

Suntera High Income Fund PLC
(formerly SMP High Income Fund PLC)

**Annual Report
&
Audited Financial Statements**

**for the year ended
30 September 2021**

Suntera High Income Fund PLC

Annual Report & Audited Financial Statements for the year ended 30 September 2021

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Suntera High Income Fund PLC

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General Information

Directors

W J Clarke* (Chairman)

G M Easton*

R K Corkill

S W Bowden

* denotes Non-executive Director

Registered office:

Clinch's House

Lord Street

Douglas

Isle of Man IM99 1RZ

British Isles

Company Secretary

R K Corkill

Manager and Registrar

Suntera Fund Services (IOM) Limited

Clinch's House

Lord Street

Douglas

Isle of Man IM99 1RZ

British Isles

Auditor

PricewaterhouseCoopers LLC

Sixty Circular Road

Douglas

Isle of Man

IM1 1SA

British Isles

Investment Manager

Aberdeen Asset Managers Limited

10 Queen's Terrace

Aberdeen

AB10 1YG

British Isles

Fiduciary Custodian

Apex Financial Services (Corporate) Limited

12 Castle Street

St Helier

Jersey JE2 3RT

British Isles

Suntera High Income Fund PLC

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Manager's Report

Introduction

As detailed in the previous section entitled 'General Information', Suntera High Income Fund PLC (the "Fund") is managed by Suntera Fund Services (IOM) Limited (the "Manager") and the investment manager is Aberdeen Asset Managers Limited (the "Investment Manager"). That section also details the Directors, the Company Secretary, the Fiduciary Custodian and the Auditor.

The Fund is an Authorised Scheme for the purposes of the Collective Investment Schemes Act 2008. The Fund is established as an open-ended investment company and is managed in the Isle of Man under the Companies Acts 1931 to 2004 and in accordance with the Authorised Collective Investment Schemes Regulations 2010 (the "Regulations"). The Fund has elected to be a type A scheme for the purpose of the Regulations. In accordance with the Regulations, the Fund complies with the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in May 2014 (the "SORP") and includes the portfolio statement as part of the Manager's report. The Fund was originally established and authorised on 3 March 1989.

Important information

The Annual Report & Audited Financial Statements for the year ended 30 September 2021 (together with the Abbreviated Annual Report for the year ended 30 September 2021 that has been sent to all registered shareholders) may be viewed on our website - www.suntera.com and are available for inspection at the registered office of the Fund. The website also provides daily pricing information for the Fund.

If shareholders have any questions regarding the Fund please contact our Shareholder Services Team on 01624 682224 - or by email to fund.services@suntera.com.

Investment objective, policy and strategy

The purpose of the Fund is to provide investors with a high income, before taxation, from a managed portfolio of fixed-interest securities, denominated in sterling and other currencies, with net income distributed on a quarterly basis.

Investment Manager's overview for the year ended 30 September 2021

Market review

Corporate bond returns were generally positive over the period, although UK corporate bonds fell slightly. Investment-grade debt started the period under pressure, faced with the double effect of Covid-19 and weak oil prices. However, since then, there has been a broad recovery. Moreover, the major central banks all purchased corporate bonds through their stimulus programmes.

Corporate bonds struggled slightly in October 2020 as investors sold out of riskier debt, concerned about the potential for rising defaults amid uncertainty from rising Covid-19 cases and the US election. November saw the upward trend resume on positive news flow stemming from vaccine breakthroughs and a likely Biden presidency (that later materialised). This extended into the end of 2020, driven by vaccine optimism, the Brexit trade deal agreement and US stimulus package.

Rising US Treasury yields at the beginning of 2021 affected most financial markets. However, corporate bonds managed to weather the storm somewhat. As government bond yields stabilised, this robust performance continued through August, even as the US Federal Reserve (Fed) said it would begin offloading corporate bonds bought through its pandemic support plan. But corporate bonds fell in September as the latest minutes from the Fed's rate-setting committee suggested an increasingly hawkish approach from policymakers.

Performance and activity of the Fund

Over the 12-month period, the Fund outperformed the benchmark. This was mostly due to positive security selection – particularly in banking and real estate. Meanwhile, asset allocation also contributed, as the overweighting of real estate and Tier-1 debt more than offset the negative contribution from the underweighting of financial services, government-related debt and water. In particular, exposure to NewRiver REIT and Hammerson (real estate), Virgin Money (lower Tier-2 and banking), Quadgas (the ultimate owner of British Gas) and Mexican government bonds boosted performance. Conversely, Channel Link Enterprises and Réseau Ferré de France (transport) and Annington (real estate) largely detracted.

Regarding activity, we initiated several trades in the insurance sector throughout the review period. Looking to recycle low-yielding assets into better-value new issues, we sold the Fund's position in the Commonwealth Bank of Australia and reinvested into Pension Insurance Corporation (as well as Verizon Communications). We purchased new issues from US-based insurer Athene and added to our position in Aviva. After the new year, we also sold out of the Australian insurer QBE, after a strong run from the bonds left it expensive, versus other insurance groups. We also started to sell down the Fund's exposure to the French insurer AXA.

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Manager's Report (continued)

Investment Manager's overview for the year ended 30 September 2021 (continued)

Performance and activity of the Fund (continued)

Trading in the last quarter of 2020 was largely based on positive news flow related to Covid-19 vaccine trials and Joe Biden's victory in the presidential election in November. We purchased BHP Billiton in November to benefit from the cyclical upswing that was underway in most economies. We also added a position in Mexican bonds at the very long end (matures in 2114), due to our belief that the Mexican Government would have a better relationship with the incoming US administration. This paid off, as the holding was a top contributor to the Fund's performance over the 12-month period. We sold some exposure to Heathrow after a strong recovery in spreads over November. This recovery left the group looking expensive, despite the optimistic outlook for the airport sector. We also took a new issue from the industrial group Toyota. We funded December issues from sales of Scottish Hydro and Yorkshire Energy bonds. Both bonds were expensive in the Fund and had performed well. We ended the year by adjusting duration lower with a gilt sale, in anticipation of rising yields in the UK.

After the new year, we purchased new issues from BNP Paribas and Motability. In March, the Fund suffered a significant redemption from its largest shareholder RL360 Life Insurance Company Limited which necessitated the sale of approximately 50.7% of the Fund's portfolio. It should be noted that the cost of this was borne by the exiting shareholder receiving the bid price for the Fund. We bought a new issue from Banco Santander, a well-run bank that offers defensive characteristics for the Fund, given the bonds' seniority.

In May, we sold the position in DS Smith, the paper and packaging group. This was after decent performance from the group over the last couple of years left it looking rich in credit markets. We later sold our position in Quadgas. The move to reduce carbon in the home heating market in the UK over the next few decades will be very expensive, and it is not clear where that expense will ultimately lie. In the meantime, the bonds had performed well, but did not reflect the risks we saw from this transition. We also sold positions in British Land after a recovery rally in the bonds took the level well through the end of 2019 spread levels. This left little value compared with our assessment of the business. Finally, we reduced exposure to housing associations, selling Catalyst Housing after a reasonable performance from the name and as its risk profile began to rise.

Outlook*

Unsurprisingly, investment-grade credit remains far from cheap at current levels. With lower carry available and greater scope for monetary policy action and/or policy error, investment-grade markets feel more fragile than they have done for some time. Overall fundamentals remain constructive, although idiosyncratic risks have picked up due to both Covid-19 and merger and acquisition events. It appears prudent to pare back exposures in the near term, although the technical backdrop remains a pillar of support.

** Investments markets and conditions can change rapidly and as such, the views expressed should not be taken as statements of fact nor should reliance be placed on these views when making investment decisions.*

Shareholders' liability

The shareholders are only liable for the debts of the Fund to the extent of their investment.

Shares in issue

The total number of participating redeemable preference shares in issue at the beginning and at the end of the year under review were:

30 September 2020	56,058,278
30 September 2021	25,586,830

Value per share

The mid-market value per share at the beginning and the end of the year under review was:

30 September 2020	57.70p
30 September 2021	56.14p

Portfolio statement

Portfolio details are shown on pages 6 to 8.

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Manager's Report (continued)

Future of the Fund

Since a significant shareholder redemption in March 2021 the increased percentage of ongoing fixed costs are detracting from investment returns. The Manager, working closely with the Fund Board, Investment Manager and Fiduciary Custodian, has tried to identify new sources of investment into the Fund and explore alternative options to secure its future. On the basis the Directors of the Fund are of the opinion, that in the likely event of no viable solution being identified, the Fund would close, it is the Manager's expectation that the Fund would be closed within 12 months of these financial statements. An update will be provided to shareholders in due course.

S W Bowden

Director

Suntera Fund Services (IOM) Limited

16 December 2021

Suntera High Income Fund PLC

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Comparative Table

	2021	2020	2019
	p	p	p
Change in net asset value per share			
Opening net asset value per share	57.70	57.15	53.62
Return before operating charges*	0.21	2.51	5.63
Operating charges	(0.67)	(0.56)	(0.49)
Return after operating charges*	(0.46)	1.95	5.14
Distributions on preference shares	(1.10)	(1.40)	(1.61)
Closing net asset value per share	56.14	57.70	57.15
*after direct transaction costs of	0.006	0.003	0.004

Performance

Return after charges	-0.80%	3.41%	9.59%
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Other information

Closing net asset value	£ 14,365,527	£ 32,344,373	£ 33,980,283
Closing number of shares	25,586,830	56,058,278	59,455,542
Operating charges	1.15%	0.98%	0.89%
Direct transaction costs	0.022%	0.005%	0.007%

Additional comparative table disclosures required by the Authorised Collective Investment Schemes Regulations 2010:

Performance record for the year ended

	Highest share price p	Lowest share price p	Net distribution per share* p
30 September 2017	61.28	54.67	1.91
30 September 2018	56.52	53.71	1.63
30 September 2019	58.00	52.98	1.61
30 September 2020	58.63	51.39	1.40
30 September 2021	59.58	56.24	1.10

*Net distribution per share is based on average shares in issue during the year.

Ongoing charges figure ("OCF") for the year ended

OCF*

30 September 2019	0.89%
30 September 2020	0.98%
30 September 2021	1.15%

* The OCF is the total expenses paid by the Fund in the year expressed as a percentage of the Fund's average net asset value.

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Portfolio Statement

	Quantity 30.09.2021	Valuation £	% of Fund's property
Government Bonds			
United Kingdom Gilt 0.875% 22/10/2029	93,000	93,163	0.65%
United Kingdom Gilt 1.625% 22/10/2071	66,000	77,418	0.54%
United Kingdom Gilt 2.75% 07/09/2024	794,435	848,405	5.93%
United Kingdom Gilt 4.25% 07/03/2036	130,000	182,369	1.28%
United Kingdom Gilt 4.25% 07/12/2046	82,405	132,757	0.93%
United Kingdom Gilt 4.25% 07/12/2049	63,058	105,775	0.74%
United Kingdom Gilt 0.125% 31/01/2028	366,047	352,251	2.46%
Total Government Bonds		1,792,138	12.53%

(As at 30.09.2020: 7.96%)

Corporate Bonds

Anheuser-Busch InBev SA/NV 2.85% 25/05/2037	56,000	59,544	0.42%
Annington Funding PLC 3.935% 12/07/2047	100,000	120,802	0.84%
Aspire Defence Finance PLC 4.674% 31/03/2040	50,000	54,627	0.38%
Aspire Defence Finance PLC 4.674% 31/03/2040	112,000	122,016	0.85%
AT&T Inc 4.875% 01/06/2044	100,000	133,378	0.93%
AT&T Inc 5.2% 18/11/2033	140,000	181,292	1.27%
Athene Global Funding 1.875% 30/11/2028	156,000	155,158	1.08%
Aviva PLC 4% 06/03/2055	100,000	109,321	0.76%
Aviva PLC 6.125% Perp	80,000	83,888	0.59%
Aviva PLC 6.875% 20/05/2058	52,000	81,229	0.57%
AXA SA 6.686% Perp	74,000	90,948	0.64%
Banco Santander SA 1.5% 14/04/2026	100,000	99,834	0.70%
Bank Nederlandse Gemeenten NV 5.2% 07/12/2028	50,000	64,101	0.45%
Barclays PLC 3% 08/05/2026	211,000	223,873	1.57%
Barclays PLC 3.75% 22/11/2030	118,000	126,419	0.88%
BAT International Finance PLC 4% 04/09/2026	151,000	165,719	1.16%
BAT International Finance PLC 6% 24/11/2034	50,000	63,644	0.44%
Berkshire Hathaway Finance 2.625% 19/06/2059	115,000	127,729	0.89%
BHP Billiton Finance Ltd 6.5% 22/10/2077	158,000	167,126	1.17%
BNP Paribas 1.25% 13/07/2031	100,000	93,219	0.65%
BP Capital Markets PLC 4.25% Perp	127,000	135,410	0.95%
British Telecommunication 6.375% 23/06/2037	50,000	69,603	0.49%
Centrica PLC 7% 19/09/2033	50,000	74,498	0.52%
Channel Link Enterprises Finance PLC 3.043% 30/06/2050	100,000	100,443	0.70%
Cie de Saint-Gobain 5.625% 15/11/2024	100,000	114,208	0.80%
Connect Plus Issuer 2.607% 31/03/2039	109,000	109,624	0.77%
Credit Suisse Group AG 2.25% 06/09/2028	147,000	149,546	1.05%
Danske Bank 2.25% 14/01/2028	100,000	101,870	0.71%
Deutsche Bank AG 1.875% 22/12/2028	200,000	198,006	1.38%
E.ON International Finance BV 6.375% 07/06/2032	104,000	145,096	1.01%
Eastern Power Networks PLC 6.25% 12/11/2036	50,000	76,956	0.54%
Electricite de France SA 5.5% 17/10/2041	100,000	144,423	1.01%
Electricite de France SA 6% 31/12/2049	100,000	110,734	0.77%
Electricite de France SA 6.125% 02/06/2034	50,000	70,764	0.49%
Enel Finance International NV 5.75% 14/09/2040	85,000	126,302	0.88%
Equity Release Funding No 3 PLC 5.05% 26/04/2033	178,000	212,136	1.48%
European Investment Bank 4.25% 07/12/2021	191,800	193,175	1.35%
European Investment Bank 5% 15/04/2039	62,000	96,311	0.67%
Eversholt Funding PLC 2.742% 30/06/2040	137,000	138,533	0.97%
Gatwick Funding Ltd 5.75% 23/01/2037	100,000	132,558	0.93%
General Electric Co 5.375% 18/12/2040	33,000	46,215	0.32%
GlaxoSmithKline Capital PLC 5.25% 10/04/2042	50,000	75,655	0.53%
Grainger PLC 3% 03/07/2030	100,000	104,660	0.73%

Suntera High Income Fund PLC

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Portfolio Statement (continued)

	Quantity 30.09.2021	Valuation £	% of Fund's property
Corporate Bonds (continued)			
Great Rolling Stock Co Ltd/The 6.5% 05/04/2031	100,000	101,575	0.71%
Hammerson PLC 7.25% 21/04/2028	44,000	55,230	0.39%
Heathrow Funding Limited 5.875% 13/05/2041	100,000	143,544	1.00%
HSBC Bank Capital Funding Sterling 1 LP 5.844% Perp	105,000	146,419	1.02%
HSBC Holdings PLC 7% 04/07/2038	100,000	148,658	1.04%
Hutchison Whampoa Finance UK PLC 5.625% 24/11/2026	100,000	121,391	0.85%
innogy Finance BV 6.125% 06/07/2039	100,000	150,767	1.05%
Lloyds Bank PLC 2.707% 12/03/2035	173,000	174,922	1.22%
Lloyds Bank PLC 7.625% 22/04/2025	49,000	59,767	0.42%
London & Quadrant Housing Trust Ltd 3.75% 27/10/2049	100,000	130,265	0.91%
Meadowhall Finance 4.986% 12/07/2037	120,000	86,498	0.60%
MetLife Inc 5.375% 09/12/2024	149,000	169,626	1.19%
MORHOMES PLC 3.4% 19/02/2038	153,000	169,643	1.19%
National Express Group Plc 2.375% 20/11/2028	100,000	102,195	0.71%
National Grid Electricity Transmissions 1.375% 16/09/2026	200,000	200,446	1.40%
New York Life Global Funding 1.625% 15/12/2023	100,000	102,151	0.71%
New York Life Global Funding 1.75% 15/12/2022	100,000	101,609	0.71%
NewRiver REIT PLC 3.5% 07/03/2028	100,000	103,156	0.72%
Next PLC 4.375% 02/10/2026	183,000	206,373	1.44%
Northern Gas Networks Finance PLC 4.875% 15/11/2035	64,000	83,140	0.58%
Notting Hill Housing Trust 4.375% 20/02/2054	100,000	146,841	1.03%
Orange SA 3.25% 15/01/2032	100,000	111,590	0.78%
Orbit Capital PLC 3.5% 24/03/2045	100,000	121,215	0.85%
Peabody Capital No 2 Plc 4.625% 12/12/2053	100,000	153,163	1.07%
Pension Insurance 4.625% 05/07/2031	100,000	112,134	0.78%
Premiertel PLC 6.175% 08/05/2032	84,000	82,173	0.57%
Prudential PLC 5.56% 20/07/2055	100,000	118,478	0.83%
RMPA Services PLC 5.337% 30/09/2038	86,000	78,507	0.55%
Royal Bank of Scotland Group PLC 2.875% 19/09/2026	100,000	105,271	0.74%
RSA Insurance Group PLC 5.125% 10/10/2045	150,000	170,996	1.20%
Santander UK Group Holdings PLC 2.92% 05/08/2026	200,000	210,008	1.47%
Santander UK PLC 5.25% 16/02/2029	103,000	132,414	0.93%
SNCF RESEAU 4.83% 25/03/2060	118,000	203,605	1.42%
Southern Gas Networks PLC 6.375% 15/05/2040	58,000	90,914	0.64%
SP Transmission Plc 2% 13/11/2031	100,000	101,707	0.71%
Tesco Property Finance 3 PLC 5.744% 13/04/2040	50,000	62,110	0.43%
Tesco Property Finance 5.6611% 13/10/2041	100,000	128,296	0.90%
Thames Water Utilities Finance Ltd 5.125% 28/09/2037	64,000	87,175	0.61%
THFC Funding No 2 PLC 6.35% 08/07/2039	59,000	93,914	0.66%
Time Warner Cable LLC 5.75% 02/06/2031	81,000	102,962	0.72%
Total Capital International SA 1.25% 16/12/2024	84,000	84,929	0.62%
United Mexican States 5.625% 19/03/2114	100,000	110,583	0.77%
Virgin Money UK PLC 4% 09/03/2027	150,000	165,671	1.16%
Virgin Money UK PLC 5.125% 11/12/2030	100,000	110,641	0.77%
Volkswagen Financial Services NV 2.25% 12/04/2025	61,000	63,051	0.44%

Suntera High Income Fund PLC

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Portfolio Statement (continued)

	Quantity 30.09.2021	Valuation £	% of Fund's property
Corporate Bonds (continued)			
Welltower Inc 4.8% 20/11/2028	191,000	227,720	1.59%
Wessex Water Services 1.5% 17/09/2029	200,000	196,176	1.37%
Western Power Distribution West Midlands PLC 5.75% 16/04/2032	200,000	269,692	1.89%
Westpac Banking Corp 1% 30/06/2022	200,000	201,180	1.41%
Westpac Banking Corp 2.625% 14/12/2022	100,000	102,657	0.72%
WM Treasury 2 PLC 3.25% 20/10/2048	100,000	121,267	0.85%
Total Corporate Bonds		11,675,008	81.63%
			(As at 30.09.2020: 89.00%)
Total Bonds		13,467,146	94.16%
Bank Balances		835,278	5.84%
			(As at 30.09.2020: 3.04%)
		14,302,424	100.00%

The total purchases for the year ended 30 September 2021 were £7,084,680 (year ended 30 September 2020: £12,708,960) and the total sale proceeds were £24,074,678 (year ended 30 September 2020: £15,047,270)

Suntera High Income Fund PLC

Annual Report & Audited Financial Statements for the year ended 30 September 2021

Directors' Report

The Directors have pleasure in submitting the Annual Report & Audited Financial Statements of the Fund for the year ended 30 September 2021.

Introduction

The principal activity of the Fund is the investment into a managed portfolio of predominantly fixed-interest securities, denominated in sterling and other currencies, with net income distributed on a quarterly basis.

Review of activities

The results of the Fund are set out on page 12. The change in net assets attributable to holders of participating redeemable preference shares from investment activities during the year was a decrease of £679,695 (2020: increase of £281,781). Interim distributions paid during the year were £327,700 (2020: £611,290) and a final distribution of £69,988 (2020: £189,675) has been paid on 15 November 2021.

Following a significant shareholder redemption in March 2021, the Board have been mindful of the increasingly adverse impact of the Fund's fixed costs on its performance due to the reducing fund size. The Board have been monitoring performance closely over recent months and requested the Manager to seek and identify new sources of investment into the Fund and explore alternative options to secure its future. Throughout the review process, the Board and Manager have worked in close consultation with the Investment Manager and the Fiduciary Custodian. As a consequence of the reduced trading flexibility that is available to the Investment Manager from the significantly reduced portfolio, the associated increase in the portfolio's risk profile and the increased percentage of ongoing fixed costs that detracts from investment returns, the Board are of the opinion that in the likely event of no viable solution being identified the Fund will be closed within 12 months of these financial statements.

Directors

The current Board of Directors are:

William Juan Clarke (Non-executive Director)

Juan was appointed a Director in March 2012 and has continued in a non-executive capacity since the divestment of the Fund's former Manager from the Lloyds Banking Group in 2015. Up until March 2016 Juan was Managing Director of the Clerical Medical International (CMI) Group of Companies comprising trust, fund management and venture capital investment companies and Scottish Widow's offshore insurance arm, CMI Insurance Company Limited (now known as RL360 Life Insurance Company Limited). He has over 38 years' experience, initially joining Barclaytrust in 1982 and moving to CMI in 1991, having held various senior positions specialising in insurance, investments and fund management. Juan was appointed as an independent Non-executive Director of Zurich International Limited on 22 September 2021, and is also a Non-executive Director of a Lloyds Banking Group fund based in Luxembourg. He is a Chartered Fellow of the Chartered Institute for Securities and Investment and has Chartered Wealth Manager status with the Institute. Juan was appointed Chairman on 11 March 2019.

Graeme Michael Easton (Non-executive Director)

Graeme was appointed a Director in March 2019. He is a Fellow of the Institute and Faculty of Actuaries, holds the Institute of Directors' Diploma in Company Direction and has a Mathematics degree from Cambridge University. He has 35 years' experience in financial services, initially with Sun Life (which became AXA) in the UK and then AXA, Zurich and Canada Life in the Isle of Man. He has held a number of senior roles including Appointed Actuary, Compliance Officer, Chief Financial Officer and Executive Director. Graeme is a Non-executive Chairman of Hansard Global plc, Hansard International Limited and Hansard Europe dac. He is a past Chairman of the Manx Actuarial Society.

Robert Keith Corkill

Appointed a Director in June 2018, Keith is also a director of the Manager. He is a member of the Institute of Chartered Accountants in England and Wales and has a Mathematics degree from Southampton University. Keith trained with Coopers and Lybrand (now PwC) and since qualifying as a chartered accountant in 1994, he has worked in the field of fund administration including senior positions with GAM Administration Limited, BoE International Fund Services Limited and latterly as a founder member and director of Chamberlain Fund Services Limited which was acquired by the Manager in 2013.

Scott William Bowden

Scott was appointed a Director in March 2019 and from 1 May 2020 is now also a director of the manager. He has over 15 years of financial services experience, initially spending 5 years at Clerical Medical International gaining experience in investments, currency dealing and system development before moving into the funds' industry in 2006 spending 3 years at an investment management company before joining Chamberlain Fund Services Limited in 2010, which was subsequently acquired by the Manager. Scott was prominently involved in the transfer of the Fund from the previous manager and is involved operationally on a day to day basis.

Suntera High Income Fund PLC

Annual Report & Audited Financial Statements for the year ended 30 September 2021

Directors' Report (continued)

Directors' interests

No Director had an interest, beneficial or non-beneficial, in the issued share capital of the Fund as at 30 September 2021 or during the year.

Auditor

PricewaterhouseCoopers LLC, being eligible, has expressed its willingness to continue in office in accordance with Section 12(2) of the Isle of Man Companies Act 1982.

Suntera High Income Fund PLC

On behalf of the Board

S W Bowden
Director

16 December 2021

Suntera High Income Fund PLC

Annual Report & Audited Financial Statements for the year ended 30 September 2021

Statement of Directors' Responsibilities in respect of the Annual Report & Audited Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable Isle of Man law and regulations.

Company law requires the Directors to prepare financial statements for each financial year.

The Directors have elected to prepare the Fund's financial statements in accordance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 102: "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" ("FRS 102").

The financial statements are required by law to give a true and fair view of the state of affairs of the Fund and of the net revenue/(expense) and the net capital gains/(losses) of the property of the Fund for the period.

In preparing the 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 United Kingdom accounting standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund and to enable them to ensure that the financial statements comply with the principal constitutional documents, the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in May 2014 (the "SORP"), the Authorised Collective Investment Schemes Regulations 2010 and the Isle of Man Companies Acts 1931 to 2004. They are also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Fund's section of the Manager's website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

S W Bowden
Director

16 December 2021

Suntera High Income Fund PLC

Annual Report & Audited Financial Statements for the year ended 30 September 2021

Statement of Total Return

	Note	Year ended 30.09.2021		Year ended 30.09.2020	
		£	£	£	£
Income					
Net capital (loss)/gain	6		(679,695)		281,781
Revenue	7	706,620		1,130,359	
Expenses	8	<u>(256,277)</u>		<u>(322,297)</u>	
Net revenue before taxation		450,343		808,062	
Taxation	9	<u>-</u>		<u>-</u>	
Net revenue after taxation		<u>450,343</u>		<u>808,062</u>	
Total return before distributions			(229,352)		1,089,843
Finance costs: Distributions	10		(450,343)		(808,062)
Change in net assets attributable to holders of participating redeemable preference shares from investment activities			<u>(679,695)</u>		<u>281,781</u>

Statement of Change in Net Assets attributable to Holders of Participating Redeemable Preference Shares

	Year ended 30.09.2021		Year ended 30.09.2020	
	£	£	£	£
Opening net assets attributable to holders of participating redeemable preference shares		32,344,373		33,980,283
Amounts receivable on issue of shares	521,603		848,031	
Amount payable on cancellation of shares	<u>(17,820,754)</u>		<u>(2,765,722)</u>	
		(17,299,151)		(1,917,691)
Change in net assets attributable to holders of participating redeemable preference shares from investment activities		(679,695)		281,781
Closing net assets attributable to holders of participating redeemable preference shares		<u>14,365,527</u>		<u>32,344,373</u>

The notes on pages 14 to 22 and the distribution table on page 23 form part of these financial statements.

Suntera High Income Fund PLC

Annual Report & Audited Financial Statements for the year ended 30 September 2021

Balance Sheet

	Note	As at 30.09.2021		As at 30.09.2020	
		£	£	£	£
Assets					
Current assets					
Investments			13,467,146		31,177,759
Debtors	11	531,262		777,925	
Cash and bank balances	12	<u>835,278</u>		<u>978,026</u>	
Total other assets			1,366,540		1,755,951
Total assets			<u>14,833,686</u>		<u>32,933,710</u>
Equity and liabilities					
Equity					
Management shares	15	10		10	
Nominal shares	15	<u>333,877</u>		<u>303,406</u>	
Total equity			333,887		303,416
Liabilities					
Creditors	13	64,284		96,246	
Distribution payable		<u>69,988</u>		<u>189,675</u>	
Total other liabilities			134,272		285,921
Total equity and other liabilities			<u>468,159</u>		<u>589,337</u>
Net assets attributable to holders of participating redeemable preference shares			<u>14,365,527</u>		<u>32,344,373</u>

The financial statements on pages 12 to 23 were approved and authorised for issue by the Board of Directors on 16 December 2021 and signed on its behalf by:

R K Corkill
Director

S W Bowden
Director

The notes on pages 14 to 22 and the distribution table on page 23 form part of these financial statements.

Suntera High Income Fund PLC

Annual Report & Audited Financial Statements for the year ended 30 September 2021

Notes to the Financial Statements

1. Accounting policies

- a The financial statements on pages 12 to 23 have been prepared in compliance with applicable United Kingdom Accounting Standards, comprising Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), the Authorised Collective Investment Schemes Regulations 2010, Isle of Man Companies Acts 1931 to 2004, and the Company's principal constitutional documents.

The financial statements comply with the requirements of the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in May 2014 (the "SORP").

In previous years the financial statements have been prepared on a going concern basis. However, following a significant shareholder redemption in March 2021, the Board have been mindful of the increasingly adverse impact of the Fund's fixed costs on its performance due to the reducing fund size. The Board have been monitoring performance closely over recent months and requested the Manager to seek and identify new sources of investment into the Fund and explore alternative options to secure its future. Throughout the review process, the Board and Manager have worked in close consultation with the Investment Manager and the Fiduciary Custodian. As a consequence of the reduced trading flexibility that is available to the Investment Manager from the significantly reduced portfolio, the associated increase in the portfolio's risk profile and the increased percentage of ongoing fixed costs that detracts from investment returns, the Board are of the opinion that in the likely event of no viable solution being identified the Fund will be closed within 12 months of these financial statements. Accordingly, the Directors have prepared the financial statements on the non-going concern basis. There is no material difference under this basis than would apply under the going concern basis. No provision has been made for liquidation costs as these will be borne by the Manager.

The functional currency of the Fund is GBP as all its investments are denominated in GBP, its performance is measured and reported in GBP and all shares are denominated in GBP. The Fund's presentation currency is GBP.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. In the opinion of the Directors, there are no critical accounting estimates or areas of significant judgement made in the preparation of these financial statements.

b Financial instruments

Financial assets:

Basic financial assets, including trade and other receivables and cash at bank, are initially recognised at transaction price, unless the arrangement constitutes a financial arrangement, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of total return.

Investments are initially measured at fair value, which for the purposes of the valuation of the units in the Fund is the mid price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in the statement of total return. From 4 June 2018 the Fund changed from a dual bid - offer pricing basis to a single pricing basis using the mid price as the fair value of its investments. For the purposes of valuation for the financial statements bid price has been used. There is no material difference between the two.

Financial assets are derecognised when (i) the contractual rights to the cash flows from the assets expire or are settled, or (ii) substantially all the risks and rewards of ownership of the asset are transferred to another party or (iii) despite having retained some significant risk and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Suntera High Income Fund PLC

Annual Report & Audited Financial Statements for the year ended 30 September 2021

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

b Financial instruments (continued)

Financial liabilities:

Basic financial liabilities, including accruals, are initially recognised at transaction price, unless the arrangement constitutes a financial transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, which is when the contractual obligation is discharged, cancelled or expires.

c Cash and cash equivalents includes cash at bank, deposits held at call with banks or other short-term highly liquid investments with original maturities of three months or less.

d Interest receivable on bank deposits and investments in debt securities is recognised on an accruals basis in accordance with the SORP.

e Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered at the balance sheet date respectively.

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment in respect of amounts due from brokers.

f Gains and losses on disposal and revaluation of investments in debt securities are recognised in the statement of total return and the total return after distributions is taken to the capital reserve.

g The premium received on the issue of participating redeemable preference shares is credited to the share premium account. On redemption of participating redeemable preference shares the premium repayable is debited to the share premium account. Should the share premium account be fully utilised, premiums on redemption will be charged against other realised capital reserves.

h All participating redeemable preference shares issued by the Fund provide the investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets at the redemption date. In accordance with FRS 102 such investments give rise to a financial liability for the present value of the redemption amount.

i The Fund has, in accordance with the SORP and FRS 102 section 7.1A (c), exercised its right of exemption from preparing a cash flow statement.

j All expenses are recognised on an accruals basis and charged against revenue.

2. Equalisation

Equalisation is accumulated net income included in the price of the shares purchased and sold during the year. Equalisation on shares purchased is included as part of a shareholder's first distribution.

3. Distributions

The net revenue available for distribution by the Fund at the end of each distribution period is paid as a dividend distribution.

4. Management fee

A recurring charge at an annual rate of 0.7% is payable to the Manager each month, calculated daily on the net asset value of the Fund. The investment manager's fee is paid out of the manager's fee.

5. Fiduciary Custodian and sub custodian fees

A recurring charge at an annual rate of 0.035% is payable to the Fiduciary Custodian each month, calculated daily on the net asset value of the Fund (subject to a minimum annual fee of £20,000). In addition, the sub custodian charges the Fund a quarterly safe custody fee for the safe keeping of the Fund's assets.

Suntera High Income Fund PLC

Annual Report & Audited Financial Statements for the year ended 30 September 2021

Notes to the Financial Statements (continued)

6. Net capital gains

	30.09.2021	30.09.2020
	£	£
Non-derivative:		
Net capital (loss)/gain during the year comprises:		
Realised gain on sale of investments	1,088,028	482,814
Unrealised loss on revaluation of investments	(1,767,723)	(201,033)
Net capital (loss)/gain	(679,695)	281,781

7. Revenue

	30.09.2021	30.09.2020
	£	£
Non-derivative:		
Interest income from investments in debt securities	706,620	1,130,359
Total revenue	706,620	1,130,359

8. Expenses

	30.09.2021	30.09.2020
	£	£
Payable to the Manager and Registrar		
Management fee	155,390	230,090
	155,390	230,090
Payable to the Fiduciary Custodian		
Fiduciary custodian fees	20,000	20,000
	20,000	20,000
Other expenses		
Directors' fees	16,500	16,546
Regulatory fees	898	2,657
Audit fees	20,240	17,147
Printing and postage	10,600	9,984
Sub custody fees	12,775	12,810
Withholding tax (net)	1,243	1,495
Sundry expenses	18,631	11,568
	80,887	72,207
Total expenses	256,277	322,297

9. Taxation

The Fund is liable to Isle of Man tax at the standard rate of 0%.

10. Finance costs: Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares and comprise:

	30.09.2021	30.09.2020
	£	£
Interim distribution	327,700	611,290
Final distribution	69,988	189,675
Revenue received on the issue of shares	(261)	(825)
Revenue paid on the cancellation of shares	52,916	7,922
	450,343	808,062

Suntera High Income Fund PLC

Annual Report & Audited Financial Statements for the year ended 30 September 2021

Notes to the Financial Statements (continued)

11. Debtors

	30.09.2021	30.09.2020
	£	£
Debtors comprise:		
Interest receivable on debt securities	189,966	470,515
Other debtors	341,296	307,410
	<u>531,262</u>	<u>777,925</u>

12. Cash

	30.09.2021	30.09.2020
	£	£
Cash and bank balances	835,278	978,026
	<u>835,278</u>	<u>978,026</u>

13. Creditors

	30.09.2021	30.09.2020
	£	£
Creditors comprise:		
Accrued fees and expenses	64,284	96,246
	<u>64,284</u>	<u>96,246</u>

14. Related party disclosure

RL 360 Life Insurance Company Limited invests in the Fund and the number of participating redeemable preference shares held by them at the balance sheet date was 297,759 (2020: 28,450,884). The movement in participating redeemable preference shares held by RL 360 Life Insurance Company Limited in the year is a made up as follows: Shares issued 408,576 (2020: 832,271) for which they paid £235,676 (2020: £475,653), and shares redeemed 28,561,701 (2020: 2,717,270) for which they received £16,252,001 (2020: £1,535,978). Distributions totalling £98,132 (2020: £406,020) were declared in the year on shares held by RL360 Life Insurance Company Limited.

At the balance sheet date, £333,877 was owed from the Manager to the Fund (2020: £303,406 owed from the Manager to the Fund) in respect of Nominal shares issued.

The Manager holds the Management shares in the Fund. The shares were issued at par for £10 (2020: £10) which was owed to the Fund by the Manager at 30 September 2021 and 2020.

Keith Corkill and Scott Bowden are also directors of Suntera Fund Services (IOM) Limited which is Manager to the Fund.

The management fee payable to the Manager is detailed in Notes 4 and 8.

The investment management fees due to Aberdeen Asset Managers Limited are paid by the Manager.

The fees paid during the year to the non-executive directors are disclosed in Note 8.

15. Share capital

	30.09.2021	30.09.2020
	£	£
a Authorised share capital		
10 management shares of £1 each	10	10
499,990,000 unclassified shares of 0.1p each	499,990	499,990
	<u>500,000</u>	<u>500,000</u>
b Issued share capital	£	£
Management shares of £1 each		
Balance brought forward and carried forward	<u>10</u>	<u>10</u>
Nominal shares of 0.1p each		
Balance brought forward	303,406	300,009
Issued during the year	31,377	4,883
Redeemed during the year	(906)	(1,486)
Balance carried forward	<u>333,877</u>	<u>303,406</u>

Suntera High Income Fund PLC

Annual Report & Audited Financial Statements for the year ended 30 September 2021

Notes to the Financial Statements (continued)

15. Share capital (continued)

	30.09.2021	30.09.2020
	£	£
b Issued share capital (continued)		
Participating redeemable preference shares of 0.1p each		
Balance brought forward	56,058	59,455
Issued during the year	906	1,486
Redeemed during the year	<u>(31,377)</u>	<u>(4,883)</u>
Balance carried forward	<u>25,587</u>	<u>56,058</u>
Total issued share capital	<u>359,474</u>	<u>359,474</u>
	30.09.2021	30.09.2020
	Number	Number
	of shares	of shares
Number of management shares of £1 each		
Balance brought forward and carried forward	<u>10</u>	<u>10</u>
Nominal shares of 0.1p each		
Balance brought forward	303,405,992	300,008,728
Issued during the year	31,377,313	4,883,262
Redeemed during the year	<u>(905,865)</u>	<u>(1,485,998)</u>
Balance carried forward	<u>333,877,440</u>	<u>303,405,992</u>
Participating redeemable preference shares of 0.1p each		
Balance brought forward	56,058,278	59,455,542
Issued during the year	905,865	1,485,998
Redeemed during the year	<u>(31,377,313)</u>	<u>(4,883,262)</u>
Balance carried forward	<u>25,586,830</u>	<u>56,058,278</u>

Management shares are not redeemable, have no voting rights and do not entitle the holder to receive any dividends. On a winding-up, shareholders are entitled to receive the balance after the nominal and participating redeemable preference shareholders have been paid.

Nominal shares are issued at par to provide funds for the redemption of the nominal value of participating redeemable preference shares. They may be converted into participating redeemable preference shares. They have no rights or rights to dividend. On a winding up, the shareholders are entitled to the nominal value of the shares after the participating redeemable preference shareholders have been paid.

Participating redeemable preference shares are classed as financial liabilities and confer the right to a proportionate share in the property of the Fund and to dividends as determined by the Directors. They may be redeemed on any dealing day. Each share carries one vote. On a winding-up, the shareholders are entitled to a share of the assets available for distribution in accordance with their respective interest in the property of the Fund before other shareholders are paid.

c Holding over 5%

There were no shareholdings over 5% at 30 September 2021 (30 September 2020: RL 360 Life Insurance Company Limited 50.8%)

16. Reserves

	30.09.2021	30.09.2020
	£	£
Share premium		
Balance brought forward	19,225,021	21,139,315
Issue of shares during the year	520,697	846,545
Redemption of shares during the year	<u>(17,789,377)</u>	<u>(2,760,839)</u>
Balance carried forward	<u>1,956,341</u>	<u>19,225,021</u>

Suntera High Income Fund PLC

Annual Report & Audited Financial Statements for the year ended 30 September 2021

Notes to the Financial Statements (continued)

16. Reserves (continued)

Capital reserve	30.09.2021	30.09.2020
	£	£
Balance brought forward	13,063,294	12,781,513
Total return for the year after distributions	(679,695)	281,781
Balance carried forward	12,383,599	13,063,294
	£	£
Net assets attributable to holders of participating redeemable preference shares consist of:		
Share capital - participating redeemable preference shares	25,587	56,058
Share premium	1,956,341	19,225,021
Capital reserves	12,383,599	13,063,294
	14,365,527	32,344,373

17. Financial instruments

The purpose of the Fund is to provide investors with a high income, before taxation, from a managed portfolio of fixed-interest securities, denominated in sterling and other currencies, with net income distributed on a quarterly basis. In pursuing this investment objective, the Fund holds a number of financial instruments. The Fund's financial instruments comprise debt securities, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for share issues and payable for share cancellations and debtors for accrued revenue.

The Fund's financial instruments consist of the following categories:

	30.09.2021	30.09.2020
	£	£
Financial assets at fair value through profit or loss - debt securities	13,467,146	31,177,759
Financial assets at amortised cost:		
Debtors	531,262	777,925
Cash at bank	835,278	978,026
Financial liabilities at amortised cost:		
Creditors	(134,272)	(285,921)

The main risks arising from the financial instruments are market risk, liquidity risk and credit risk. The Fund's policies for managing these risks are summarised below and have been applied throughout the year.

Market risk

Market price risk

Market price risk, being the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate movements.

Market price risk represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Fund's Investment Manager regularly reviews the asset allocation of the portfolio in order to minimise the risk associated with particular sectors whilst continuing to follow the investment objectives. The Fund's Investment Manager has responsibility for monitoring the existing portfolio selected in accordance with the overall asset allocation parameters described in the Scheme Particulars and seeks to ensure that individual stocks also meet the risk reward profile that is acceptable.

Suntera High Income Fund PLC

Annual Report & Audited Financial Statements for the year ended 30 September 2021

Notes to the Financial Statements (continued)

17. Financial instruments (continued)

Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest bearing assets held by the Fund are cash balances and fixed and floating rate debt securities.

Below is an analysis of the financial assets, analysed between fixed rate, floating rate and non-interest bearing.

	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
30 September 2021	3,492,624	10,809,800	531,262	14,833,686
30 September 2020	4,713,526	27,442,259	777,925	32,933,710

At 30 September 2021, for fixed rate securities, had market interest rates strengthened by 1% (2020: 1%) the net assets attributable to holders of participating redeemable preference shares would have decreased by £844,245 (2020: £2,181,660).

A weakening of the interest rate would have resulted in an equal and opposite effect on the financial statements, assuming all other variables remained constant.

The Fund has no financial liabilities other than short-term creditors and participating redeemable preference shares.

Interest receivable on cash is in general linked to the Bank of England base rate.

	Weighted average interest rate on bonds	Weighted average period for which the rate is fixed
30 September 2021	4.32%	14.81 years
30 September 2020	4.15%	13.72 years

The maturity of the non-interest bearing instruments is less than a year.

Floating rate bond interest is calculated using daily published rates.

Fair value of financial assets and liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet and their fair value. The main liability of the Fund is its obligation to redeem shares on demand.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with its financial

The Fund holds assets comprising mainly readily realisable securities and has no significant unlisted securities. The main liability of the Fund is the cancellation of shares by shareholders. This risk is minimised by holding cash and readily realisable securities.

Suntera High Income Fund PLC

Annual Report & Audited Financial Statements for the year ended 30 September 2021

Notes to the Financial Statements (continued)

17. Financial instruments (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty and issuer risk.

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its responsibilities. The Fund only buys and sells investments through brokers which have been approved by the Fund's Manager as an acceptable counterparty and these are reviewed on an ongoing basis.

The majority of the Fund's holdings are in investment grade bonds. The holdings are spread across a variety of industry sectors to avoid concentrations of credit risk.

Assets of the Fund may need to be sold if insufficient cash is available to finance redemptions. The Fund holds cash and cash deposits which potentially exposes the Fund to counterparty risk. The Manager constantly reviews the banks at which cash is deposited. Currently, the cash is held with RBS and BNY Mellon which have a credit rating of A-2 and A-1+ respectively (2020: cash held with RBS and BNY Mellon had a credit rating of A1 and A1+ respectively).

Credit rating analysis

A credit quality analysis is disclosed below in accordance with paragraph 3.84 of the SORP.

	Market value 30.09.2021 £	Market value 30.09.2020 £
Investment grade	13,147,820	30,279,525
Non-investment grade	319,326	898,234
Total debt securities	13,467,146	31,177,759

18. Fair value hierarchy

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs. Disclosure is required of the value in each category in order to give an insight into the extent to which fair value measurements are subjective. The disclosure is split into the following categories:

Level 1 - quoted prices for identical instruments in active markets. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions for the same financial instrument on an arm's length basis. For this purpose, a quoted price is a price at which the party performing the fair value measurement can enter into a transaction. Therefore the price must be binding on the party providing the quote.

Level 2 - inputs, other than quoted prices in Level 1, that are observable (i.e. developed using market data) either directly, such as prices, or indirectly, which are derived from prices. Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2.

Level 3 - valuation techniques that use inputs that are unobservable (i.e. non-market data).

As at 30 September 2021 and 30 September 2020, all of the Fund's investments were classified as Level 2.

Suntera High Income Fund PLC

Annual Report & Audited Financial Statements for the year ended 30 September 2021

Notes to the Financial Statements (continued)

19. Portfolio transactions

	30.09.2021	30.09.2020
	£	£
Analysis of total purchases		
Purchases in period before transaction costs	7,084,360	12,708,120
Purchase costs	320	840
Gross purchases total	7,084,680	12,708,960
Analysis of total sales		
Gross sales before transaction costs	24,076,798	15,048,210
Sales costs	(2,120)	(940)
Total sales net of transaction costs	24,074,678	15,047,270

Average portfolio dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.6678% (2020: 0.9585%). This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

20. Contingent liabilities

There are no contingent liabilities or commitments outstanding at the date of the financial statements.

21. Post balance sheet events

At a meeting of the Board of Directors on 16 November 2021, for the reasons set out in the Manager's Report, the Fund Board with agreement of the Manager determined that in the likely event of no viable solution being identified it will be in the best interests of the Fund's shareholders to close the Fund. The Board requested the Manager to consider the required next steps and it is expected the process will be completed within the coming 12 months.

Suntera High Income Fund PLC

Annual Report & Audited Financial Statements for the year ended 30 September 2021

Distribution Table

	Net revenue 2021 p per share	Equalisation 2021 p per share	Distribution payable* 2021 p per share	Distribution paid 2020 p per share
Final distribution				
Participating shares				
*The 2021 final distribution was paid on 15 November 2021	0.2785	0.0025	0.2760	0.3413
Interim distributions				
Interim distribution - Quarter 3				
Participating shares				
*The quarter 3 distribution was paid on 16 August 2021	0.2482	0.0021	0.2461	0.3367
Interim distribution - Quarter 2				
Participating shares				
*The quarter 2 distribution was paid on 17 May 2021	0.6634	0.1874	0.4760	0.3625
Interim distribution - Quarter 1				
Participating shares				
*The quarter 1 distribution was paid on 15 February 2021	0.3485	0.0034	0.3451	0.3736

Independent Auditor's report to the members of Suntera High Income Fund PLC

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements:

- give a true and fair view of the financial position of Suntera High Income Fund PLC (the "Fund") as at 30 September 2021 and of the net revenue and the net capital losses of the scheme property of the Fund for the year then ended in accordance with United Kingdom Accounting Standards, comprising FRS 102: "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds, the Authorised Collective Investment Schemes Regulations 2010, the Isle of Man Companies Acts 1931 to 2004 and the Fund's principal constitutional documents.

What we have audited

The Fund's financial statements comprise:

- the balance sheet as at 30 September 2021;
- the statement of total return for the year then ended;
- the statement of change in net assets attributable to holders of participating redeemable preference shares for the year then ended;
- the distribution table for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Basis of preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1a to the financial statements concerning the basis of preparation. The performance of the Fund has been impacted due to a significant redemption that occurred during the year. Whilst the Board, in conjunction with the Manager, the Investment Manager and the Fiduciary Custodian, are exploring alternative options to secure the future of the Fund, the directors believe there is a significant chance that the Fund will close within 12 months of signing these financial statements. Accordingly the going concern basis of accounting is no longer appropriate and the financial statements have been prepared on a basis other than going concern as described in note 1a to the financial statements. No adjustments were necessary in these financial statements to reduce assets to their realisable value or to provide for liabilities arising from the decision.

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The other information comprises all of the information in the Annual Report and Audited Financial Statements other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Independent Auditor's report to the members of Suntera High Income Fund PLC (continued)

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the applicable framework 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 Fund'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 Fund or 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may include collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

This report, including the opinion, has been prepared for and only for the Fund's members as a body in accordance with Section 15 of the Isle of Man Companies Act 1982 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent Auditor's report to the members of Suntera High Income Fund PLC (continued)

Report on other legal and regulatory requirements

Adequacy of accounting records and information and explanations received

Under the Isle of Man Companies Act 1931 to 2004 we are required to report to you by exception if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper books of account have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us;
- the financial statements are not in agreement with the books of account and returns; and
- certain disclosures of directors' loans and remuneration specified by law have not been complied with.

We have no exceptions to report arising from this responsibility.

Under the Authorised Collective Investment Schemes Regulations 2010, we are required to report to you by exception if, in our opinion, proper accounting records for the Fund have not been kept, or whether the financial statements are not in agreement with those records.

We have no exceptions to report arising from this responsibility.

Opinion on other matters prescribed by the Authorised Collective Investment Schemes Regulations 2010

Under the Authorised Collective Investment Schemes Regulations 2010 we are required to report to you on other prescribed matters. In our opinion:

- we have obtained all the information and explanations, which to the best of our knowledge and belief, we consider necessary for the purposes of the audit; and
- the information given in the Manager's Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

PricewaterhouseCoopers LLC
Chartered accountants
Sixty Circular Road
Douglas, Isle of Man

16 December 2021

Suntera High Income Fund PLC

Report of the Fiduciary Custodian

The Fiduciary Custodian has responsibility for the safekeeping of the Fund's assets and must take reasonable care to ensure that the scheme is managed by the Manager in accordance with the Regulations relating to, inter alia, investment and borrowing powers, dealing and valuation and pricing, and the Fund's principal constitutional documents and scheme particulars.

In respect of the year ended 30 September 2021 we state that, in our opinion, Suntera Fund Services (IOM) Limited managed Suntera High Income Fund PLC:

- a. in accordance with the limitations imposed upon the investment and the borrowing powers of the Manager and ourselves as Fiduciary Custodian by the principal constitutional documents, by the Scheme Particulars and by the Authorised Collective Investment Schemes Regulations 2010, and
- b. otherwise in accordance with the provisions of the principal constitutional documents and the Authorised Collective Investment Schemes Regulations 2010, and
- c. the issue, sale, redemption and cancellation, and calculation of the price of the shares and the application of the scheme's income, have at all times been carried out in accordance with the provisions of the Regulations and, where applicable, the Act and the documents constituting the scheme.

Apex Financial Services (Corporate) Limited
12 Castle Street
St Helier
Jersey

16 December 2021