Aberforth Smaller Companies Trust plc

Annual Report and Financial Statements

31 December 2022

Contents

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your ordinary shares in Aberforth Smaller Companies Trust plc, please forward this document, together with the accompanying documents, immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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 presents the Strategic Report on pages 1 to 26 which incorporates the Chairman's Statement and Managers' Report.

The Company

Aberforth Smaller Companies Trust plc ("the Company" or "ASCoT") is an investment trust. Its ordinary shares are listed on the premium segment of the Official List of the Financial Conduct Authority and traded on the London Stock Exchange.

The Company has appointed Aberforth Partners LLP as the investment managers ("the Managers"). The Managers adhere to a value investment philosophy in managing the Company's investments in small UK quoted companies as described on page 22.

Investment Objective

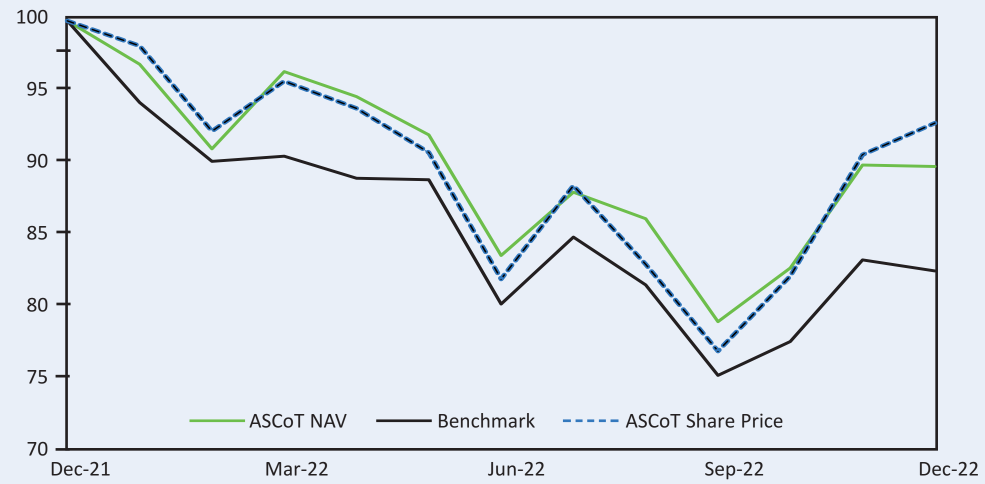
The investment objective of the Company is to achieve a net asset value total return (with dividends reinvested) greater than that of the Numis Smaller Companies Index (excluding Investment Companies) ("NSCI (XIC)" or "benchmark") over the long term.

Financial Highlights over the Year

	31 December 2022	31 December 2021	% Change
Total Returns for the year			
Net Asset Value per Ordinary Share[2]	**-10.4%**	32.5%	n/a
Numis Smaller Companies Index (excluding Investment Companies)	**-17.9%**	21.9%	n/a
Ordinary Share Price[2]	**-7.3%**	20.3%	n/a
Asset Values			
Shareholders' Funds[1]	**£1,251m**	£1,473m	-15.1
Net Asset Value per Ordinary Share[1]	**1,465.67p**	1,674.35p	-12.5
Share Price			
Market Capitalisation[2]	**£1,128m**	£1,288m	-12.4
Ordinary Share price[2]	**1,322.00p**	1,464.00p	-9.7
Ordinary Share discount[2]	**9.8%**	12.6%	n/a
Returns and Dividends for the year			
Revenue Return per Ordinary Share[1]	**55.64p**	36.76p	51.4
Dividends per Ordinary Share (excluding special dividends) [1]	**39.00p**	35.20p	10.8%
Dividends per Ordinary Share (including special dividends) [1]	**47.30p**	35.20p	34.4%
Total Return per Ordinary Share[1]	**-181.00p**	415.19p	n/a
Actual Gearing employed[1]	**5.7%**	5.6%	n/a
Ongoing Charges[2]	**0.80%**	0.75%	n/a
Portfolio Turnover[2]	**18.4%**	25.6%	n/a

[1] UK GAAP Measure [2] Alternative Performance Measure (refer to glossary on page 66) Source: Aberforth Partners LLP

Cumulative Performance over past year
(figures are total returns and have been rebased to 100 at 31 December 2021)



Key Performance Indicators

The Board assesses the Company's performance in meeting its objective against the following key performance indicators (also referred to as Alternative Performance Measures): net asset value total return; share price total return; relative performance; dividend growth 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 and in the Historical Information on page 21. 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 66 and the Company's objective is on page 1.

Cumulative Performance (Total Returns)

Periods to 31 December 2022	1 Year	3 Years	5 Years	10 Years	Since inception (10 December 1990)
Net Asset Value per Ordinary Share[1]	-10.4%	0.5%	7.8%	132.3%	3,562.8%
Numis Smaller Companies Index (excluding Investment Companies)	-17.9%	-4.2%	1.5%	100.4%	1,817.7%
Ordinary Share Price[1]	-7.3%	-6.8%	14.9%	149.1%	3,319.2%

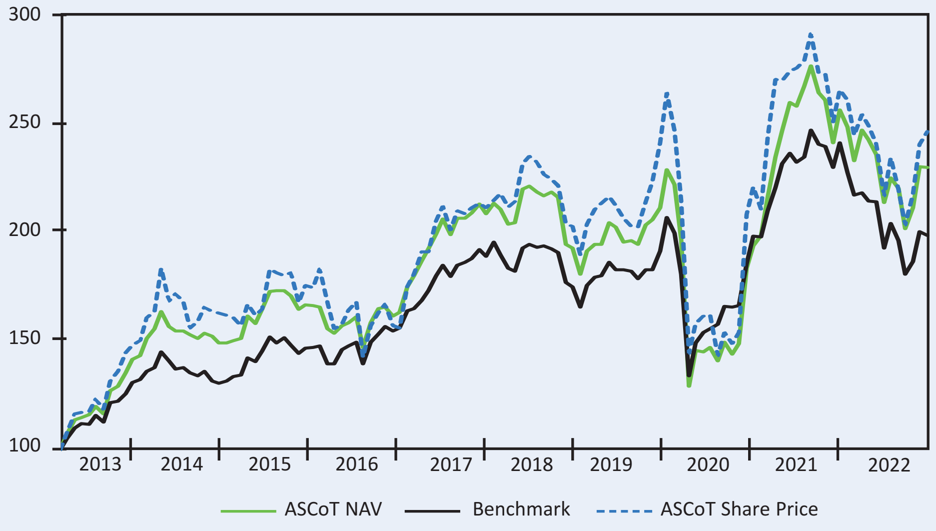
Annualised Performance (Total Returns)

Periods to 31 December 2022	1 Year	3 Years	5 Years	10 Years	Since inception (10 December 1990)
Net Asset Value per Ordinary Share[1]	-10.4%	0.2%	1.5%	8.8%	11.9%
Numis Smaller Companies Index (excluding Investment Companies)	-17.9%	-1.4%	0.3%	7.2%	9.6%
Ordinary Share Price[1]	-7.3%	-2.3%	2.8%	9.6%	11.6%

[1] Alternative Performance Measure (refer to glossary on page 66)

Source: Aberforth Partners LLP

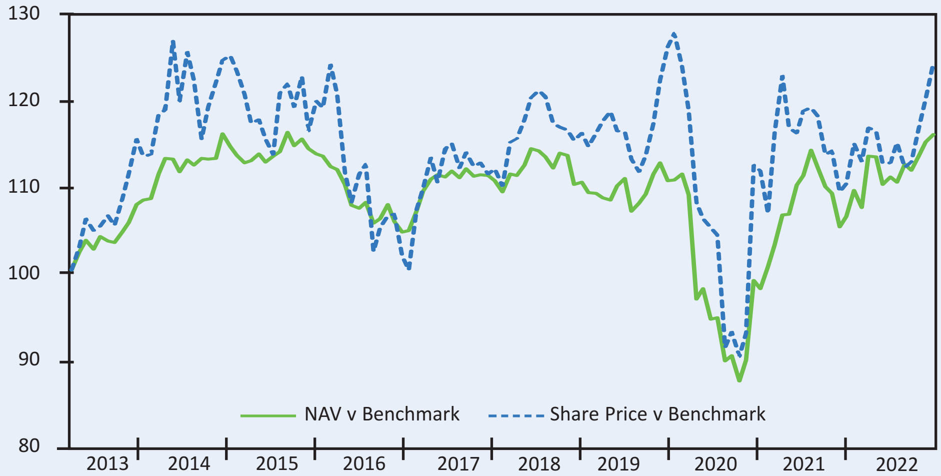
Cumulative Performance over 10 years
(figures are total returns and have been rebased to 100 at 31 December 2012)



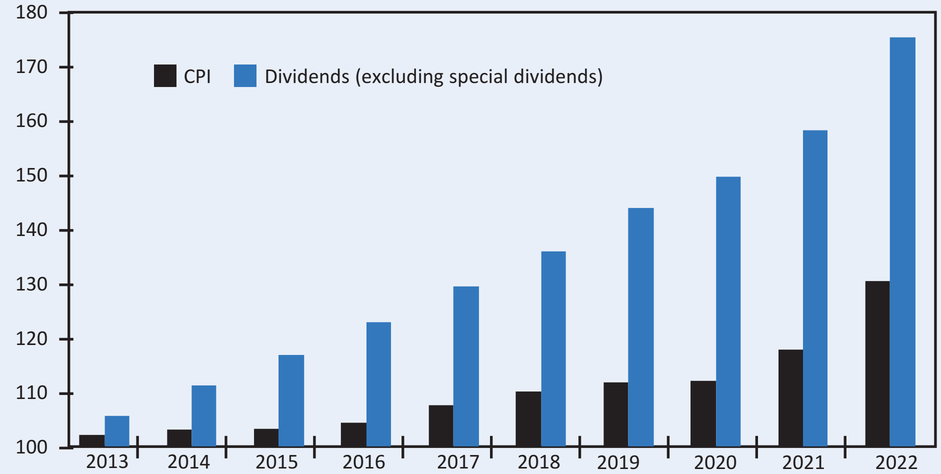
Key Performance Indicators (continued)

Ten Year Summary

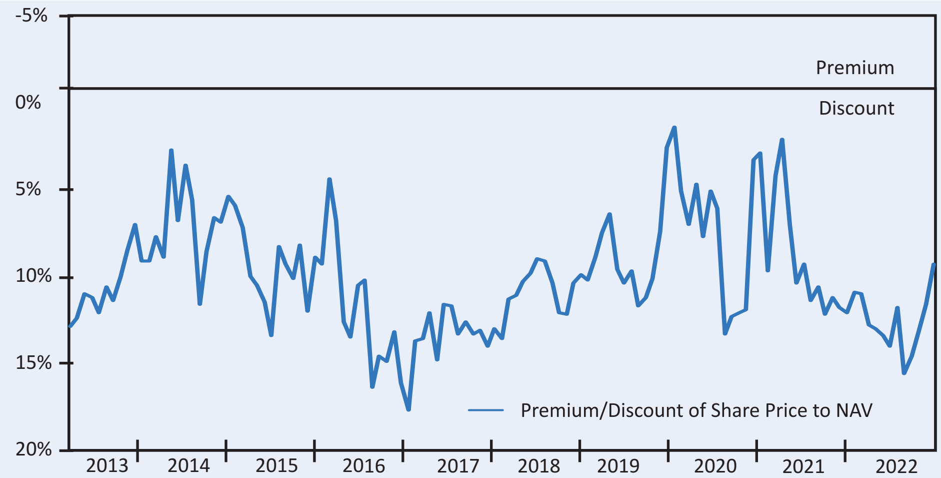
Relative Performance (figures are total returns and have been rebased to 100 at 31 December 2012)



Dividends and CPI Growth (figures have been rebased to 100 at 31 December 2012)



Premium/Discount (being the difference between Share Price and NAV)



Chairman's Statement

Review of performance

ASCoT's net asset value total return in the twelve months to 31 December 2022 was -10.4%. In share price terms, the return was -7.3% as the discount narrowed from 12.6% to 9.8% over the course of the year. These asset and share price declines are clearly disappointing, but it is pleasing that ASCoT did succeed in mitigating the more significant weakness of small UK quoted companies in general. The Numis Smaller Companies Index (excluding Investment Companies) (NSCI (XIC)) is ASCoT's benchmark. Its total return in the year was -17.9%.

Declines of this sort were typical of financial assets around the world in 2022, with a notable exception being the FTSE All-Share, which was broadly unchanged. The prices of both equities and bonds struggled amid the first meaningful inflation in decades, as the world economy contorted to cope with the aftermath of the pandemic. Their credibility at stake, central banks responded belatedly with substantial increases in interest rates. Their task was complicated in the UK's case by domestic political upheaval and more generally by Russia's invasion of Ukraine in February. The continuing war exacerbates many of the supply chain issues and price pressures that stemmed from the pandemic. The combination of higher energy prices and higher interest rates threatens recession in much of the world, particularly in the energy-importing economies of Europe.

Amid all these issues, it is easy to understand the weakness of small companies' share prices in 2022. However, from here it is more important to assess to what degree the challenges are already reflected in valuations. This is explored by the Managers in detail in their report.

Dividends

One of the main themes of the Managers' Report is the resilience of small UK quoted companies, which often seems to be under-estimated by the stockmarket. Perhaps the clearest demonstration of this resilience is the dividend performance of the companies. This suffered in the pandemic, but the recovery has been remarkably strong, so much so that ASCoT's Revenue Return per Ordinary Share in the year to 31 December 2022 rose to 55.64p, its highest ever. This was 51% above 2021's level and 32% above 2019's, the year before the pandemic. Six special dividends paid by investee companies in 2022 made a helpful contribution. However, even with these excluded, it was an exceptionally good outcome and one that contrasts with the exceptionally difficult experience in 2020.

In setting ASCoT's dividend, the Board seeks to look beyond the portfolio's income receipts in any one year with the ultimate aim of increasing the dividend at a rate above that of inflation. In this, we are guided by dividend forecasts provided by the Managers and can utilise revenue reserves, which are prudently replenished in the good years. It is clear that the ambition to grow ASCoT's dividend in real terms represents a challenging hurdle at present, with December's CPI rising by 10.5% year-on-year. However, the strength of the dividend experience over the past twelve months means that the Board can comfortably achieve its aim in respect of 2022.

Therefore, we are pleased to propose a final dividend of 26.95p per Ordinary Share, which is 11.1% higher than last year's 24.25p. In combination with the 12.05p interim dividend, this would take the full year ordinary dividend to 39.00p, which would represent growth of 10.8%. In addition, we propose a special dividend of 8.30p, much of which would correspond to the special dividends received by ASCoT from investee companies during the year. The special dividend would also ensure that ASCoT passes HMRC's all-important minimum retention test for investment companies.

As to the future, the Managers expect dividend growth from the portfolio in 2023, but the looming recession means that their estimates are likely to prove volatile. There are, though, offsetting considerations. First, the total dividend proposed for 2022 of 47.30p would allow ASCoT's revenue reserves to be strengthened prudently from 59.0p to 69.9p per Ordinary Share. As it did during the pandemic, the Board is prepared to use these reserves to support an uncovered dividend. Second, the Managers' data show that the balance sheets of the portfolio companies are unusually robust and should be able to mitigate the full impact of a recession on dividends. The Board is therefore optimistic that ASCoT can continue its record of real dividend growth, which has seen dividends compound at more than 7% per annum over 32 years.

Continuation vote

It is the Company's policy to hold a continuation vote every three years. The Annual General Meeting on 2 March 2023 will include the tenth such vote in its history. The Board views the continuation vote as an important shareholder right and encourages all Shareholders to exercise it.

The period in respect of the tenth continuation vote was tumultuous, encompassing as it did the aftermath of Brexit, the pandemic, a war and a decisive departure from the extraordinarily accommodative monetary policies that followed the credit crunch in 2009. After a tricky start, ASCoT's performance emerged consistent with its investment objective. The net asset value total return of 0.5% was 4.7% ahead of the NSCI (XIC)'s total return and, as described above, the Company's dividend record has been sustained. While even three years is probably too short a period to judge an investment strategy, it is pleasing that the Managers' commitment to the value investment style has benefited from the change in investment climate. The value style has out-performed over the three years and ASCoT has benefited accordingly.

The Board believes that superior investment performance, over longer time periods, requires the consistent application of an investment philosophy and investment process. Part of its role, therefore, is to check that the Managers remain true to their principles, even in the most challenging circumstances. In this last continuation vote period, it was encouraging to see the continuity of the Managers' investment philosophy and conviction, as they deployed gearing to take advantage of distressed valuations during the pandemic and added to their own holdings in ASCoT's shares. Their preparedness to stand apart from the crowd means that ASCoT benefits from a differentiated and relevant investment proposition. This does not guarantee superior performance every year, but it does improve the likelihood of success over time. The Board therefore recommends that Shareholders vote in favour of the Company's continuation.

Gearing

The Board's gearing policy has been consistent throughout ASCoT's life. Gearing is deployed tactically with the aim of taking advantage of periods of stress in equity markets. This has led to ASCoT being geared on four occasions over its 32 years, with the most recent episode prompted by the pandemic in 2020, as noted above. Gearing has remained in place since then and, notwithstanding the setback to share prices in 2022, has enhanced ASCoT's net asset value performance. At 31 December 2022, the gearing ratio, which is net debt to Shareholders' Funds, was 5.7%.

The £130m debt facility to enable this is provided by The Royal Bank of Scotland International. Its term runs to June 2023, which is designed to align with the three yearly continuation vote cycle. After the Annual General Meeting, and providing the continuation vote is passed, the Board and the Managers will seek to put in place a new facility, which will continue to provide the Company with access to liquidity for investment purposes and for share buy-backs as and when appropriate. In an at times volatile and less liquid asset class such as small UK quoted companies, having access to immediate funds through a credit facility provides the Managers with valuable flexibility.

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 2022. In the year to 31 December 2022, 2,603,661 shares were bought back and cancelled. The total value of these repurchases was £33.3m, on an average discount of 13.8%. In 2021, buy-backs totalled £12.9m at an average discount of 11.2%. The corresponding figures for 2020 were £6.1m and 13.8%.

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 2 March 2023.

Stewardship

The Board is responsible for the effective stewardship of the Company's affairs and oversees the activities of the Managers in relation to Environmental, Social and Governance (ESG) matters. Pages 13 to 15 cover the Board's oversight and activities in 2022. They also set out the Managers' ESG policies and practices, along with their voting approach and activity during the year. The Board endorses the Managers' stewardship policy, which is set out in their submission as a signatory to the UK Stewardship Code. This, together with examples relating to voting and engagement with investee companies, can be found in the "About Aberforth" section of the Managers' 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, Julia Le Blan, who has been a Director for nine years and Chair of the Audit Committee for five years, will not stand for re-election at the forthcoming Annual General Meeting. Julia has made a significant contribution to the Board and we wish her well for the future.

As I indicated in my Interim Report, Patricia Dimond was appointed as a Director and member of the Audit Committee with effect from 3 March 2022. She will take over as Chair of the Audit Committee on 2 March 2023 following Julia's retirement. The Board also announced the appointment of Jaz Bains as a Director from 10 October 2022. Jaz has worked in the energy sector for over 30 years. In 2013 he helped set up and launch The Renewables Infrastructure Group (TRIG), now a FTSE 250 listed investment company, and he is responsible for leading the Operations Manager function of TRIG. He is also the senior independent director of the Jupiter Green Investment Trust Plc. Jaz has attended board meetings since October and will become a member of the Audit Committee on 2 March 2023.

Annual General Meeting (AGM)

The AGM will be held at 14 Melville Street, Edinburgh EH3 7NS at 10.30 am on 2 March 2023. Details of the resolutions to be considered by Shareholders are set out in the Notice of the Meeting on page 62. Shareholders are encouraged to submit their vote by proxy in advance of the meeting in case restrictions apply and it is not possible for shareholders to attend in person. An 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

Twelve months ago, I expressed optimism for a year of progress and positive returns. This proved misplaced with the onset of war in Ukraine, which exacerbated the inflationary pressures that were a legacy of the pandemic. Elevated energy prices and rising interest rates threaten recession, which is in all probability already under way in the UK. Recessions are unpleasant – companies' profits and people's livelihoods are squeezed. Financial accidents happen as those rising interest rates and falling profits expose leverage. In navigating a path through recession, experience and resilience are important. Through its regular engagement with the Managers, the Board is reassured that these are attributes both of the executive teams running ASCoT's investee companies and of the Managers themselves. The strong balance sheets that characterise the portfolio do not ensure a painless experience over the coming year but they certainly do suggest that ASCoT's holdings will be well placed to enjoy the recovery that will inevitably come.

In the meantime, we should not lose sight of a silver lining in the recessionary cloud. The concern about economic slowdown resulted in widespread share price weakness last year. This has brought more opportunities to the value investor. The enlarged opportunity set is evident in the rise in the number of NSCI (XIC) constituents following the index's rebalancing on 1 January 2023. The Board has been concerned about the shrinkage of the investment universe in recent years and so this may represent a welcome, and hopefully sustainable, reversal.

When the recovery does come, history teaches that share prices will rebound long before profits – it is after all the role of markets to anticipate and discount. The Managers' Report describes the portfolio's low historical price earnings ratio and argues persuasively that much of the risk of recession is in the price. However, the timing of an inflection is more difficult since low historical valuations are a necessary condition of a pick-up in share prices, but they are not a sufficient condition. As the Managers suggest, that path through recession will have its twists and turns as companies report results and as markets react to the interplay of inflation and interest rates.

Looking beyond the near term, my fellow directors and I are optimistic about ASCoT's prospects. Events of the past few years have demonstrated the relevance of the Company's differentiated investment strategy. Recent M&A activity underlines the attractions of the sorts of companies selected by the Managers. Meanwhile, the market's willingness to look beyond growth stocks improves the value investor's odds of beating the benchmark index. Over time, it is realistic to assume that market sentiment will oscillate between growth and value. Given this, what matters in my experience is that investment managers remain consistent in terms of their process and style. When it comes to ASCoT's Managers, this is something about which we as the Board and you as shareholders can be confident over the years to come.

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
27 January 2023
richard.davidson@aberforth.co.uk

Managers' Report

Introduction

Since inception in 1990, ASCoT's purpose has been to achieve a net asset value total return greater than that of the NSCI (XIC) over the long term. To achieve this objective, the Managers have applied a consistent and differentiated investment strategy, which has three notable aspects.

- The investment process is focused on understanding companies within the NSCI (XIC). The Managers consider factors such as financial performance, competitive dynamics and capital allocation priorities, as well as relevant environmental and social matters. A crucial focus is governance, which involves regular meetings with company directors. The outcome of the process is the selection of stocks to own in the portfolio.
- Stock selection is guided by a value investment philosophy. The reason for this is that there is strong historical evidence that over time a value premium can be harvested within equity markets. In practice, the Managers seek companies whose share prices are trading at wide discounts to their true values. As the gap between the two narrows, positions are reduced, with the proceeds recycled into other companies with greater upside, a process that the Managers term the "value roll".
- The team managing the portfolio is experienced and well-resourced. It is often the case that the team members have known the investee companies for longer than the directors running them. The Managers have always engaged actively but discreetly with boards, both as part of their research and to seek to effect change if necessary. Their ability to engage is improved by their willingness to take significant stakes in investee companies.

The consistent application of these features does not guarantee strong returns in each year. However, it does ensure that ASCoT benefits from a differentiated and relevant investment strategy and, as the table in the following section suggests, it has contributed to results that have met the investment objective over ASCoT's history.

Performance

ASCoT's net asset value fell by 10.4% in total return terms in 2022. This was well ahead of the benchmark, with the NSCI (XIC)'s total return being -17.9%. In what was a year of poor equity returns around the world, larger UK companies distinguished themselves with a modestly positive return, as the FTSE All-Share benefited from its high exposure to energy companies.

Total returns	2020	2021	2022	3 years	CAGR since ASCoT's inception
ASCoT NAV	-15.4%	+32.5%	-10.4%	+0.5%	+11.9%
NSCI (XIC)	-4.3%	+21.9%	-17.9%	-4.2%	+9.6%
FTSE All-Share	-9.8%	+18.3%	+0.3%	+7.1%	+8.1%
MSCI World (£ terms)	+13.2%	+23.4%	-7.9%	+28.7%	+9.3%

The table above puts 2022's returns in the context of the three year continuation vote period that ended on 31 December 2022. The negative return of the NSCI (XIC) is notable for being the first time that small companies have lost ground over one of ASCoT's continuation vote periods. ASCoT itself recorded a positive return and thus pulled ahead of the benchmark despite a difficult start to the three years. The table also brings in a gauge of international equity returns, which illustrates the opportunity cost of exposure to the UK in recent years and hints at the present cheapness of UK equities. However, given the turbulence of world events over the period, it is perhaps surprising that equity returns were on the whole positive. Indeed, greater stress is evident among government bonds, with the ten year gilts yield rising from 0.8% to 3.7% over the three years to produce a large negative total return.

The continuation vote period started with the pandemic. This remains a threat to public health in parts of the world, most notably China, but it is the virus's indirect effects, principally through the measures taken to control its spread, that are now having the more meaningful impact. Huge fiscal and monetary stimulus, together with stresses in globalised supply chains, sowed the seeds of the first meaningful inflationary episode for decades. Pressure has been intensified by the war in Ukraine, which has raised energy prices and further complicated supply chains. Central banks have responded by raising interest rates to take monetary conditions decisively away from the zero interest rate policies that have held sway since the global financial crisis. However, higher interest rates have further increased the cost of living to threaten a slowdown in economic growth. This looming recession has contributed to the weakness in share prices around the world in 2022.

On top of these global issues, investors in UK assets have had to contend with a fraught domestic political situation. The scarcely believable events of the third quarter of 2022 contrast with the widespread optimism in the wake of the decisive general election result at the end of 2019. The divisiveness of Brexit and an increasingly factionalised Conservative party contributed to Liz Truss's elevation to Prime Minister and to a mini budget that saw global financial markets lose confidence in the UK. Sterling took the strain, which is an advantage of a freely floating currency, but the more meaningful pain was experienced in sharply higher borrowing costs for the government and the private sector. Among equities, the aversion to all things British saw outflows from open-ended funds and institutional allocations to UK equities approach twenty year lows. The swift change of Prime Minister has restored confidence, bringing a rally in sterling and gilts, but UK equity valuations continue to trade at wide discounts to their global peers.

Managers' Report

The main influences on performance in 2022

The table below sets out the contribution of various factors to ASCoT's relative return in 2022. The following paragraphs add context and explanation, mainly to the first row in the table, which quantifies the performance of the portfolio and is usually the most meaningful effect on ASCoT's overall returns.

For the twelve months ended 31 December 2022	Basis points
Attributable to the portfolio of investments, based on mid prices (after transaction costs of 14 basis points)	**850**
Movement in mid to bid price spread	(7)
Cash/gearing	(64)
Purchase of ordinary shares	36
Management fee	(64)
Other expenses	(5)
Total attribution based on bid prices	**746**

Note: 100 basis points = 1%. Total Attribution is the difference between the total return of the NAV and the Benchmark Index (i.e. NAV = -10.41%; Benchmark Index = -17.87%; difference is 7.46% being 746 basis points).

Value Style

The value investment style helped performance in 2022. It has, however, been out of favour for most of the period since the global financial crisis 14 years ago. An important influence on this has been the monetary conditions that were a response to the credit crunch. Low to zero interest rates and quantitative easing contributed to lengthened investment horizons and unusually low discount rates used to value assets. The beneficiaries in the equity world were companies whose cash flows were more weighted to future years, many of which are currently loss-making. These long duration equities are growth stocks, which enjoyed substantial revaluations over the past decade or so and a period of particularly sharp out-performance amid the pandemic.

The Managers have regularly hypothesised that an increase in bond yields and, by extension, in discount rates would expose these high valuations and would lead to a period of better relative performance from value stocks. This has come to pass, as inflationary pressures have returned, as interest rates have been increased in response and as bond yields have risen. The value style has therefore performed relatively well since the vaccine rally towards the end of 2020. This out-performance has been helped by disappointing results from many growth stocks – even some of the US technology giants have responded with cost cutting and redundancies.

Within the NSCI (XIC), investment style effects can be tracked through data from London Business School, which defines value stocks as those with low price-to-book ratios and growth stocks as those with high ratios. In 2022, the index's value component out-performed the index as a whole by 9%. The Managers' investment process takes into account a broader range of valuation metrics and qualitative considerations, but it is clear that the investment style environment was helpful to ASCoT's relative returns.

Economic cyclicality

Concern about recession was an important reason for the negative return from the portfolio and, indeed, from the NSCI (XIC) in 2022. In contrast to weak share prices, the profit performance of ASCoT's holdings in 2022 was generally good. In large part, this was due to the momentum with which they entered the year as the recovery from the pandemic continued to play out.

However, as the year wore on, several companies that are more exposed to the domestic economy started to report weaker trading, as the familiar cost of living issues started to affect sales and costs. Meanwhile, those businesses with a greater reliance on overseas markets proved more resilient. Their profits have been helped by the translation benefit of sterling's decline and by a build-up of inventories to meet customer demand amid the supply-chain problems. Despite these diverging experiences at the underlying business level, there was little to choose between the share price performances of the domestics group and the overseas group in 2022. Entering 2023, 54% of the revenues of the portfolio holdings were generated in the UK economy, against 49% for the NSCI (XIC).

Since the global financial crisis, sensitivity to the economic cycle has been a trait generally shunned by stockmarkets. Consequently, the value cohort of the NSCI (XIC) has become increasingly populated by economically sensitive companies such as retailers, leisure businesses and engineers. It is therefore likely that concerns about imminent recession would disproportionately affect a portfolio, such as ASCoT's, selected under a value investment philosophy. This would have hampered ASCoT's performance relative to the NSCI (XIC) in 2022, but there are mitigating factors. As noted above, growth stocks themselves are facing cyclical headwinds, while the balance sheets of ASCoT's holdings are unusually robust at present, which is explored in more detail below.

Managers' Report

Income

While the portfolio declined in capital terms in 2022, its income experience was very strong and supported ASCoT's total return in the year. The table below splits the portfolio's holdings into five categories, which are determined by each company's most recent dividend action.

Nil Payer	Cutter	Unchanged Payer	Increased Payer	New/Returner
18	6	11	38	6

Starting with the Cutters, the reasons for the cuts over the past year were idiosyncratic rather than related to the more uncertain economic environment. Their impact was eclipsed by the Increased Payers and the New / Returners. The latter category comprises companies that are paying dividends for the first time or that have now resumed payments, having passed their dividends during the pandemic. This provided a large contribution to the income growth enjoyed by ASCoT in 2022. Another boost came from the receipt of six special dividends paid by investee companies in the year.

It is important not to extrapolate the rate of income growth in 2022 – after all nil payers can only resume dividend payments once and special dividends are by their nature unpredictable. Another consideration is that the Managers may identify more attractive investment opportunities among nil yielding companies. A higher exposure to these would, all else being equal, reduce ASCoT's income. However, that is not the case today and the Managers presently anticipate a year of progress in 2023 in underlying terms (i.e. excluding special dividends).

The outcome for 2023 will inevitably be influenced by the course of the economy, though the portfolio's strong balance sheets are helpful. Moreover, the average historical dividend cover of the portfolio at 31 December 2022 was 3.4x, which compares favourably with the long term average of 2.7x. Finally, the Managers expect that several more of the current Nil Payers will be able to resume dividend payments over the next year or so.

These considerations have informed the Board's ambition to grow dividends paid by ASCoT in real terms and its decision to increase the final dividend by 11%.

Stock selection – boosted by M&A

Stock selection helped ASCoT's performance in 2022 and within this M&A was the clearest theme. Six of the portfolio's holdings received takeover bids during the year, with an average premium to the pre-announcement share price of almost 60%. The stimulus to performance of a takeover in a year of generally weak share prices is meaningful, but it remains important to guard against opportunism on the part of the buyers when valuations of small UK quoted companies are so low. Notwithstanding the sizeable takeover premiums, the Managers were disappointed with the terms of two of the deals, which they believed undervalued the companies concerned. It is often the case that the best M&A experiences are those in which boards of directors offer to consult shareholders well in advance. Such consultation reduces the risk of embarrassment, should shareholders find proposed terms unacceptable, and can lead to better outcomes, which may be that the company in question retains its independence. The Managers make it clear to the boards of the investee companies that they want to be consulted in such situations and that they are willing to be insiders for extended periods.

It was also a busy year for M&A within the NSCI (XIC). Takeover bids for 19 of its constituents were announced, some of which will not complete until 2023. The acquirers in 16 of these cases were overseas buyers, attracted no doubt by low stockmarket valuations and by sterling weakness. Towards the end of the year, the pace of deals eased. The UK's political spasm in September may have been influential, but the more important reason was volatility within debt markets, which complicated the funding of deals. In this regard, it was notable that the acquirers in 14 of the NSCI (XIC)'s 19 deals in 2022 were other corporates rather than private equity.

Size

The portfolio retains its high exposure to the "smaller small" companies within the NSCI (XIC). The reason is rooted in relative valuations and is explained later in this report. Size positioning has often had a significant effect on performance. For most of the period since the global financial crisis, investors have favoured the greater liquidity of the "larger small" companies, which hindered the portfolio's relative returns. However, the portfolio benefited from a resurgence of the "smaller smalls" in 2020 and 2021. In 2022, there was little to choose between the price performances of the two cohorts and so size positioning had a negligible effect on ASCoT's performance.

Gearing

Amid the weakness of equities in 2022, ASCoT's gearing hampered its performance, as the table at the beginning of this section quantifies. ASCoT's gearing strategy is tactical – it borrows when valuations and share prices are unusually low. Gearing has been deployed four times in ASCoT's history, the most recent opportunity coming in 2020 with the pandemic. Notwithstanding the vaccine rally, valuations did not recover to the levels that prevailed before the pandemic and so ASCoT was still geared as 2022 started. Through the year, the gearing ratio averaged 5%, its oscillations a function of stockmarket moves and of the timing of the realisation of positions in holdings subject to takeover. Since deployment in mid 2020, gearing has enhanced the performance of ASCoT's portfolio. With valuations still attractive, it remains in place as 2023 begins.

Portfolio features

Active Share

Active share is a measure of how different a portfolio is from an index. The ratio is calculated as half of the sum of the absolute differences between each stock's weighting in the index and its weighting in the portfolio. The higher a portfolio's active share, the higher its chance of performing differently from the index, for better or worse. The Managers target an active share ratio of at least 70%. At 31 December 2022, it stood at 77%, which is up slightly from 76% at the end of 2021.

Managers' Report

An influence on the rise of the active share was the annual rebalancing of the NSCI (XIC) on 1 January 2023. This is usually a low-key affair, in which companies too big for the index are ejected and those now small enough are included. Occasionally during periods of stockmarket stress, it is a bigger event, notably in 2009 amid the global financial crisis and now in 2023. This year's rebalancing saw 29 companies, whose share prices had performed particularly poorly in 2022, brought into the index. These "fallen angels" accounted for 26% by value of the NSCI (XIC) on the 1 January 2023. They bring additional opportunity and, indeed, the Managers have so far added two of the new entrants to the portfolio. These two companies are former holdings, which the Managers know well but which had grown too large for the NSCI (XIC) in previous years. It remains to be seen whether this significant refreshing of the index represents a turn in the long term trend of decline in the number of NSCI (XIC) constituents.

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 2022, turnover was 18%, which is just over half the average in ASCoT's 32 year history. The relatively low rate of turnover in 2022 reflected the weakness of the stockmarket. Lower share prices imply higher upside to the Managers' price targets, which, all else being equal, discourages changes to the portfolio. By extension, with rising share prices there should be more opportunity to realise value and redeploy the proceeds in other companies with higher upsides. The Managers term this the "value roll". It can make an important contribution to ASCoT's performance over time.

Environmental, social and governance (ESG)

The Managers integrate matters related to ESG into their investment process, in which relevant issues are considered alongside any other that affects a company's profits and valuation. With its emphasis on bottom-up analysis and engagement, the process is well suited to this approach. In 2022, the Managers enhanced their tracking and assessment of ESG matters through the development of an additional module within their investment database. Over time, it is hoped that this will yield useful data, whose presentation will help Shareholders understand the portfolio's ESG profile and, more ambitiously, any relationship between ESG issues and valuations. In the meantime, the work done to populate the new module has made it clear that small UK quoted companies are making significant progress in their ESG disclosures and, more importantly, are very much focused on the impact of issues such as climate change on their future profits and valuations. It is clear to the Managers that the perception of small companies as ESG victims is misplaced. This creates investment opportunity as companies' continuing progress is rewarded with higher valuations over time. Further details of the Managers' approach to ESG are set out on pages 13 to 15.

Resilience

In 2022, the stockmarket has been concerned about the impact of recession on companies' profits and balance sheets. The typical decline in the profits of small companies in a recession is around one third. Previous downturns have been of varying lengths and depths, but have been followed by periods of recovering profits and share prices. One upside of the various crises to have peppered the past dozen or so years is that the management teams running small UK quoted companies are experienced in damage limitation – as one chief executive put it in a recent update, "we are battle-hardened". This gives hope that the pressure of lower demand can be mitigated through cost control, even though the current inflationary forces complicate the task.

The more profound risk during a recession is that a company's balance sheet proves vulnerable, preventing it from enjoying the subsequent rebound in trading conditions. In this regard, it is reassuring that the balance sheet profiles of both the portfolio and of small companies as a whole are robust. This is displayed in the following table, in which Tracked Universe refers to the 98% by value of the NSCI (XIC) that the Managers follow closely.

Weight in companies with:	Net cash	Net debt/EBITDA < 2x	Net debt/EBITDA > 2x	Other*
Portfolio: 2022	41%	40%	14%	5%
Tracked universe: 2022	34%	34%	22%	10%

*Includes loss-makers and lenders.

The table shows that 41% of the portfolio is invested in companies with net cash on their balance sheets at the end of 2022. Another 40% is invested in companies with relatively low financial leverage (i.e. net debt to EBITDA ratios below two times). The portfolio's profile compares well with that of the Tracked Universe. However, the index's profile is also unusually robust. Balance sheets within the NSCI (XIC) last reached today's degree of resilience in around 2014. That was five years after a recession, a period in which the boards of companies were so scarred by the experience of the credit crunch that they were reluctant to invest.

Back to today, companies are entering a likely recession with strong balance sheets. In this, the recency of the pandemic is influential: there has been little time to invest, while some companies benefited from government support and from equity issuance. Whatever the reason, today's situation is unusual since recessions are often preceded by a period of corporate excess in the form of debt funded over-investment. There are caveats – notably the elevated inventories that some have taken on amid the supply chain problems and the relevance for the first time in years of interest cover covenants – but the balance sheet profile of both the portfolio and the index appears encouragingly resilient.

Valuations

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 historical and forecast data underlying all the ratios are the Managers'.

Managers' Report

EV/EBITA	2021	2022	2023	2024
ASCoT	7.4x	6.7x	6.2x	5.6x
Tracked universe (245 stocks)	9.1x	8.9x	8.6x	7.8x
- 41 growth stocks	14.1x	12.8x	10.7x	9.0x
- 204 other stocks	8.5x	8.3x	8.2x	7.5x
- 91 stocks > £600m market cap	10.6x	10.0x	10.1x	8.9x
- 154 stocks < £600m market cap	6.9x	7.1x	6.4x	6.0x

The table demonstrates some familiar features. The ratios for the portfolio are meaningfully lower than those for the Tracked Universe, which is consistent with the Managers' value investment philosophy. The growth stocks within the Tracked Universe remain particularly highly rated. This is despite their under-performance in 2022 and may suggest incremental vulnerability. Another relevant gauge of the portfolio's value is to compare its 2022 EV/EBITA ratio with the 14x multiple at which the 19 takeover deals within the NSCI (XIC) in 2022 were agreed. The final two rows illustrate the stockmarket's continuing reluctance to embrace "smaller small" companies: those with market capitalisations below £600m are considerably more attractively valued than are their larger peers. This explains why the portfolio's weighting of 62% in the "smaller smalls" is higher than the NSCI (XIC)'s 33%.

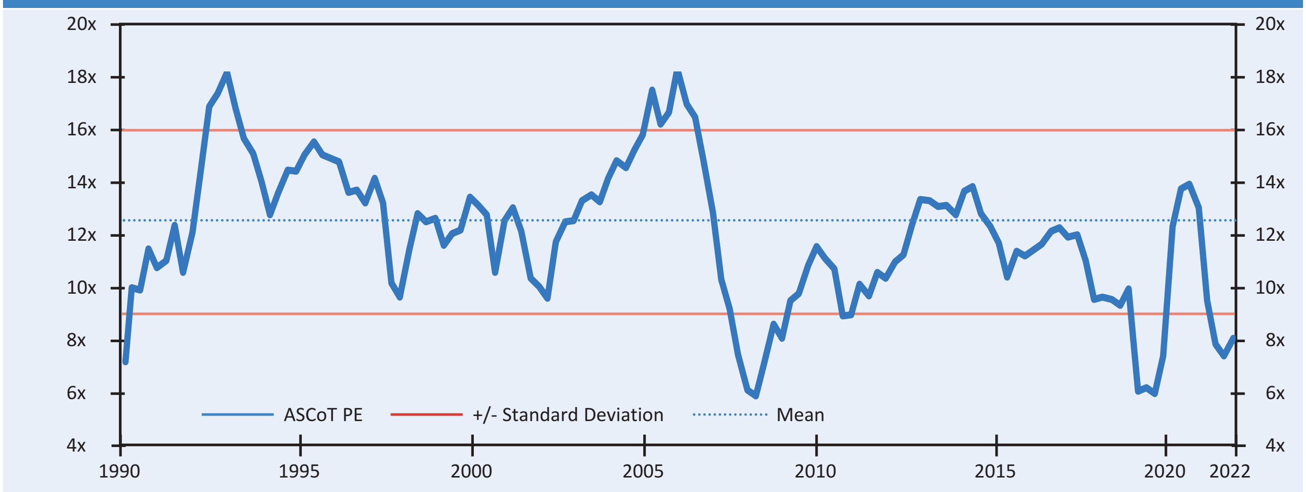
In attempting to understand the portfolio's present value opportunity, the Managers' estimates underlying the 2023 and 2024 EV/EBITA ratios are uncertain. The principal influence on the estimates is engagement with the management teams running the companies. While they are well aware of the top down threats, many had not yet felt the full force of a downturn on their businesses by the end of 2022. In all likelihood, the first half of 2023 will see trading updates weakening and a reduction to profit estimates. Until the downgrade cycle has played out, valuation ratios based on forecast profits are of less use. However, to cut through this and contextualise the attractiveness of today's valuations, there is a useful tool in the form of historical valuation ratios.

The table below of portfolio characteristics includes the historical PEs for the portfolio and the NSCI (XIC). Both were unusually low at 8.1x at 31 December 2022, with the index's ratio refreshed by the significant rebalancing described previously. The two PEs are also calculated differently. The Managers remove one-off profits and losses from the portfolio's earnings per share, but London Business School does not do so for the NSCI (XIC). At 31 December 2022, this flattered the index's historical PE relative to the portfolio's.

Portfolio characteristics	31 December 2022 ASCoT	31 December 2022 NSCI (XIC)	31 December 2021 ASCoT	31 December 2021 NSCI (XIC)
Number of companies	**79**	**350**	77	337
Weighted average market capitalisation	**£548m**	**£866m**	£624m	£934m
Price earnings (PE) ratio (historical)	**8.1x**	**8.1x**	13.3x	16.6x
Dividend yield (historical)	**3.5%**	**3.4%**	1.9%	2.1%
Dividend cover	**3.4x**	**3.7x**	4.0x	2.9x

The chart below puts the portfolio's PE in the context of ASCoT's history since inception in 1990. The chart also depicts the mean PE over the period of 12.2x and the plus one to minus one standard deviation range. ASCoT's historical PE has dipped below the minus one standard deviation line on three previous occasions, all of which were coincident with recession: most recently the pandemic, in the middle the global financial crisis and to the far left of the chart the early 1990s recession. Breaching the minus one standard deviation line has been a useful indicator of subsequent good returns – it has historically indicated that much of the risk has been priced in, allowing the stockmarket to re-rate shares in advance of the recovery in profits.

ASCoT's historical PE ratio



Managers’ Report

To take the argument to the next stage, it was noted above that small cap profits typically fall by one third in a recession, though over varying time periods. A repeat of that experience would take today’s historical PE of 8.1x to 12.1x. Despite being a multiple of what could be considered trough profits, this would be slightly below the portfolio’s long term average PE. Again, it may be inferred from this that much of the impact of a downturn on corporate profitability has been reflected in share prices. This does not mean that share prices will not fall from here since volatility is inevitable as companies report results affected by recession. However, the chart shows that the historical PE can rise substantially from present levels, as reported profits fall and as share prices start to anticipate recovery. The Managers are therefore confident in good returns from ASCoT’s portfolio over the medium and long term.

Outlook and conclusion

One of the second order effects of the pandemic has been to accelerate and accentuate several underlying challenges to the economic and financial conditions that have held sway since the global financial crisis. The conditions have been ones of modest economic growth, low interest rates and low inflation, while the underlying challenges have been broadly inflationary. These have included heightened geopolitical tension, deglobalisation, re-shoring, an upsurge in industrial action, and demographic trends that reduce the working age population. The war in Ukraine has given extra impetus to the first bout of meaningful inflation for decades. The chief executive of one of ASCoT’s investee companies has observed that what keeps him awake at night is not the price of electricity in 2023, but where his customers will be doing their business in five or ten years’ time as the tectonic plates of economics and geopolitics shift.

Year-on-year changes in the consumer prices index in the UK and further afield will likely moderate as effects of high energy prices annualise, but the structural issues listed above mean that the rate of inflation may not return reliably to the very low levels to which the world had become accustomed. It would therefore be unlikely that interest rates and bond yields can fall back to the very low levels that allowed investment with almost limitless time horizons. A reversion to financial conditions more akin to those that prevailed before the global financial crisis is not without risk. Governments and investors have adopted borrowing habits that may be exposed by the reimposition of a real cost of capital. Accidents are possible, with signs of stress already in the UK’s liability driven investment industry, in cryptocurrency failures and in the higher cost of borrowing for private equity firms.

However, there is scope for optimism and opportunity too. A meaningful cost of capital, rather than one artificially suppressed by central banks, imposes discipline on investment decisions. This improves the chance of sustainably high returns on investment, which in turn might address the disappointingly low productivity performance of the UK and other economies in recent years. In parallel, trends such as deglobalisation and the re-shoring of production imply a period of higher capital expenditure, which would provide opportunities for business, including small UK quoted companies. A final consideration concerns the value investment style, which felt the headwinds of the low interest rate environment since the global financial crisis. A reversal would imply a better outlook for value or at least a more neutral style backdrop, which would be to ASCoT’s benefit.

Turning back to the portfolio, its valuations are unusually attractive at present. Of course, PE ratios do not fall so low unless the stockmarket is worried about something. In the case of ASCoT’s holdings, the wide-held concerns are their perceived vulnerability to recession and their “Britishness”, an attribute that has been shunned amid the political upheaval of recent years. On top of these factors is the evolution of a regulatory focus on risk and liquidity. This has discouraged institutional investment in smaller companies in a self-reinforcing vicious circle and accounts for the particularly low valuations of the “smaller small” companies from which ASCoT benefits.

If these are the reasons for the low valuations, why are they too low? At the broad level, it is the nature of equity markets to over-shoot. Indications that this might be the case are the PE ratio chart shown above and the fact that institutional allocations to UK equities have dwindled to very low levels. More specifically, the records of ASCoT’s holdings through the trials and tribulations of recent years have been good – these are resilient businesses with strong balance sheets and experienced management. Corroboration for this contention comes from 2022’s M&A activity: overseas businesses clearly disagree with the equity market and are willing to pay substantial valuation premiums for control.

Therefore, while trading conditions in 2023 are likely to be challenging, a good deal of the risk is likely already to be in the price. ASCoT’s closed end structure and tactical approach to gearing are well suited to navigating the near term uncertainty. Refreshed by the NSCI (XIC)’s significant 2023 rebalancing, ASCoT’s investment universe harbours numerous opportunities for a value investor focused on understanding and engaging with the companies. Accordingly, the Managers look to future years with confidence that ASCoT can out-perform against the backdrop of what current valuations suggest should be a rising stockmarket.

Aberforth Partners LLP
Managers

27 January 2023

Stewardship and Environmental, Social and Governance (ESG)

Board oversight and activities

At the heart of the Board's approach to stewardship is promoting the success of the Company for the benefit of Shareholders as a whole. The main gauge of success is achievement of the Company's investment objective in a manner consistent with its investment policy and strategy. In doing so, the Board considers its corporate governance obligations, regulation, risk and market integrity. Both the investment objective and these factors are affected by environmental, social and governance matters.

In discharging these stewardship responsibilities, the Board benefits from a group of directors with deep and diverse expertise. Their main role is one of oversight, since the Company's day-to-day activities are undertaken by external firms. Monitoring is based on quarterly updates from the Managers and Secretaries. During the year, the Board reviewed the Managers' stewardship and ESG related activity. This included the following.

- Enhancements to the Managers' stewardship and ESG policies and practices. During the year, the Managers' dedicated additional resource to support sustainability matters.
- Analysis and use of the data from an ESG survey of investee companies conducted in 2021, supporting active engagement during 2022.
- The completion of a proprietary methodology in a database module for assessing investee companies' ESG issues and for tracking related engagement activity.
- The Board reviewed and welcomed the publication of Aberforth's second Governance and Corporate Responsibility statement. It provides information about Aberforth's approach to ESG matters, including disclosures about greenhouse gas emissions for scope 1, 2 and 3.

Since the Company has no employees and the Board has engaged external firms to undertake the Company's activities, the Company has no greenhouse gas emissions to report from its operations and does not have responsibility for any other emissions-producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. The Board considered the applicability to the Company of the Streamlined Energy & Carbon Reporting Statement ('SECR') and determined that the Managers' voluntary detailed disclosures under SECR are most relevant.

The Managers, to whom the Board has delegated investment management responsibilities and discretion to exercise voting rights, play a crucial role in how the Company's approach to stewardship is put into practice. Their investments decisions, engagement with companies and voting are conducted in a manner consistent with their own stewardship policy. This is designed to deliver the Company's investment objective, while taking into account broader responsibilities to the economy, environment and society. The Board has reviewed, and endorses, the Managers' Stewardship approach and Policy, the details of which are set out below.

Managers' Activities

Philosophy, policies and practices

The Managers' approach to Stewardship and ESG is available on the Aberforth website in the "About Aberforth" section. The policy framework is set out in the following documents.

- *About Aberforth:* the background and founding principles of the firm, its core strategic philosophy and nature of the business.
- *Investment Philosophy:* the Managers' approach to investing as adopted for the Company, relevant extracts of which are included in the narrative that follows.
- *Stewardship Policy:* Aberforth's approach to stewardship of clients' capital, set out the format of the Financial Reporting Council's (FRC) UK Stewardship Code.
- *Engagement and Voting Framework:* how Aberforth engages and votes, along with what is expected from investee companies.
- *Examples of Engagement and Voting:* examples of how the Engagement and Voting framework is put into action.
- *Governance and Corporate Responsibility:* Aberforth Partners LLP's approach to stewardship, which is reported annually.

Stewardship and Environmental, Social and Governance (ESG)

The Managers' approach to Stewardship and ESG is overseen by their Stewardship Committee, which is a sub-committee of the partnership committee, Aberforth's ultimate governance body.

The investment cases for many of the Company's holdings are influenced by environmental, social and governance matters, particularly as the increased profile of such issues affects the stockmarket's valuations of companies. The Managers do not exclude investments from the portfolio based on ESG considerations alone. Rather, analysis of ESG matters is integrated into the investment process and is considered alongside other factors in forming an investment case.

Where ESG or other matters impinge upon the investment case, the Managers engage with the investee company's board, which is responsible for the design and implementation of the company's environmental, social and governance policies. The Managers are well placed to undertake this activity, since engagement has always been a fully integrated element of their investment process and feeds through to the target valuations for companies. The Managers believe that their willingness to engage constructively with the boards of investee companies has benefited investment performance over time and is therefore important to the long term success of the Company.

To support the investment process, Aberforth has enhanced its proprietary investment database with a module to improve the analysis and tracking of important ESG issues. The module captures relevant metrics, such as greenhouse gas emissions, Task Force for Climate-related Financial Disclosures (TCFD) compliance and the setting of net zero and science based targets. It also evaluates investee companies on the basis of several ESG subfactors. The scoring methodology starts with a sector-driven risk score, which is determined by Aberforth's Stewardship Committee and is influenced by inputs from several third parties such as the Sustainability Accounting Standards Boards (SASB) and other relevant external ESG analyses. From there, the investee company's actual score for each subfactor is determined, taking into account the risk score and company-specific considerations. This methodology allows the portfolio's ESG profile to be snapshotted and to be tracked through time, as well as helping to identify risks to investment cases and to focus engagement efforts.

Voting Policy and Activity

The Board has given discretion to the Managers to exercise voting rights on behalf of the Company. The Managers consider and vote on every resolution that is put to shareholders of the companies in which ASCoT is invested. The Board endorses the Managers' voting philosophy, which treats clients as part owners of the underlying companies. These voting principles are set out in the Managers' "Engagement and Voting Framework" document. The Managers vote against resolutions that they believe may damage shareholders' rights or economic interests, which specifically includes consideration of environmental and social matters.

The Board receives quarterly reports from the Managers on governance and voting issues pertaining to investee companies. The annual voting activity for the Company is noted in the table below.

ASCoT's voting activity, 12 months to 31 December 2022	
Shareholder meetings at which ASCoT's shares were voted	91
Shareholder meetings at which ASCoT's shares voted against or abstained	11
Number of resolutions voted	1,318
Number of resolutions voted against	3
Number of resolutions abstained	15

Voting is often the conclusion of engagement, which is undertaken directly and over time with the boards of investee companies. In normal circumstances, concerns would have been raised and discussed with an investee company's directors before the vote. Such engagement improves understanding of issues underlying controversial resolutions and can result in change that allows the Managers to vote in favour of the relevant resolutions.

Among small UK quoted companies, there are still few general meeting resolutions directly relevant to environmental and social issues, so much of the voting is focused on governance. During 2022, the Managers did not vote in favour of resolutions for the re-election of non-independent directors who could risk board independence. Votes against were also prompted by concerns about remuneration and about the effectiveness of directors. Beyond resolutions put to annual general meetings, the Managers voted against the approval of the takeover of one of the investee companies since the terms of the deal under-valued the business in question.

Stewardship and Environmental, Social and Governance (ESG)

The Managers' submission to the UK Stewardship Code

The UK Stewardship Code, issued by the FRC, sets out the principles of effective stewardship by institutional investors. The Managers are committed to effective stewardship and were early adopters of the UK Stewardship Code. They were again recognised as an approved signatory of the code in September 2022. The Managers publish their submission on their website, along with supporting documentation.

UN Principles For Responsible Investment ('UNPRI')

The Managers are a signatory to, and participate in, the annual UNPRI assessment. The results are available within the "About Aberforth" section of the Managers' website.

Aberforth Partners LLP's governance and corporate responsibility

The Managers' approach for their business to Stewardship and ESG matters is governed by the Stewardship Committee. Details are set out in their "Governance & Corporate Responsibility" statement. This includes their policies and practices covering their approach to governance, risk and control, company culture, human resources and environmental matters.

The document also sets out Aberforth's approach to emissions disclosures. It reported on scope 1 and 2 emission disclosures in 2021 and is enhanced for the inclusion of Scope 3 emissions in 2022. These are reported in the Governance and Corporate Responsibility section of the Managers' website. These voluntary disclosures are reported under the Streamlined Energy & Carbon Reporting Statement ('SECR').

Further details

Further detail on the Managers' Stewardship policy and supporting ESG documentation are available within the "About Aberforth" section of their website at www.aberforth.co.uk.

Thirty Largest Investments

As at 31 December 2022

No.	Company	Value £'000	% of Total Net Assets	Business Activity
1	FirstGroup	43,621	3.5	Bus & rail operator
2	Redde Northgate	42,272	3.4	Van rental
3	Morgan Advanced Materials	39,269	3.1	Manufacture of carbon & ceramic materials
4	Centamin	35,492	2.8	Gold miner
5	Wilmington Group	34,368	2.7	Business publishing & training
6	Rathbones Group	33,802	2.7	Private client fund manager
7	Wincanton	33,723	2.7	Logistics
8	EnQuest	29,860	2.4	Oil & gas exploration and production
9	Robert Walters	29,622	2.4	Recruitment
10	Just Group	28,671	2.3	Individually underwritten annuities
	Top Ten Investments	**350,700**	**28.0**	
11	Vesuvius	28,396	2.3	Metal flow engineering
12	Videndum	28,392	2.3	Photographic & broadcast accessories
13	RPS Group	28,037	2.2	Energy & environmental consulting
14	Senior	26,207	2.1	Aerospace & automotive engineering
15	Energean	23,930	1.9	Oil & gas exploration and production
16	C&C Group	23,137	1.9	Brewer and drinks distributor
17	Bakkavor Group	23,043	1.8	Food manufacturer
18	Reach	23,001	1.8	UK newspaper publisher
19	Ecora Resources	22,341	1.8	Natural resources royalties
20	Conduit Holdings	22,149	1.8	Bermuda based (re)insurer
	Top Twenty Investments	**599,333**	**47.9**	
21	Ricardo	22,048	1.8	Environmental & engineering consulting
22	Bodycote	21,799	1.7	Engineering - heat treatment
23	CMC Markets	21,571	1.7	Financial derivatives dealer
24	Rank Group	21,561	1.7	Multi-channel gaming operator
25	Crest Nicholson	21,393	1.7	Housebuilding
26	SIG	21,354	1.7	Specialist building products distributor
27	TI Fluid Systems	21,179	1.7	Automotive parts manufacturer
28	Headlam Group	20,018	1.6	Distributor of floor coverings
29	Lookers	19,733	1.6	Motor vehicle retailer
30	Hostelworld Group	19,417	1.6	Hostel booking platform
	Top Thirty Investments	**809,406**	**64.7**	
	Other Investments (49)	512,855	41.0	
	Total Investments	**1,322,261**	**105.7**	
	Net Liabilities	(71,391)	(5.7)	
	Total Net Assets	**1,250,870**	**100.0**	

Investments are in Ordinary Shares unless otherwise stated.

Investment Portfolio

As at 31 December 2022

Security	Value £'000	% of Total Net Assets	% of NSCI (XIC)[1]
Software and Computer Services	**13,283**	**1.1**	**6.2**
Moneysupermarket.com	13,283	1.1	
Technology Hardware and Equipment	**16,771**	**1.3**	**0.8**
TT Electronics	16,771	1.3	
Telecommunications Equipment	**–**	**–**	**1.2**
Telecommunications Service Providers	**165**	**0.0**	**0.8**
Zegona Communications	165	0.0	
Health Care Providers	**19,324**	**1.5**	**0.8**
Medica Group	19,324	1.5	
Medical Equipment and Services	**–**	**–**	**0.2**
Pharmaceuticals and Biotechnology	**–**	**–**	**0.9**
Banks	**–**	**–**	**3.7**
Finance and Credit Services	**30,516**	**2.5**	**2.0**
International Personal Finance	18,313	1.5	
Provident Financial	12,203	1.0	
Investment Banking and Brokerage Services	**96,463**	**7.7**	**11.3**
City of London Investment Group	11,485	0.9	
CMC Markets	21,571	1.7	
Jupiter Fund Management	15,731	1.3	
Rathbones Group	33,802	2.7	
XPS Pensions Group	13,874	1.1	
Life Insurance	**32,423**	**2.6**	**0.9**
Hansard Global	3,752	0.3	
Just Group	28,671	2.3	
Non-life Insurance	**34,988**	**2.8**	**1.8**
Conduit Holdings	22,149	1.8	
Sabre Insurance Group	12,839	1.0	
Real Estate Investment and Services	**9,234**	**0.7**	**2.5**
Foxtons	9,234	0.7	
Real Estate Investment Trusts	**21,181**	**1.7**	**7.4**
Empiric Student Property	5,084	0.4	
Helical	7,012	0.6	
Industrials REIT	3,834	0.3	
Workspace Group	5,251	0.4	
Automobiles and Parts	**21,179**	**1.7**	**1.3**
TI Fluid Systems	21,179	1.7	
Consumer Services	**6,673**	**0.5**	**0.2**
RM	6,673	0.5	
Household Goods and Home Construction	**41,411**	**3.3**	**2.0**
Crest Nicholson	21,393	1.7	
Headlam Group	20,018	1.6	
Leisure Goods	**–**	**–**	**0.3**
Personal Goods	**–**	**–**	**0.1**
Media	**90,304**	**7.2**	**3.7**
Centaur Media	6,393	0.5	
Hyve Group	8,975	0.7	
National World	8,698	0.8	
Reach	23,001	1.8	
STV Group	8,869	0.7	
Wilmington Group	34,368	2.7	

Investment Portfolio

As at 31 December 2022

Security	Value £'000	% of Total Net Assets	% of NSCI (XIC)[1]
Retailers	**63,809**	**5.1**	**4.0**
Card Factory	18,999	1.5	
DFS Furniture	15,387	1.2	
Lookers	19,733	1.6	
Topps Tiles	9,690	0.8	
Travel and Leisure	**115,469**	**9.2**	**8.4**
FirstGroup	43,621	3.5	
Hostelworld Group	19,417	1.5	
Marstons	15,753	1.3	
Mitchells & Butlers	15,117	1.2	
Rank Group	21,561	1.7	
Beverages	**23,137**	**1.8**	**0.9**
C&C Group	23,137	1.8	
Food Producers	**25,205**	**2.0**	**2.4**
Bakkavor Group	23,043	1.8	
R.E.A. Holdings	2,162	0.2	
Personal Care, Drug and Grocery Stores	**2,072**	**0.2**	**1.2**
McBride	2,072	0.2	
Construction and Materials	**74,720**	**6.1**	**4.6**
Eurocell	18,294	1.5	
Galliford Try Holdings	14,886	1.2	
Keller	14,755	1.2	
Ricardo	22,048	1.8	
Severfield	4,737	0.4	
Aerospace and Defence	**26,207**	**2.1**	**2.3**
Senior	26,207	2.1	
Electronic and Electrical Equipment	**52,514**	**4.2**	**2.8**
Dialight	13,245	1.1	
Morgan Advanced Materials	39,269	3.1	
General Industrials	**–**	**–**	**1.1**
Industrial Engineering	**85,383**	**6.8**	**1.4**
Castings	15,746	1.3	
Vesuvius	28,396	2.3	
Videndum	28,392	2.3	
XAAR	12,849	0.9	
Industrial Support Services	**129,334**	**10.4**	**6.1**
De La Rue	13,685	1.1	
PageGroup	8,431	0.7	
Paypoint	6,180	0.5	
Robert Walters	29,622	2.4	
RPS Group	28,037	2.2	
SIG	21,354	1.7	
Smiths News	12,220	1.0	
Speedy Hire	9,805	0.8	
Industrial Transportation	**90,912**	**7.3**	**2.5**
Fisher (James) & Sons	11,198	0.9	
Redde Northgate	42,272	3.4	
VP	3,719	0.3	
Wincanton	33,723	2.7	
Industrial Materials	**–**	**–**	**0.1**

Investment Portfolio

As at 31 December 2022

Security	Value £'000	% of Total Net Assets	% of NSCI (XIC)[1]
Industrial Metals and Mining	**80,200**	**6.4**	**3.1**
Bodycote	21,799	1.7	
Capital	18,526	1.5	
Ecora Resources	22,341	1.8	
Kenmare Resources	17,534	1.4	
Precious Metals and Mining	**40,368**	**3.2**	**2.5**
Centamin	35,492	2.8	
Gem Diamonds	4,876	0.4	
Chemicals	**6,478**	**0.5**	**3.1**
RHI Magnesita	6,478	0.5	
Oil, Gas and Coal	**72,538**	**5.8**	**4.1**
Energean	23,930	1.9	
EnQuest	29,860	2.4	
Genel Energy	6,349	0.5	
Petrofac	5,601	0.5	
Pharos Energy	6,798	0.5	
Alternative Energy	**–**	**–**	**0.1**
Electricity	**–**	**–**	**0.0**
Waste and Disposal Services	**–**	**–**	**1.2**
Total Investments	**1,322,261**	**105.7**	**100.0**
Net Liabilities	(71,391)	(5.7)	
Total Net Assets	**1,250,870**	**100.00**	**100.0**

[1] Reflects the rebalanced index as at 1 January 2023.

Summary of Material Investment Transactions

For the year ended 31 December 2022

Purchases	Cost £'000	Sales	Proceeds £'000
Bodycote	20,652	Brewin Dolphin Holdings	54,144
Energean	19,776	Micro Focus	44,696
Moneysupermarket.com	12,451	Go-Ahead Group	32,839
Mitchells & Butlers	11,234	RPS Group	31,026
Micro Focus	9,588	McKay Securities	21,463
Fisher (James) & Sons	9,348	Stagecoach Group	21,362
Rank Group	8,521	Provident Financial	17,754
Helical	8,301	Hollywood Bowl	12,490
CMC Markets	8,098	Keller	10,171
Jupiter Fund Management	7,578	Forterra	9,379
Go-Ahead Group	7,578	Rathbones Group	6,085
PageGroup	7,396	Alfa Financial Software Holdings	5,901
Sabre Insurance Group	6,775	Petrofac	5,409
Conduit Holdings	6,661	Medica Group	5,046
C&C Group	6,291	TT Electronics	2,006
Reach	6,120	Redde Northgate	1,870
Petrofac	6,065	STV Group	1,833
Speedy Hire	5,967	McColl's Retail Group	511
Headlam Group	5,595	Videndum	495
RHI Magnesita	5,502	R.E.A. Holdings	109
Other Purchases	70,664	Other Sales	62
Total Purchases (incl. transaction costs)	**250,161**	**Total Sale Proceeds (incl. transaction costs)**	**284,651**

Portfolio Information

FTSE Industry Classification Exposure Analysis

Sector	31 December 2021 Portfolio Weight %	31 December 2021 Portfolio Valuation £'000	Net Purchases/ (Sales)[1] £'000	Net Appreciation/ (Depreciation) £'000	**31 December 2022 Portfolio Valuation £'000**	**31 December 2022 Portfolio Weight %**	**31 December 2022 NSCI (XIC)[2] Weight %**
Technology	4	59,246	(30,564)	1,371	**30,053**	**2**	**7**
Telecommunications	–	188	–	(23)	**165**	**–**	**2**
Health care	2	26,132	(3,782)	(3,026)	**19,324**	**1**	**2**
Financials	17	271,786	(40,926)	(36,470)	**194,390**	**15**	**20**
Real Estate	2	31,673	(959)	(298)	**30,416**	**2**	**10**
Consumer Discretionary	29	446,904	(10,192)	(97,867)	**338,845**	**26**	**20**
Consumer Staples	4	63,398	6,779	(19,763)	**50,414**	**4**	**4**
Industrials	33	518,647	(2,958)	(56,619)	**459,070**	**35**	**21**
Basic Materials	6	88,936	27,680	10,430	**127,046**	**10**	**9**
Energy	3	47,675	20,432	4,431	**72,538**	**5**	**4**
Utilities	–	–	–	–	**–**	**–**	**1**
	100	1,554,585	(34,490)	(197,834)	**1,322,261**	**100**	**100**

FTSE Index Classification Exposure Analysis

Index Classification	31 December 2021 No. of Companies	31 December 2021 Portfolio Valuation £'000	31 December 2021 Weight %	31 December 2021 NSCI (XIC) Weight %	**31 December 2022 No. of Companies**	**31 December 2022 Portfolio Valuation £'000**	**31 December 2022 Weight %**	**31 December 2022 NSCI (XIC)[2] Weight %**
FTSE 100	–	–	–	–	**–**	**–**	**–**	**–**
FTSE 250	18	581,789	38	63	**21**	**505,252**	**38**	**67**
FTSE SmallCap	42	780,738	50	27	**41**	**633,787**	**48**	**23**
FTSE Fledgling	7	50,841	3	1	**8**	**51,393**	**4**	**1**
Other	10	141,217	9	9	**9**	**131,829**	**10**	**9**
	77	1,554,585	100	100	**79**	**1,322,261**	**100**	**100**

[1] Includes transaction costs.

[2] Reflects the rebalanced index as at 1 January 2023.

Historical Information

Total Returns

Period	Discrete Annual Returns (%) ASCoT NAV	Index	ASCoT Share Price
1 year to 31 December 2022	**-10.4**	**-17.9**	**-7.3**
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

	Annualised Returns (%)			Cumulative Returns (%)		
Periods to 31 December 2022	ASCoT NAV	Index	ASCoT Share Price	ASCoT NAV	Index	ASCoT Share Price
2 years from 31 December 2020	9.0	0.1	5.6	18.7	0.1	11.5
3 years from 31 December 2019	0.2	-1.4	-2.3	0.5	-4.2	-6.8
4 years from 31 December 2018	6.3	4.7	6.8	27.5	20.0	30.2
5 years from 31 December 2017	1.5	0.3	2.8	7.8	1.5	14.9
6 years from 31 December 2016	4.7	3.3	5.9	31.6	21.3	40.9
7 years from 31 December 2015	4.8	4.4	4.4	39.3	34.8	34.9
8 years from 31 December 2014	5.5	5.1	5.5	53.5	49.1	53.6
9 years from 31 December 2013	4.8	4.3	4.9	52.5	46.3	53.8
10 years from 31 December 2012	8.8	7.2	9.6	132.3	100.4	149.1
15 years from 31 December 2007	7.4	7.3	8.8	192.4	189.1	252.3
20 years from 31 December 2002	10.4	10.6	10.3	629.6	648.4	611.0
32.1 years from inception on 10 December 1990	11.9	9.6	11.6	3,562.8	1,817.7	3,319.2

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 %
2022	**1,465.7**	**1,322.00**	**9.8**	**55.64**	**47.30**	**0.80**	**5.7**
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

Business Model and Company Matters

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.

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 2023 (the date of the last annual index rebalancing), the index included 350 companies, with an aggregate market capitalisation of £140 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 ambition to grow dividends in real terms. 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 taken decisions during the year in relation to the matters described below, having 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 28 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 and engagement – To help the Board in its aim to act fairly as between the Company’s members, the Board 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 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. The Company has a borrowing facility 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.

Stewardship matters – The Board also expects good standards at the companies in 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. Further information on Stewardship matters is provided on pages 13 to 15.

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 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 and the context for risks can be found in the Corporate Governance Report on page 35. The Audit Committee Report (pages 36 to 38) details the committee's review process, 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. During the Covid-19 pandemic, these firms deployed alternative operational practices, including staff working remotely, to ensure continued business service. Many of these practices continue in operation in some form.

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 critical infrastructure security and global conflicts. This risk was grouped under the principal risk category of market risk, as described below. The Board monitors how the Managers integrate such risks into investment decision making.

Principal risks are those risks in 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.

Investment policy/performance risk	
Risk–this is a portfolio management risk	**Mitigation**
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 Market risk 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.

Market risk	
Risk–this is a portfolio management risk	**Mitigation**
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, effects of the Ukraine/Russian war and escalations, 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, energy security, recession and other geopolitical issues as addressed in the Managers' Report.

Principal Risks

Share price discount	
Risk–this is an investor relations risk	**Mitigation**
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.

Gearing risk	
Risk–this is a portfolio management risk	**Mitigation**
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.

Reputational risk	
Risk–this is an investor relations risk	**Mitigation**
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.

Regulatory risk	
Risk–this is a regulatory and legal risk	**Mitigation**
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.

Viability Statement

The Directors have assessed the viability of the Company over the five years to December 2027, taking account of the Company's position, its investment strategy, and the potential impact of the principal risks detailed on pages 24 and 25. 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 at the AGM on 2 March 2023 and again in 2026.

In making this assessment, the Directors took comfort from the results of a series of stress tests, which considered the impact 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 12 on page 57). 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 the five years to December 2027 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

Board Diversity

The Board's diversity policy and information on Board diversity, including in relation to FCA Listing Rules and targets, is set out on page 34.

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' approaches to environmental, social and governance matters is set out on pages 13 to 15.

Strategic Report

The Strategic Report, contained on pages 1 to 26, has been prepared by the Directors in accordance with Section 414 of the Companies Act 2006 and has been approved by the Board of Directors on 27 January 2023 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. 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.

Jaz Bains

Appointed: 10 October 2022
Shareholding in the Company: 1,030 Ordinary Shares

Jaz has worked in the energy sector for over 30 years. In 2013 he helped set up and launch The Renewables Infrastructure Group ('TRIG'), now a FTSE 250 listed investment company, and he is responsible for leading the Operations Manager function of TRIG. He is also a non-executive director and senior independent director for the Jupiter Green Investment Trust Plc.

Julia Le Blan

Appointed: 29 January 2014 and chairs the Audit Committee. Julia will be retiring from the Board of the Company on 2 March 2023.
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 a director of The Biotech Growth Trust plc and British & American Investment Trust plc.

Patricia Dimond

Appointed: 3 March 2022
Shareholding in the Company: 4,000 Ordinary Shares and is a member of the Audit Committee

Patricia is a non-executive director and chair of audit of Hilton Food Group plc and a non-executive director of Foresight VCT Plc. She is a trustee and chair of audit of the English National Opera and the National Academy for Social Prescribing. She has had an international career with over 30 years in the consumer, retail and financial sectors. As an industry executive or strategic advisor she has worked with FTSE 100, Private Equity and Founder/owner managed companies with a focus on finance, strategy and corporate governance. She is a McKinsey & Company alumna, CFA charter holder, has an MBA from IMD Switzerland and qualified as a chartered accountant with Deloitte, Haskins & Sells.

Victoria Stewart

Appointed: 1 September 2020
Shareholding in the Company: 4,200 Ordinary Shares and is a member of the Audit Committee

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 chair 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 2022.

Directors

The Directors of the Company during the financial year are listed on page 40. 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 2022 amounted to a loss of £156,692,000 (2021: profit of £367,526,000). The Net Asset Value per Ordinary Share at 31 December 2022 was 1,465.67p (2021: 1,674.35p).

Your Board is pleased to declare a final dividend of 26.95p and a special dividend of 8.30p (total of £30,084,000), which produces total dividends for the year of 47.30p (total of £40,529,000). The final and special dividends, subject to Shareholder approval, will be paid on 8 March 2023 to Shareholders on the register at the close of business on 10 February 2023.

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 2022, funds under management were £1.9 billion, of which 80% was represented by investment trusts, 7% by a unit trust and 13% 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 2022 was circa £250 million of funds under management.

The firm is 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 ASCoT's shares.

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 £9,368,000 in the year ended 31 December 2022 (2021: £10,005,000).

The secretarial fee amounted to £96,708 (excluding VAT) during 2022 (2021: £90,308). 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 £124,000 for the year ended 31 December 2022 (2021: £153,000) 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 2022, the Company's authorised share capital consisted of 333,299,254 Ordinary Shares of 1p of which 85,344,605 were issued and fully paid. During the year, 2,603,661 shares (3.1% of the Company's issued share capital with a nominal value of £26,037) were bought back and cancelled at a total cost of £33,296,000. 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 on 2 March 2023. Further details on the backdrop of the continuation vote are included in the Chairman's Statement on pages 4 and 5, along with the Directors' recommendation.

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. 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 2022 and 27 January 2023. The total number of voting rights amounted to 85,344,605 at 31 December 2022. Since 31 December 2022, no shares have been bought back and cancelled and therefore the total number of voting rights at 27 January 2023 amounted to 85,344,605.

Notified interests	Percentage of Voting Rights Held
Brewin Dolphin Limited	10.5%
Investec Wealth & Investment Limited	9.2%
Rathbone Brothers plc	6.1%
Allspring Global Investments Holdings, LLC	5.1%

Annual General Meeting

The AGM will be held on 2 March 2023 at 10.30 a.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 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. 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 62 and 63. 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 13, as set out in the Notice of the AGM, seeks renewal of such authority until the AGM in 2024. 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 29 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 29 and 30.
- 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 32 and 33.
- 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

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 2022, there are no post balance sheet events that would require adjustment of or disclosure in the financial statements.

Independent Auditor

Johnston Carmichael LLP has expressed its willingness to continue in office as auditor and a resolution proposing its re-appointment will be put to the forthcoming Annual General Meeting.

Disclosure of Information to Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware. They also confirm that 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

27 January 2023

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 2022, 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 28 to 31.

Compliance

Throughout the year ended 31 December 2022 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 2022, the Board comprised six 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. 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). Directors who are not members of the Audit Committee were invited to be present at meetings of the Audit Committee.

Director	Board Eligible to attend	Board Attended	Audit Committee Eligible to attend	Audit Committee Attended
Richard Davidson, Chairman	5	5	–	–
Jaz Bains (appointed 10 October 2022)	1	1	–	–
Paula Hay-Plumb (retired 3 March 2022)	1	1	1	1
Julia Le Blan	5	4	3	3
Patricia Dimond (appointed 3 March 2022)	3	3	2	2
Victoria Stewart	5	5	3	3
Martin Warner	5	5	–	–

There has been no change to the Directors between 31 December 2022 and 27 January 2023.

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 believes 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. 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. Julia Le Blan is retiring from the Board at the 2023 AGM having been a Director for nine years and all the continuing Directors have served for fewer than nine years. The Board appointed two new Directors during 2022. Patricia Dimond was appointed on 3 March 2022 and Jaz Bains was appointed on 10 October 2022. Details of each Director are contained on page 27. The search for candidates involved the establishment of a committee, chaired by Richard Davidson, to meet with a shortlist of candidates provided by external search consultants. Trust Associates was engaged to conduct the search that led to the appointment of Patricia Dimond, and Cornforth Consulting was engaged for the search that led to the appointment of Jaz Bains. Neither of these external search firms has any connections with the Company or Directors.

Corporate Governance Report

Board Diversity Policy and Information

The Board's policy for the appointment of non-executive directors reflects 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. In pursuing this policy, the Board actively promotes equality and fairness and does not discriminate on the grounds of gender, race, ethnicity, religion, sexual orientation, age, physical ability or socio-economic backgrounds. The overriding aim of the policy is to seek to ensure that the Board and its committees are 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 27.

The Board recognises the new diversity targets set out on the FCA's Listing Rule 9.8.6R (9), and although the Company is not required to report against these targets until its 2023 Annual Report, it has chosen to do so in the diversity information provided below. The Company meets these FCA diversity targets as at 31 December 2022 and there have been no changes since that date that have affected the Company's ability to meet them.

Board Gender as at 31 December 2022	Number of Board members	Percentage of the Board	Number of senior positions on the Board
Men	3	50.0%	1
Women	3	50.0%	1

In respect of gender representation, the Company meets the FCA's Listing Rules targets that at least 40% of individuals on its board are women and at least one of the senior board positions is held by a woman. As set out in the table above, 50% of the Board are women and the position of Chair of the Audit Committee, which fulfils the role of Senior Independent Director where necessary, is held by a woman.

Board Ethnic Background as at 31 December 2022	Number of Board members	Percentage of the Board	Number of senior positions on the Board
White British or other White (including minority White groups)	5	83.3%	2
Minority Ethnic	1	16.7%	–

The FCA's Listing Rules target that at least one individual on a board is from a minority ethnic background and, as set out in the table above, the Company meets this target.

The diversity data included above were obtained from individual Directors using a survey tool. As the Company is an externally managed investment company and has no executive directors or management, it has not provided diversity information on executive management.

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. The Board appointed Lintstock Limited to facilitate an external independent review of the Board and the Audit Committee by way of an evaluation questionnaire, the results of which were discussed by the Directors in October 2022, 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.

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.

Corporate Governance Report

Directors' and Officers' Liability Insurance

The Company maintains appropriate insurance cover in respect of legal action against its Directors. The Company has also entered into qualifying third party deeds of indemnity with each Director to cover any liabilities that may arise to a third party, other than the Company, for negligence, default or breach of trust or duty. The deeds were in force during the year to 31 December 2022 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. Further information on risk management and internal control is contained on pages 36 to 38. The Directors have not identified any significant factors 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. The Shareholder presentation is published on the Managers' website. 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 on 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.

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), Patricia Dimond (appointed on 3 March 2022), Paula Hay-Plumb (retired on 3 March 2022) and Victoria Stewart. The current members' biographies can be found on page 27. 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. 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 and 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. The latest version is shown below.

Risk Management and Internal Control

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 Audit Committee seeks to identify emerging risks to ensure that they are effectively managed as they develop and are recorded in the risk matrix. The Audit Committee considers each risk in the matrix 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 pages 24 and 25. 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 risk management and internal control is contained on page 38. The Audit Committee has not identified any significant failures or weaknesses in respect of the Company's internal control systems.

Audit Committee Annual Plan

January

- Annual Report including judgemental areas, going concern, viability statement, letter of representation, expense analysis and Annual Report announcement
- Custodian's Controls Report update
- Investment Trust Status
- Key Risks of the Company
- Provision of non-audit services, including taxation compliance services
- Basis of Management Fee allocation (every three years)
- Audit meeting/ evaluation of the audit including auditor independence

April

- Meetings to be called if required

July

- Half Yearly Report including judgemental areas, going concern, expense analysis and Half Yearly Report announcement
- Audit Fees
- Key Risks of the Company
- Investment Trust Status
- Committee's Terms of Reference

October

- Corporate Governance Compliance
- Evaluation of the Committee
- Audit Committee Plan
- Auditor Plan, together with the Terms of Engagement
- Cyber Security Measures (Aberforth Partners)
- Key Risks of the Company
- Investment Trust Status
- Internal Controls Review including reports from the Managers and other third parties

Audit Committee Report

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. The external auditor attends the meetings in January and October.

During the year to 31 December 2022 the Committee focused on the areas described below.

Matters Considered and Action taken by the Committee

Financial Reporting

In July 2022, 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 2023, 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 2022. 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 2022	*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 was 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 auditor tested the management fees as part of its audit.*
Impact of pandemic	*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' 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. 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, the relatively low levels of cash required to continue operating the Company and the availability of the borrowing facilities. It was also recognised that the Company's shareholders are to vote on the continuation of the Company on 2 March 2023 and again in 2026.

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 26. In January 2023, 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: adding the effects of the Ukraine/Russian war and escalations to market risks; updating risk ratings where appropriate; moving certain risks from emerging to emerged but not principal risks; and adding some political and economic emerging risks. The Committee believes the Matrix continues to reflect accurately the Company’s principal risks. These risks are detailed on pages 24 and 25. In October 2022 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 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 a report from Aberforth Partners on 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.
External Auditor, Audit Planning and Audit fees Johnston Carmichael LLP was appointed as the Company’s Auditor at the AGM held on 3 March 2022 in place of the retiring auditor, Deloitte LLP, following a formal tender process. The Committee reviews the reappointment of the auditor every year. The audit partner needs to be rotated every five years and David Holmes was first appointed audit partner for the 2022 audit. Johnston Carmichael LLP presented its audit plan to the Committee in October in advance of the 2022 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 £31,500, excluding VAT, for the year (2021: £32,000). There were no non-audit activities carried out by Johnston Carmichael LLP. 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 2033.
Auditor Following the completion of the audit in January 2023, 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 Johnston Carmichael LLP’s performance on the audit. Additionally Johnston Carmichael LLP 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

An external review of the Committee’s effectiveness, using an online evaluation questionnaire, was facilitated by Lintstock 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
27 January 2023

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. A resolution is being put at the 2023 AGM to seek Shareholders' approval for the Directors' Remuneration Policy. 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 2022 and year ending 31 December 2023.

	Annual Fees 2023 £	Annual Fees 2022 £
Chairman of the Company	**41,460**	39,300
Director and Chair of the Audit Committee	**34,300**	32,500
Director and Member of the Audit Committee	**29,300**	27,780
Director	**27,640**	26,200

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 43.

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 2023
Paula Hay-Plumb (retired 3 March 2022)	29 January 2014	n/a
Jaz Bains	10 October 2022	AGM 2023
Julia Le Blan (not seeking re-election)	29 January 2014	n/a
Patricia Dimond	3 March 2022	AGM 2023
Victoria Stewart	1 September 2020	AGM 2023
Martin Warner	1 March 2018	AGM 2023

Directors’ Fees (Audited)

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

Director	**Fees (Total Emoluments) 2022 £**	Fees (Total Emoluments) 2021 £
Richard Davidson, Chairman	**39,300**	37,425
Jaz Bains (appointed 10 October 2022)	**5,958**	n/a
Julia Le Blan, Chair of the Audit Committee	**32,500**	30,950
Paula Hay-Plumb (retired 3 March 2022)	**4,719**	26,450
Patricia Dimond (appointed 3 March 2022)	**23,042**	n/a
Victoria Stewart	**27,780**	26,113
Martin Warner	**26,200**	24,950
	159,499	150,308

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.

	2022 £’000	2021 £’000	Absolute change £’000
Total Directors’ remuneration	**159**	150	9
Total dividends in respect of that year	**40,529**	31,014	9,515
Total share buy-back consideration	**33,296**	12,886	20,410

The annual percentage change in Directors’ remuneration is provided in the table below.

	2022	2021	2020
Chairman of the Company	**5.0%**	0.0%	1.8%
Director and Chair of the Audit Committee	**5.0%**	0.0%	1.5%
Director and Member of the Audit Committee	**5.0%**	0.0%	1.7%
Director	**5.0%**	0.0%	1.8%

The Company does not have any employees and hence no comparisons are given between Directors’ and employees’ pay increases.

Directors' Remuneration Report

Statement of Directors' Shareholdings and Share Interests (Audited)

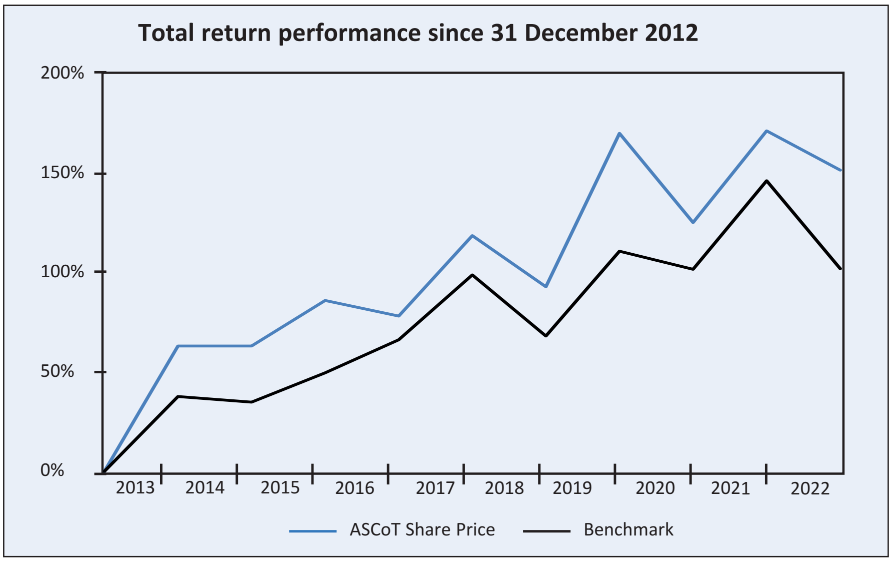
The Directors who held office at any time during the year ended 31 December 2022 and their interests in the Shares of the Company as at that date and 1 January 2022 were as follows.

Directors	Nature of Interest	Ordinary Shares **31 December 2022**	1 January 2022
Richard Davidson, Chairman	Beneficial	32,000	32,000
Jaz Bains (appointed 10 October 2022)	Beneficial	1,030	n/a
Julia Le Blan	Beneficial	3,000	3,000
Paula Hay-Plumb (retired 3 March 2022)	Beneficial	n/a	2,600
Patricia Dimond (appointed 3 March 2022)	Beneficial	4,000	n/a
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 2022 and 27 January 2023. 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 3 March 2022, Shareholders, on a show of hands, passed the resolution to approve the Directors' Remuneration Report: of the 54,718,957 proxy votes, 54,609,519 were cast in favour, 24,232 were cast against, 60,378 were discretionary and 24,828 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.



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 2012. 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 2022:

(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

27 January 2023

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, performance, business model and strategy.

On behalf of the Board
Richard Davidson
Chairman

27 January 2023

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Aberforth Smaller Companies Trust plc ("the Company"), for the year ended 31 December 2022, which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement, and the related notes, including significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 31 December 2022 and of its net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006

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

Our approach to the audit

We planned our audit by first obtaining an understanding of the Company and its environment, including its key activities delegated by the Board to relevant approved third-party service providers and the controls over provision of those services.

We conducted our audit using information maintained and provided by Aberforth Partners LLP (the "Investment Manager", the "Company Secretary," and "Administrator") The Northern Trust Company (the "Custodian"), NatWest Trustee & Depositary Services Limited (the "Depositary") and Link Group (the "Registrar") to whom the Company has delegated the provision of services.

We tailored the scope of our audit to reflect our risk assessment, taking into account such factors as the types of investments within the Company, the involvement of the Administrator, the accounting processes and controls, and the industry in which the Company operates.

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in the evaluation of the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Independent Auditor's 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, we do not provide a separate opinion on these matters.

We summarise below the key audit matters in arriving at our audit opinion above, together with how our audit addressed these matters and the results of our audit work in relation to these matters.

Key audit matter	How our audit addressed the key audit matter and our conclusions
Valuation and ownership of investments (as per page 37 (Report of the Audit Committee), page 53 (Accounting Policies) and Note 10. The valuation of the portfolio at 31 December 2022 was £1,322m (2021: £1,555m) and comprised entirely of listed equity investments. As this is the largest component of the Company's Balance Sheet, accounting for 105.7% (2021: 105.6%) of net assets, and a key driver of the Company's total return, this has been designated as a key audit matter, being one of the most significant assessed risks of material misstatement due to fraud or error. There is a risk that investments held at fair value may not be actively traded and the quoted prices may not be reflective of their fair value (valuation). Additionally, there is a risk that the investments recorded as held by the Company may not represent property of the Company (ownership).	We reviewed controls reports provided by the Administrator and the Custodian to gain an understanding of the processes relating to valuation and custody, and to evaluate whether the key controls are designed effectively and implemented. We compared market prices applied to all listed equity investments held at 31 December 2022 to an independent third-party source and recalculated the investment valuations. We obtained average trading volumes from an independent third-party source for all investments held at year end and assessed their liquidity. We agreed the ownership of all listed equity investments held at 31 December 2022 to the independently received custodian report. From our completion of these procedures, we identified no material misstatements in relation to the valuation and ownership of the investments.
Revenue recognition, including allocation of special dividends as revenue or capital returns (as per page 37 (Report of the Audit Committee), page 53 (Accounting Policies) and Note 3. The income from investments for the year to 31 December 2022 was £53.2m (2021: £37.3m) consisting of dividends received from listed investments. Revenue-based performance metrics are often one of the key performance indicators for stakeholders. The investment income received by the Company during the year directly impacts these metrics and the minimum dividend required to be paid by the Company in order to maintain investment trust status. There is a risk that revenue is incomplete or inaccurate through failure to recognise income entitlements or failure to appropriately account for their treatment. It has therefore been designated as a key audit matter being one of the most significant assessed risks of material misstatement due to fraud or error. Additionally, judgement is required in determining the allocation of special dividends as revenue or capital returns in the Income Statement.	We reviewed the controls report provided by the Administrator to gain an understanding of the process relating to revenue recognition, including the process for allocating special dividends as revenue or capital returns, and to evaluate whether the key controls are designed effectively and implemented. We confirmed that income is recognised in accordance with the AIC SORP by assessing the accounting policies. We recalculated 100% of dividends due to the Company based on investment holdings throughout the year and announcements made by investee companies. We agreed a sample of investment income recognised to bank statements. We assessed the completeness of the special dividend population and determined whether the Company's allocation of special dividends as revenue or capital returns was appropriate by reference to the underlying commercial circumstances. From our completion of these procedures, we identified no material misstatements in relation to revenue recognition, including allocation of special dividends as revenue or capital returns.

Independent Auditor's Report

Our application of 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 in determining the nature and extent of our work and in evaluating the results of that work.

Materiality measure	Value
Materiality for the financial statements as a whole – we have set materiality as 1% of net assets as we believe that net assets is the primary performance measure used by investors and is the key driver of shareholder value. It is also the standard industry benchmark for materiality for investment trusts and we determined the measurement percentage to be commensurate with the risk and complexity of the audit and the Company's listed status.	£12.51m (2021: £14.73m)
Performance materiality - performance materiality represents amounts set by the auditor at less than materiality for the financial statements as a whole, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In setting this we consider the Company's overall control environment and any experience of the audit that indicates a lower risk of material misstatements. Based on our judgements of these factors we have set performance materiality at 50% of our overall financial statement materiality as this is our first year as auditor.	£6.25m (2021: £10.31m)
Specific materiality – recognising that there are transactions and balances of a lesser amount which could influence the understanding of users of the financial statements we calculate a lower level of materiality for testing such areas. Specifically, given the importance of the distinction between revenue and capital for the Company, we applied a separate testing threshold for the revenue column of the Income Statement, set at the higher of 5% of the revenue net return on ordinary activities before taxation and our Audit Committee Reporting Threshold. Separately, we have also set a specific materiality in respect of related party transactions and Directors' remuneration. We used our judgement in setting these thresholds and considered our experience and industry benchmarks for specific materiality.	£2.41m (2021: N/A)
Audit Committee reporting threshold - we agreed with the Audit Committee that we would report to them all differences in excess of 5% of overall materiality in addition to other identified misstatements that warranted reporting on qualitative grounds, in our view. For example, an immaterial misstatement as a result of fraud.	£0.63m (2021: £0.74m)

During the course of the audit, we reassessed initial materiality and found no reason to alter the basis of calculation used at year-end.

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 method of assessing going concern, including consideration of market conditions and uncertainties;
- Assessing and challenging the forecast cashflows and associated sensitivity modelling including assessment of the loan covenants used by the Directors in support of their going concern assessment;
- Obtaining and recalculating management's assessment of the Company's ongoing maintenance of investment trust status;
- Evaluating management's assessment of the business continuity plans of the Company's main service providers; and
- Assessing the adequacy of the Company's going concern disclosures included in the Annual Report.

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 Company's reporting on how it 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.

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.

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.

Matters on which we are required to report by exception

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 material misstatements in the Strategic Report or the Directors’ Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements and the part of the Directors’ Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors’ remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- A corporate governance statement has not been prepared by the Company.

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 or 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 29;
- The Directors’ explanation as to its assessment of the Company’s prospects, the period this assessment covers and why the period is appropriate set out on page 26;
- The Directors’ statement on whether it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities set out on page 26;
- The Directors’ statement on fair, balanced and understandable set out on page 42;
- The Board’s confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 24;
- The section of the annual report that describes the review of the effectiveness of risk management and internal control systems set out on pages 35 and 36; and
- The section describing the work of the Audit Committee set out on pages 36 to 38.

Independent Auditor's Report

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 42, 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 Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent 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.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and the sector in which it operates, focusing on those provisions that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- Companies Act 2006;
- FCA listing and DTR rules;
- The principles of the UK Corporate Governance Code applied by the AIC Code of Corporate Governance (the "AIC Code");
- Industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued in November 2014, and updated in July 2022 with consequential amendments;
- Financial Reporting Standard 102; and
- The Company's qualification as an investment trust under section 1158 of the Corporation Tax Act 2010.

We gained an understanding of how the Company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. We identified a heightened fraud risk in relation to the allocation of special dividends. Audit procedures performed in response to these risks are set out in the section on key audit matters above.

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Completion of appropriate checklists and use of our experience to assess the Company's compliance with the Companies Act 2006 and the Listing Rules;
- Testing of accounting journals and other adjustments for appropriateness;
- Assessing judgements and estimates made by management for bias; and
- Agreement of the financial statement disclosures to supporting documentation.

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

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board on 3 March 2022 to audit the financial statements for the year ended 31 December 2022 and subsequent financial periods. The period of our total uninterrupted engagement is one year, covering the year ended 31 December 2022.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

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.

David Holmes (Senior statutory auditor)
For and on behalf of Johnston Carmichael LLP
Statutory Auditor
Edinburgh, United Kingdom
27 January 2023

(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 2022

	Note	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
Net (losses)/gains on investments	10	**–**	**(195,756)**	**(195,756)**	–	344,608	344,608
Investment income	3	**53,188**	**–**	**53,188**	37,331	–	37,331
Other income	3	**7**	**–**	**7**	125	–	125
Investment management fee	4	**(3,513)**	**(5,855)**	**(9,368)**	(3,752)	(6,253)	(10,005)
Portfolio transaction costs	5	**–**	**(2,078)**	**(2,078)**	–	(2,790)	(2,790)
Other expenses	5	**(808)**	**–**	**(808)**	(811)	–	(811)
Net return before finance costs and tax		**48,874**	**(203,689)**	**(154,815)**	32,893	335,565	368,458
Finance costs	6	**(704)**	**(1,173)**	**(1,877)**	(349)	(583)	(932)
Return on ordinary activities before tax		**48,170**	**(204,862)**	**(156,692)**	32,544	334,982	367,526
Tax on ordinary activities	7	**–**	**–**	**–**	–	–	–
Return attributable to equity shareholders		**48,170**	**(204,862)**	**(156,692)**	32,544	334,982	367,526
Returns per Ordinary Share	9	**55.64p**	**(236.64)p**	**(181.00)p**	36.76p	378.43p	415.19p

The Board declared on 27 January 2023 a final dividend of 26.95p per Ordinary Share and a special dividend of 8.30p per Ordinary Share. The Board declared on 26 July 2022 an interim dividend of 12.05p 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 2022

	Note	Share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance as at 31 December 2021		879	109	83,777	1,314,545	73,255	1,472,565
Return on ordinary activities after taxation		–	–	–	(204,862)	48,170	(156,692)
Equity dividends paid	8	–	–	–	–	(31,707)	(31,707)
Purchase of Ordinary Shares	14	(26)	26	(33,296)	–	–	(33,296)
Balance as at 31 December 2022		**853**	**135**	**50,481**	**1,109,683**	**89,718**	**1,250,870**

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

The accompanying notes form an integral part of this statement.

Balance Sheet

As at 31 December 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Investments at fair value through profit or loss	10	**1,322,261**	1,554,585
Current assets			
Debtors	11	**2,145**	1,875
Cash at bank		**1,668**	3,418
		3,813	5,293
Creditors (amounts falling due within one year)	12	**(75,204)**	(905)
Net current (liabilities)/assets		**(71,391)**	4,388
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,250,870**	1,558,973
Creditors (amounts falling due after more than one year)	13	**–**	(86,408)
TOTAL NET ASSETS		**1,250,870**	1,472,565
CAPITAL AND RESERVES: EQUITY INTERESTS			
Called up share capital	14	**853**	879
Capital redemption reserve	15	**135**	109
Special reserve	15	**50,481**	83,777
Capital reserve	15	**1,109,683**	1,314,545
Revenue reserve	15	**89,718**	73,255
TOTAL SHAREHOLDERS' FUNDS		**1,250,870**	1,472,565
Net Asset Value per Ordinary Share	16	**1,465.67p**	1,674.35p

Approved and authorised for issue by the Board of Directors on 27 January 2023 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 2022

	Note	2022 £'000	2021 £'000
Operating activities			
Net revenue before finance costs and tax		**48,874**	32,893
Investment management fee charged to capital	4	**(5,855)**	(6,253)
(Increase) in debtors		**(365)**	(812)
(Decrease)/increase in other creditors		**(24)**	37
Net cash inflow from operating activities		**42,630**	25,865
Investing activities			
Purchases of investments		**(250,161)**	(381,045)
Sales of investments		**284,746**	385,146
Cash inflow from investing activities		**34,585**	4,101
Financing activities			
Purchases of Ordinary Shares	14	**(34,026)**	(12,156)
Equity dividends paid	8	**(31,707)**	(30,005)
Interest and fees paid	17	**(1,732)**	(850)
Gross drawdowns of bank debt facilities (before any costs)	18	**126,000**	134,000
Gross repayments of bank debt facilities (before any costs)	18	**(137,500)**	(120,500)
Cash (outflow) from financing activities		**(78,965)**	(29,511)
Change in cash during the period		**(1,750)**	455
Cash at the start of the period		**3,418**	2,963
Cash at the end of the period		**1,668**	3,418

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 2022. 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 29. 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 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) Bank borrowings and finance costs

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. As borrowings carry a market rate of interest, they are recognised in the balance sheet at the outstanding balance advanced, less unamortised transaction 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.

(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.

(j) Taxation

UK corporation tax payable is provided on taxable profits at the current rate. Deferred tax assets, using substantially enacted tax rates, are only recognised if it is considered more likely than not that there will be suitable taxable profits from which the future reversal of deferred tax assets may be deducted.

Notes to the Financial Statements

2 Alternative Performance Measures

Alternative Performance Measures ("APMs") are measures that are not defined by FRS 102. The Company believes that APMs, referred to as "Key Performance Indicators" on page 2, 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 APMs can be found on page 66.

3 Income

		2022			2021	
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Income from investments						
UK dividends	**46,645**	**–**	**46,645**	34,254	–	34,254
Overseas dividends	**6,334**	**–**	**6,334**	3,077	–	3,077
Property income distributions	**209**	**–**	**209**	–	–	–
	53,188	**–**	**53,188**	37,331	–	37,331
Other income						
Interest income	**7**	**–**	**7**	108	–	108
Underwriting commission	**–**	**–**	**–**	17	–	17
Total income	**53,195**	**–**	**53,195**	37,456	–	37,456

Overseas dividends relates to investments in companies that are registered overseas. During the year the Company received special dividends amounting to £4,325,000 (2021: £5,061,000), of which £nil (2021: £nil) were considered a return of capital by the investee company.

4 Investment Management Fee

		2022			2021	
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Investment management fee	**3,513**	**5,855**	**9,368**	3,752	6,253	10,005

Details of the investment management contract can be found on page 28.

5 Other Expenses and Portfolio transaction costs

	2022 £'000	2021 £'000
The following expenses (including VAT, where applicable) have been charged to revenue.		
Directors' fees (refer to Directors' Remuneration Report)	**159**	150
Depositary fee	**124**	153
Secretarial services	**116**	108
FCA and LSE listing fees	**87**	77
Registrar fee	**69**	87
Custody and other bank charges	**59**	70
Auditor's fee – audit of the financial statements	**38**	38
– for non-audit services	**–**	–
AIC fee	**23**	20
Directors' and Officers' liability insurance	**14**	16
Legal fees	**8**	10
Other expenses	**111**	82
	808	811

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:

	2022 £'000	2021 £'000
Analysis of total purchases		
Purchase consideration before expenses	**248,421**	377,809
Commissions	**575**	638
Taxes	**1,165**	1,487
Total purchase expenses (a)	**1,740**	2,125
Total purchase consideration	**250,161**	379,934
Analysis of total sales		
Sales consideration before expenses	**284,989**	385,905
Commissions (b)	**(338)**	(665)
Total sale proceeds net of expenses	**284,651**	385,240
Total expenses incurred in acquiring/disposing of investments (a)-(b)	**2,078**	2,790

6 Finance Costs

	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
Interest/non-utilisation costs on bank borrowings	**680**	**1,132**	**1,812**	325	542	867
Amortisation of bank debt facility costs	**24**	**41**	**65**	24	41	65
	704	**1,173**	**1,877**	349	583	932

7 Taxation

Analysis of tax charged on return on ordinary activities

	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 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.

	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
Total returns on ordinary activities before tax	**48,170**	**(204,862)**	**(156,692)**	32,544	334,982	367,526
Corporation tax at 19% (2021: 19%)	**9,153**	**(38,924)**	**(29,771)**	6,183	63,647	69,830
Adjusted for the effects of:						
Non-taxable UK dividend income	**(8,863)**	**–**	**(8,863)**	(6,508)	–	(6,508)
Non-taxable overseas dividend income	**(1,204)**	**–**	**(1,204)**	(585)	–	(585)
Expenses not deductible for tax purposes	**–**	**395**	**395**	–	530	530
Excess expenses for which no relief has been taken	**914**	**1,335**	**2,249**	910	1,299	2,209
Non-taxable capital losses/(gains)	**–**	**37,194**	**37,194**	–	(65,476)	(65,476)
UK corporation tax charge for the year	**–**	**–**	**–**	–	–	–
Irrecoverable overseas taxation suffered	**–**	**–**	**–**	–	–	–
Total tax charge for the year	**–**	**–**	**–**	–	–	–

The Company has not recognised a potential asset for deferred tax of £42,307,000 (2021: £29,908,000) 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 25% (2021: 19%).

Notes to the Financial Statements

8 Dividends

	2022 £'000	2021 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2021 of 24.25p (2020: 22.90p) paid on 8 March 2022	**21,262**	20,318
Interim dividend for the year ended 31 December 2022 of 12.05p (2021: 10.95p) paid on 26 August 2022	**10,445**	9,687
	31,707	30,005
Amounts not recognised in the period:		
Final dividend for the year ended 31 December 2022 of 26.95p (2021: 24.25p) payable on 8 March 2023	**23,000**	21,327
Special dividend for the year ended 31 December 2022 of 8.30p (2021: nil) payable on 8 March 2023.	**7,084**	
	30,084	21,327

The final dividends for 2022 and 2021 and the special dividend for 2022 have not been included as liabilities in the financial statements.

9 Returns per Ordinary Share

	2022	2021
The returns per Ordinary Share are based on:		
Returns attributable to Ordinary Shareholders	**£(156,692,000)**	£367,526,000
Weighted average number of shares in issue during the year	**86,570,115**	88,519,932
Returns per Ordinary Share	**(181.00)p**	415.19p

There are no dilutive or potentially dilutive shares in issue.

10 Investments

	2022 £'000	2021 £'000
Investments at fair value through profit or loss		
Opening fair value	**1,554,585**	1,218,073
Opening fair value adjustment	**(65,848)**	232,464
Opening book cost	**1,488,737**	1,450,537
Purchases at cost	**248,421**	377,809
Sale proceeds	**(284,989)**	(385,905)
Realised gains on sales	**56,896**	46,296
Closing book cost	**1,509,065**	1,488,737
Closing fair value adjustment	**(186,804)**	65,848
Closing fair value	**1,322,261**	1,554,585

All investments are in ordinary shares listed on the London Stock Exchange unless otherwise stated on pages 17 to 19.

	2022 £'000	2021 £'000
Gains/(losses) on investments:		
Net realised gains on sales	**56,896**	46,296
Movement in fair value adjustment	**(252,652)**	298,312
Net (losses)/gains on investments	**(195,756)**	344,608

The company received £284,989,000 (2021: £385,905,000) from investments sold in the year. The book cost of these investments was £228,093,000 (2021: £339,609,000). 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 2022	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Listed equities	**1,322,261**	**–**	**–**	**1,322,261**
Unlisted equities	**–**	**–**	**–**	**–**
Total financial asset investments	**1,322,261**	**–**	**–**	**1,322,261**

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

11 Debtors

	2022 £'000	2021 £'000
Investment income receivable	**2,118**	1,755
Amounts due from brokers	**–**	95
Other debtors	**27**	25
Total	**2,145**	1,875

12 Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Amounts due to brokers	**–**	730
Other creditors	**231**	175
Bank debt facility	**75,000**	–
Less: Unamortised costs on bank debt facility	**(27)**	–
Total	**75,204**	905

The Company has 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 annual administration fee of £15,000 is incurred in respect of the facility. No amounts were drawn under this facility at 31 December 2022 or 31 December 2021.

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 SONIA equivalent (LIBOR prior to 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 current facility is due to expire on 15 June 2023.

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 2022, total borrowings represented 5.7% (2021: 5.6%) of total adjusted gross assets (as defined by Facility Agreement).

13 Creditors: amounts falling due after more than one year

	2022 £'000	2021 £'000
Bank debt facility	**–**	86,500
Less: Unamortised costs on bank debt facility	**–**	(92)
Total	**–**	86,408

Amounts in 2021 relate to the Facility Agreement with Royal Bank of Scotland International referred to in Note 12.

Notes to the Financial Statements

14 Share Capital

	2022		2021	
	No. of Shares	**£'000**	No. of Shares	£'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	**85,344,605**	**853**	87,948,266	879

During the year, the Company bought back and cancelled 2,603,661 shares (2021: 874,800) at a total cost of £33,296,000 (2021: £12,886,000). During the period 1 January to 27 January 2023, no 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 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**
Net gains on sale of investments	–	–	–	56,896	–	56,896
Movement in fair value adjustment	–	–	–	(252,652)	–	(252,652)
Cost of investment transactions	–	–	–	(2,078)	–	(2,078)
Management fees charged to capital	–	–	–	(5,855)	–	(5,855)
Finance costs charged to capital	–	–	–	(1,173)	–	(1,173)
Special dividends taken to capital	–	–	–	–	–	–
Revenue return attributable to equity shareholders	–	–	–	–	48,170	48,170
Equity dividends paid	–	–	–	–	(31,707)	(31,707)
Purchase of Ordinary Shares	(26)	26	(33,296)	–	–	(33,296)
At 31 December 2022	**853**	**135**	**50,481**	**1,109,683**	**89,718**	**1,250,870**

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.

	2022	2021
Net assets attributable	**£1,250,870,000**	£1,472,565,000
Ordinary Shares in issue at the end of year	**85,344,605**	87,948,266
Net Asset Value per Ordinary Share	**1,465.67p**	1,674.35p
Dividend reinvestment factor (defined in glossary)	**1.023447**	1.022974
Net Asset Value on a total return basis	**1,500.03p**	1,712.82p

The net asset value total return for the year ended 31 December 2022 is the percentage movement from the net asset value as at 31 December 2021 of 1,674.35p (31 December 2020: 1,292.38p) to the net asset value, on a total return basis, at 31 December 2022 of 1,500.03p (31 December 2021: 1,712.82p), which is -10.4% (2021: 32.5%).

Notes to the Financial Statements

17 Interest and Finance Costs Paid

	2022 £'000	2021 £'000
Interest/non-utilisation costs on bank debt facility	**1,732**	850
Total	**1,732**	**850**

18 Analysis of changes in net debt

	Net debt at 1 January 2022 £'000	Cash flow £'000	Other non-cash movements £'000	Net debt at 31 December 2022 £'000
Cash at bank	3,418	(1,750)	–	1,668
Bank debt facility	(86,500)	11,500	–	(75,000)
Bank debt facility fee (see note 12)	92	–	(65)	27
Total	**(82,990)**	**9,750**	**(65)**	**(73,305)**

19 Financial instruments and risk management

The Company's financial instruments comprise its investment portfolio (see pages 17 to 19), 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 Board and Managers believe it is in the interest of the Company to gear the portfolio. Note 1 sets out the significant accounting policies, including the basis of measurement applied for significant financial instruments, principally investments, 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 0.14% as at 31 December 2022 (2021: nil).

The Company has a bank debt facility of £130,000,000 of which £75,000,000 was drawn down as at 31 December 2022 (2021: debt facility of £130,000,000, of which £86,500,000 was drawn down). Further details of this facility can be found in Notes 12 and 13.

If SONIA equivalent (2021: LIBOR) and the bank base rate had been 1% point higher at 31 December 2022, the impact on the profit or loss and therefore Shareholders' funds would have been negative £750,000 per annum (2021: negative £865,000). If SONIA equivalent (2021: LIBOR) and the bank base rate had been 1% point lower at 31 December 2022, the impact on the profit or loss and therefore Shareholders' funds would have been a positive £750,000 per annum (2021: positive £216,250 at 0.25%). 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.

Notes to the Financial Statements

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.

	2022 **£'000**	2021 £'000
Investment income receivable	**2,118**	1,755
Amounts due from brokers	**–**	95
Cash at bank	**1,668**	3,418
Total	**3,786**	5,268

(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 7 to 12. 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 2022, the impact on the profit or loss and therefore Shareholders' funds would have been negative £132.2m (2021: negative £155.5m). If the investment portfolio valuation rose by 10% at 31 December 2022, the impact on the profit or loss and therefore Shareholders' funds would have been positive £132.2m (2021: positive £155.5m). 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 2022, 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 2022

(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	**133**	**–**	**75,000**	**–**	**–**	**75,133**
Unamortised costs on bank debt facility	**–**	**–**	**(27)**	**–**	**–**	**(27)**
Other creditors	**–**	**98**	**–**	**–**	**–**	**98**
Total liabilities	**133**	**98**	**74,973**	**–**	**–**	**75,204**

Notes to the Financial Statements

19 Financial instruments *(continued)*

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

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 2022						
Bank debt facility	**–**	**762**	**75,643**	**–**	**–**	**76,405**
Amounts due to brokers	**–**	**–**	**–**	**–**	**–**	**–**
Other creditors	**–**	**231**	**–**	**–**	**–**	**231**
Total	**–**	**993**	**75,643**	**–**	**–**	**76,636**

(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

Capital Management

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 borrowings. The capital of the Company is its share capital and reserves as set out in notes 14 and 15 together with its borrowings (see notes 12 and 13). Borrowing parameters are set by the Board in conjunction with the Managers and the bank debt facility is used tactically in order to enhance returns. The Company has the authority to buy back its own shares and activity during the year is detailed in note 14. The Company does not have any externally imposed capital requirements other than the covenant on its bank debt facility as set out in Note 12.

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 40 and 41. 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 2022 (2021: 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-second Annual General Meeting of Aberforth Smaller Companies Trust plc will be held at 14 Melville Street, Edinburgh on 2 March 2023 at 10.30 a.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 2022 be adopted.
2. That the Directors’ Remuneration Report for the year ended 31 December 2022 be approved.
3. That the Directors' Remuneration Policy be approved.
4. That a final dividend of 26.95p per share and a special dividend of 8.30p per share be approved.
5. That Richard Davidson be re-elected as a Director.
6. That Jaz Bains be elected as a Director.
7. That Patricia Dimond be elected as a Director.
8. That Victoria Stewart be re-elected as a Director.
9. That Martin Warner be re-elected as a Director.
10. To appoint Johnston Carmichael LLP as Independent Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which the Financial Statements are laid before the Company.
11. That the Audit Committee be authorised to determine the remuneration of the Independent Auditor for the year to 31 December 2023.
12. That the Company continues to manage its affairs as an investment trust (as defined by Section 1158 of the Corporation Taxes Act 2010).

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

13. 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 12,793,156 (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 2024 or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2024, 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*

27 January 2023

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 apply and it is not possible for shareholders to attend in person. The Board will continue to consider carefully the arrangements for the AGM 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 27 February 2023 (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 2 March 2023 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 27 February 2023 in case attendance at the AGM is restricted. 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 27 January 2023, the latest practicable date prior to publication of this document, the Company had 85,344,605 Ordinary Shares in issue with a total of 85,344,605 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 about 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 and The Times 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 2022			
	Interim	**Special**	**Final**
Rate per Share:	12.05p	8.30p	26.95p
Ex Dividend:	4 August 2022	9 February 2023	9 February 2023
Record date:	5 August 2022	10 February 2023	10 February 2023
Pay date:	26 August 2022	8 March 2023	8 March 2023
Half Yearly Report	Published	late July/early August	
Annual Report and Financial Statements	Published	late January/early February	
Annual General Meeting		2 March 2023	
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 2022 are shown below. There have been no changes to, or breaches of, the maximum level of leverage employed by the Company.

	2022		2021	
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 2022) 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 provides 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 22.

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 58 for details of the calculation).

Ongoing Charges represent the total cost of investment management fees and other operating expenses of £10,176,000 (2021: £10,816,000), as disclosed in the Income Statement, as a percentage of the average published net asset value of £1,275,471,000 (2021: £1,436,761,000) 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 2022 was 1,322.00p (2021: 1,464.00p) and dividends, which went ex dividend during the year (see note 8 on page 56) were 36.30p (2021: 33.85p). The dividend reinvestment factor was 1.026723 (2021: 1.025611). The share price total return was therefore -7.3% (2021: 20.3%), 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)
Jaz Bains
Julia Le Blan
Patricia Dimond
Victoria Stewart
Martin Warner

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

Registered Office and Company Number
14 Melville Street
Edinburgh EH3 7NS
Registered in Scotland No. SC 126524

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

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

Share Portal:
www.signalshares.com

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

Bankers
The Royal Bank of Scotland International Limited
280 Bishopsgate
London EC2M 4RB

Custodian
The Northern Trust Company
50 Bank Street
Canary Wharf
London E14 5NT

Independent Auditor
Johnston Carmichael LLP
7-11 Melville Street
Edinburgh
EH3 7PE

Depositary
NatWest Trustee & Depositary Services Limited
House A, Floor 0
Gogarburn
175 Glasgow Road
Edinburgh
EH12 1HQ

J. Thomson Colour Printers 200321