdings	38,874	2.6	
City of London Investment Group	13,122	0.9	
CMC Markets	16,736	1.1	
Jupiter Fund Management	19,641	1.3	
Rathbones Group	38,920	2.6	
XPS Pensions Group	8,448	0.7	
Life Insurance	**33,567**	**2.3**	**0.8**
Hansard Global	4,297	0.3	
Just Group	29,270	2.0	
Non-life Insurance	**25,788**	**1.8**	**1.6**
Conduit Holding	14,187	1.0	
Sabre Insurance Group	11,601	0.8	
Real Estate Investment and Services	**8,772**	**0.6**	**2.5**
Foxtons	8,772	0.6	
Real Estate Investment Trusts	**22,901**	**1.6**	**4.4**
McKay Securities	22,901	1.6	
Automobiles and Parts	**33,073**	**2.2**	**1.8**
TI Fluid Systems	33,073	2.2	
Consumer Services	**16,688**	**1.1**	**0.3**
RM	16,688	1.1	
Household Goods and Home Construction	**50,164**	**3.4**	**1.7**
Crest Nicholson	29,877	2.0	
Headlam Group	20,287	1.4	
Leisure Goods	**–**	**–**	**0.1**
Personal Goods	**–**	**–**	**0.3**
Media	**123,210**	**8.4**	**2.4**
Centaur Media	9,332	0.6	
Hyve Group	11,493	0.8	
National World	13,634	1.0	
Reach	53,621	3.6	
STV Group	11,004	0.8	
Wilmington Group	24,126	1.6	

Investment Portfolio

As at 31 December 2021

Security	Value £'000	% of Total Net Assets	% of NSCI (XIC)[1]
Retailers	**66,993**	**4.6**	**4.3**
Card Factory	14,029	0.9	
DFS Furniture	24,770	1.7	
Lookers	17,147	1.2	
Topps Tiles	11,047	0.8	
Travel and Leisure	**156,776**	**10.6**	**8.9**
FirstGroup	44,054	3.0	
Go-Ahead Group	7,526	0.5	
Hollywood Bowl	10,888	0.7	
Hostelworld Group	10,362	0.7	
Marstons	24,056	1.6	
Mitchells & Butlers	15,431	1.0	
Rank Group	25,945	1.8	
Stagecoach Group	18,514	1.3	
Beverages	**22,286**	**1.5**	**1.0**
C&C Group	22,286	1.5	
Food Producers	**31,595**	**2.2**	**2.7**
Bakkavor Group	28,729	2.0	
R.E.A. Holdings	2,866	0.2	
Personal Care, Drug and Grocery Stores	**9,517**	**0.6**	**0.7**
McBride	5,926	0.4	
McColl's Retail Group	3,591	0.2	
Construction and Materials	**99,143**	**6.7**	**6.5**
Eurocell	27,534	1.9	
Forterra	10,475	0.6	
Galliford Try Holdings	13,051	0.9	
Keller	30,882	2.1	
Ricardo	17,201	1.2	
Aerospace and Defence	**30,770**	**2.1**	**3.2**
Senior	30,770	2.1	
Electronic and Electrical Equipment	**55,533**	**3.8**	**2.9**
Dialight	13,609	0.9	
Morgan Advanced Materials	41,924	2.9	
General Industries	**–**	**–**	**1.0**
Industrial Engineering	**92,422**	**6.3**	**1.4**
Castings	15,928	1.1	
Vesuvius	27,075	1.8	
Vitec Group	38,007	2.6	
XAAR	11,412	0.8	
Industrial Support Services	**156,455**	**10.6**	**7.9**
De La Rue	23,895	1.6	
Paypoint	8,075	0.5	
Robert Walters	41,538	2.8	
RPS Group	32,633	2.2	
SIG	33,835	2.3	
Smiths News	9,945	0.7	
Speedy Hire	6,534	0.5	
Industrial Transportation	**84,324**	**5.7**	**2.7**
Redde Northgate	46,651	3.2	
VP	2,496	0.1	
Wincanton	35,177	2.4	

Investment Portfolio

As at 31 December 2021

Security	Value £'000	% of Total Net Assets	% of NSCI (XIC)[1]
Industrial Materials	**–**	**–**	**0.1**
Industrial Metals and Mining	**53,801**	**3.7**	**1.9**
Anglo Pacific Group	19,363	1.3	
Capital	16,144	1.2	
Kenmare Resources	18,294	1.2	
Precious Metals and Mining	**35,135**	**2.4**	**2.1**
Centamin	27,934	1.9	
Gem Diamonds	7,201	0.5	
Chemicals	**–**	**–**	**2.0**
Oil, Gas and Coal	**47,675**	**3.2**	**5.0**
EnQuest	26,093	1.8	
Genel Energy	6,614	0.4	
Petrofac	7,147	0.5	
Pharos Energy	7,821	0.5	
Alternative Energy	**–**	**–**	**0.3**
Electricity	**–**	**–**	**0.9**
Waste and Disposal Services	**–**	**–**	**1.1**
Total Investments	**1,554,585**	**105.6**	**100.0**
Net Liabilities	(82,020)	(5.6)	
Total Net Assets	**1,472,565**	**100.0**	**100.0**

[1] Reflects the rebalanced index as at 1 January 2022.

Summary of Material Investment Transactions

For the year ended 31 December 2021

Purchases	Cost £'000	Sales	Proceeds £'000
Centamin	34,027	Spire Healthcare Group	36,885
Marstons	26,513	RWS Holdings	31,083
Jupiter Fund Management	19,825	Charles Stanley Group	30,740
Ricardo	16,013	Vectura Group	30,528
Sabre Insurance Group	14,335	Reach	30,067
C&C Group	12,697	Mitchells & Butlers	23,236
Babcock International Group	12,099	Restaurant Group	22,027
Rathbones Group	11,592	U and I Group	20,245
Galliford Try Holdings	11,418	PageGroup	18,835
Micro Focus	10,785	Forterra	17,471
PageGroup	10,463	RHI Magnesita	17,306
McBride	8,890	Halfords Group	16,700
Genel Energy	8,786	Zegona Communications	15,501
XPS Pensions Group	8,722	Babcock International Group	14,384
Crest Nicholson	8,342	Alfa Financial Software Holdings	12,904
Stagecoach Group	8,142	Harbour Energy	11,539
Mitchells & Butlers	7,784	Essentra	7,904
Petrofac	7,135	Future	7,169
Foxtons	6,681	Wincanton	6,426
City of London Investment Group	6,289	Vitec Group	3,789
Other Purchases	129,396	Other Sales	10,501
Total Purchases (incl. transaction costs)	**379,934**	**Total Sale Proceeds (incl. transaction costs)**	**385,240**

Portfolio Information

FTSE Industry Classification Exposure Analysis

Sector	31 December 2020 Portfolio Weight %	31 December 2020 Portfolio Valuation £'000	Net Purchases/ (Sales)[1] £'000	Net Appreciation/ (Depreciation) £'000	31 December 2021 Portfolio Valuation £'000	31 December 2021 Portfolio Weight %	31 December 2021 NSCI (XIC) Weight %
Technology	4	48,396	291	10,559	**59,246**	**4**	**8**
Telecommunications	1	10,375	(14,871)	4,684	**188**	**–**	**1**
Health care	5	64,989	(60,761)	21,904	**26,132**	**2**	**3**
Financials	16	190,103	42,732	38,951	**271,786**	**17**	**18**
Real Estate	3	32,918	(11,533)	10,288	**31,673**	**2**	**7**
Consumer Discretionary	28	342,359	(6,032)	110,577	**446,904**	**29**	**20**
Consumer Staples	2	30,886	26,968	5,544	**63,398**	**4**	**4**
Industrials	34	414,095	(19,625)	124,177	**518,647**	**33**	**26**
Basic Materials	4	53,233	27,623	8,080	**88,936**	**6**	**6**
Energy	3	30,719	9,902	7,054	**47,675**	**3**	**5**
Utilities	–	–	–	–	**–**	**–**	**2**
	100	1,218,073	(5,306)	341,818	**1,554,585**	**100**	**100**

FTSE Index Classification Exposure Analysis

Index Classification	31 December 2020 No. of Companies	31 December 2020 Portfolio Valuation £'000	31 December 2020 Portfolio Weight %	31 December 2020 NSCI (XIC) Weight %	31 December 2021 No. of Companies	31 December 2021 Portfolio Valuation £'000	31 December 2021 Portfolio Weight %	31 December 2021 NSCI (XIC)[2] Weight %
FTSE 100	–	–	–	–	**–**	**–**	**–**	**–**
FTSE 250	19	400,518	33	64	**18**	**581,789**	**38**	**63**
FTSE SmallCap	42	627,943	52	28	**42**	**780,738**	**50**	**27**
FTSE Fledgling	9	48,298	4	1	**7**	**50,841**	**3**	**1**
Other	10	141,314	11	7	**10**	**141,217**	**9**	**9**
	80	1,218,073	100	100	**77**	**1,554,585**	**100**	**100**

[1] Includes transaction costs.

[2] Reflects the rebalanced index as at 1 January 2022.

Viability Statement

The Directors have assessed the viability of the Company over the five years to December 2026, taking account of the Company's position, its investment strategy, and the potential impact of the relevant principal risks detailed above, 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 be able to continue in operation, notwithstanding that the Company's shareholders are to vote on the continuation of the Company again in 2023.

In making this assessment, 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 and to adhere to borrowing covenants (see note 13 on page 51). Portfolio liquidity modelling was conducted to identify values that could be liquidated within different time periods. The Company invests in companies listed and actively traded on the London Stock Exchange 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 December 2026 is an appropriate period for which to provide this statement given the Company's long term investment objective, the simplicity of the business model, the resilience demonstrated by the stress testing and the relatively low working capital requirements.

Other 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 for accounting periods commencing on or after 1 January 2013 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 policy for the appointment of non-executive directors is based on its belief in the benefits of having a diverse range of experience, skills, length of service and backgrounds. The policy is always to seek to appoint the best person for the job. The Board actively promotes equality and fairness for all and there will be no discrimination on the grounds of gender, race, ethnicity, religion, sexual orientation, age or physical ability. The overriding aim of the policy is to seek to ensure that the Board is composed of the best combination of people to promote the success of the Company for Shareholders over the long term. The current Directors have a range of relevant business, financial and asset management skills and experience. Brief biographical details of the members of the Board are shown on page 21. In respect of gender representation, as at 31 December 2021, there were three female Directors and two male Directors.

Environmental, Human Rights, Employee, Social and 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 29.

The Strategic Report, contained on pages 1 to 20, has been approved by the Board of Directors on 28 January 2022 and signed on its behalf by:

Richard Davidson,
Chairman

Governance Report

Board of Directors

Richard Davidson, Chairman

Appointed: 26 January 2019
Shareholding in the Company: 32,000 Ordinary Shares

Richard is Chair of MIGO Opportunities Trust plc and Foresight Sustainable Forestry Company plc. He is also Chair of the University of Edinburgh's Investment Committee as well as being a Trustee of its pension scheme. Formerly, he was a Partner and Manager of the Macro Fund at Lansdowne Partners. Prior to that, he was a Managing Director and No.1 ranked investment strategist at Morgan Stanley, where he worked for 15 years. Since 2003, Richard has also been heavily involved in forestry investment and management.

Julia Le Blan

Appointed: 29 January 2014 and chairs the Audit Committee
Shareholding in the Company: 3,000 Ordinary Shares

Julia is a chartered accountant and has worked in the financial services industry for over 30 years. She was formerly a tax partner at Deloitte and expert on the taxation of investment trust companies. She sat for two terms on the AIC's technical committee and is also a director of The Biotech Growth Trust plc and JP Morgan US Smaller Companies Investment Trust plc.

Paula Hay-Plumb

Appointed: 29 January 2014 and is a member of the Audit Committee
Shareholding in the Company: 2,600 Ordinary Shares

Paula is a chartered accountant and an experienced director with a wealth of finance and governance expertise in both the private and public sectors. Her previous roles include Corporate Finance and Group Reporting Director at Marks and Spencer plc, Chairman of the National Australia Group Common Investment Fund and non-executive board member of Skipton Building Society and the National Audit Office. Paula is currently a non-executive board member of Michelmersh Brick Holdings plc, The Crown Estate and Oxford University Hospitals NHS Foundation Trust and a Trustee of Calthorpe Estates and the Mineworkers' Pension Scheme.

Victoria Stewart

Appointed: 1 September 2020
Shareholding in the Company: 4,200 Ordinary Shares

Victoria spent twenty two years as a fund manager, mostly with Royal London Asset Management. She was the sole manager of the Royal London UK Smaller Companies Fund from its inception in 2007, leaving in 2016 and taking up a non-executive director role with Secure Trust Bank PLC where she is chairman of the remuneration committee. Victoria has considerable experience of managing and investing in various investment vehicles and mid and small-cap listed companies and has a strong working knowledge of performance analysis and corporate governance. Victoria is also a non-executive director of Artemis Alpha Fund plc and JPMorgan Claverhouse Investment Trust plc.

Martin Warner

Appointed: 1 March 2018
Shareholding in the Company: 7,000 Ordinary Shares

Martin co-founded Michelmersh Brick Holdings plc in 1997 and served as Chief Executive and subsequently non-executive Chairman from May 2017. Martin is a Fellow of the Royal Institute of Chartered Surveyors and is Chairman of the Brick Development Association.

Directors’ Report

The Directors submit their Annual Report and Financial Statements for the year ended 31 December 2021.

Directors

The Directors of the Company during the financial year are listed on page 34. 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.

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

These are explained fully in the Strategic Report.

Return and Dividends

The total return attributable to shareholders for the year ended 31 December 2021 amounted to a profit of £367,526,000 (2020: loss of £219,198,000). The Net Asset Value per Ordinary Share at 31 December 2021 was 1,674.35p (2020: 1,292.38p).

Your Board is pleased to declare a final dividend of 24.25p which produces total dividends for the year of 35.20p (total of £31,014,000). The final dividend, subject to Shareholder approval, will be paid on 8 March 2022 to Shareholders on the register at the close of business on 11 February 2022.

Investment 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 31 December 2021, funds under management were £2.3 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) benchmark. Consistent with this, capacity at 31 December 2021 was circa £150 million of funds under management.

The firm is now wholly owned by six partners – five investment Partners and an Operations Partner, who is responsible for the firm’s administration. The investment team comprised the five Investment Partners and one investment manager. Analytical responsibilities are divided by stockmarket sector among the investment team, 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 the Company’s Shareholders is further enhanced by the team’s meaningful personal investments in the Company’s equity.

These investment management 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 an annual management fee, payable quarterly in advance, equal to 0.75% of the net assets up to £1 billion, and 0.65% thereafter. The management fee amounted to £10,005,000 in the year ended 31 December 2021 (2020: £7,246,000).

The secretarial fee amounted to £90,308 (excluding VAT) during 2021 (2020: £89,538, excluding VAT). It is adjusted annually in line with the Retail Prices Index and is subject to VAT, which is currently irrecoverable by the Company.

The Board reviews the Company’s investment management and secretarial arrangements on an on-going basis and formally at its October meeting, for which 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 alignment of interests between the Managers and the Company’s Shareholders;
- the administrative services provided by the Secretaries; and
- the level of satisfaction of major Shareholders with the Managers.

Following the most recent review, the Board was of the opinion that the continued appointment of Aberforth as investment managers, on the terms agreed, remains in the best interests of Shareholders.

Directors' Report

Depositary

NatWest Trustee & Depositary Services Limited carry 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.

NatWest Trustee & Depositary Services Limited receive an annual fee, payable quarterly in arrears, of 0.0085% of the net assets of the Company, being £153,000 for the year ended 31 December 2021 (2020: £108,000) and their 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.

Capital Structure and Share Buy-Backs

At 31 December 2021, the Company's authorised share capital consisted of 333,299,254 Ordinary Shares of 1p of which 87,948,266 were issued and fully paid. During the year, 874,800 shares (1.0% of the Company's issued share capital with a nominal value of £8,748) were bought back and cancelled at a total cost of £12,886,000. No shares are held in treasury. Share buy-backs may succeed in narrowing the discount between the Company's share price and net asset value per share (NAV) or in limiting its volatility, but their influence is inevitably subject to broader stockmarket conditions. Irrespective of their effect on the discount, buy-backs at the margin provide an increase in liquidity for those Shareholders seeking to crystallise their investment and at the same time deliver an economic uplift for those Shareholders wishing to remain invested in the Company. Accordingly, it is the intention to continue to use the share purchase facility within guidelines established from time to time by the Board.

Continuation of the Company

The Company has no fixed duration. However, in accordance with the Company's Articles of Association, Shareholders are asked every three years to vote on the continuation of the Company and an ordinary resolution will be proposed at the Annual General Meeting to be held in March 2023.

If such resolution is not passed, the Directors will prepare and submit to shareholders (for approval by special resolution) proposals for the unitisation or appropriate reconstruction of the Company. In putting forward such proposals the Directors will seek, inter alia, to provide shareholders with a means whereby they can defer any liability to capital gains tax on their investment at that time. If such proposals are not approved, shareholders will, within 180 days of the relevant Annual General Meeting, have the opportunity of passing an ordinary resolution requiring the Company to be wound up. On a winding-up, after meeting the liabilities of the Company, the surplus assets will be paid to the holders of Ordinary Shares and distributed, pro rata, among such holders.

Going Concern

The Audit Committee has undertaken and documented an assessment of whether the Company is a going concern for the period of at least 12 months from the date of approval of the financial statements. 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 facilities, 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 and financial risk, along with details of its financial instruments and its exposures to credit risk and liquidity risk. The Company's assets comprise mainly readily realisable equity securities and funding flexibility can typically be achieved through the use of the borrowing facilities which are described in notes 12 and 13 to the financial statements. 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 continue to prepare the financial statements on a going concern basis.

Voting Rights of Shareholders

At shareholder meetings and on a show of hands, every shareholder present in person or by proxy has one vote. On a poll, every shareholder present in person has one vote for each share he/she holds and a proxy has one vote for every share in respect of which he/she is appointed.

Directors' Report

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 the voting rights of the Company as at 31 December 2021 and 28 January 2022. The total number of voting rights amounted to 87,948,266 at 31 December 2021. Since 31 December 2021, 220,000 shares have been bought back and cancelled and therefore the total number of voting rights at 28 January 2022 amounted to 87,728,266.

Notified interests	Percentage of Voting Rights Held
Brewin Dolphin Limited	10.1%
Investec Wealth & Investment Limited	9.0%
Rathbone Brothers plc	6.0%

Annual General Meeting

The AGM will be held on 3 March 2022 at 2.30 p.m. at 14 Melville Street, Edinburgh EH3 7NS. Shareholders are encouraged to submit their votes by proxy in advance of the meeting in case restrictions related to the Covid-19 pandemic apply 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 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 56 and 57. The following special resolution will be proposed at the AGM.

Purchase of Own Shares (Special Resolution)

The current authority of the Company to make market purchases of up to 14.99% of the issued Ordinary Shares of the Company expires at the end of the AGM. Resolution 10, as set out in the Notice of the AGM, seeks renewal of such authority until the AGM in 2023. The price paid for shares will not be less than the nominal value of 1p per share and the maximum price shall be the higher of (i) 105% of the average of the middle market quotations for the shares for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out. This authority, if conferred, will be used as described on page 23 and only if to do so would be in the best interests of Shareholders generally. Any shares purchased under the authority will be automatically cancelled, rather than being held in treasury, thereby reducing the Company's issued share capital. There are no outstanding options or warrants to subscribe for equity shares in the capital of the Company.

Directors' Recommendation

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 so 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 23 and 24.
- Details of the substantial shareholders in the Company are listed above.
- The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and are discussed on pages 26 and 27.
- Amendment of the Company's Articles of Association and powers to issue shares on a non pre-emptive basis or buy back the Company's shares requires 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; 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.

Directors' Report

Greenhouse Gas Emissions

As the Board has engaged external firms to undertake the investment management, secretarial and custodial 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. For the same reasons, the Company is not required to disclose information under the Streamlined Energy and Carbon Reporting regulations. Further explanation is provided in the Corporate Governance Report.

Bribery Act 2010

The Company does not tolerate bribery and is committed to carrying out business fairly, honestly and openly. Aberforth Partners LLP, the Company's Investment Managers, have confirmed that anti-bribery policies and procedures are 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 31 December 2021, there are no post balance sheet events which would require adjustment of or disclosure in the financial statements.

Independent Auditor

During the year an audit tender process was conducted by the Audit Committee and the Board has agreed to appoint Johnston Carmichael LLP as auditor for the financial year ending 31 December 2022. Deloitte LLP remains in office as auditor until the forthcoming Annual General Meeting at which a resolution for the appointment of Johnston Carmichael LLP will be proposed. The Board is grateful to Deloitte LLP for its services as Independent Auditor and confirms that there are no matters in connection with Deloitte LLP ceasing to hold office following the 2021 audit that need to be brought to the attention of shareholders. The statement of reasons in connection with Deloitte LLP ceasing to hold office as Independent Auditor has been enclosed separately for shareholders.

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
Richard Davidson
Chairman

28 January 2022

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 Association of Investment Companies Code of Corporate Governance ("the AIC Code"). The AIC Code addresses all the principles and provisions set out in the UK Corporate Governance Code, which applies for the year ended 31 December 2021, as well as setting out additional principles and 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 22 to 25.

Compliance

Throughout the year ended 31 December 2021 the Company complied with the recommendations of the AIC Code except, as explained below, where the Company 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 also decided not to nominate a Deputy Chairman or a Senior Independent Director, although the Chair 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. At 31 December 2021, the Board comprised five non-executive Directors, of whom Richard Davidson is Chairman. A formal schedule of matters reserved for decision by the Board has been adopted. 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. During 2021 Paula Hay-Plumb was a non executive director of Michelmersh Brick Holdings plc and this represents a cross directorship with Martin Warner who is non executive chairman of Michelmersh Brick Holdings plc. The Board, excluding these two Directors, is satisfied that it does not affect the judgement or independence of either Director. All Directors are presently considered to be independent. All Directors retire at the AGM each year and, if appropriate and continuing, 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 and at the AGM.

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 compared with its benchmark index. The Directors also review several important areas including:

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

The Board also holds an annual strategy session to consider, amongst other matters, the Company's objective and investment strategy.

Corporate Governance Report

Annual Plan

The following highlights various additional matters considered by the Board during the past year:

The following table sets out the Directors of the Company during the financial year, 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).

Director	Board		Audit Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Richard Davidson, Chairman	5	5	–	–
Paula Hay-Plumb	5	5	4	4
Julia Le Blan	5	5	4	4
Richard Rae (retired 2 March 2021)	2	2	1	1
Victoria Stewart	5	5	4	4
Martin Warner	5	5	–	–

There has been no change to the Directors between 31 December 2021 and 28 January 2022.

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 20.

The Board believes in regular refreshment of the Board and in the benefits of having a diverse range of experience, skills, length of service and backgrounds. The Board is also of the view that length of service will not necessarily compromise the independence or contribution of directors of an investment trust company or, indeed, its chairman. Continuity and experience can add significantly to the strength of the Board especially in times of market turbulence. Nevertheless, the Board's policy is that in normal circumstances the Chairman and Directors are expected to serve for a nine-year term, though this may be adjusted for reasons of flexibility. Paula Hay-Plumb is retiring from the Board at the 2022 AGM having been a Director for over eight years as part of the Board's succession planning and all the continuing Directors have served for fewer than nine years.

The Board established a committee in 2021, chaired by Richard Davidson, for the purpose of appointing a new Director. External search consultants, Trust Associates, a firm having no other connection with the Company or its Directors, were appointed to conduct a full search. The Committee held meetings with a shortlist of candidates and the process is well advanced.

Board performance and re-appointment 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 internal review of the Board and the Audit Committee was conducted by way of an evaluation questionnaire, the results of which were discussed by the Directors in October 2021, providing valuable feedback for improving Board effectiveness and highlighting areas for further development. The appraisal of the Chairman was led by the Chair of the Audit Committee. The Board has agreed to utilise external facilitators every three years.

Corporate Governance Report

In line with the Board's policy, all continuing Directors offer themselves for re-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 re-election to Shareholders.

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 31 December 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 changes in regulatory requirements 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 Company 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 are 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 Board's approach to managing these risks are set out on page 6. This process was in operation during the year 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 32. The Directors have not identified any significant failures or weaknesses in respect of the Company's internal control systems.

Relations with Shareholders

The Board places great importance on communication with Shareholders. Directors of the Company are available to meet with 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. Furthermore, following publication of the Annual Report, the Chairman emails the largest Shareholders inviting questions on all aspects concerning the Company. The Directors may be contacted via the Secretaries whose details are shown on the back cover or through the Chairman's email address, richard.davidson@aberforth.co.uk.

All Shareholders have the opportunity to vote at and in normal circumstances 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, the Company's performance, daily Net Asset Values, monthly factsheets and other relevant information are published at www.aberforth.co.uk.

Corporate Governance Report

Environmental, Social and Governance Matters

ESG oversight

The Board is encouraged that the Managers consistently and proactively engage with investee companies on environmental, social and governance ('ESG') matters. It is recognised that these can be material to investment cases 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, profitability and, ultimately, valuation. The Board supports Aberforth's continued integration of ESG considerations into the investment process, which reflects broader society's increased awareness and its implications for companies' actual and potential valuations.

Stewardship – UK Stewardship Code and UN Principles for Responsible Investment ('UNPRI')

The UK Stewardship Code, issued by the FRC, 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. As early adopters of the UK Stewardship Code 2020, the Managers have embraced the principles and were recognised as an approved signatory of the code in September 2021.

The Managers are also 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.

The Managers have also published on their website more detailed supporting documents. These outline their Stewardship Policy, Investment Philosophy, Engagement and Voting Framework, as well as providing examples of Engagement and Voting.

The Board has reviewed, and endorses, the Managers' Stewardship Policy.

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 endorses the Managers' voting philosophy, which treats 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.

Activity in 2021

The Board reviews the Managers' engagement activity and assessment during the year. The Managers conducted a survey of investee companies to assess their approach to certain environmental and social issues. The results of the survey help with the assessment of ESG influences on company valuations and to prioritise engagement. In an increasingly congested regulatory environment for ESG rules, guidance and recommendations, the Managers have also developed a proprietary methodology for the analysis of ESG factors relevant for each investment. This directs engagement activity and the tracking of underlying investee company progress.

The Board welcomed Aberforth's publication of its own Governance and Corporate Responsibility statement, which provides information about the firm's approach to ESG matters. The Board considered the applicability to the Company of the Streamlined Energy & Carbon Reporting Statement ('SECR'); however, such a disclosure would be meaningless, since the Company has no direct employees and does not own, operate or lease any tangible assets. More relevant are the Managers' voluntary disclosures under SECR, which are included in their Governance and Corporate Responsibility disclosures.

Policies and practices

Further detail on the Managers' Stewardship and ESG policies and practices, including engagement examples and voting disclosures, is available within the 'About Aberforth' section of the Managers' website, at www.aberforth.co.uk.

By Order of the Board
Richard Davidson
Chairman

28 January 2022

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. The Committee members during the year were Julia Le Blan (Chair), Richard Rae (retired on 2 March 2021), Paula Hay-Plumb and Victoria Stewart (appointed on 2 March 2021). The current members' biographies can be found on page 21. Each member of the Committee has recent and relevant financial experience and the Committee as a whole has competence relevant to the sector in which the Company operates.

Principal Objective

The 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.

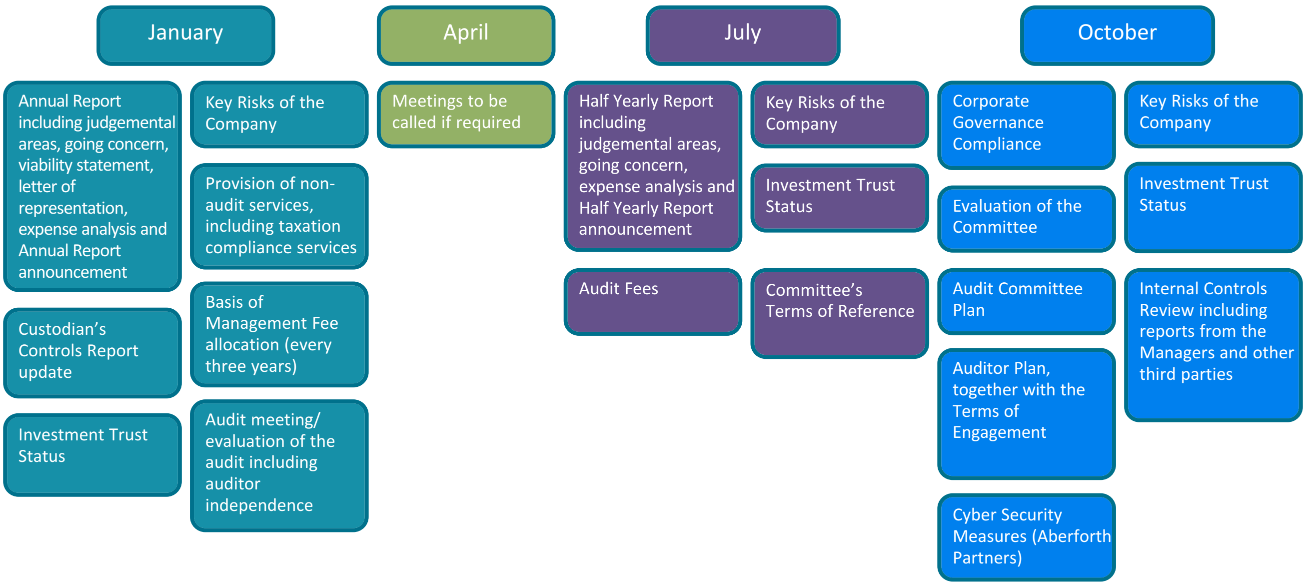
Principal Responsibilities

The Committee has been given the following responsibilities:

- reviewing the Company's internal financial controls and risk management systems, identifying principal risks and monitoring the mitigating controls that have been established;
- monitoring compliance with the relevant statutory, regulatory and taxation requirements for a UK based investment trust that is listed on the London Stock Exchange;
- reviewing the Company's annual and interim financial statements and any formal announcements on the Company's financial performance, the accounting policies adopted and the main judgemental areas;
- ensuring that the Annual Report, taken as a whole, is fair, balanced and understandable;
- agreeing the external auditor's terms of appointment and remuneration, determining the independence and objectivity of the auditor, assessing the effectiveness of the audit and conducting audit tenders;
- considering whether it is appropriate for certain non-audit services to be carried out by the auditor;
- reviewing the need for an internal audit function; and
- assessing the going concern and viability of the Company, including assumptions used.

The Chair reports formally to the Board on the Committee's proceedings after each meeting. To assist with the various duties of the Committee, a meeting plan has been adopted and is reviewed annually. This is the latest version.

Audit Committee Annual Plan



Meetings

Typically three meetings are held each year. Representatives of Aberforth Partners LLP, who provide the Company with secretarial services, attend all of the meetings. Deloitte LLP ("Deloitte"), the external auditor, attends the meetings in January and October. In addition, in November 2021 meetings were held for the audit tender process.

During the year to 31 December 2021 the Committee has focused on the areas described below.

Audit Committee Report

Matters Considered and Action taken by the Committee

Financial Reporting

In July 2021, the Committee focused on the preparation and content of the Half Yearly Report, including supporting documentation from the Secretaries. The Half Yearly Report was not audited, as is customary for investment trusts.

In January 2022, the Committee received a report and supporting presentation from the external auditor on its audit of the financial statements for the year to 31 December 2021. In addition, the Secretaries reported on the preparation of the financial results and other relevant matters. The Committee considered these reports in detail and took further comfort from the internal control and risks review covered below. The Chair of the Committee had discussed the outcome of the audit process and the Annual Report with the audit partner without representatives of Aberforth Partners 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 31 December 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' control framework, which includes controls over expenses, including management fees. The Committee reviewed management fees payable to the Managers. The external auditors tested the management fees as part of their audit.*
Impact of Covid-19	*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 it is fair, balanced and understandable. It provides the information necessary for shareholders to assess the Company's performance, objective and strategy. Accordingly, the Committee recommended to the Board that the financial statements be approved for publication.

Going Concern and Viability

The Committee received reports on going concern from the Secretaries in July and January. Both reports included assessment of the impact of Covid-19 on the Company. The content of the investment portfolio, trading activity, portfolio diversification and the existing borrowing facilities 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 main factors that led to this conclusion were the portfolio composition and the relatively low levels of cash required to continue operating the Company.

The Committee also assessed the viability of the Company. The Committee agreed that it was appropriate to provide a Viability Statement for a five year period for the reasons set out in the Statement on page 20. In January 2022, the Committee reviewed a series of stress tests that considered the impact of severe market downturn scenarios on Shareholders' funds, the borrowing facilities, investment income and also the impact of losing investment trust status. The outcome of this activity led the Committee to recommend the Viability Statement to the Board.

Audit Committee Report

Matters Considered and Action taken by the Committee

Internal Control and Risks

The Committee carefully considered a Matrix of the Company's principal and emerging risks and the mitigating controls at each meeting. In October the risks and controls were addressed in more detail. The Committee enhanced the content of the Matrix during the year, including: updating risk ratings where appropriate; moving a few risks from emerging to emerged but none were deemed principal risks; and adding some emerging risks, including further waves of Covid-19 and an economic emerging risk category. The Committee believes the Matrix continues to reflect accurately the Company's principal risks. These risks are detailed on page 6.

Also in October 2021 the Committee received the Managers' report on internal controls, including the 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 in January 2022 from the Registrar, Link Group. The Committee reviewed these reports 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, notwithstanding that the Company outsources all of its activities to external parties. In October, the Committee received presentations from Aberforth Partners 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 they 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 particular threat will continue to be monitored closely.

External Auditor, Audit Planning and Audit fees

Deloitte was appointed as the Company's Auditor on 17 April 2013 following a formal tender process and this appointment has been renewed at each subsequent AGM. The Committee reviews the reappointment of the auditor every year. The audit partner needs to be rotated every five years and Chris Hunter was first appointed audit partner for the 2018 audit. Deloitte presented its audit plan to the Committee in October in advance of the 2021 audit. 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 £32,000, excluding VAT, for the year (2020: £27,000) and the Committee considered the increase with general audit market trends. There were no non-audit activities carried out by Deloitte.

Regulations require the Company to tender the audit at least every ten years and the next audit tender process has to be conducted no later than 2023. Accordingly, the Committee decided to put the Company's audit for the year ending 31 December 2022 out to tender. The Committee managed the audit tender process with an initial list of audit firms identified from which three were selected to present to the Committee. In view of its length of tenure to date, Deloitte was not invited to tender. After careful consideration of all factors, including audit quality, effectiveness, independence and value, the Committee recommended to the Board the appointment of Johnston Carmichael LLP as auditor for the years ending 31 December 2022 and onwards. The Board approved the recommendation and a resolution will be put to shareholders at the 2022 AGM. The Committee extends its gratitude to Deloitte for the professional service provided as auditor to the Company.

Auditor

Following the completion of the audit in January 2022, 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 on the audit. Additionally Deloitte had provided confirmation that they have complied with the relevant UK professional and regulatory requirements on independence. Taking these factors into account, the Committee was satisfied that the external audit was carried out effectively.

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. The Committee has agreed to utilise external facilitators every three years.

Julia Le Blan
Audit Committee Chair
28 January 2022

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 Board has prepared this report in accordance with the requirements of the Companies Act 2006.

This policy was previously approved by Shareholders at the Annual General Meeting held in 2020. 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 period. 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 the Directors' remuneration policy. The 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, determines Directors' remuneration subject to the aggregate annual fees not exceeding £200,000 in accordance with the Company's Articles of Association. 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 Directors' fees in respect of the year ended 31 December 2021 and year ending 31 December 2022.

	Annual Fees 2022 £	Annual Fees 2021 £
Chairman of the Company	**39,300**	37,425
Director and Chair of the Audit Committee	**32,500**	30,950
Director and Member of the Audit Committee	**27,780**	26,450
Director	**26,200**	24,950

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

The Board has prepared this report in accordance with the requirements of the Companies Act 2006. The law requires the Company's Auditor to audit certain elements of this report. These elements are described below as "audited". The Auditor's opinion is included in the Independent Auditor's Report on page 37.

Directors' Letters of Appointment

Each Director has entered into a letter of appointment with the Company and is subject to annual re-election by Shareholders. Directors are subject to election by Shareholders at the first Annual General Meeting after their appointment and thereafter at every subsequent Annual General Meeting.

The following Directors held office during the year.

Director	Date of Appointment	Date of election/ re-election
Richard Davidson, *Chairman*	26 January 2019	AGM 2022
Paula Hay-Plumb	29 January 2014	AGM 2022
Julia Le Blan	29 January 2014	AGM 2022
Richard Rae (retired 2 March 2021)	26 January 2012	n/a
Victoria Stewart	1 September 2020	AGM 2022
Martin Warner	1 March 2018	AGM 2022

Directors' Fees (Audited)

The emoluments of the Directors who served during the year were as follows.

Director	**Fees (Total Emoluments) 2021 £**	Fees (Total Emoluments) 2020 £
Richard Davidson, Chairman	**37,425**	37,425
Julia Le Blan, Chair of the Audit Committee	**30,950**	30,950
Paula Hay-Plumb	**26,450**	26,450
Richard Rae (retired 2 March 2021)	**4,420**	26,450
Victoria Stewart (appointed 1 September 2020)	**26,113**	8,288
Martin Warner	**24,950**	24,950
	150,308	154,513

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 and share buy-backs.

	2021 £'000	2020 £'000	Absolute change £'000
Total Directors' remuneration	**150**	155	(5)
Total dividends in respect of that year	**31,014**	29,621	1,393
Total share buy-back consideration	**12,886**	6,090	6,796

Directors’ Remuneration Report

Statement of Directors’ Shareholdings and Share Interests (Audited)

The Directors who held office at any time during the year ended 31 December 2021 and their interests in the Shares of the Company as at that date and 1 January 2021 were as follows.

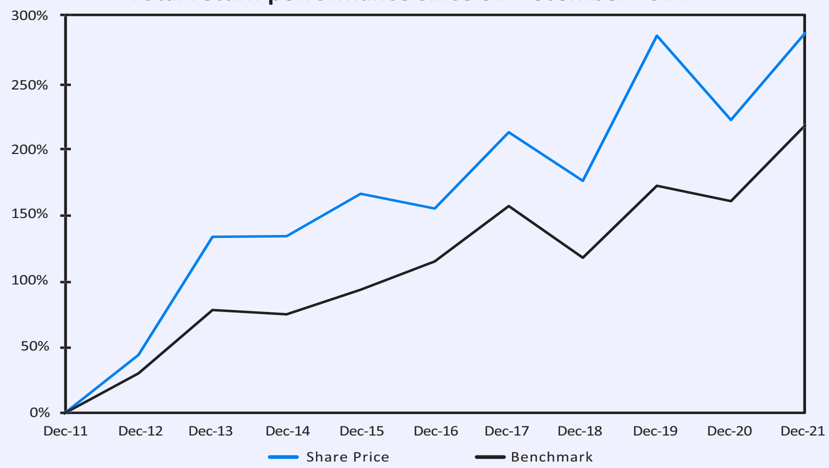
Directors	Nature of Interest	Ordinary Shares 31 December 2021	 1 January 2021
Richard Davidson, Chairman	Beneficial	32,000	32,000
Julia Le Blan	Beneficial	3,000	3,000
Paula Hay-Plumb	Beneficial	2,600	2,600
Richard Rae (retired 2 March 2021)	Beneficial	n/a	4,000
Victoria Stewart	Beneficial	4,200	4,200
Martin Warner	Beneficial	2,000	2,000
	Non Beneficial	5,000	5,000

There has been no change in the beneficial or non-beneficial holdings of the Directors between 31 December 2021 and 28 January 2022. 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 remuneration report is put to members at each Annual General Meeting. To date, no Shareholders have commented in respect of the remuneration report or policy. At the last Annual General Meeting held on 2 March 2021, Shareholders, on a show of hands, passed the resolution to approve the Directors’ Remuneration Report: of the 47,930,370 proxy votes, 47,846,353 were cast in favour, 15,925 were cast against, 50,368 were discretionary and 17,724 votes were withheld. At the Annual General Meeting held on 3 March 2020, Shareholders, on a show of hands, passed the resolution to approve the Directors’ Remuneration Policy: of the proxy votes cast, 48,850,679 votes were cast in favour, 12,390 were cast against, 43,932 were discretionary and 1,838,769 votes were withheld.

Total return performance since 31 December 2011



Note: for further information on the above graph, please refer to the Key Performance Indicators page.

Share Price Performance

This graph compares the performance of the Company’s share price with the Numis Smaller Companies Index (excluding Investment Companies), on a total return basis (assuming all dividends reinvested) since 31 December 2011. This index has been selected for the purposes of comparing the Company’s share price performance as it has been the Company’s benchmark since inception.

The main influences on performance over the year are described in the Managers' Report.

Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Directors’ Remuneration Report summarises, as appropriate, for the year ended 31 December 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 were taken.

On behalf of the Board

Richard Davidson
Chairman

28 January 2022

Directors' Responsibility Statement

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

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 the Company will continue in business.

The Directors are responsible for keeping accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and that enable them to ensure that the financial statements 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, which is the website maintained by the Managers. The work undertaken by the Auditor does not involve consideration of the maintenance and integrity of the website 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 website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Declaration

Each of the Directors confirms to the best of their knowledge that:

(a) 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 or loss of the Company;

(b) the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and

(c) the Annual Report, taken as a whole, is fair, balanced and understandable and provides information necessary for Shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board
Richard Davidson
Chairman

28 January 2022

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ABERFORTH SMALLER COMPANIES TRUST PLC

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Aberforth Smaller Companies Trust plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 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 22.

The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards, including FRS 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".

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 we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the company.

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

Summary of our audit approach

Key audit matter	The key audit matter that we identified in the current year was: • Valuation and ownership of listed investments
Materiality	The materiality that we used in the current year was £14.73m (2020: £11.48m) which was determined on the basis of 1% of net assets.
Scoping	Our audit was scoped by obtaining an understanding of the entity and its environment including internal control and assessing the risk of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There has been no significant changes to our approach from the prior period.

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:

- Evaluating management's revenue account forecasts and cash flow projections for reasonableness;
- Assessing whether the company has complied with the covenants in place on a monthly basis for its borrowing facility;
- Assessing the impact of Covid-19 considerations on the company and third party service providers prepared as part of management's going concern assessment; and
- Assessing the results of stress testing performed by management, simulating falls in investment values, income values and the market in general.

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.

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.

<table>
<tr><th colspan="2">Valuation and ownership of listed investments</th></tr>
<tr><td>Key audit matter description</td><td>The quoted investments held by the company, £1,555m (2020: £1,218m) are key to its performance and account for the majority of the total assets, 99.7% at 31 December 2021 (2020: 99.7%). Please see Accounting Policy 1b and note 10.
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 financial statements may not represent the property of the Company. As they are a key driver of the Company's performance and due to their significance to the net asset value there is a risk that these investments might not be correctly valued.
The description of this key audit matter should be read in conjunction with the significant issues considered by the Audit Committee on page 31.</td></tr>
<tr><td>How the scope of our audit responded to the key audit matter</td><td>We have performed the following procedures to test the valuation and ownership of the investment portfolio at 31 December 2021:
• assessed the service auditor reports of the administrator and custodian to obtain an undersanding of the relevant controls over the valuation and ownership of listed investments;
• agreed 100% of the company's investment portfolio at the year end to confirmations received directly from the custodian; and
• independently agreed 100% of the bid prices of quoted investments on the investment ledger at year end to closing bid prices published by an external pricing source.</td></tr>
<tr><td>Key observations</td><td>Based on the work performed we concluded that the valuation and ownership of listed investments is appropriate.</td></tr>
</table>

Independent Auditor's Report

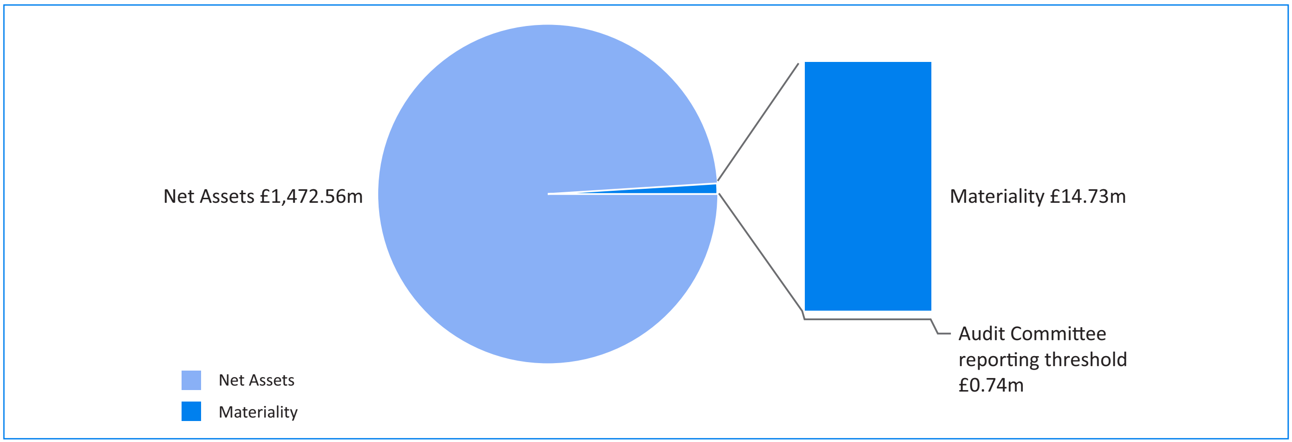
Our application of materiality

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	£14.73m (2020: £11.48m)
Basis of determining materiality	1% (2020: 1%) of net assets
Rationale for the benchmark applied	Net assets has been chosen as a benchmark as it is the main focus for investors and is a key driver of shareholder value.



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 factors including:

- the quality of the control environment and our ability to rely on controls; and
- the low level of misstatements identified in previous audits.

Error Reporting Threshold:

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.74m (2020: £0.57m), 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.

An overview of the scope of our audit

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.

Our consideration of the control environment:

As part of our risk assessment, we assessed the control environment in place at the administrator and the custodian to the extent relevant to our audit. As part of this we relied upon the controls report of the administrator and adopted a controls reliance approach with respect to investments (valuation and existence) and revenue (completeness, occurrence and accuracy).

Independent Auditor’s Report

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report.

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

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

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

We have nothing to report in this regard.

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.

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.

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.

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;
- results of our enquiries of the management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company’s documentation of 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 and internal specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

Identifying and assessing potential risks related to irregularities (continued)

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: 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 framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules and UK tax legislation, given the company's qualification as an investment trust.

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

Audit response to risks identified

As a result of performing the above, we identified the valuation and ownership of listed investments as a 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 discussed 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 including internal specialists 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

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.

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 23;
- 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 pages 20 and 23;
- the directors' statement on fair, balanced and understandable set out on page 36;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 28;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 28; and
- the section describing the work of the audit committee set out on page 30;

Independent Auditor's Report

Matters on which we are required to report by exception

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.

Directors' remuneration

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

We have nothing to report in respect of these matters.

Other matters which we are required to address

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the board of directors on 17 April 2013 to audit the financial statements for year ending 31 December 2013 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 9 years, covering the years ending 31 December 2013 to 31 December 2021.

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).

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.

Chris Hunter CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom
28 January 2022

(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 Smaller Companies 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

For the year ended 31 December 2021

	Note	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
Net gains/(losses) on investments	10	**–**	**344,608**	**344,608**	–	(223,279)	(223,279)
Investment income	3	**37,331**	**–**	**37,331**	15,656	–	15,656
Other income	3	**125**	**–**	**125**	–	–	–
Investment management fee	4	**(3,752)**	**(6,253)**	**(10,005)**	(2,717)	(4,529)	(7,246)
Portfolio transaction costs	5	**–**	**(2,790)**	**(2,790)**	–	(2,747)	(2,747)
Other expenses	5	**(811)**	**–**	**(811)**	(731)	–	(731)
Net return before finance costs and tax		**32,893**	**335,565**	**368,458**	12,208	(230,555)	(218,347)
Finance costs	6	**(349)**	**(583)**	**(932)**	(301)	(502)	(803)
Return on ordinary activities before tax		**32,544**	**334,982**	**367,526**	11,907	(231,057)	(219,150)
Tax on ordinary activities	7	**–**	**–**	**–**	(48)	–	(48)
Return attributable to equity shareholders		**32,544**	**334,982**	**367,526**	11,859	(231,057)	(219,198)
Returns per Ordinary Share	9	**36.76p**	**378.43p**	**415.19p**	13.28p	(258.78)p	(245.50)p

The Board declared on 28 January 2022 a final dividend of 24.25p per Ordinary Share. The Board declared on 27 July 2021 an interim dividend of 10.95p 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 year. 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

For the year ended 31 December 2021

	Note	Share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance as at 31 December 2020		888	100	96,663	979,563	70,716	1,147,930
Return on ordinary activities after taxation		–	–	–	334,982	32,544	367,526
Equity dividends paid	8	–	–	–	–	(30,005)	(30,005)
Purchase of Ordinary Shares	14	(9)	9	(12,886)	–	–	(12,886)
Balance as at 31 December 2021		**879**	**109**	**83,777**	**1,314,545**	**73,255**	**1,472,565**

For the year ended 31 December 2020

	Note	Share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance as at 31 December 2019		895	93	102,753	1,210,620	91,439	1,405,800
Return on ordinary activities after taxation		–	–	–	(231,057)	11,859	(219,198)
Equity dividends paid	8	–	–	–	–	(32,582)	(32,582)
Purchase of Ordinary Shares	14	(7)	7	(6,090)	–	–	(6,090)
Balance as at 31 December 2020		888	100	96,663	979,563	70,716	1,147,930

The accompanying notes form an integral part of this statement.

Balance Sheet

As at 31 December 2021

	Note	**2021 £'000**	2020 £'000
Fixed assets			
Investments at fair value through profit or loss	10	**1,554,585**	1,218,073
Current assets			
Debtors	11	**1,875**	968
Cash at bank		**3,418**	2,963
		5,293	3,931
Creditors (amounts falling due within one year)	12	**(905)**	(1,231)
Net current assets		**4,388**	2,700
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,558,973**	1,220,773
Creditors (amounts falling due after more than one year)	13	**(86,408)**	(72,843)
TOTAL NET ASSETS		**1,472,565**	1,147,930
CAPITAL AND RESERVES: EQUITY INTERESTS			
Called up share capital	14	**879**	888
Capital redemption reserve	15	**109**	100
Special reserve	15	**83,777**	96,663
Capital reserve	15	**1,314,545**	979,563
Revenue reserve	15	**73,255**	70,716
TOTAL SHAREHOLDERS' FUNDS		**1,472,565**	1,147,930
Net Asset Value per Ordinary Share	16	**1,674.35p**	1,292.38p

Approved and authorised for issue by the Board of Directors on 28 January 2022 and signed on its behalf by:

Richard Davidson,
Chairman

Company Number: SC126524
Registered in Scotland

The accompanying notes form an integral part of this statement.

Cash Flow Statement

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Operating activities			
Net revenue before finance costs and tax		**32,893**	12,208
Scrip dividends received	3	**–**	(904)
Taxation	7	**–**	(48)
Investment management fee charged to capital	4	**(6,253)**	(4,529)
(Increase)/decrease in debtors		**(812)**	1,841
Decrease in other creditors		**37**	–
Net cash inflow from operating activities		**25,865**	8,568
Investing activities			
Purchases of investments		**(381,045)**	(341,319)
Sales of investments		**385,146**	315,913
Cash inflow/(outflow) from investing activities		**4,101**	(25,406)
Financing activities			
Purchases of Ordinary Shares	14	**(12,156)**	(6,090)
Equity dividends paid	8	**(30,005)**	(32,582)
Interest and fees paid	17	**(850)**	(964)
Gross drawdowns of bank debt facilities (before any costs)	18	**134,000**	182,250
Gross repayments of bank debt facilities (before any costs)	18	**(120,500)**	(123,000)
Cash (outflow)/inflow from financing activities		**(29,511)**	19,614
Change in cash during the period		**455**	2,776
Cash at the start of the period		**2,963**	187
Cash at the end of the period		**3,418**	2,963

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 year and the preceding year, is set out below.

(a) Basis of accounting

The financial statements have been presented under Financial Reporting Standard 102 ("FRS 102") and under 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 23. 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 critical accounting judgements or significant sources of estimation uncertainty have been applied to the financial statements and therefore there is not a significant risk of 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 recognised and de-recognised 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 forgone 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 related to the acquisition and disposal of an investment are charged to capital; and
- expenses are charged to capital reserve where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect the investment management fee has been allocated 62.5% to capital reserve and 37.5% to revenue reserve, in line with the Board's expected long-term split of returns, in the form of capital gains and income respectively, from the investment portfolio of the Company.

(e) Finance costs

Interest costs are accounted for on an accruals basis. Finance costs of debt, insofar as they relate to the financing of the Company's investments or to financing activities aimed at maintaining or enhancing the value of the Company's investments, are allocated 62.5% to capital reserve and 37.5% to revenue reserve, in line with the Board's expected long-term split of returns, in the form of capital gains and income respectively, from the investment portfolio of the Company.

The arrangement fee in relation to the £130 million bank debt facility is amortised over the expected life of the facility (with 62.5% allocated to capital reserve and 37.5% to revenue reserve) on a straight line basis. The unamortised value of these costs is deducted from the fair value of the bank debt facility.

(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 year 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 to this reserve in accordance with the above policies.

(g) Special reserve

This reserve may be treated as distributable profits for all purposes, excluding the payment of dividends. The cost of purchasing Ordinary Shares for cancellation is accounted for in this reserve.

(h) Revenue reserve

This reserve represents the only reserve from which dividends can be funded.

(i) Capital Redemption Reserve

The nominal value of shares bought back for cancellation is added to this reserve.

Notes to the Financial Statements

2 Alternative Performance Measures

Alternative Performance Measures ("APMs") are measures that are not defined by FRS102. The Company believes that APMs, referred to as "Key Performance Indicators" on page 7, provide shareholders with important information on the Company and are appropriate for an investment trust company. These APMs are also a component of reporting to the Board. A glossary of the APMs can be found on page 60.

3 Income

	Revenue £'000	**2021 Capital £'000**	**Total £'000**	Revenue £'000	2020 Capital £'000	Total £'000
Income from investments						
UK dividends	**34,254**	**–**	**34,254**	13,830	–	13,830
Scrip dividends	**–**	**–**	**–**	904	–	904
Overseas dividends	**3,077**	**–**	**3,077**	857	–	857
Property income distributions	**–**	**–**	**–**	65	–	65
	37,331	**–**	**37,331**	15,656	–	15,656
Other income						
Interest income	**108**	**–**	**108**	–	–	–
Underwriting commission	**17**	**–**	**17**	–	–	–
Total income	**37,456**	**–**	**37,456**	15,656	–	15,656

During the year the Company received special dividends amounting to £5,061,000 (2020: £1,714,000), of which £nil (2020: £nil) were considered a return of capital by the investee company.

4 Investment Management Fee

	Revenue £'000	**2021 Capital £'000**	**Total £'000**	Revenue £'000	2020 Capital £'000	Total £'000
Investment management fee	**3,752**	**6,253**	**10,005**	2,717	4,529	7,246

Details of the investment management contract can be found on page 22.

5 Other Expenses and Portfolio transaction costs

	2021 £'000	2020 £'000
The following expenses (including VAT, where applicable) have been charged to revenue:		
Depositary fee	**153**	108
Directors' fees (refer to Directors' Remuneration Report)	**150**	155
Secretarial services	**108**	107
Registrar fee	**87**	81
FCA and LSE listing fees	**77**	70
Custody and other bank charges	**70**	48
Auditor's fee – audit of the financial statements	**38**	32
– for non-audit services	**–**	–
AIC fee	**20**	22
Directors' and Officers' liability insurance	**16**	10
Legal fees	**10**	20
Other expenses	**82**	78
	811	731

Notes to the Financial Statements

5 Other Expenses and Portfolio transaction costs *(continued)*

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

	2021 £'000	2020 £'000
Analysis of total purchases		
Purchase consideration before expenses	**377,809**	341,169
Commissions	**638**	633
Taxes	**1,487**	1,532
Total purchase expenses (a)	**2,125**	2,165
Total purchase consideration	**379,934**	343,334
Analysis of total sales		
Sales consideration before expenses	**385,905**	316,495
Commissions (b)	**(665)**	(582)
Total sale proceeds net of expenses	**385,240**	315,913
Total expenses incurred in acquiring/disposing of investments (a)-(b)	**2,790**	2,747

6 Finance Costs

		2021			2020	
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Interest/non-utilisation costs on bank debt facility	**325**	**542**	**867**	275	459	734
Amortisation of bank debt facility costs	**24**	**41**	**65**	26	43	69
	349	**583**	**932**	301	502	803

7 Taxation

Analysis of tax charged on return on ordinary activities		**2021**			2020	
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
UK corporation tax charge for the year (see below)	**–**	**–**	**–**	–	–	–

Factors affecting current tax charge for the year

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
Total returns on ordinary activities before tax	**32,544**	**334,982**	**367,526**	11,907	(231,057)	(219,150)
Corporation tax at 19% (2020: 19%)	**6,183**	**63,647**	**69,830**	2,262	(43,901)	(41,639)
Adjusted for the effects of:						
Non-taxable UK dividend income	**(6,508)**	**–**	**(6,508)**	(2,628)	–	(2,628)
Non-taxable overseas dividend income	**(585)**	**–**	**(585)**	(139)	–	(139)
Expenses not deductible for tax purposes	**–**	**530**	**530**	–	522	522
Excess expenses for which no relief has been taken	**910**	**1,299**	**2,209**	505	956	1,461
Non-taxable capital (gains)/losses	**–**	**(65,476)**	**(65,476)**	–	42,423	42,423
UK corporation tax charge for the year	**–**	**–**	**–**	–	–	–
Irrecoverable overseas taxation suffered	**–**	**–**	**–**	48	–	48
Total tax charge for the year	**–**	**–**	**–**	48	–	48

The Company has not recognised a potential asset for deferred tax of £29,908,000 (2020: £27,913,000) 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. The potential deferred tax asset has been calculated using a corporation tax rate of 19% (2020: 19%).

Notes to the Financial Statements

8 Dividends

	2021 £'000	2020 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2020 of 22.90p (2019: 22.00p) paid on 9 March 2021	**20,318**	19,697
Special dividend for the year ended 31 December 2020 of nil (2019: 4.00p)	**–**	3,581
Interim dividend for the year ended 31 December 2021 of 10.95p (2020: 10.40p) paid on 5 August 2021	**9,687**	9,304
	30,005	32,582
Amounts not recognised in the period:		
Final dividend for the year ended 31 December 2021 of 24.25p (2020: final dividend of 22.90p) payable on 8 March 2022	**21,327**	20,340
	21,327	20,340

The final dividends for 2021 and 2020 have not been included as liabilities in the financial statements.

9 Returns per Ordinary Share

	2021	2020
The returns per Ordinary Share are based on:		
Returns attributable to Ordinary Shareholders	**£367,526,000**	£(219,198,000)
Weighted average number of shares in issue during the year	**88,519,932**	89,285,989
Return per Ordinary Share	**415.19p**	(245.50)p

There are no dilutive or potentially dilutive shares in issue.

10 Investments

	2021 £'000	2020 £'000
Investments at fair value through profit or loss		
Opening fair value	**1,218,073**	1,416,678
Opening fair value adjustment	**232,464**	35,117
Opening book cost	**1,450,537**	1,451,795
Purchases at cost	**377,809**	341,169
Sale proceeds	**(385,905)**	(316,495)
Realised gains/(losses) on sales	**46,296**	(25,932)
Closing book cost	**1,488,737**	1,450,537
Closing fair value adjustment	**65,848**	(232,464)
Closing fair value	**1,554,585**	1,218,073

All investments are in ordinary shares listed on the London Stock Exchange unless otherwise stated on pages 16 to 18.

Gains/(losses) on investments:		
Net realised gains/(losses) on sales	**46,296**	(25,932)
Movement in fair value adjustment	**298,312**	(197,347)
Net gains/(losses) on investments	**344,608**	(223,279)

The company received £385,906,000 (2020: £316,495,000) from investments sold in the year. The book cost of these investments was £339,609,000 (2020: £342,427,000). 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

10 Investments *(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).

Investments held at fair value through profit or loss

As at 31 December 2021	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Listed equities	**1,554,585**	**–**	**–**	**1,554,585**
Unlisted equities	**–**	**–**	**–**	**–**
Total financial asset investments	**1,554,585**	**–**	**–**	**1,554,585**

During the year, an investment, Lookers, with a book cost of £16,538,000, was transferred back from Level 3 to Level 1 when its shares relisted on 29 January 2021.

As at 31 December 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	1,214,140	–	3,933	1,218,073
Unlisted equities	–	–	–	–
Total financial asset investments	1,214,140	–	3,933	1,218,073

11 Debtors

	2021 £'000	2020 £'000
Investment income receivable	**1,755**	939
Amounts due from brokers	**95**	–
Other debtors	**25**	29
Total	**1,875**	968

12 Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Amounts due to brokers	**730**	1,111
Other creditors	**175**	120
Total	**905**	1,231

On 14 May 2020, the Company took out an uncommitted overdraft credit facility of £20 million with The Northern Trust Company. The interest rate applying to overdrawn balances is 1.25% over the UK Base Rate. In addition, an arrangement fee of £15,000 was incurred in respect of the facility. No amounts were drawn under this facility at 31 December 2021 or 31 December 2020.

13 Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Bank debt facility	**86,500**	73,000
Less: Unamortised costs on bank debt facility	**(92)**	(157)
Total	**86,408**	72,843

On 14 May 2020, the Company entered into a three year unsecured £130 million Facility Agreement with The Royal Bank of Scotland International Limited. A 0.15% arrangement fee was paid on entering into the agreement and is being amortised over the expected life of the facility. Under the facility, all funds drawn down attract interest at a margin of 0.80% over LIBOR (SONIA equivalent with effect from 1 January 2022). A non-utilisation fee is also payable on any undrawn element, at a rate ranging from 0.3% to 0.5%, depending on the level of utilisation.

The main covenant under the facility requires that, every month, total borrowings shall not exceed 25% of the Company's total adjusted gross assets. There were no breaches of the covenants during the year. As at 31 December 2021, total borrowings represented 5.6% (2020: 6.0%) of total adjusted gross assets (as defined by Facility Agreement). The current facility is due to expire on 15 June 2023.

Notes to the Financial Statements

14 Share Capital

	2021 No. of Shares	2021 £'000	2020 No. of Shares	2020 £'000
Authorised:				
Ordinary Shares of 1p	**333,299,254**	**3,333**	333,299,254	3,333
Allotted, issued and fully paid:				
Ordinary Shares of 1p	**87,948,266**	**879**	88,823,066	888

During the year, the Company bought back and cancelled 874,800 shares (2020: 710,000) at a total cost of £12,886,000 (2020: £6,090,000). During the period 1 January to 28 January 2022, 220,000 shares have been bought back for cancellation.

15 Capital and Reserves

	Share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 December 2019	**895**	**93**	**102,753**	**1,210,620**	**91,439**	**1,405,800**
Net losses on sale of investments	–	–	–	(25,932)	–	(25,932)
Movement in fair value adjustment	–	–	–	(197,347)	–	(197,347)
Cost of investment transactions	–	–	–	(2,747)	–	(2,747)
Management fees charged to capital	–	–	–	(4,529)	–	(4,529)
Finance costs charged to capital	–	–	–	(502)	–	(502)
Special dividends taken to capital	–	–	–	–	–	–
Revenue return attributable to equity shareholders	–	–	–	–	11,859	11,859
Equity dividends paid	–	–	–	–	(32,582)	(32,582)
Purchase of Ordinary Shares	(7)	7	(6,090)	–	–	(6,090)
At 31 December 2020	**888**	**100**	**96,663**	**979,563**	**70,716**	**1,147,930**
Net gains on sale of investments	–	–	–	46,296	–	46,296
Movement in fair value adjustment	–	–	–	298,312	–	298,312
Cost of investment transactions	–	–	–	(2,790)	–	(2,790)
Management fees charged to capital	–	–	–	(6,253)	–	(6,253)
Finance costs charged to capital	–	–	–	(583)	–	(583)
Special dividends taken to capital	–	–	–	–	–	–
Revenue return attributable to equity shareholders	–	–	–	–	32,544	32,544
Equity dividends paid	–	–	–	–	(30,005)	(30,005)
Purchase of Ordinary Shares	(9)	9	(12,886)	–	–	(12,886)
At 31 December 2021	**879**	**109**	**83,777**	**1,314,545**	**73,255**	**1,472,565**

16 Net Asset Value per Share

The Net Asset Value per Share and the net assets attributable to the Ordinary Shares at the year end are calculated in accordance with their entitlements in the Articles of Association and were as follows.

	2021	2020
Net assets attributable	**£1,472,565,000**	£1,147,930,000
Ordinary Shares in issue at the end of year	**87,948,266**	88,823,066
Net Asset Value per Ordinary Share	**1,674.35p**	1,292.38p
Dividend reinvestment factor (defined in glossary)	**1.022974**	1.028250
Net Asset Value on a total return basis	**1,712.82p**	1,328.89p

The net asset value total return for the year ended 31 December 2021 is the percentage movement from the net asset value as at 31 December 2020 of 1,292.38p (31 December 2019: 1,570.15p) to the net asset value, on a total return basis, at 31 December 2021 of 1,712.82p (31 December 2020: 1,328.89p), which is 32.5% (2020: -15.4%).

17 Interest and Finance Costs Paid

	2021 **£'000**	2020 £'000
Bank debt facility fee	**–**	195
Interest/non-utilisation costs on bank debt facility	**850**	769
Total	**850**	**964**

18 Analysis of changes in net debt

	Net debt at 1 January 2021 £'000	**Cash flow £'000**	**Other non-cash movements £'000**	**Net debt at 31 December 2021 £'000**
Cash at bank	**2,963**	**455**	**–**	**3,418**
Bank debt facility	**(73,000)**	**(13,500)**	**–**	**(86,500)**
Bank debt facility fee (see note 13)	**157**	**–**	**(65)**	**92**
Total	**(69,880)**	**(13,045)**	**(65)**	**(82,990)**

19 Financial instruments and risk management

The Company's financial instruments comprise its investment portfolio (see pages 16 to 18), cash balances, bank debt facilities, debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement, and accrued income. Bank debt facilities are utilised when the Managers believe it is in the interest of the Company to gear the portfolio. Note 1 sets out the significant accounting policies, including criteria for recognition of 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) *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 not directly exposed to interest rate risk.

(ii) *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.

(iii) *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.

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

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, are exposed to global economic conditions and currency fluctuations.

(i) Interest rate risk

The Company's policy is to hold cash in variable rate bank accounts and not usually to invest in fixed rate securities. Cash deposit balances are held on variable rate bank accounts yielding nil as at 31 December 2021 (2020: nil).

The Company has a bank debt facility of £130,000,000 of which £86,500,000 was drawn down as at 31 December 2021 (2020: debt facility of £130,000,000, of which £73,000,000 was drawn down). Further details of this facility can be found in Note 13.

If LIBOR and the bank base rate had been 1% point higher at 31 December 2021, the impact on the profit or loss and therefore Shareholders' funds would have been negative £865,000 per annum (2020: negative £730,000). If LIBOR and the bank base rate had been 0.25% point lower at 31 December 2021, the impact on the profit or loss and therefore Shareholders' funds would have been a positive £216,250 per annum (2020: positive £73,000 at 0.1%). There would be no direct impact on the portfolio valuation. The calculations are based on the bank facility drawn down and cash balances as at the respective balance sheet dates and are not representative of the year as a whole and assume all other variables remain constant. The level of change is considered to be a reasonable illustration based on current market conditions.

19 Financial instruments and risk management *(continued)*

(ii) Liquidity risk

The Company's assets comprise mainly readily realisable equity securities which are typically all Level 1 assets and actively traded. Whilst less liquid than larger quoted companies, the portfolio is well diversified by both number of holdings and industry sector. Short term funding flexibility can be achieved through the use of bank debt facilities. The Company's current liabilities all have a remaining contractual maturity of less than three months with the exception of the bank debt facility.

(iii) 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 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. The Secretaries and the Depositary monitor the Company's risk by reviewing Northern Trust's credit ratings and their internal control report. Cash at bank is held with reputable banks with acceptable external credit ratings. Outstanding investment income is reconciled to receipts on payment date.

The exposure to credit risk at the year-end comprises the following.

	2021 **£'000**	2020 £'000
Investment income receivable	**1,755**	939
Amounts due from brokers	**95**	–
Cash at bank	**3,418**	2,963
Total	**5,268**	3,902

(iv) 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. Further information on the investment portfolio is set out in the Managers' Report on pages 9 to 14. 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 31 December 2021, the impact on the profit or loss and therefore Shareholders' funds would have been negative £155.5m (2020: negative £121.8m). If the investment portfolio valuation rose by 10% at 31 December 2021, the impact on the profit or loss and therefore Shareholders' funds would have been positive £155.5m (2020: positive £121.8m). The calculations are based on the portfolio valuation as at the respective balance sheet dates, are not representative of the year as a whole and assume all other variables remain constant. The level of change is considered to be a reasonable illustration based on historical stockmarket volatility.

As at 31 December 2021, all of the Company's financial instruments (excluding loans) were included in the balance sheet at fair value. The investment portfolio largely 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.

Maturity profile of the Company's financial liabilities
As at 31 December 2021

(All in £'000)	Due or due no later than 1 month	Due between 1 and 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Liabilities:						
Bank debt facility	**53**	**–**	**–**	**86,500**	**–**	**86,553**
Amounts due to brokers	**730**	**–**	**–**	**–**	**–**	**730**
Unamortised costs on bank debt facility	**–**	**–**	**–**	**(92)**	**–**	**(92)**
Other creditors	**–**	**122**	**–**	**–**	**–**	**122**
Total liabilities	**783**	**122**	**–**	**86,408**	**–**	**87,313**

Notes to the Financial Statements

19 Financial instruments *(continued)*

As at 31 December 2020

(All in £'000)	Due or due no later than 1 month	Due between 1 and 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Liabilities:						
Bank debt facility	35	–	–	73,000	–	73,035
Amounts due to brokers	1,111	–	–	–	–	1,111
Unamortised costs on bank debt facility	–	–	–	(157)	–	(157)
Other creditors	–	85	–	–	–	85
Total liabilities	1,146	85	–	72,843	–	74,074

Cash flows payable under financial liabilities by remaining contractual maturities

(All in £'000)	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
As at 31 December 2021						
Bank debt facility	**–**	**242**	**739**	**86,946**	**–**	**87,927**
Amounts due to brokers	**–**	**730**	**–**	**–**	**–**	**730**
Other creditors	**–**	**175**	**–**	**–**	**–**	**175**
Total	**–**	**1,147**	**739**	**86,946**	**–**	**88,832**

(All in £'000)	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
As at 31 December 2020						
Bank debt facility	–	189	580	74,119	–	74,888
Amounts due to brokers	–	1,111	–	–	–	1,111
Other creditors	–	120	–	–	–	120
Total	–	1,420	580	74,119	–	76,119

Capital Management Policies and Procedures

The Company's capital management objectives are to support the Company's investment objective and to ensure that the Company will be able to continue as a going concern.

This is achieved through the appropriate balance of equity capital and gearing. Further details can be found in the Strategic Report. The Company does not have any externally imposed capital requirements other than the covenant on its bank debt facility as set out in Note 13.

20 Related Party Transactions

The Directors have been identified as related parties and their fees and shareholdings are detailed in the Directors' Remuneration Report on pages 34 and 35. During the year no Director was interested in any contract or other matter requiring disclosure under section 412 of the Companies Act 2006.

21 Contingencies, guarantees, financial commitments and contingent assets

The Company had no contingencies, guarantees or financial commitments as at 31 December 2021 (2020: nil).

22 Company information

Aberforth Smaller Companies Trust plc is a closed-ended investment company, registered in Scotland No SC126524, with its Ordinary Shares listed on the London Stock Exchange. The address of the registered office is 14 Melville Street, Edinburgh, EH3 7NS.

Notice of the Annual General Meeting

Notice is hereby given that the thirty-first Annual General Meeting of Aberforth Smaller Companies Trust plc will be held at 14 Melville Street, Edinburgh on 3 March 2022 at 2.30 p.m. for the following purposes:

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

1. That the Report and Financial Statements for the year ended 31 December 2021 be adopted.
2. That the Directors' Remuneration Report for the year ended 31 December 2021 be approved.
3. That a final dividend of 24.25p per share be approved.
4. That Richard Davidson be re-elected as a Director.
5. That Julia Le Blan be re-elected as a Director.
6. That Victoria Stewart be re-elected as a Director.
7. That Martin Warner be re-elected as a Director.
8. To appoint Johnston Carmichael LLP as Independent Auditor of the Company in place of the retiring Independent Auditor and hold office until the conclusion of the next Annual General Meeting at which the Financial Statements are laid before the Company.
9. That the Audit Committee be authorised to determine the remuneration of the Independent Auditor for the year to 31 December 2022.

To consider and, if thought fit, pass the following Special Resolution:

10. That pursuant to and in accordance with its Articles of Association and in substitution for any existing authority, the Company be and is hereby authorised in accordance with section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 1p each in the capital of the Company ("Shares"), provided that:
    (a) the maximum number of Shares hereby authorised to be purchased shall be 13,150,467 (or, if less, 14.99% of the issued share capital of the Company on the date on which this resolution is passed);
    (b) the minimum price which may be paid for a Share shall be 1p being the nominal value of a Share;
    (c) the maximum price (exclusive of expenses) which may be paid for a Share shall be the higher of (i) 5% above the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for the Shares for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out; and
    (d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 31 July 2023 or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2023, save that the Company may, prior to such expiry, enter into a contract to purchase Shares under such authority which will or might be executed wholly or partly after the expiry of such authority and may make a purchase of Shares pursuant to any such contract.

By Order of the Board

Aberforth Partners LLP, *Secretaries*

28 January 2022

Notice of the Annual General Meeting

1. Attending the Annual General Meeting in Person and Voting

A member who is entitled to 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 caused by Covid-19 apply and it is 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 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 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 close of business on 28 February 2022 (or, if the Annual General Meeting is adjourned, at close of business 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 vote at the Annual General Meeting.

2. Appointment of Proxy

A Form of Proxy for use by shareholders is enclosed. Shareholders are strongly encouraged to appoint the Chairman of the meeting as their proxy to vote on their behalf. To register a vote electronically, log on to the Registrar's website at www.signalshares.com and follow the instructions on screen.

A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. To appoint more than one proxy, please contact the Registrar of the Company. If a member submits 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 authority (if any) under which it is signed, or a notarially certified copy of such power of authority, with the Registrar 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 3 March 2022 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 before the time appointed for the meeting.

3. Questions and Answers

The Board continues to welcome questions from shareholders in respect of the AGM. However, it asks shareholders to submit any questions to the Board by email, to the following address enquiries@aberforth.co.uk before close of business on 28 February 2022 in case attendance at the AGM is restricted by the Covid-19 pandemic. 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 AGM 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 January 2022, the latest practicable date prior to publication of this document, the Company had 87,728,266 Ordinary Shares in issue with a total of 87,728,266 voting rights.

5. Information on the Company's Website

In accordance with section 311A of the Companies Act 2006, this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the Annual General Meeting 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 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 the website, a statement (which is also to be passed to the Auditor) setting out any matter relating to the audit of the Company's accounts, 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 and must state the member's full name and address and be sent to the registered address of the Company.

Shareholder Information

Introduction

Aberforth Smaller Companies Trust plc is an Investment Trust whose shares are traded on the London Stock Exchange.

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 requests to be placed on a mailing list should be addressed to the Company's Registrar. Contact details are shown on the inside back cover.

Payment of Dividends

To ensure that dividends are received as quickly as possible the Company's Registrar may be instructed to pay them directly into a bank account; tax vouchers are then mailed to shareholders separately. This method also avoids the risk of dividend cheques being delayed or lost in the post. The Company also operates a Dividend Re-investment Plan to allow shareholders to use their cash dividends to buy shares easily and at a low cost via the Company's Registrar from whom the necessary forms are available.

Electronic Communications

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.

Sources of Further Information

Shareholders can find up-to-date information on the Company on the Managers' website at www.aberforth.co.uk. This includes items such as the latest net asset value, share price and stock exchange announcements, as well as information relating to the portfolio, management fee and dividend history. Other websites containing useful information on the Company include www.trustnet.com, www.theaic.co.uk and www.ft.com. The prices of the Ordinary shares are also quoted daily in the Financial Times, The Times and The Scotsman newspapers.

How to Invest

The Company's Ordinary Shares are traded on the London Stock Exchange. They can be bought or sold by placing an order with a stockbroker, by asking a professional adviser to do so, or through most banks. The Company's Managers, Aberforth Partners LLP, do not offer any packaged products such as ISAs, Savings Schemes or Pension Plans.

Security Codes (Ordinary Shares)

SEDOL	Bloomberg	Reuters	GIIN	Legal Entity Identifier
0006655	ASL LN	ASL.L	U6SSZS.99999.SL.826	213800GZ9WC73A92Q326

Continuation Vote

The Company has no fixed duration. However, in accordance with the Articles of Association, an ordinary resolution will be proposed at the Annual General Meeting to be held in 2023 (and at every third subsequent Annual General Meeting) that the Company continues to manage its affairs as an investment trust.

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 United Kingdom, 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 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 ("NMPI") products. The Company's Ordinary Shares are excluded from the FCA's restrictions that apply to NMPI 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.

Individual Savings Accounts (ISA) Status

The Company's Ordinary Shares are eligible for inclusion in the "Stocks and Shares" component of an ISA.

AIC

The Company is a member of The Association of Investment Companies, which produces a detailed Monthly Information Service on the majority of investment trusts. This can be obtained by contacting The Association of Investment Companies, 9th Floor, 24 Chiswell Street, London EC1Y 4YY; website: www.theaic.co.uk; tel: 020 7282-5555.

Shareholder Information

Financial Calendar

Dividends in respect of the year ended 31 December 2021		
	Interim	**Final**
Rate per Share:	10.95p	24.25p
Ex Dividend:	5 August 2021	10 February 2022
Record date:	6 August 2021	11 February 2022
Pay date:	27 August 2021	8 March 2022
Half Yearly Report	Published	late July
Annual Report and Financial Statements	Published	late January/early February
Annual General Meeting		3 March 2022
Publication of Net Asset Values		Daily (via the Managers' website)

Alternative Investment Fund Managers Directive ("AIFMD")

The Company has appointed Aberforth Partners LLP 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 31 December 2021 are shown below. There have been no changes to, or breaches, of the maximum level of leverage employed by the Company.

	2021		2020	
Leverage Exposure (refer to the Glossary)	**Commitment Method**	**Gross Method**	Commitment Method	Gross Method
Maximum limit	**2.00:1**	**2.00:1**	2.00:1	2.00:1
Actual	**1.06:1**	**1.06:1**	1.06:1	1.06:1

Furthermore, in accordance with the Directive, the AIFM's remuneration policy and the numerical disclosures in respect of the AIFM's relevant reporting period (year ended 30 April 2021) are available on request from Aberforth Partners.

Automatic Exchange of Information

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 Aberforth Smaller Companies Trust plc will have to provide information annually to the local tax authority on the tax residencies of a number 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 purposes of collecting this information.

For further information, please see HMRC's *Quick Guide: Automatic Exchange of Information – information for account holders* 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.

Shareholder Information

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.

Gearing represents the amount by which total investments exceed Shareholders' Funds, expressed as a percentage of Shareholders' Funds. If stockmarkets rise, gearing can increase the Company's returns, but, if they fall, losses will be greater. If the amount calculated is a negative percentage then total investments are less than Shareholders' Funds.

Glossary of Alternative Performance Measures

Benchmark Total Return is the return on the benchmark, on a closing market price basis, assuming that all dividends received were reinvested into the shares of the underlying companies at the time their shares were quoted ex dividend. Further information on the Company's benchmark, the Numis Smaller Companies Index (excluding Investment Companies), can be found on page 4.

Discount is the amount by which the stockmarket price per Ordinary Share is lower than the Net Asset Value, or NAV, per Ordinary Share. The discount is normally expressed as a percentage of the NAV per Ordinary Share. The opposite of a discount is a premium.

Net Asset Value Total Return represents the theoretical return on 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 (see note 16 on page 52).

Ongoing Charges represent the total cost of investment management fees and other operating expenses of £10,816,000 (2020: £7,977,000), as disclosed in the Income Statement, as a percentage of the average published net asset value of £1,436,761,000 (2020: £984,116,000) over the period, and are calculated in accordance with the guidelines issued by the AIC.

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.

Share Price Total Return represents the theoretical return to a 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 share price as at 31 December 2021 was 1,464.00p (2020: 1,248.00p) and dividends, which went ex dividend during the year (see note 8 on page 50) were 33.85p (2020: 36.4p). The dividend reinvestment factor was 1.025611 (2020: 1.030776). The share price total return was therefore 20.3% (2020: -16.5%), being the percentage derived from the closing share price, adjusted by the dividend reinvestment factor, divided by the closing share price at the previous year end.

Other Glossary Terms

Active share ratio is calculated by summing the absolute differences between a portfolio's weight in a stock and an index's weight in a stock for all the 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 or share price, as appropriate, on the day the Ordinary Shares were quoted ex dividend.

Leverage, for the purposes of the AIFM Directive, is any method that increases the Company's exposure to stockmarkets whether through borrowings, derivatives or any other means. It is expressed as a ratio of the Company's exposure to its NAV. 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. The Company has no hedging or netting arrangements.

Corporate Information

Directors

Richard Davidson (Chairman)
Paula Hay-Plumb
Julia Le Blan
Victoria Stewart
Martin Warner

Managers and Secretaries

Aberforth Partners LLP
14 Melville Street
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enquiries@aberforth.co.uk
www.aberforth.co.uk

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Registered in Scotland No. SC 126524

Registrar

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29 Wellington Street
Leeds LS1 4DL

Shareholder enquiries:
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(Calls cost 12p per minute plus network extras)
enquiries@linkgroup.co.uk
www.linkassetservices.com

Share Portal:
www.signalshares.com

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