



abrdn Equity Income Trust plc

Annual Report 30 September 2023

Equity income using an index-agnostic approach focusing
on our best ideas from the full UK market cap spectrum

abrdnequityincome.com





abrdn Equity Income Trust plc is an "AIC Dividend Hero" -
it has increased its dividend for 23 years in a row.



"The Company has both issued and bought back shares in the last 12 months, which is reflective of the significant rerating of the share price relative to the NAV."

Sarika Patel, Chair



"We have retained our focus on income, providing shareholders with a high level of dividend yield through a portfolio of attractively valued UK-listed stocks from across the UK market."

Thomas Moore,
Portfolio Manager



Scan the QR Code above to register for email alerts relating to the Company.

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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 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 abrdn Equity Income 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.

Performance Highlights

Net asset value total return per Ordinary share^A

Year ended 30 September 2023

+1.8%

Year ended 30 September 2022

-7.6%

Share price total return per Ordinary share^A

Year ended 30 September 2023

+11.4%

Year ended 30 September 2022

-7.8%

Revenue return per Ordinary share

Year ended 30 September 2023

23.43p

Year ended 30 September 2022

25.51p

Discount to net asset value^A

As at 30 September 2023

0.2%

As at 30 September 2022

8.8%

Dividend per Ordinary share

Year ended 30 September 2023

22.80p

Year ended 30 September 2022

22.70p

Ongoing charges ratio^A

Year ended 30 September 2023

0.94%

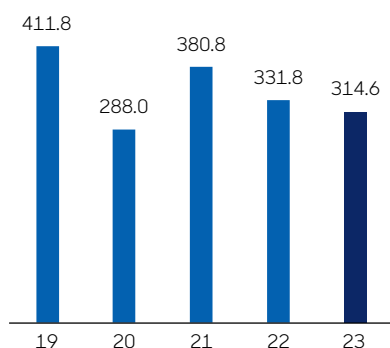
Year ended 30 September 2022

0.91%

^A Considered to be an Alternative Performance Measure. Further details can be found on pages 90 to 92.

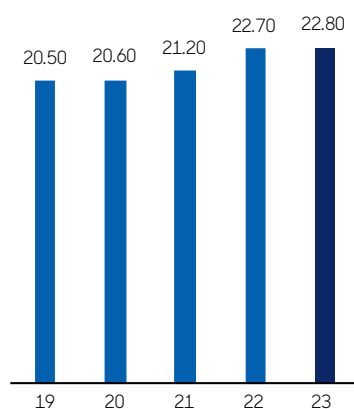
Net asset value per Ordinary share

At 30 September - pence



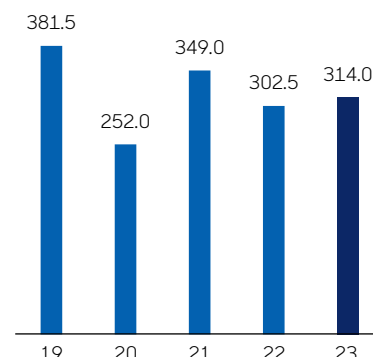
Dividends per share

For the year to 30 September - pence



Share price

At 30 September - pence



Financial Calendar

Pre-Annual General Meeting ("AGM") Online Investor Event	26 January 2024
AGM (London)	20 February 2024
Expected payment dates of interim dividends for year ending 30 September 2024	March 2024 June 2024 September 2024 January 2025
Half year end	31 March 2024
Expected announcement of results for the six months ending 31 March 2024	May 2024
Financial year end	30 September 2024
Expected announcement of results for year ending 30 September 2024	December 2024

Strategic Report



The Company's objective is to provide shareholders with an above average income from their equity investment, while also providing real growth in capital and income.

The Company offers an actively managed portfolio of UK listed companies. The investment approach is index-agnostic and the aim is to Focus on Change by evaluating changing corporate situations and identifying insights that are not fully recognised by the market.

Chair's Statement

It is a great pleasure to present a full year report to you for the first time as Chair, having assumed the role at the Annual General Meeting in February 2023, following the retirement of Mark White.

While the Company's Net Asset Value ("NAV") made progress in the first quarter of the financial year, calendar 2023 has proved to be more challenging. The combination of political and financial turmoil, 40 year-high inflation and rising interest rates have made for a difficult backdrop for small and mid-cap companies, especially those with a focus on the domestic UK economy. The key highlights for the financial year to 30 September 2023 are:

- A 23rd consecutive year of dividend growth. The dividend for the year is, once again, covered by earnings.
- A sharp and sustained closing of the discount from around 10% this time last year to around par today. Although the Company bought back shares at the beginning of the year, the Company has been trading at a premium during the year and has issued shares in order to meet the excess demand.
- A material increase in the proportion of the Company's shares held by execution-only platforms (such as interactive investor and Hargreaves Lansdown), who typically act on behalf of private shareholders. In the year under review, the ten largest buyers of the Company's shares were all platforms and those ten large buyers now collectively own over 65% of the Company's shares on behalf of their various customers. This reaffirms the Board's view that there remains demand for income mandates from private investors.

Please see page 18 for the Company's performance against its Key Performance Indicators.

Earnings

Gross income generated by the Company's investments in the financial year to 30 September 2023 was £12.6 million (2022: £13.5 million). The costs of managing the portfolio, including administration costs, were down 7.3%, largely driven by management fees being down almost 10%. At the same time, interest costs attributable to the revenue account were up from £149,000 to £401,000, reflecting the increase in the cost of debt, as interest rates have risen. After tax, the income of the Company was £11.1 million, down from £12.2 million last year.

This resulted in the Company's earnings per share being 23.43 pence, which was 8.2% lower than last year. Despite this decline, the dividend for the year is covered by the earnings once again.

Our Portfolio Manager is focused on delivering increased earnings in order to extend the 23-year track record of dividend growth, which we intend to be covered by the revenue earnings in the financial year. Please see the Portfolio Manager's Review on pages 10 to 14 for more detail on the sources of the performance and income.

Dividends

As a result of the earnings performance the Board is declaring a fourth interim dividend for 2023 of 5.7 pence per share which will be paid on 8 January 2024 to shareholders on the Register on 8 December 2023 with an associated ex-dividend date of 7 December 2023. This takes the total dividend for the year to 22.80 pence per share, and the 23rd consecutive annual dividend increase declared by the Company. At the time of writing, the Company is trading on a yield of 7.6%, among the highest in the AIC UK Equity Income sector. In setting the level of the fourth interim dividend the Board balanced the desire to ensure that the dividend continues to grow and that revenue reserves were replenished.

After payment of the fourth interim dividend, and based on current shares in issue, 0.56 pence per share will be transferred to revenue reserves which will be increased to 15.61 pence per share.

The Board is committed to maintaining and extending its track record of dividend growth. We therefore expect that, in the absence of any adverse circumstances, in the coming financial year we will extend our track record to 24 consecutive years of dividend growth by paying a dividend of at least 22.90 pence per share. We believe that we are in a position to do this because we are confident that the portfolio should deliver net earnings that will cover this cost except for unforeseen circumstances. We expect that the first three interim dividends will be 5.7 pence per share, payable in March, June and September and the fourth interim will be at least 5.8 pence per share payable in January. Once again, we have tasked the Portfolio Manager with delivering net revenue earnings to be able to cover this level of distribution.

Results

On a more disappointing note, the NAV total return of the Company for the financial year to 30 September 2023 was 1.8% (2022: -7.6%) and the share price total return was 11.4% (2022: -7.8%). The FTSE All-Share Index delivered a total return of 13.8% (2022: -4.0%) over the same period. More detailed information on capital performance can be found in the Portfolio Manager's Review and generally relate to the continued outperformance of large-cap stocks which only comprise 52.6% of our portfolio. Whilst UK equity markets remain undervalued, there is an opportunity for re-rating that recognises the underlying value of our portfolio. The Board remains focused on improving performance and growing the dividend.

Premium & Discount

The Company share price started the year trading on a discount of 8.8% and closed the year on a discount of 0.2%. The Board was pleased to note the market's positive reaction to the announcement of the full year results in December 2022. The day before the results were announced the Company's share price was trading on a discount of around 10%; within a week the share price was trading at around par. Crucially, the rerating of the Company's share price has been maintained.

This meant that the Company has moved from buying back shares in the first two months of the financial year, to re-issuing shares from treasury. In October 2022 and November 2022, the Company bought back 100,417 Ordinary shares or 0.21% of the opening issued share capital in the year at a weighted discount of 10.1%.

In August 2023 the Company issued 275,000 shares in the market, from treasury, for the first time since January 2016 at a weighted premium of 1.1%. The Board will only issue shares when it considers that the premium is sustained and sufficient to ensure that, net of commission and reasonable market movements, the issuance will be NAV accretive to existing shareholders. We are very pleased that we are in a position to continue to issue shares and over the year, the net number of shares in issue increased by 174,583 with a value of just over £547,000. We hope to be able to continue to grow the Company in this way. Since the year end, the Company has issued a further 135,000 shares from treasury.

Through its buy back and issuance approach, the Board aims to try to reduce any volatility in the discount and indeed in the premium to ensure that shareholders have, as far as possible, confidence that the share price will broadly reflect the value of the underlying assets.

Loan refinancing

During the financial year, the Company renewed its £30 million revolving credit facility with the Royal Bank of Scotland International Limited for three years, expiring in June 2026 ("the Facility"). £21 million was drawn down at the year-end (2022: £25 million). Under the terms of the Facility, the Company also has the option to increase the level of the commitment from £30 million to £40 million at any time, subject to the Lender's credit approval. The Board and Manager are very aware of the impact of the increase in the cost of borrowing as a result of rising interest rates. The Board considers the impact of these increased costs versus the financial benefit of gearing the portfolio. The Board continues to believe in the long-term benefits of gearing, one of the tools available to closed-end investment companies.

Management Agreement

The management fee structure that prevailed during the year was introduced in 2019 and during the year the Board undertook a review of the agreement and concluded that it was no longer competitive when compared to other similar investment trusts in the sector. Accordingly, the Board negotiated a revision to the fee structure with the Manager. The new agreement does away with the tiered fee structure of 0.65% on the first £175 million of net assets and replaces it with a flat fee of 0.55% on net assets and took effect on 1 October 2023. Based on the net assets at the year end of £149.9 million, the change represents a reduction in the fee of 15.4%. The Board considers that this makes the fee structure more competitive when compared to the other similar investment trusts in the sector.

Chair's Statement

Continued

Change of Auditor

The Board, led by the Audit Committee, undertook an audit tender in 2023 with a view to appointing a new auditor for the financial year starting on 1 October 2023. KPMG has been the Company's auditors for six years and the Board concluded that it was appropriate to test the market. The Board had noted that the audit fee for the Company had risen significantly over the last few years. The Board is aware of a general trend of rising audit fees across the industry and discussed this with KPMG in order to gain an understanding as to the likely future fees. The audit tender attracted strong interest and resulted in the proposed appointment of Johnston Carmichael LLP for the financial year ending 30 September 2024.

Manager

During the year, the Board has continued its focus on the revenue account and maintained its direction to the Portfolio Manager that the revenue account should cover a dividend greater than 22.80 pence per share. Despite the challenging markets, the Board was encouraged that the revenue account surpassed the planned dividend for the year but has encouraged the Portfolio Manager to concentrate on this. The Board believes that the continued appointment of the Manager remains in the best interest of the Company's shareholders as a whole.

The Board

The Board has continued to evolve in the last 12 months. Mark White retired at the AGM in February 2023 and I assumed the role of Chair, with Mark Little succeeding me as Chair of the Audit Committee. Jeremy Tigue has announced that, after nine years on the Board, he does not intend to stand for re-election at the Company's AGM in February 2024 and consequently the Board undertook a recruitment process over the summer, and after a thorough search, we were delighted to invite Nick Timberlake to join the Board. Nick joined the Board on 1 August 2023. He has extensive experience as an investment trust fund manager and is already making a significant contribution.

Following the conclusion of the AGM, Caroline Hitch will replace Jeremy as the Senior Independent Director and Nick Timberlake will replace Caroline as Chair of the Remuneration & Management Engagement Committee.

I would like to thank Jeremy for his invaluable contribution to the Board and the Company over the last nine years.

Online Shareholder Presentation

In order to encourage as much interaction as possible with our shareholders, we will be hosting an Online Shareholder Presentation, which will be held at 11:30 am on Friday, 26 January 2024. At this event there will be a presentation from the Portfolio Manager followed by an opportunity to ask live questions to the Portfolio Manager and me. The online presentation is being held ahead of the AGM to allow shareholders sufficient time to submit their proxy votes after the presentation but prior to the AGM should they so wish. Full details on how to register for the online event can be found on the Company's website at abrdnequityincome.com.

Annual General Meeting ("AGM")

This year's Annual General Meeting ("AGM") will be held at wallacespace Spitalfields, 15-25 Artillery Lane, London, E1 7HA on Tuesday, 20 February 2024 at 11:30 am. The meeting will include a presentation by the Portfolio Manager and will be followed by lunch. This is a good opportunity for shareholders to meet the Board and the Manager and the Board encourages you to attend. The Notice of the Meeting is contained on pages 102 to 105.

Outlook

I described last year as "challenging" at the start of this report. I suspect this situation will persist well into 2024. Economically, the Office for Budget Responsibility ("OBR") has downgraded forecast growth of the UK economy to 0.7% in the coming year which does not suggest much prospect of robust earnings growth. The fact that UK equities are already undervalued relative to other markets might provide some downside protection. This filters through to the sector, where investment trusts are trading at discounts not widely seen for over ten years. The announced reduction in employee National Insurance contributions is welcome, but unlikely to be the catalyst to kick start the recovery the economy needs. On top of that, politically we must expect that by the time we report on the 2024 earnings we will either have had or be about to have a General Election. A change of government seems almost inevitable but, whatever its hue, how it will address the fiscal issues is far from clear.

Against that gloomy background, one can see some glimmers of hope. The latest inflation numbers for the UK, announced on 15 November show, as expected, a marked downward trend to 4.6% and there is a possibility that this will continue over the next few months as the impact of the energy prices increases last winter, cease to have a bearing on the calculations. That, in turn, could mean that the next move in interest rates, when it happens (and we are not expecting it to be soon), might be downwards. Both these changes should boost confidence, particularly if they are sustained. From the perspective of the Company, these could be excellent conditions for our Manager's approach, where the Focus on Change process helps our Portfolio Manager identify those stocks that are, in his view, mispriced by the market. This holds out the prospect of some capital growth to accompany the focus on delivering a growing and covered dividend for the 24th consecutive year.

I would like to close this statement by thanking my fellow Board members, the Manager and all our service providers that support the Company in delivering an attractive yield to our shareholders.

Thank you to our shareholders for your continued commitment.



Sarika Patel
Chair
29 November 2023

Portfolio Manager's Review

Market Review

UK equities staged a recovery over the 12 months to 30 September 2023 as investors responded positively to signs of stabilising politics, peaking inflation and the continued avoidance of economic recession.

The period began with a resolution to the political uncertainty that followed the resignation of Liz Truss in October 2022. The arrival of Rishi Sunak as Prime Minister allowed bond markets to stabilise on the expectation of responsible fiscal policy, thereby restoring investor confidence in the UK's outlook.

With political turmoil fading from view, the market turned its attention towards inflation and its impact on monetary policy and economic growth. In the UK, consumer price inflation peaked at a 40-year high of 11.1% in October 2022, before falling back to 4.6% in October 2023. The Bank of England's decision to hold rates at 5.25% in September, following 14 successive rate hikes since December 2021, raised hopes that monetary policy had tightened sufficiently to curb inflationary pressures. Tightness in the labour market is a particular focus for policymakers in gauging underlying inflationary pressure, with average weekly earnings growing at 8.1% in the year to August. The view Economists predicted that interest rates would remain elevated monetary policy is unlikely to loosen until wage growth decelerates was reflected in the Bank of England's description of the likely profile of future interest rates as "Table Mountain".

During the period, the transmission of higher rates to the global economy became clearer, with various fragilities becoming exposed. In March, Silicon Valley Bank and Credit Suisse both collapsed, prompting intervention from financial regulators to limit the contagion across the global financial system. In May, markets became rattled by the prospect of a US government debt default, further compounding the damage to bond markets, although Congress ultimately approved an eleventh-hour increase of the debt ceiling. In August, investors reacted badly to signs of growing stress in the Chinese housing market

after years of excessive borrowing and overbuilding, with some large developers on the edge of default. In the UK, the impact of higher rates on housing activity and house prices was less acute, reflecting the reduction in household sector leverage since the 2008 financial crisis. Third quarter GDP data revealed that economic activity remains subdued, although recession continues to be avoided despite higher interest rates; a scenario that many economists would have dismissed as unlikely at the start of the year.

Although the FTSE All-Share Index returned 13.8% over the period, there were significant variations in performance within the UK market. The FTSE 100 index produced a total return of 14.7%, reflecting investors' preference for larger, more liquid stocks during nervous market conditions. The more domestically-orientated FTSE 250 and Small Cap indices lagged, returning 10.0% and 7.5% respectively, as worries about higher interest rates caused investors to shun less liquid domestic cyclical stocks in favour of more defensive large caps. Over the two years to September 2023, a divergence of over 31% in total return has built up between the FTSE 100 and FTSE 250 indices, underlining the unusual magnitude of this move.



Revenue Account

Dividends distributed by our holdings in the period under review came in at £12.6 million, compared to the £13.5 million received last year, representing a reduction of 7.2%. This was largely caused by a sharp decline in the contribution from special dividends to £186,000 (from £800,000 in 2022). Excluding all special dividends from the calculation, to provide a clearer view of the underlying change in dividends, the reduction was 2.8%. The decline in special dividends reflects the tendency of management teams to favour share buybacks over special dividends, often because they deem their valuation to be unfairly cheap. We note that 29 of our holdings – over half the portfolio – performed share buybacks during the financial year, underlining the intrinsic valuation attractions of the portfolio.

Net revenue was £11.1 million. Management fees were 9.9% lower and total expenditure before interest and tax was 7.7% lower than last year.

We are forecasting that the portfolio is currently delivering a gross dividend yield, before costs, of 7.6% based on the income expected to be generated by the portfolio over the financial year divided by the portfolio value at the year end, representing a significant premium to the dividend yield of the Index of 4.0% as at 30 September 2023.

During the financial year we focused on achieving the Board's priority of delivering sufficient income to cover the dividend. We achieved this for a second year, although the market backdrop of a decelerating global economy, rising interest rates and geopolitical conflict made this a more challenging task than it was the previous financial year. The largest variation in portfolio income during the year was caused by the reduction in commodity prices, affecting some of our Energy and Mining holdings. The UK equity market has, in recent years, seen a concentration of dividends among a relatively small number of sectors due to a succession of macro shocks, specifically Covid-related dividend cuts, followed by Ukraine-related commodity price surge and economic slowdown linked to higher interest rates. Our portfolio was not immune from this increase in dividend concentration.

Having rebuilt dividend coverage since the Covid trough, we have turned our attention to taking portfolio action that will simultaneously enhance the portfolio's income prospects and diversify the portfolio's income generation across a broader range of stocks and sectors. We would expect this process to be assisted by a broadening in dividend payments across the UK market, especially once macro uncertainty eases sufficiently to encourage management teams to distribute surplus cash in the form of dividends.

Taking a step back, we are encouraged by the progress in our revenue account in the two years since the height of Covid. While share prices may continue to swing around on changing sentiment in relation to these macro drivers, we remain confident that the focus of our investment approach on delivery of cash flows and dividends remains the right one. For the wider UK equity market as a whole, dividend cover of 2.2x (on a 12 month forward basis) suggests some cushion should macro conditions remain tough. We continue to find many examples of stocks whose cash flow and dividend potential is not effectively priced in by the market. This provides us with the opportunity to buy well-managed businesses with sound dividend prospects at low valuations, helping to support our confidence in the continued progression of our dividend per share in the financial year to 30 September 2024.

Portfolio Performance

The Company's net asset value ("NAV") total return was 1.8% for the period.

This return was lower than that of the Company's Reference Index as the return of the index masked some sharp variations in performance within the UK equity market, reflecting an underlying nervousness that persisted throughout most of the period.

In summary, our NAV lagged the index for two key reasons.

First, market conditions were not supportive for the Fund's positioning. The outperformance of a narrow range of large-cap stocks, linked to the strong US dollar and ongoing investor de-allocation from domestic UK stocks, was a key feature of the stock market during the period. This dragged on performance given the portfolio's heavy weighting in small and mid-cap stocks, itself a function of the index-agnostic approach that we use in constructing the portfolio. Our portfolio's exposure to the FTSE 100 Index was 52.6% at the end of the period, whereas the FTSE 100 Index represented 84.4% of the total value of the FTSE All-Share Index.

Portfolio Manager's Review

Continued

Second, the portfolio suffered from some company-specific disappointments, mainly linked to the impact of falling commodity prices on some of our Energy holdings and the impact of higher interest rates on activity levels in some of our Financials and Consumer holdings.

Turning to specific stocks, the key drivers of our performance over the period are as follows:

- Our Energy exposure detracted from performance at a time of falling energy prices due to a rebuilding in gas storage levels and reduced demand due to unseasonably mild winter weather. The weakest performers were **Thungela Resources** and **Diversified Energy** which reversed the gains they had made in the previous financial year. Both companies remain highly cash generative even at lower energy prices, providing significant portfolio income. Despite the benefit of our large holding in **BP**, this sector detracted around 4% of relative performance.
- Within Financials, performance was hit by our holdings in **CMC Markets**, **OSB Group** and **Vanquis**, all of which struggled in an environment of rising interest rates, resulting in profit warnings. These negatives were only partially offset by contributions from **International Personal Finance**, **Litigation Capital Management** and **Conduit**, all of which delivered better than expected results. Overall, this sector detracted around 5% of relative performance.
- Performance was varied within Consumer and Industrial sectors. Better than expected results from housebuilder **Vistry** and construction business **Galliford Try** and **Tyman**. The portfolio also benefited from its underweight in Consumer Staples, in particular not owning **Unilever** and **Reckitt Benckiser**, although this was offset by weak performance of **Imperial Brands** on concerns over the imposition of new tobacco restrictions. In aggregate, these sectors were neutral for performance.
- The gearing position mildly detracted from performance as the interest rate on the gearing exceeded the portfolio return. We continue to believe that the gearing facility is in the best interests of shareholders given the benefit to the revenue account as the dividend yield of the portfolio still exceeds the interest rate being paid on the facility, as well as the potential benefit to the capital account over time.

Activity

Purchases

During a period of rapidly changing expectations over the path for inflation and interest rates, we have applied our investment process to position the portfolio in stocks where we see the greatest potential to deliver income and capital growth. Our experience is that stock-level opportunities can become most abundant during times of volatile macro, as investors focus on economic data, rather than corporate fundamentals.

Our largest purchase during the period was **HSBC** where we see rapid improvement in profitability thanks to the benefit of higher base rates, as well as the re-opening of the China/Hong Kong border. The business appears well prepared for a tough economic backdrop, with management running a high level of deposits and taking a cautious approach to lending. This sets the stock up to deliver attractive dividends, while also providing capital growth potential given the attractive returns being generated.

We added to our holding in **National Grid** which we see as well positioned to deliver the grid expansion necessary for the transition to electric vehicles. In the UK, National Grid benefits from inflation-linked contracts. The stock has fallen sharply due to its correlation with government bonds, providing us with an opportunity to add to our holding, with clear portfolio income benefits given the high yield.

We bought a new holding in **Ithaca Energy**, whose huge cash generation is supporting extremely attractive dividends, with around one fifth of the company's market cap being paid back to shareholders in the form of dividends in its first full year of listing. We expect Ithaca's heavy investment in the North Sea to provide it with significant up-front tax breaks, helping to mitigate the impact of the Energy Profits Levy.

Among smaller cap stocks, we bought a new holding in **Vanquis** where we expect the new CEO to take rapid action to improve returns by managing loan growth and costs. The stock's very low valuation – around 0.5x book value – appears to reflect historic execution issues, rather than its forward-looking earnings potential. We also added to our holding in **Conduit** which appears set to benefit from a hardening reinsurance market, supporting our confidence in management's ability to achieve the returns targets it set out at its IPO in 2020.

Please see the case studies on pages 38 and 39 for examples of our engagement with investee companies which begins prior to purchase.

Sales

We reduced some of our Resources holdings, attempting to manage the trade-off between portfolio income and risk, after strong performance linked to the surge in energy prices caused by Russia's invasion of Ukraine. We took some profits in **BP** and **Shell**, our two largest holdings, managing down their position sizes. We also trimmed our weightings in **Rio Tinto** and **BHP** where weakness in the Chinese real estate sector created a difficult backdrop for their main commodity, iron ore.

This was another busy year of M&A for the portfolio. Following bid announcements, we sold our holdings in **DWF** and **Industrials REIT**, both of which received offers from private equity at a sizeable premium. We see this M&A activity as a sign of the intrinsic value in this portfolio.

We also took action to sell some of the lower yielding stocks in the portfolio, including **Coca-Cola Hellenic**, **Mondi** and **Playtech**, seeing more attractive income opportunities elsewhere in the UK market.

Outlook

The narrowness of market returns, both in the UK and globally, was the most striking feature of the period under review. In a large number of the world's stock markets, index performance has been led by a small number of very large cap stocks. Most notable is the US market, where the "Magnificent Seven", the group of headline-grabbing technology companies, including Amazon, Apple, Microsoft and Tesla are worth more than \$11 trillion (greater than the combined market capitalisation of the Japanese, UK and German stock markets). The UK has seen a similar, if less pronounced, shift towards large cap stocks, for two key reasons. First, concerns about the risk of a global recession have driven investors towards the largest, most liquid internationally-focused stocks in each sector, at the expense of small and mid-cap domestically-orientated stocks. Second, UK equity funds have suffered a prolonged period of outflows, as investors sell down UK equities in favour of other asset classes. This has created a circularity in which negative share price momentum has fuelled the perception that the UK is an unattractive market, causing a reduction in liquidity and depressed valuations. In some cases, low valuations have triggered bids for UK companies, resulting in a shrinking number of companies listed on the UK market. According to Peel Hunt, the number of companies (ex-investment trusts) listed on FTSE has fallen from 504 in 2013 to 412 in 2023.

For those companies that remain listed, there is often a frustration that their long-term prospects are not reflected in their valuations, driving a sharp pick-up in buyback announcements.

Against this backdrop, we have retained our focus on income, providing shareholders with a high level of dividend yield through a portfolio of attractively valued UK-listed stocks from across the UK market. We have constructed the portfolio across 3 key baskets of stocks. Each of these baskets provides different characteristics that should perform at different points in the cycle and help the portfolio to achieve each aspect of our investment objective.

1. Dividend growth – stocks that are well positioned to grow their cash flows and dividends, supported by corporate fundamentals that make them resilient in an inflationary environment. Examples include **Shell** and **National Grid**. Objective: achieve real growth in income.
2. Mispriced yield – higher yield stocks whose fundamentals are more solid than the market perceives, enabling their dividends to be paid, contrary to market expectations. Examples include **BHP** and **Diversified Energy**. Objective: achieve above average income and deliver capital growth as the yield normalises.
3. Unrecognised change – stocks with operational change that is overlooked by the market. Earnings growth and valuation re-rating can work together powerfully to drive share price. Examples include **Conduit** and **Hargreaves Lansdown**. Objective: achieve real growth in capital as companies deliver earnings growth and valuations normalise.

Our focus on valuation is a key aspect of our investment process. We believe that the importance of valuation can come to life when managing an income portfolio. A simplified way of visualising the valuation attractions of an income stock is to consider the stream of dividends it is set to pay in relation to its share price. This can provide some perspective on what is being priced in, allowing a judgement to be made on whether the stock is attractively valued. For example, in its latest financial year Rio Tinto paid out 407p/share in dividends versus its year-end share price of 5174p, which equates to a dividend yield of over 7.8%. The market is clearly pricing in a rapid fade in dividend payouts, despite **Rio Tinto** owning high quality mines that will endure for decades. In another example, **Thungela Resources**, we made back our original investment in dividends within two years of purchase.

Portfolio Manager's Review

Continued

If you also include share buybacks, in addition to dividends, to calculate a stock's overall distribution yield, then it becomes even clearer how rapid the payback period can be. At the pace of share buybacks being made by some of our holdings, the entire share capital would have been retired by the mid-2030s. Of course, there are always risks to every business that could erode profitability, de-railing dividend or buyback plans. We consider these risks when making a judgement on each stock we analyse, assessing what level of cash flow is likely to be sustainable in the context of the competitive position of each business. We discuss with management teams what percentage of those cash flows they expect to pay out in the form of dividends and/or buybacks. At the time of writing, the median free cash flow yield in the portfolio is 9.9%. All of this increases our understanding of the dividend prospects of the portfolio, strengthening our confidence in our ability to maintain a growing dividend per share to our shareholders.

Historically dividends have tended to represent a very high proportion of total return (Goldman Sachs calculate 65% over a rolling 20 year period in UK equities). We expect that, in a world of higher interest rates, investors should logically be more attracted to value stocks that pay out dividends now, rather than growth stocks that promise returns in the future. Higher discount rates make future cash flows worth less, when discounted back. We believe that this will drive an adjustment in the market's perception of the attractions of value stocks versus growth stocks. The market is slowly acknowledging that interest rates are unlikely to go back to the extremely low levels seen during the 2010s. This should challenge the view that market leadership can revert to the quality growth stocks that led the stock market during that decade. As this becomes more widely recognised by investors, we would expect it to help catalyse a valuation re-rating of the cash generative stocks that we own in the portfolio. At the time of writing, the portfolio has a median Price/Earnings ratio of 9.0x and a median Price/Book ratio of 1.0x which compares favourably with 11.8x and 1.6x respectively for the FTSE All-Share ex Investment Trusts Index despite returns that are in line with the wider market (median Return on Equity of 11.7%).

In conclusion, our investment approach provides us with the flexibility to invest across the UK market to build a portfolio that is delivering a high yield and a growing dividend, while offering the potential to deliver NAV growth as earnings growth picks up and valuations re-rate. In the short term, the frustration is that subdued economic growth is causing a period of low activity levels across a range of sectors. Coupled with ongoing asset allocation shifts away from UK equities, this has so far inhibited a valuation re-rating in our holdings, thereby holding back our NAV/share. However, we are confident that this will change in time, as companies are rewarded for using this period to set their house in order, taking actions to improve profitability, while distributing capital via dividends and buybacks. We see the Company's high yield as a function of the unusual level of opportunities available at this time, and we therefore look forward to the coming year with confidence.



Thomas Moore
Portfolio Manager
29 November 2023

Overview of Strategy

Business Model

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

Investment Objective

The Company's objective is to provide shareholders with an above average income from their equity investment, while also providing real growth in capital and income.

Investment Policy

The Directors set the investment policy, which is to invest in a diversified portfolio consisting mainly of quoted UK equities which will normally comprise between 50 and 70 individual equity holdings.

In order to reduce risk in the Company without compromising flexibility:

- no holding within the portfolio should exceed 10% of total assets at the time of acquisition; and
- the top ten holdings within the portfolio will not exceed 50% of net assets.

The Company may invest in convertible preference shares, convertible loan stocks, gilts and corporate bonds.

The Directors set the gearing policy within which the portfolio is managed. The parameters are that the portfolio should operate between holding 5% net cash and 15% net gearing. The Directors have delegated responsibility to the Manager for the operation of the gearing level within the above parameters.

Delivering the Investment Objective

The Board delegates investment management services to abrdn. The team within abrdn managing the Company's portfolio of investments has been headed up by Thomas Moore since 2011.

The portfolio is invested on an index-agnostic basis. The process is based on a bottom-up stock-picking approach where sector allocations are a function of the sum of the stock selection decisions, constrained only by appropriate risk control parameters. The aim is to Focus on Change by evaluating changing corporate situations and identifying insights that are not fully recognised by the market.

Idea Generation and Research

The vast majority of the investment insights are generated from information and analysis from one-on-one company meetings. Collectively, more than 3,000 company meetings are conducted annually across abrdn. These meetings are used to ascertain the company's own views and expectations of its future prospects and the markets in which it operates. Through actively questioning the senior management and key decision makers of companies, the portfolio managers and analysts look to uncover the key changes affecting the business and the materiality of their impact on company fundamentals within the targeted investment time horizon.

Investment Process in Practice

The index-agnostic approach ensures that the weightings of holdings reflect the conviction levels of the investment team, based on an assessment of the management team, the strategy, the prospects and the valuation metrics. The process recognises that some of the best investment opportunities come from under-researched parts of the market, where the breadth and depth of the analyst coverage that the Portfolio Manager can access provides the scope to identify a range of investment opportunities.

The consequence of this is that the Company's portfolio often looks very different from other investment vehicles providing their investors with access to UK equity income. This is because the process focuses on conviction levels rather than index weightings. This means that the Company may provide a complementary portfolio to the existing portfolios of investors who prefer to make their own decisions and manage their ISAs, SIPPs and personal dealing accounts themselves. As at 30 September 2023, 52.6% (2022: 48.9%) of the Company's portfolio is invested in companies outside the FTSE 100 Index.

The index-agnostic approach further differentiates the portfolio because it allows the Portfolio Manager to take a view at a thematic level, concentrate the portfolio's holdings in certain areas and avoid others completely. The effect of this approach is that the weightings of the portfolio can be expected to differ significantly from that of any index, and the returns generated by the portfolio may reflect this divergence, particularly in the short term.

Overview of Strategy

Continued

Our Manager's Approach to ESG

There is a broad understanding on the Board that a full and thorough assessment of environmental, social and governance ("ESG") factors will allow for better investment decisions to be made, which will lead to better outcomes for the Company's shareholders. ESG factors are considered alongside financial and other fundamental factors in order to make the best possible investment decisions at a stock picking and at a portfolio construction level.

Although ESG factors are not the over-riding criteria in relation to the investment decisions taken by our Portfolio Manager and the Company does not specifically exclude any sectors from its investment universe, the Board encourages the Portfolio Manager to ensure that ESG considerations are inextricably embedded into the investment process in order to achieve successful and sustainable performance for the Company over the long term.

By taking account of ESG factors, the Board believes that the Portfolio Manager has a more complete view of a company, including its risks and opportunities. The analysts supporting the Portfolio Manager seek to determine which ESG factors are financially material to form a forward-looking view of how a business will manage risks and capture opportunities. The analysts focus on what they deem to be the most material ESG factors to understand their impact on a company's future business performance, financial position, and / or market perception.

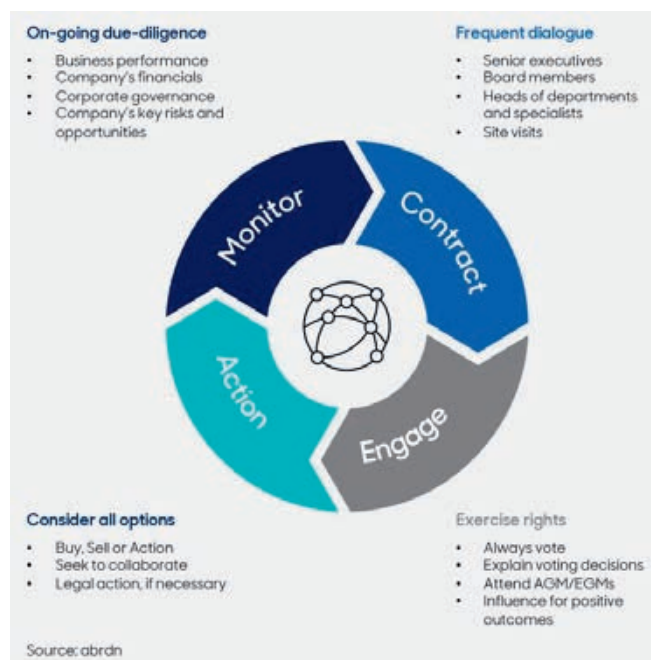
To advance this analysis on behalf of the Company's shareholders, the Portfolio Manager and his team have a very close relationship with the ESG specialists within abrdn and have an on-desk ESG analyst to assist in the research process and ESG engagements with companies. Through the utilisation of third party provided research including MSCI and abrdn's inhouse ESG rating tools the team is able to identify, where appropriate, leaders and laggards, areas of weakness and areas of strength.

It should be noted that as part of the investment process to identify attractive investment opportunities, the Portfolio Manager must consider a diverse range of companies, spanning a spectrum of maturity with respect to environmental and social sustainability practices. An important feature of the investment process is therefore active and meaningful engagement to generate insights into underlying ESG performance, with the Company's approach to engagement set out below.

In addition, for those investee companies at the relative beginning of their journey towards improved ESG performance or in higher-impact industries, the Portfolio Manager increasingly devotes attention to the robustness of companies' strategies to improve sustainability performance. This is particularly relevant for companies that must adopt credible transition strategies - an area of growing focus for the Portfolio Manager on behalf of the Company. For example, the portfolio holds a position in SSE, which is undergoing a major shift away from fossil-fuel powered electricity generation to renewable energy, with the company now planning to increase its renewable capacity from 4GW in 2020/21 to 13GW by 2030/31.

Proactive company engagement

Our Manager believes that proactive company engagement ensures our holdings remain or become better companies.



See the Case Studies on pages 38 and 39 for specific examples of the Company's engagement with investee companies.

Our Manager's Approach to Engagement

Engagement is an important part of our Manager's investment process: our Manager sees engagement not only as a right but as an obligation of investors, in its role as owners of companies. Our Manager engages actively and regularly with companies in which it is or may become an investor.

Our Manager believes that informed and constructive engagement helps to foster better companies, enhancing the value of the Company's investments.

There are generally two core reasons for engagement: to understand more about a company's strategy and performance, or encourage best practice and drive change.

Active engagement involves regular, candid communication with management teams (or boards of directors) of portfolio companies to discuss a broad range of ESG issues that are material to sustainable long-term returns, either positively or negatively, including both risks and opportunities. Our Manager's focus is on the factors which it believes to have the greatest potential to enhance or undermine the Company's investment case. Sometimes the Manager seeks more information, exchanges views on specific issues, encourages better

disclosure; and at other times, encourages change (including either corporate strategy, capital allocation, or climate change strategy). On our behalf, the Manager's engagements cover a range of ESG issues, including but not limited to board composition, remuneration, audit, climate change, labour issues, human rights, bribery and corruption.

Promoting the Success of the Company

The Board's statement on pages 25 to 28 describes how the Directors have discharged their duties and responsibilities over the course of the financial year under section 172 (1) of the Companies Act 2006 and how they have promoted the success of the Company. That statement forms part of the Strategic Report.

Overview of Strategy

Continued

Key Performance Indicators ("KPIs")

The Board assesses the performance of the Company against the range of KPIs shown below over a variety of time periods, but has particular focus on the long term, which the Board considers to be at least five years.

KPI	Description
Net Asset Value ("NAV") Total Return relative to the FTSE All-Share Index	<p>While the Manager does not manage the portfolio with direct reference to any particular index, the Board does review the performance against that of the FTSE All-Share Index to provide context for the performance delivered.</p> <p>The Company's NAV Total Return relative to the FTSE All Share Index since 2013, is set out on page 30.</p>
Premium or discount to the NAV compared to the unweighted average of the discount of the peer group	<p>The Board compares the discount of the Company's share price to its NAV when compared to the unweighted average discount of the other investment trusts in the UK Equity Income sector.</p> <p>The discount at the year end and at the end of the previous year, and the narrowest and widest discounts during the year, for the Company and the peer group, are shown in the table on page 30.</p>
Dividend growth compared to the Retail Price Index ("RPI")	<p>The Company's objective is to provide shareholders with an above average income from their equity investment, while also providing real growth in capital and income. Between 2012, the first full year after Thomas Moore took over the role of Portfolio Manager, and the outbreak of the Covid-19 pandemic, the dividend growth of the portfolio exceeded inflation, as measured by the RPI, indicating that shareholders had received real growth in the dividends paid by the Company.</p> <p>However, the income generated by the portfolio was significantly affected by dividend cuts made by investee companies during 2020, which have not yet been fully recovered. While dividend payments to shareholders did increase over the last three years they did not keep pace with RPI, despite the dividends being supplemented by drawing from revenue reserves.</p> <p>In setting the level of the dividend for the current financial year, the Board has balanced the need to deliver a meaningful increase to shareholders and its desire to continue rebuilding the revenue reserves. After payment of the fourth interim dividend, and based on current shares in issue, 0.56 pence per share will be transferred to revenue reserves</p> <p>A breakdown of the Company's dividend growth compared with RPI since 2013 is set out on page 31.</p>
Ongoing charges ratio relative to comparator investment vehicles	<p>The Board monitors the Company's ongoing charges ratio against prior years and other similar sized companies in the peer group.</p> <p>The Ongoing Charges Ratio for the year increased moderately to 0.94% based on average net assets over the year (2022: 0.91%).</p>

Principal Risks and Uncertainties

The Board and Audit Committee carry out a regular review of the risk environment in which the Company operates, changes to the environment and individual risks. The Board also identifies emerging risks which might affect the Company.

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

The principal risks and uncertainties faced by the Company are reviewed by the Audit Committee in the form of a risk matrix and the Committee also gives consideration to the emerging risks facing the Company.



The Board has identified the implications for the Company's investment portfolio of a changing climate, and the increased use of artificial intelligence, as emerging risks which it considers are likely to become more relevant for the Company in the future.

The Board continues to assess these emerging risks and their impact on the portfolio as they develop, including how investor sentiment is evolving towards climate risk and how artificial intelligence may impact business models in the future, and will consider how the Company may mitigate these risks and any other emerging risks. The Board receives regular reporting from the Manager on its approach to engagement with investees on a variety of different topics.

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




The Board considers its risk appetite in relation to each principal risk and monitors this on an ongoing basis. Where a risk is approaching or is outside the tolerance level, the Board will consider taking action to manage the risk. Currently, the Board considers the risks to be managed within acceptable levels.




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

Risk	Trend	Mitigating Action
<p>Strategy - the Company's objectives or the investment trust sector as a whole become unattractive to investors, leading to a fall in demand for the Company's shares.</p>		<p>Through regular updates from the Manager, the Board monitors the relevance of the Company's strategy, the performance of equity markets, the economic and political environment, risks to the delivery of the Company's strategy in light of the external environment and the discount/ premium at which the Company's shares trade relative to the net asset value. It also holds an annual strategy meeting and receives feedback from the Company's broker and updates from the Manager's investor relations team at Board meetings to help to better understand investor sentiment towards the Company and its strategy.</p>
<p>Investment Performance - the Board recognises that market risk is significant in achieving performance and it reviews investment guidelines to ensure that they are appropriate. The Board regularly reviews the impact of geopolitical instability and change on market risk.</p>		<p>The Board meets the Manager on a regular basis and keeps investment performance under close review.</p> <p>The Board sets and monitors the investment restrictions and guidelines and regular reports are received from the Manager on stock selection, asset allocation, gearing, revenue forecasts and the costs of running the Company.</p> <p>The Board determines the Company's dividend policy and approves the level of dividends payable to shareholders.</p>

Overview of Strategy

Continued

Risk	Trend	Mitigating Action
		<p>Representatives of the Manager attend all Board meetings and a detailed formal appraisal of the Manager is carried out by the Management Engagement Committee on an annual basis to ensure that the continued appointment of the Manager remains in the best interests of the shareholders.</p> <p>The Board engages with shareholders at its AGM and Pre-AGM Online Event and with larger shareholders at least annually to listen to sentiment towards the Company and its performance directly.</p>
Exogenous risks such as health, social, financial, economic and geopolitical – the effects of instability or change arising from these risks could have an adverse impact on stock markets and the value of the investment portfolio. Political risks include the political instability in the UK, the terms of the UK's exit from the European Union, any regulatory changes resulting from a different political environment, and wider geopolitical issues.		<p>The Board discusses current issues with the Manager. During the year under review, such issues have included increased inflation and interest rates and the resulting volatility that it created in global stock markets, the Russian invasion of Ukraine and associated sanctions, investor attitudes towards equity markets, and the steps that the Manager has taken or might take to limit their impact on the portfolio and the operations of the Company.</p> <p>The Portfolio Manager's Review on pages 10 to 14 summarises the purchases and sales activity during the Period as the Company considered the new set of opportunities arising from the meaningful change in market backdrop during the financial year. The Manager is in regular communication with investee entities, economists, and the wider market to determine the impact of the geopolitical and economic environment on the portfolio.</p> <p>The Board oversees the Manager's performance at each Board Meeting and formally considers whether the Company's strategy remains fit for purpose, in light of exogenous risk, at its annual strategy meeting which last took place in August 2023. The Board also regularly discusses the economic environment, geopolitical risks, industry trends and the potential impact on the Company with the Company's broker.</p>
Operational Risk – in common with most investment trusts, the Board delegates the operation of the business to third parties, the principal delegate being the Manager. Failure of internal controls and poor performance of any service provider could lead to disruption, reputational damage or loss to the Company.		<p>The Audit Committee receives and reviews reports from the Manager on its internal controls and risk management (including an annual ISAE Report). It also receives and reviews report from all its other significant service providers on at least an annual basis, including on matters relating to business continuity and cyber security. Written agreements are in place with all third party service providers.</p> <p>The Manager monitors closely the control environments and quality of services provided by third parties, including those of the Depositary, through service level agreements, regular meetings and key performance indicators.</p> <p>A formal appraisal of the Company's main third party service providers is carried out by the Management Engagement Committee on an annual basis.</p>
Governance Risk – the Directors recognise the impact that an ineffective board, unable to discuss, review and make decisions, could have on the Company and its shareholders.		<p>The Board is aware of the importance of effective leadership and board composition. The Board regularly reviews its own performance and, at least annually, formally reviews the performance of the Board and Chair through its performance evaluation process.</p>

Risk	Trend	Mitigating Action
<p>Discount / Premium to NAV – a significant share price discount or premium to net asset value per share could lead to high levels of uncertainty for shareholders.</p>		<p>The Board keeps the level of the Company's discount / premium under review. As explained in the Chair's Statement, the Company's share price has traded at close to par, and at times at a small premium, to net asset value during the financial year. The share price discount to NAV was 8.8% at 30 September 2022 and 0.2% at 30 September 2023.</p> <p>The Company participates in the Manager's investment trust promotional programme where the Manager has an annual programme of meetings with institutional shareholders and reports back to the Board on these meetings.</p>
<p>Financial obligations – inadequate controls over financial record keeping and forecasting, the setting of an inappropriate gearing strategy or the breaching of loan covenants could result in the Company being unable to meet its financial obligations, losses to the Company and its ability to continue trading as a going concern.</p>		<p>At each Board meeting, the Board reviews management accounts and revenue forecasts.</p> <p>The Directors set the gearing policy within which the portfolio is managed. The parameters are that the portfolio should operate between holding 5% net cash and 15% net gearing. The Directors have delegated responsibility to the Manager for the operation of the gearing level within the above parameters.</p> <p>The Company's annual financial statements are audited by the independent auditor.</p>
<p>Legal and Regulatory Risks – the Company operates in a complex legal and regulatory environment. As a UK company with shares publicly quoted on the London Stock Exchange, as an alternative investment fund and an investment trust, there are several layers of risk of this nature.</p>		<p>The actions the Board takes to mitigate these extensive risks are to ensure that there is breadth and depth of expertise within the Board and the organisations to which the Company has delegated. There are also authorities whereby the Board or individual Directors can take further advice by employing experts should that ever be considered necessary.</p>

Overview of Strategy

Continued

Promotional Activities

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

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

On 20 January 2023, the Board hosted an online shareholder presentation where the Portfolio Manager provided an update on the portfolio. The Portfolio Manager and Chair also answered live questions from the audience.

On 24 August 2023, the Board hosted an in-person meeting for large shareholders at which the Portfolio Manager provided an update on the portfolio. Both of these events gave the Directors the opportunity to hear the views of shareholders first hand.

Board Diversity

The Board's statement on diversity is set out in the Statement of Corporate Governance.

At 30 September 2023, there were three male and two female Directors on the Board.

Modern Slavery Act

Due to the nature of its business, being a company that does not offer goods and services to customers, the Board considers that the Company is not within the scope of the Modern Slavery Act 2015 because it has no turnover. The Company is therefore not required to make a slavery and human trafficking statement. In any event, the Board considers the Company's supply chains, dealing predominantly with professional advisers and service providers in the financial services industry, to be low risk in relation to this matter.

Environmental, Social and Human Rights Issues

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

The Company's socially responsible investment policy is set out below.

Active Engagement

Through engagement and exercising voting rights, the Manager actively works with companies to improve corporate standards, transparency and accountability. By making ESG central to its investment capabilities, the Manager looks to deliver robust outcomes as well as actively contributing to a fairer, more sustainable world.

The primary goal of the Manager is to generate the best long-term outcomes for the Company in order to fulfil fiduciary responsibilities to shareholders and this fits with one of the Manager's core principles as a business in how it evaluates investments. The Manager sees ESG factors as being financially material and impacting corporate performance. The Manager focuses on understanding the ESG risks and opportunities of investments alongside other financial metrics to make better investment decisions.

Responsible Investment

The Board is aware of its duty to act in the interests of the Company. The Board acknowledges that there are risks associated with investment in companies which fail to conduct business in a socially responsible manner and has noted the Manager's policy on social responsibility. The Manager considers social, environmental and ethical factors which may affect the performance or value of the Company's investments as part of its investment process. In particular, the Manager encourages companies in which investments are made to adhere to best practice in the areas of ESG stewardship. The Manager believes that this can best be achieved by entering into a dialogue with company management to encourage them, where necessary, to improve their policies.

The Company's objective is to deliver above average income, while also providing real growth in capital and income, on its investments for its shareholders. The Board and Manager believes this will be produced on a sustainable basis by investments in companies which adhere to best practice in ESG. Accordingly, the Manager will seek to favour companies which pursue best practice.

Stewardship

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

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

Global Greenhouse Gas Emissions

All of the Company's activities are outsourced to third parties. The Company therefore has no greenhouse gas emissions to report from the operations of its business, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

For the same reason as set out above, the Company considers itself to be a low energy user under the SECR regulations and therefore is not required to disclose energy and carbon information.

Task Force for Climate-Related financial Disclosures ("TCFD")

Under Listing Rule 15.4.29(R), the Company, as a closed ended investment company, is exempt from complying with the Task Force on Climate-related Financial Disclosures ("TCFD").

Whilst TCFD is currently not applicable to the Company, the Manager has produced a product level report on the Company in accordance with the FCA's rules and guidance regarding the disclosure of climate-related financial information consistent with TCFD Recommendations and Recommended Disclosures. These disclosures are intended to help meet the information needs of market participants, including institutional clients and consumers of financial products, in relation to the climate-related impact and risks of the Manager's TCFD in-scope business. The product level report on the Company is available on the Manager's website at: invtrusts.co.uk.

Overview of Strategy

Continued

Viability Statement

The Board considers that the Company is a long-term investment vehicle and, for the purposes of this statement, has decided that three years is an appropriate period over which to consider its viability. The Board considers this to be an appropriate period for an investment trust company with a portfolio of equity investments, and the financial position of the Company.

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

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

- The principal risks and uncertainties detailed on pages 19 to 21 and the steps taken to mitigate these risks.
- All of the Company's investments are traded on major stock exchanges and there is a spread of investments held.
- The Company is closed ended in nature and therefore it is not required to sell investments when shareholders wish to sell their shares.
- The performance of the Company's share price relative to its net asset value during the financial year. The share price discount narrowed from 8.8% at 30 September 2022 to 0.2% at 30 September 2023, and the share price traded at a small premium to NAV during the year.
- The Company's main liability is its bank loan of £21 million (2022: £25 million), which represents 11.3% (2022: 15.0%) of the Company's investment portfolio. This is a £30 million (2022: £30 million) revolving credit facility with The Royal Bank of Scotland International Limited, London Branch, which was refinanced during the financial year and is due to expire in June 2026.
- The Company's cash balance, and money market funds, at 30 September 2023 amounted to £4.2 million (2022: £3.6 million).
- The levels of ongoing charges of 0.94% (2022 0.91%).
- Shareholders' overwhelming voting in favour of the continuation of the Company at the AGM in February 2022. The next continuation vote is due to take place at the AGM to be held in 2027.

When considering the risks, the Board reviewed the impact of stress testing on the portfolio, including the effects of any future falls in investment values. The Board has also had regard to matters such as a reduction in the income generated in the portfolio, a material increase in interest rates, a reduction in the liquidity of the portfolio or changes in investor sentiment, all of which could have an impact on the Company's prospects and viability in the future. The results of the stress tests have given the Board comfort over the viability of the Company.

Taking into account all of these factors, the Company's current position and the potential impact of the principal risks and uncertainties faced by the Company, the Board has concluded that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period of this assessment to 30 September 2026.

In assessing the Company's future viability, the Board has assumed that investors will wish to continue to have exposure to the Company's activities, in the form of a closed ended entity, the Company's long-term performance is satisfactory, and the Company will continue to have access to sufficient capital.

Future Strategy

The Board intends to maintain the Company's strategy set out in the Strategic Report for the year ending 30 September 2024 as it is believed that these are in the best interests of shareholders.

On behalf of the Board

Sarika Patel

Chair

29 November 2023

Promoting the Success of the Company

How the Board Meets its Obligations under Section 172 of the Companies Act 2006

The Board is required to describe to the Company's shareholders how the Directors have discharged their duties and responsibilities over the course of the financial year under Section 172 (1) of the Companies Act 2006 (the "Section 172 Statement"). This statement provides an explanation of how the Directors have promoted the success of the Company for the benefit of its members as a whole, taking into account the likely long term consequences of decisions, the need to foster relationships with all stakeholders and the impact of the Company's operations on the environment.

The Board takes its role very seriously in representing the interests of the Company's shareholders. The Board which, at the year end, comprised five independent Non-Executive Directors collectively has a broad range of skills and experience across all major functions that affect the Company. The Board is responsible for taking all decisions relating to the Company's investment objective and policy, gearing, corporate governance and strategy, and for monitoring the performance of the Company's service providers.

The Board ensures that the Company operates in a transparent culture where all parties are treated with respect and provided with the opportunity to offer practical challenge and participate in debate to achieve the expectations of shareholders and other stakeholders alike. The Board works very closely with the Manager in reviewing how issues are handled, ensuring good governance and responsibility in managing the Company's affairs, as well as visibility and openness in how the affairs are conducted.

How the Board Engages with Stakeholders

The Board's main stakeholders have been identified as its shareholders, the Investment and Portfolio Manager, service providers, investee companies, debt providers and the community at large and the environment.

A summary of the Board's approach to engagement with stakeholders is set out below.

Stakeholder	How We Engage
Shareholders	<p>Shareholders are key stakeholders and the Board places great importance on communication with them. The Board welcomes all shareholders' views and aims to act fairly to all shareholders. The Manager and the Company's broker regularly meet with current and prospective shareholders to discuss performance and shareholder feedback is discussed by the Directors at Board meetings. In addition, Directors have an opportunity to meet shareholders at the Annual General Meeting.</p> <p>The Company subscribes to abrdn's investor relations programme in order to maintain communication channels with the Company's shareholder base.</p> <p>Regular updates are provided to shareholders through the Annual Report, Half Yearly Report, monthly factsheets, Company announcements, including daily net asset value announcements, and the Company's website.</p> <p>The Company's Annual General Meeting provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Manager. The Board encourages as many shareholders as possible to attend the Company's Annual General Meeting and to provide feedback on the Company.</p>

Promoting the Success of the Company

Continued

Stakeholder	How We Engage
Manager (and Investment Manager)	<p>The Portfolio Manager's Review on pages 10 to 14 details the key investment decisions taken during the year. The Company has appointed AFML as the Company's Manager, or AIFM, which sub-delegates investment management to abrdn Investment Management Limited, which is known as the Investment Manager.</p> <p>The Manager has continued to manage the Company's assets in accordance with the mandate provided by shareholders, with oversight provided by the Board.</p> <p>The Board regularly reviews the Company's performance against its investment objective and the Board undertakes an annual strategy review meeting to ensure that the Company is positioned well for the future delivery of its objective for its stakeholders.</p> <p>The Board receives presentations from the Manager at every Board meeting to help it to exercise effective oversight of the Manager and the Company's strategy.</p> <p>The Board, through the Remuneration & Management Engagement Committee, formally reviews the performance of the Manager at least annually. More details are provided on page 50.</p>
Service Providers	<p>The Board seeks to maintain constructive relationships with the Company's suppliers either directly or through the Manager with regular communications and meetings.</p> <p>The Remuneration & Management Engagement Committee conducts an annual review of the performance, terms and conditions of the Company's main service providers to ensure they are performing in line with Board expectations, carrying out their responsibilities and providing value for money.</p>
Investee Companies	<p>Responsibility for monitoring the activities of portfolio companies has been delegated by the Board to the Manager which has sub-delegated that authority to the Investment Manager.</p> <p>The Board has also given discretionary powers to the Manager to exercise voting rights on resolutions proposed by the investee companies within the Company's portfolio. The Manager reports on a quarterly basis on stewardship (including voting) issues.</p> <p>Through engagement and exercising voting rights, the Manager actively works with companies to improve corporate standards, transparency and accountability. Further details are provided on pages 16 and 17.</p> <p>The Board monitors investments made and divested and questions the rationale for investment and voting decisions made.</p>
Debt Providers	<p>On behalf of the Board, the Manager maintains a positive working relationship with The Royal Bank of Scotland International Limited, London Branch, the provider of the Company's loan facility, and provides regular updates on business activity and compliance with its loan covenants.</p>
Environment and Community	<p>The Board and Manager are committed to investing in a responsible manner and the Manager embeds Environmental, Social and Governance ("ESG") considerations into the research and analysis as part of the investment decision-making process. Through the Investment Manager, the Board encourages improvements in ESG practices and disclosures. Further details are provided on pages 16 and 17.</p>

Specific Examples of Stakeholder Consideration during the Year

The importance of giving due consideration to the Company's stakeholders is not a new requirement and is considered as part of every Board decision.

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

The Directors were particularly mindful of stakeholder considerations when considering the following items during the year ended 30 September 2023:

Portfolio

The Portfolio Manager's Review on pages 10 to 14 details the key investment decisions taken during the year. The overall shape and structure of the investment portfolio is an important factor in delivering the Company's stated investment objective and is reviewed at every Board Meeting. At every Board Meeting, the Board discusses the performance in detail with the Portfolio Manager.

Dividend

The Board has determined the payment of a fourth interim dividend for the year of 5.7 pence per Ordinary share. Following payment of the fourth interim dividend, total dividends for the year will amount to 22.80 pence per Ordinary share, a small increase compared to the previous year. In setting the level of the dividend, the Board has balanced the need to deliver an increase to shareholders and continuing the process of rebuilding the revenue reserves, which was depleted during the height of Covid-19. Following payment of the fourth interim dividend, and based on current shares in issue, 0.56 pence per share will be transferred to revenue reserves

Promoting the Company

On 23 January 2023, the Board hosted an online shareholder presentation where the Portfolio Manager provided an update on the portfolio, and the previous Chair and Portfolio Manager answered questions from the audience. Over 240 investors signed up to the event. On 24 August 2023, the Company hosted a meeting for large shareholders at which members of the Board were present and at which the Portfolio Manager provided an update. Both these events gave the Directors the opportunity to hear the views of shareholders first hand.

Pre-AGM Online Event

We will be hosting an Online Shareholder Presentation, which will be held at 11:30am on Friday, 26 January 2024. At this event there will be a presentation from the Portfolio Manager followed by an opportunity to ask live questions of the Portfolio Manager and the Chair. The online presentation is being held ahead of the AGM to allow shareholders time to submit their proxy votes after the presentation but prior to the AGM should they so wish. Full details on how to register for the online event can be found on the Company's website at abrdnequityincome.com.

Management Fee

As set out in the Chair's Statement, the Board has negotiated the Company's Management Fee, on behalf of the Company's shareholders. With effect from 1 October 2023, the Company's management fee is charged at 0.55% of the net assets of the Company, a 15.4% reduction when the Company's net assets are below £175m.

Promoting the Success of the Company

Continued

Renewal of Bank Loan

On 23 June 2023 the Company renewed its loan facility with the Royal Bank of Scotland International, giving it access to a £30 million revolving credit facility ("RCF"), £21 million of which was drawn down at the year end. The Board continues to believe that gearing is beneficial to long term net asset value returns and is one of the benefits of the closed ended investment trust structure.

Buy-Back and Issuance of Shares

During the year the Company bought back 100,417 providing a small accretion to the NAV per share and a degree of liquidity to the market at times when the discount to the NAV per share has widened in normal market conditions.

During the year the Company also issued 275,000 Ordinary shares from treasury to meet investor demand at a premium to the prevailing net asset value. Since the year end, the Company has issued a further 135,000 ordinary shares from treasury.

The Board believes that the selective use of share buybacks and issuing shares from treasury, when circumstances dictate, is in the best interest of all shareholders.

Succession Planning

The Board has continued to consider its succession plans during the year, as it recognises the benefits of regular Board refreshment. As reported in the Chair's Statement, Jeremy Tighe will retire as Senior Independent Director at the AGM on 20 February 2024.

During the financial year, the Board, therefore, commenced the search for an additional non-executive director. Nick Timberlake was appointed on 1 August 2023. Nick brings a wealth of investment trust and asset management experience to the Board. During the year, it was agreed that Caroline Hitch will replace Jeremy Tighe as Senior Independent Director and Nick Timberlake will replace Caroline Hitch as Chair of the Remuneration & Management Engagement Committee with effect from the conclusion of the AGM on 20 February 2024.

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

Consumer Duty

During the year, the FCA's Consumer Duty Regulations came into effect, introducing new rules for FCA regulated firms which manufacture or distribute products and services to retail customers. The Consumer Duty rules do not apply to the Company but do apply to the Manager.

The Board has reviewed the methodology employed by the Manager to assess the value of the Company under the Consumer Duty regulations and will review the Manager's assessment of value on an ongoing basis.

Results

Highlights

	30 September 2023	30 September 2022	% change
Capital			
Net asset value per Ordinary share	314.6p	331.8p	-5.2%
Ordinary share price	314.0p	302.5p	3.8%
Reference Index capital return ^C	4,127.2	3,763.5	9.7%
Discount of Ordinary share price to net asset value ^A	0.2%	8.8%	
Total assets (as defined on page 99)	£170.8m	£182.5m	-6.4%
Shareholders' funds	£149.9m	£157.5m	-4.8%
Gearing			
Net gearing ^A	11.3%	15.0%	
Earnings and Dividends			
Revenue return per Ordinary share	23.43p	25.51p	-8.2%
Total dividends for the year	22.80p	22.70p	0.4%
Dividend yield ^A	7.3%	7.5%	
Expenses			
Ongoing charges ratio ^{AB}	0.94%	0.91%	

^A Considered to be an Alternative Performance Measure. Further details can be found on pages 90 and 91.

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

^C FTSE All-Share Index

Performance (total return)

30 September 2023	1 year %	3 years %	5 years %	10 years %
Net asset value ^A	1.8	31.5	-12.8	31.5
Share price ^A	11.4	51.1	-9.5	33.9
Reference Index ^B	13.8	39.8	19.7	71.8

^A Considered to be an Alternative Performance Measure. Further details can be found on page 92.

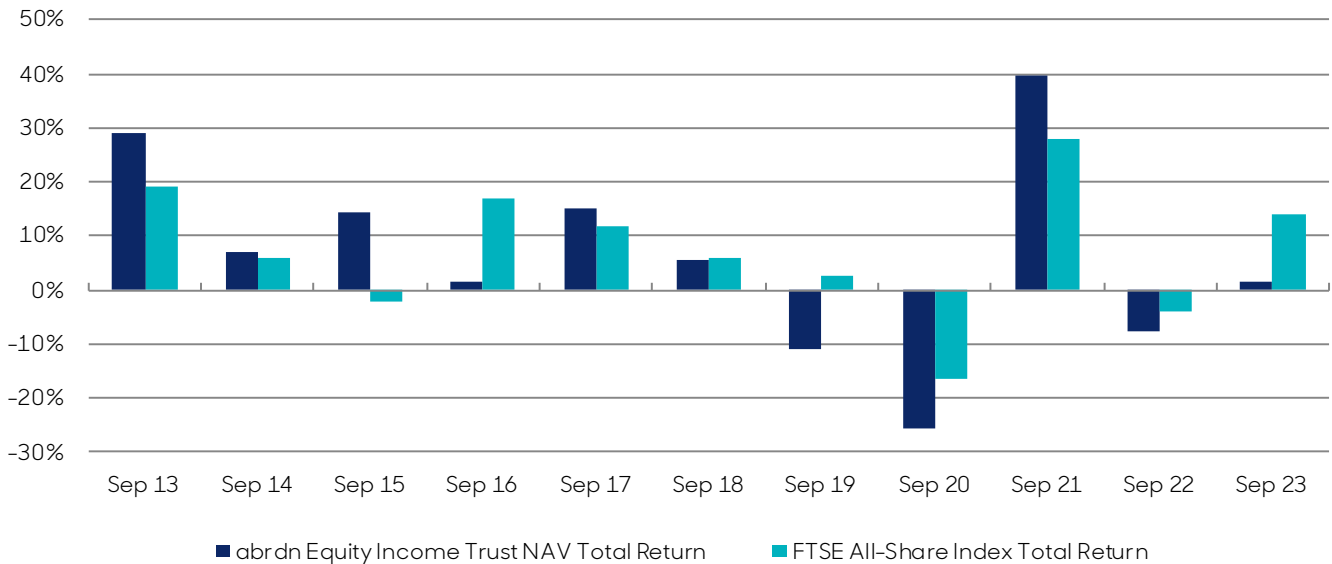
^B FTSE All-Share Index.

Source: abrdn/Morningstar/Factset

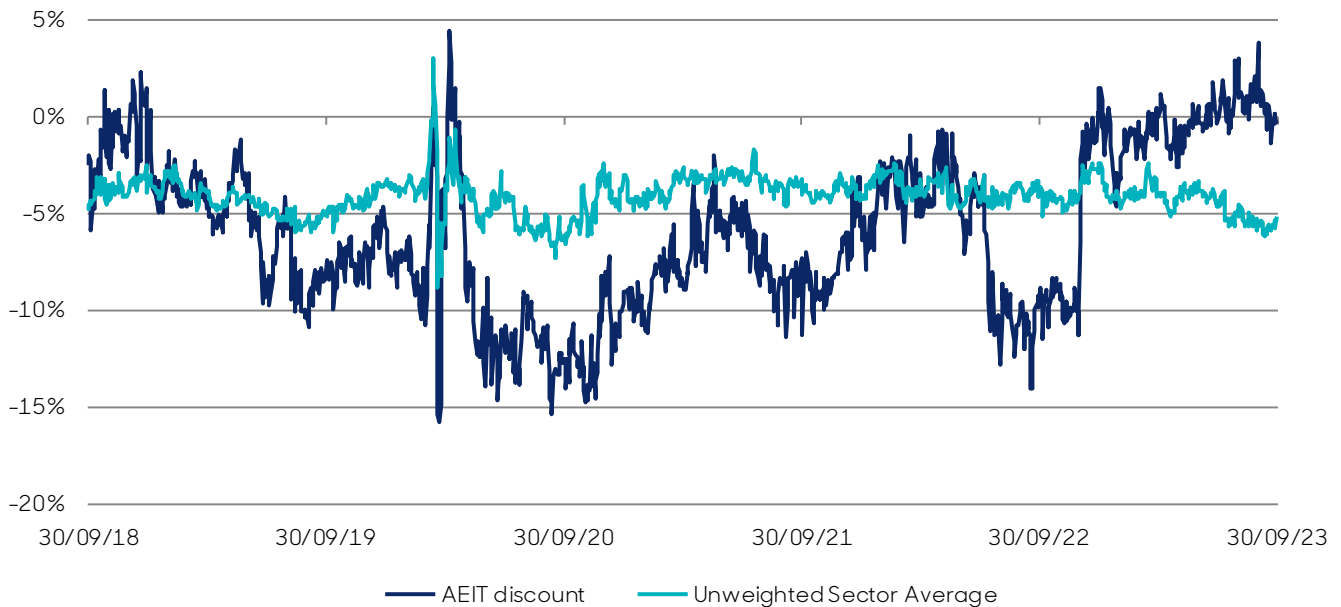
Results

Continued

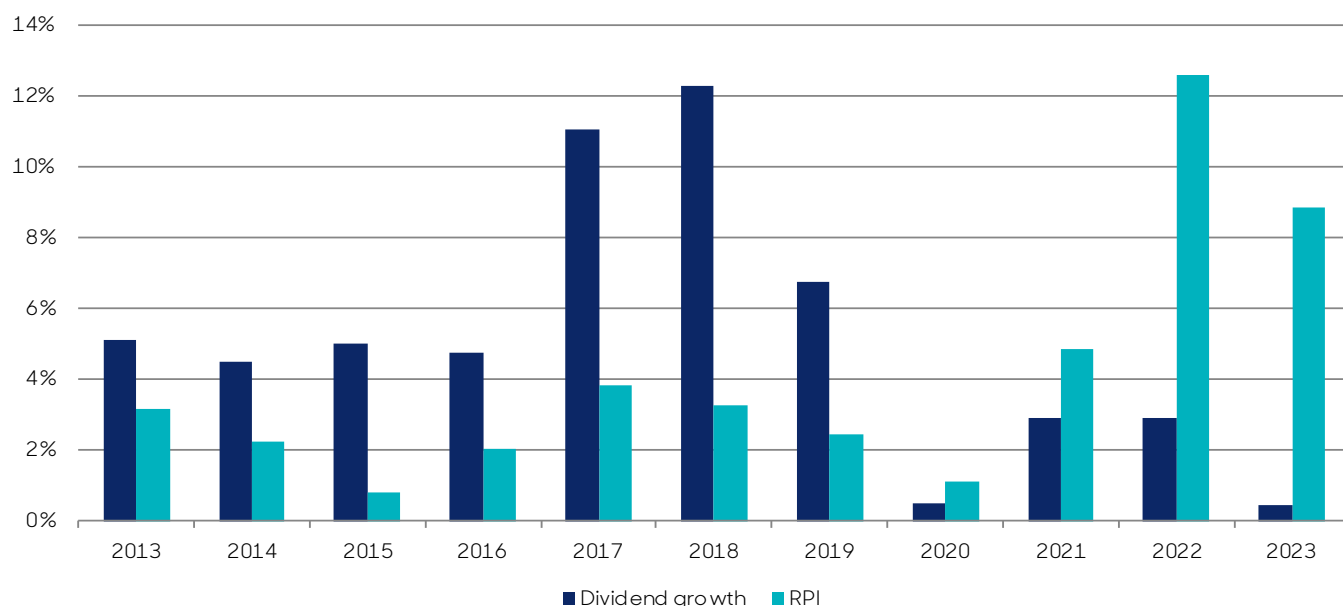
Annual total returns of abrdn Equity Income Trust NAV and FTSE All-Share Index September 2013 - 2023



abrdn Equity Income Trust Premium/(Discount) relative to the UK Equity Income unweighted sector average since 30 September 2018



Annual Dividend Growth versus RPI since 2013



Ten Year Financial Record

Year ended 30 September	Gross revenue £'000	Revenue available for Ordinary shareholders £'000	Revenue return p	Ordinary dividends p	Net asset value ^A p	Share price p	Discount ^{AB} %	Ongoing charges ^{BC} %	Net gearing / (cash) ^B %	Equity shareholders' funds £m	Revenue reserves ^D (£m)
2014	5,780	5,136	15.69	14.00	397.9	394.0	1.0	0.94	13.4	166.5	5.75
2015	6,107	5,361	17.18	14.70	440.7	439.0	0.4	0.94	7.7	195.6	6.88
2016	7,084	6,214	17.92	15.40	431.5	412.4	4.4	0.96	7.5	199.7	8.15
2017	7,957	7,044	19.23	17.10	478.6 ^E	459.6	4.8	0.87	9.9	235.3 ^E	9.41
2018	11,893	10,846	22.06	19.20	485.0	473.0	2.5	0.87	12.1	238.4	10.82
2019	11,791	10,687	21.74	20.50	411.8	381.5	7.4	0.91	13.7	201.5	11.58
2020	8,730	7,614	15.61	20.60	288.0	252.0	12.5	0.92	13.3	139.2	8.75
2021	10,642	9,693	20.06	21.20	380.8	349.0	8.4	0.93	13.5	182.9	8.49
2022	13,517	12,244	25.51	22.70	331.8	302.5	8.8	0.91	15.0	157.5	10.27
2023	12,598	11,109	23.43	22.80	314.6	314.0	0.2	0.94	11.3	149.9	10.18

^A Diluted for the effect of Subscription shares in issue for the year ended 30 September 2012 to 30 September 2016.

^B Considered to be an Alternative Performance Measure. Further details can be found on pages 90 and 91.

^C Calculated in accordance with AIC guidance issued in October 2020 to include the Company's share of costs of holdings in investment companies on a look-through basis. The figure for 30 September 2020 has been restated in accordance with this guidance.

^D Revenue reserves are reported prior to paying the final dividend or fourth interim dividend in each year. For 2017 only, reserves are reported after having deducted the third interim dividend.

^E The 2017 Net Asset Value is calculated under Financial Reporting Standards, but includes an adjustment for the third interim dividend which had been declared, but not paid, at the year end.

Portfolio



The portfolio is invested on an index-agnostic basis. The process is based on bottom-up stock picking approach where sector allocations are a function of the sum of the stock selection decisions, constrained only by appropriate risk control parameters.

Ten Largest Investments

As at 30 September 2023



BP

BP is an oil and petrochemicals company. The Company explores for and produces oil and natural gas, refines, markets, and supplies petroleum products, generates renewable energy, and manufactures and markets chemicals.



Shell

Shell explores for, produces and refines petroleum. The Company produces fuels, chemicals, and lubricants, as well as operating gasoline filling stations and developing renewable energy.



SSE

SSE engages in the generation, transmission, distribution and supply of electricity and the production, storage, distribution and supply of gas.



Glencore

Glencore is a diversified natural resources company, with production and marketing operations in three groups; metals and minerals, energy products and agricultural products.



National Grid

National Grid is a utility company which is focused on the transmission and distribution of electricity and gas in Great Britain and the United States.



Close Brothers

Close Brothers is a specialist financial service group which provides loans, trades securities and provides advice and investment management solutions.



Barclays

Barclays is a global financial services provider engaged in retail banking, credit cards, wholesale banking, investment banking, wealth management and investment management services.



Diversified Energy

Diversified Energy is engaged in conventional natural gas and crude oil production in the Appalachian Basin of the United States.



NatWest Group

NatWest operates as a banking and financial services company. The Bank is the largest business and commercial bank in the UK, with a leading retail business, providing a comprehensive range of lending and savings products



Imperial Brands

Imperial Brands is a global consumer goods company that manufactures, markets and distributes tobacco products across approximately 120 markets.

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General

Investment Portfolio

As at 30 September 2023

Stock	Key Sector	Valuation as at 30 September 2023 £'000	Weight %	Valuation as at 30 September 2022 £'000
BP	Oil Gas and Coal	8,862	5.4	10,244
Shell	Oil Gas and Coal	8,771	5.3	8,712
SSE	Electricity	7,294	4.4	5,735
Glencore	Industrial Metals and Mining	6,210	3.7	7,157
National Grid	Gas Water and Multi-utilities	6,160	3.7	3,180
Close Brothers	Banks	5,604	3.4	4,445
Barclays	Banks	5,420	3.3	4,921
Diversified Energy	Oil Gas and Coal	5,373	3.2	6,154
NatWest Group	Banks	5,194	3.1	3,504
Imperial Brands	Tobacco	4,945	3.0	4,217
Top ten investments		63,833	38.5	
BHP	Industrial Metals and Mining	4,612	2.8	6,172
Smith (DS)	General Industrials	4,418	2.7	2,503
HSBC	Banks	4,400	2.6	-
Conduit Holdings	Non-life Insurance	4,267	2.6	1,520
Thungela Resources	Oil Gas and Coal	4,122	2.5	9,109
Chesnara	Life Insurance	3,763	2.3	3,756
Rio Tinto	Industrial Metals and Mining	3,686	2.2	5,353
OSB Group	Finance and Credit Services	3,476	2.1	3,626
Tyman	Construction and Materials	3,304	2.0	2,320
British American Tobacco	Tobacco	3,127	1.9	5,068
Top twenty investments		103,008	62.2	

As at 30 September 2023

Stock	Key Sector	Valuation as at 30 September 2023 £'000	Weight %	Valuation as at 30 September 2022 £'000
BAE Systems	Aerospace and Defense	3,102	1.9	2,623
Legal & General	Life Insurance	3,051	1.8	3,145
LondonMetric	Real Estate Investment Trusts	2,849	1.7	1,222
Ithaca Energy	Oil Gas and Coal	2,776	1.7	-
Vistry	Household Goods and Home Construction	2,687	1.6	2,995
Hargreaves Lansdown	Investment Banking and Brokerage Services	2,606	1.6	1,737
Standard Chartered	Banks	2,555	1.6	4,015
Galliford Try	Construction and Materials	2,532	1.5	1,517
International Personal Finance	Finance and Credit Services	2,368	1.4	1,326
Anglo American	Industrial Metals and Mining	2,355	1.4	3,488
Top thirty investments		129,889	78.4	
Litigation Capital	Investment Banking and Brokerage Services	2,268	1.4	1,631
CMC Markets	Investment Banking and Brokerage Services	2,146	1.3	4,498
Real Estate Investors	Real Estate Investment Trusts	2,020	1.2	2,319
DFS Furniture	Retailers	2,014	1.2	1,667
Petershill Partners	Investment Banking and Brokerage Services	1,999	1.2	1,706
TP ICAP	Investment Banking and Brokerage Services	1,987	1.2	1,602
Quilter	Investment Banking and Brokerage Services	1,898	1.1	1,281
Vanquis Banking Group	Finance and Credit Services	1,795	1.1	-
Bellway	Household Goods and Home Construction	1,705	1.0	1,272
Speedy Hire	Industrial Transportation	1,615	1.0	1,865
Top forty investments		149,336	90.1	

Investment Portfolio

Continued

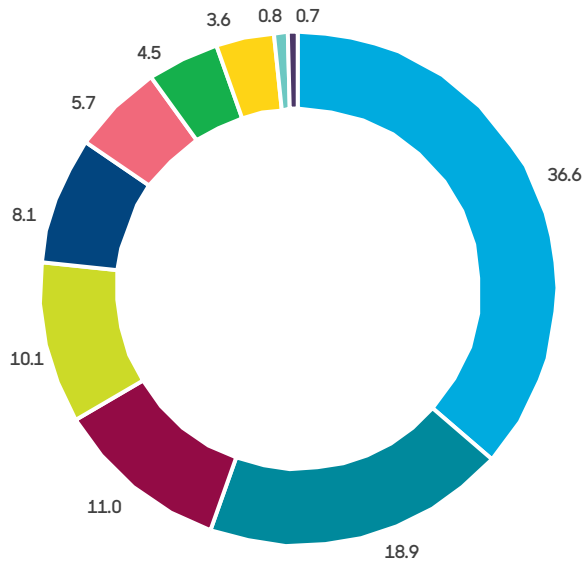
As at 30 September 2023

Stock	Key Sector	Valuation as at 30 September 2023 £'000	Weight %	Valuation as at 30 September 2022 £'000
Hays	Industrial Support Services	1,595	1.0	1,490
Centamin	Precious Metals and Mining	1,547	0.9	1,668
Ashmore	Investment Banking and Brokerage Services	1,517	0.9	1,591
Phoenix	Life Insurance	1,471	0.9	1,606
Harbour Energy	Oil Gas and Coal	1,366	0.8	1,209
Diageo	Beverages	1,328	0.8	1,922
AstraZeneca	Pharmaceuticals and Biotechnology	1,311	0.8	1,839
Randall & Quilter	Non-life Insurance	1,247	0.7	2,337
Halfords	Retailers	1,132	0.7	753
Vodafone	Telecommunications Service Providers	1,086	0.7	1,887
Top fifty investments		162,936	98.3	
CLS Holdings	Real Estate Investment and Services	1,085	0.7	1,266
Bridgepoint	Investment Banking and Brokerage Services	1,007	0.6	981
Premier Miton	Investment Banking and Brokerage Services	683	0.4	2,411
AssetCo	Investment Banking and Brokerage Services	23	-	750
Total Portfolio		165,734	100.0	

All investments are equity investments.

Sector Distribution

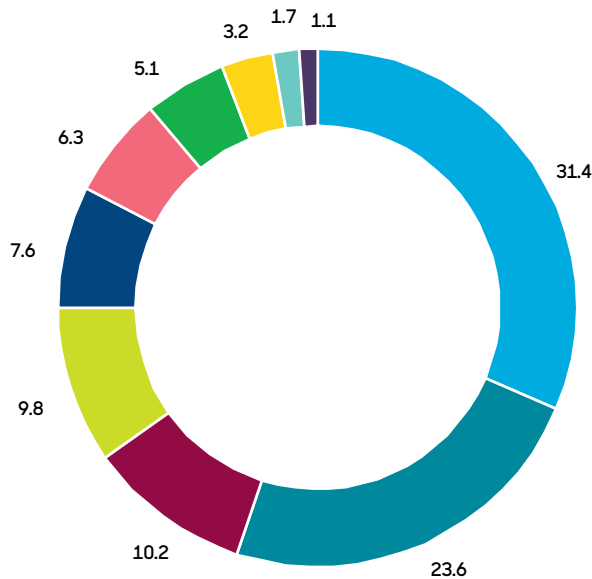
As at 30 September 2023



Portfolio Weightings %

- Financials
- Energy
- Basic Materials
- Industrials
- Utilities
- Consumer Staples
- Consumer Discretionary
- Real Estate
- Health Care
- Telecommunications

As at 30 September 2022



Portfolio Weightings %

- Financials
- Energy
- Industrials
- Basic Materials
- Consumer Staples
- Consumer Discretionary
- Utilities
- Real Estate
- Health Care
- Telecommunications

Investment Case Studies



DS Smith (2.7% of the portfolio)

DS Smith has been the UK's leading papermaker for over 30 years and is a leading provider of sustainable packaging solutions, paper products and recycling services worldwide, operating in 30 countries and employing over 30,000 people. Its customers are largely fast-moving consumer goods companies that produce goods typically sold in supermarkets and via e-commerce channels.

We see long-term structural drivers supporting DS Smith, most importantly the shift from plastics to paper packaging in consumer goods as well as the increasing popularity of online retailing. The company has built a strong reputation as a sustainable packaging company, with innovative packaging solutions made from recycled and recyclable material. It also provides a full recycling and waste management service.

In our recent engagement with management, we have discussed the benefits of its investments into environmental and social practices. Communicating these benefits to customers has helped to drive a further increase in market share. DS Smith has incorporated ESG measures, covering its net zero commitments, health and safety and community programmes, into their management remuneration schemes.

We see DS Smith's long-term trend in earnings as upwards, both organically, supported by structural drivers, and through earnings accretive acquisitions. The industry tends to exhibit supply discipline over time, with signs that pricing power is gradually improving with each cycle as the industry consolidates. However, we recognise that in the short term swings in demand can cause periods of industry over-capacity, resulting in downward pressure on pricing. This can cause some variability in earnings, as we have seen in the past three years. Profits increased sharply as consumer demand initially spiked due to the first wave of Covid-19 lockdowns, as the number of home deliveries and the associated demand for packaging rose sharply before falling back.

We tend to see this cyclicity as creating buying opportunities. We saw one such opportunity in mid-2023 when the share price had fallen back sharply, allowing us to add to our holding at depressed levels. We had previously reduced our holding at higher levels.

We see DS Smith as an industry leader that is well positioned for a recovery in volume growth, yet this is not priced in at its current depressed valuation of around 9x earnings and 6% dividend yield. Historically the stock has tended to see its valuation re-rate sharply once investors see an inflection in industry profitability.

Chesnara (2.3% of portfolio)

Chesnara is a life insurance company that was founded in 2004, specialising in the consolidation of closed life insurance books in the UK, the Netherlands and Sweden. It has a strong track record of acquiring "closed books" – books of life insurance business that are in run-off – at discounts to their intrinsic value and then managing these closed books efficiently, identifying ways to create value for shareholders.

The value that Chesnara adds will vary from period to period. Over time, Chesnara benefits from the investment returns it achieves, which tend to be in excess of the "risk free returns" that are assumed in their actuarial models. Chesnara also achieves value creation through operational efficiencies such as merger synergies, as they bolt-on a new book of business to an existing operating platform. In some instances, Chesnara has the capability to write new business, adding scale and thereby improving the sustainability of its financial model.

Chesnara has recently shown an acceleration in the pace of acquisitions, consummating two deals in the first half of 2023. In the Netherlands, Chesnara acquired the insurance portfolio of Conservatrix, increased the number of policies under administration by over 50%, which delivered a meaningful increase in cash generation. In the UK, Chesnara acquired the individual protection business of Canada Life UK. This added 47,000 customers to Chesnara's existing UK business, Countrywide Assured, taking their total number of UK customers to 308,000.


While swings in investment markets can affect sentiment towards Chesnara's business in the short term, we believe that a period of risk aversion can play to Chesnara's strengths, creating acquisition opportunities at knock-down prices. This is because large insurance groups tend to shift towards a more focused and simplified strategy when times are tough, making them more inclined to sell off non-core assets, often at large discounts to their intrinsic value.

We have owned Chesnara in the portfolio since 2014, making it one of our longest-held stocks. Over this period, dividend per share has grown continuously, never skipping a beat, even during the Covid-19 pandemic. This reflects the discipline that runs through the business, consistently maintaining its focus on delivery of the cash generation necessary to support a growing dividend. Despite this long track of success, the share price has recently declined, in sympathy with the wider sector on recession fears. This has resulted in a dividend yield of over 9%, a level that seems to be entirely out of kilter with the quality and track record of the business. This provides a very clear example of the value opportunities we are finding within the Financials sector.



Governance





The Board of Directors of the Company is a highly experienced group of individuals with deep insights into investment trusts and the financial services industry. The Board works closely with the Manager to deliver shareholder value.

The Board is responsible for stewardship, including overall strategy, investment policy, borrowings, dividends, corporate governance procedures and risk management.

Board of Directors



Sarika Patel

Independent Non-Executive Chair

Experience:

Appointed to the Board on 1 November 2019, and as Chair on 2 February 2023, Sarika Patel is a business leader with nearly 30 years' experience. She is a Chartered Accountant and a Chartered Marketer. Sarika is a non-executive director of SDCL Energy Efficiency Income Trust plc and of Foresight Sustainable Forestry Company.

Previously a partner at Zeus Caps, Sarika has been on a host of public and private sector boards. She is currently Chair of Action for Children, one of the UK's leading charities for children, and a Board Member of the Office for Nuclear Regulation where she chairs the Audit, Risk and Assurance Committee.

Length of service:

4 years, 1 month. Appointed a Director on 1 November 2019 and as Chair on 2 February 2023.

Committee membership:

Audit Committee and Remuneration & Management Engagement Committee.

Contribution:

The Board has reviewed the contribution of Sarika Patel in light of her proposed re-election at the AGM and has concluded that she is an excellent Chair. She is in full command of the governance and technical issues and adept in bringing the Directors together to develop a Board view.



Caroline Hitch

Independent Non-Executive Director and Chair of the Remuneration & Management Engagement Committee

Experience:

Appointed to the Board on 1 January 2017 and as Chair of the Remuneration & Management Engagement Committee on 5 February 2021, Caroline is also Senior Independent Director of Schroder Asian Total Return Investment Company plc and Chair of CQS New City High Yield Fund Ltd. Her career in financial services was mainly with the HSBC group and most recently she was Head of Wealth Portfolio Management at HSBC's asset management arm with investment responsibility for their flagship retail multi asset funds. She has worked in London, Jersey, Monaco and Hong Kong.

Length of service:

6 years, 11 months. Appointed a Director on 1 January 2017 and Chair of the Remuneration & Management Engagement Committee on 5 February 2021.

Committee membership:

Audit Committee, Remuneration & Management Engagement Committee (Chair).

Contribution:

The Board has reviewed the contribution of Caroline Hitch in light of her proposed re-election at the AGM. The Board has concluded that she continues to bring significant investment insight to the Board and knowledge of the investment management sector. She also continues to expertly Chair the Remuneration & Management Engagement Committee.



Mark Little

Independent Non-Executive Director and Chair of the Audit Committee

Experience:

Appointed to the Board on 1 August 2022 and as Chair of the Audit Committee on 2 February 2023. He is a non-executive director and also chairs the audit committees of BlackRock Smaller Companies Trust plc, the Majedie Investment Trust Plc and Securities Trust of Scotland Plc.

He was previously Investment Director at Seven Investment Management and a non-executive director (and audit committee chairman) of Sanditon Investment Trust plc. Mr Little began his career in the investment industry as a fund manager with Scottish Widows Investment Management after qualifying in 1991 as a chartered accountant with Price Waterhouse. He subsequently worked as Global Head of Automotive Research for Deutsche Bank and Managing Director of Barclays Wealth (Scotland and Northern Ireland), a position that he held for eight years until 2013.

Length of service:

1 year, 5 months. Appointed a Director on 1 August 2022 and as Chair of the Audit Committee on 2 February 2023.

Committee membership:

Audit Committee (Chair) and Remuneration & Management Engagement Committee.

Contribution:

The Board has reviewed the contribution of Mark Little in light of his proposed re-election at the AGM. The Board has concluded that he is an effective Chair of the Audit Committee Chair and brings investment trust experience and investment insights into all Board discussions.



Jeremy Tighe

Senior Independent Non-Executive Director

Experience:

Appointed to the Board on 1 October 2014 and as the Senior Independent Director with effect from 15 December 2016. Mr Tighe is a Non-Executive Director of The Monks Investment Trust PLC. He was the Fund Manager of Foreign & Colonial Investment Trust PLC from 1997 to June 2014, a Director of the Association of Investment Companies ("AIC") from 2003 to 2013 and a Non-executive Director of The Mercantile Investment Trust plc until May 2022.

Length of service:

9 years, 2 months. Appointed a Director on 1 October 2014 and as Senior Independent Director on 15 December 2016.

Committee membership:

Audit Committee and Remuneration & Management Engagement Committee.

Contribution:

As set out in the Chair's Statement, Jeremy Tighe is due to retire from the Board at the AGM on 20 February 2024. The Board would like to thank Jeremy for his commitment to the Company and the Board during his nine year tenure. He has contributed significantly to Board discussions during this time.

Board of Directors

Continued



Nick Timberlake

Independent Non-Executive Director

Experience:

Appointed to the Board on 1 August 2023. He has over thirty years experience in the asset management industry as a Portfolio Manager, he was with HSBC Global Asset Management between 2005 and 2020, initially as Global Head of Emerging Markets Equities and then Head of Equities. Previously he was a Director of F&C Investment Management and has spent the last 30 years investing in equities. He is a Non-Executive Director of the India Capital Growth Fund and CT Automotive plc. He is a partner in Panorama Property Investments LLP. Nick is a member of the CFA Institute and CFA Society of the UK.

Length of service:

5 months. Appointed a Director on 1 August 2023.

Committee membership:

Audit Committee and Remuneration & Management Engagement Committee.

Contribution:

The Board has reviewed the contribution of Nick Timberlake in light of his proposed election at the AGM. The Board has concluded that Nick has made a very positive start to his tenure on the Board, and already contributes effectively to Board discussions.

Directors' Report

The Directors present their report and the audited financial statements of the Company for the year ended 30 September 2023.

Results and Dividends

The financial statements for the year ended 30 September 2023 are contained on pages 71 to 89. Interim dividends of 5.7 pence per share were paid in March, June and September 2023. The Board has declared that a fourth interim dividend for the year to 30 September 2023 of 5.7 pence per share is payable on 8 January 2024 to shareholders on the register on 8 December 2023. The ex-dividend date is 7 December 2023.

Principal Activity and Status

The Company is registered as a public limited company in England and Wales under company number 2648152.

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006, carries on business as an investment trust and is a member of the Association of Investment Companies.

The Company has applied for and has been accepted as an investment trust under Sections 1158 and 1159 of the Corporation Tax Act 2010 and Part 2 Chapter 1 of Statutory Instrument 2011/2999. This approval relates to accounting periods commencing on or after 1 October 2012. The Directors are of the opinion that the Company has conducted its affairs so as to be able to retain such approval.

The Company intends to manage its affairs so that its Ordinary shares continue to be a qualifying investment for inclusion in the stocks and shares component of an Individual Savings Account.

Capital Structure and Voting Rights

The Company's issued share capital at 30 September 2023 consisted of 47,646,522 Ordinary shares of 25 pence each (2022: 47,471,939) and there were 1,532,245 Ordinary shares held in treasury (2022: 1,706,828), representing 3.1% (2022: 3.5%) of the issued share capital as at that date.

During the year, 100,417 Ordinary shares were bought back into treasury (2022: 561,535) and 275,000 Ordinary shares were issued from treasury (2022: nil).

There have been no changes to the Company's capital structure or voting rights since the year end.

Each Ordinary shareholder is entitled to one vote on a show of hands and, on a poll, to one vote for every Ordinary share held.

Management Agreement

The Company has appointed abrdr Fund Managers Limited ("AFML"), a wholly-owned subsidiary of abrdr plc, as its alternative investment fund manager (the "Manager"). AFML has been appointed to provide investment management, risk management, administration and company secretarial services, and promotional activities to the Company. The Company's portfolio is managed by abrdr Investment Management Limited (the "Investment Manager") by way of a group delegation agreement in place between AFML and the Investment Manager.

In addition, AFML has sub-delegated administrative and secretarial services to abrdr Holdings Limited (previously called Aberdeen Asset Management PLC).

Up until 30 September 2023, the Company's management fee is calculated as 0.65% per annum of net assets up to £175million and at a rate of 0.55% of net assets above this threshold.

With effect from 1 October 2023, the Company's management fee is calculated as 0.55% of net assets.

The Manager also receives a separate fee for the provision of promotional activities to the Company.

Further details of the fees payable to the Manager are shown in notes 3 and 4 to the financial statements.

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

Directors' Report

Continued

External Agencies

The Board has contractually delegated to external agencies, including the Manager and other service providers, certain services including: the management of the investment portfolio, the day-to-day accounting and company secretarial requirements, the depositary services (which include the custody and safeguarding of the Company's assets) and the share registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered in so far as they relate to the affairs of the Company. In addition, ad hoc reports and information are supplied to the Board as requested.

Substantial Interests

Information provided to the Company by major shareholders pursuant to the FCA's Disclosure, Guidance and Transparency Rules are published by the Company via a Regulatory Information Service.

The table below sets out the interests in 3% or more of the issued share capital of the Company, of which the Board was aware as at 30 September 2023.

Shareholder	Number of Ordinary shares	% held
Hargreaves Lansdown	11,166,926	23.4
Interactive Investor	10,063,837	21.1
Charles Stanley	4,586,981	9.6
AJ Bell	2,823,343	5.9
HSDL	2,285,627	4.8
abrdrn Savings Plans	1,461,954	3.1

The Company has not been notified of any changes to these holdings as at the date of this Report.

Directors

Biographies of the Directors of the Company are shown on pages 42 to 44.

Sarika Patel is the Chair, Jeremy Tigue is the Senior Independent Director, Mark Little is Chair of the Audit Committee and Caroline Hitch is Chair of the Remuneration & Management Engagement Committee. Nick Timberlake was appointed as an Independent Non-executive Director on 1 August 2023. The Board engaged the services of Cornforth Consulting to assist in the search for Nick Timberlake.

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

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

The Directors attended scheduled Board and Committee meetings during the year ended 30 September 2023 as follows (with their eligibility to attend the relevant meetings in brackets):

	Board Meetings	Audit Committee Meetings	Remuneration & Management Engagement Committee Meetings
Sarika Patel	4 (4)	2 (2)	1 (1)
Caroline Hitch	4 (4)	2 (2)	1 (1)
Mark Little	4 (4)	2 (2)	1 (1)
Jeremy Tigue	4 (4)	2 (2)	1 (1)
Nick Timberlake ^A	1 (1)	0 (0)	1 (1)
Mark White ^B	2 (2)	1 (1)	0 (0)

^A Appointed to the Board on 1 August 2023.

^B Retired from the Board on 2 February 2023.

The Board meets more frequently when business needs require, and met an additional four times during the financial year.

Caroline Hitch, Mark Little and Sarika Patel will retire and, being eligible, will offer themselves for re-election at the Annual General Meeting. Nick Timberlake will offer himself for election at the Annual General Meeting. As set out in the Chair's Statement, Jeremy Tigue will retire from the Board at the Annual General Meeting on 20 February 2024, having served on the Board for nine years.

The Board believes that all the Directors seeking election or re-election remain independent of the Manager and free from any relationship which could materially interfere with the exercise of their judgement on issues of strategy, performance, resources and standards of conduct. The biographies of each of the Directors are shown on pages 42 to 44, setting out their range of skills and experience as well as length of service and their contribution to the Board during the year. The Board believes that, collectively, it has the requisite high level and range of business, investment and financial experience to enable it to provide clear and effective leadership and proper governance of the Company. Following formal performance evaluations, each Director's performance continues to be effective and demonstrates commitment to the role, and their individual performances contribute to the long-term sustainable success of the Company. The Board therefore recommends the election or re-election of each of the Directors at the Annual General Meeting.

Board's Policy on Tenure

In normal circumstances, it is the Board's expectation that Directors will not serve beyond the Annual General Meeting following the ninth anniversary of their appointment. However, the Board takes the view that

independence of individual Directors is not necessarily compromised by length of tenure on the Board and that continuity and experience can add significantly to the Board's strength. The Board believes that recommendation for re-election should be on an individual basis following a rigorous review which assesses the contribution made by the Director concerned, but also taking into account the need for regular refreshment and diversity.

Board Diversity Policy

The Board recognises the importance of having a range of skilled and experienced individuals with the right knowledge represented on the Board in order to allow it to fulfil its obligations. The Board also recognises the benefits and is supportive of the principle of diversity in its recruitment of new Board members. The Board will not display any bias for age, gender, race, sexual orientation, socio-economic background, religion, ethnic or national origins or disability in considering the appointment of its Directors. In view of its size, the Board will continue to ensure that all appointments are made on the basis of merit against the specification prepared for each appointment. In doing so, the Board will take account of the targets set out in the FCA's Listing Rules, which are set out in the tables below.

The Board has resolved that the Company's year-end date is the most appropriate date for disclosure purposes. The following information has been provided by each Director through the completion of questionnaires. There have been no changes since the year end.

Directors' Report

Continued

Board Gender as at 30 September 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (note 3)	Number in executive management	Percentage of executive management
Men	3	60%	2		
Women	2	40% (note 1)	2	n/a	n/a

Board Ethnic Background as at 30 September 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (note 3)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	4	80%	3		
Asian	1 (note 2)	20%	1	n/a	n/a

Notes:

1. Meets the target of at least 40% as set out in LR 9.8.6R (9)(a)(i).
2. Meets the target of at least one individual on the Board is from a minority ethnic background as set out in LR 9.8.6R (9)(a)(iii).
3. Whilst the Listing Rules define senior positions as the role of the Chair, the Chief Executive, the Senior Independent Director ("SID") and the Chief Financial Officer, the positions of the Chief Executive and Chief Financial Officer are not relevant for the Company. The Company therefore considers that the role of Chair, the SID, the Chair of the Audit Committee and the Chair of the Remuneration & Management Engagement Committee are senior positions.

Directors' and Officers' Liability Insurance

The Company's Articles of Association provide for each of the Directors to be indemnified out of the assets of the Company against any liabilities incurred by them as a Director of the Company in defending proceedings, or in connection with any application to the Court in which relief is granted. Directors' and Officers' liability insurance cover has been maintained throughout the year at the expense of the Company.

Management of Conflicts of Interest

The Board has a procedure in place to deal with a situation where a Director has a conflict of interest. As part of this process, each Director prepares a list of other positions held and all other conflict situations that may need to be authorised either in relation to the Director concerned or his or her connected persons. The Board considers each Director's situation and decides whether to approve any conflict, taking into consideration what is in the best interests of the Company and whether the

Director's ability to act in accordance with his or her wider duties is affected. Each Director is required to notify the Company Secretary of any potential, or actual, conflict situations that will need authorising by the Board. Authorisations given by the Board are reviewed at each Board meeting.

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

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

In relation to the corporate offence of failing to prevent tax evasion, it is the Company's policy to conduct all business in an honest and ethical manner. The Company takes a zero-tolerance approach to facilitation of tax evasion whether under UK law or under the law of any foreign country and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships.

Financial Instruments

The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 15 to the financial statements.

Corporate Governance

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

The Board has also considered the principles and provisions of the AIC Code of Corporate Governance as published in February 2019 (the "AIC Code"). The AIC Code addresses the principles and provisions set out in the UK Code, as well as setting out additional provisions on issues that are of specific relevance to the Company. The AIC Code is available on the AIC's website: theaic.co.uk. It includes an explanation of how the AIC Code adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

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

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

The UK Code includes provisions relating to:

- interaction with the workforce (provisions 2, 5 and 6);
- the role and responsibility of the chief executive (provisions 9 and 14);
- requirement to establish a nomination committee and describe the work of the nomination committee (provisions 17 and 23);
- the chair shall not be a member of the audit committee (provision 24);
- the need for an internal audit function (provision 25);
- previous experience of the chairman of a remuneration committee (provision 32); and
- executive directors' remuneration (provisions 33 and 36 to 40).

Directors' Report

Continued

The Board considers that these provisions, with the exception of the requirement to establish a nomination committee and describe the work of the nomination committee, are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Board has determined that there is no need for the Company to have a standalone Nomination Committee given the number of Directors on the Board. The functions traditionally undertaken by a nomination committee are fulfilled by the Board.

The Company has therefore not reported further in respect of these provisions.

The full text of the Company's Corporate Governance Statement can be found on its website.

Board Committees

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

Audit Committee

The Audit Committee's Report is contained on pages 58 to 61.

Remuneration & Management Engagement Committee

The Remuneration & Management Engagement Committee comprises the full Board and is chaired by Caroline Hitch. The main responsibilities of the Committee include:

- monitoring and evaluating the performance of the Manager;
- reviewing at least annually the continued retention of the Manager;
- reviewing, at least annually, the terms of appointment of the Manager including, but not limited to, the level and method of remuneration and the notice period of the Manager;
- reviewing the performance and remuneration of the other key service providers to the Company; and
- determining the Directors' remuneration policy and level of remuneration.

The Committee met once during the year to 30 September 2023 and undertook a review of the management of the Company and its performance. Following conclusion of the review, the Committee recommended to the Board that the continuing appointment of the Manager and other key service providers was in the best interests of the shareholders and the Company as a whole.

As reported in the Chair's Statement, it has been agreed that Nick Timberlake will assume the role of Chair of the Remuneration & Management Engagement Committee with effect from the conclusion of the AGM on 20 February 2024.

Going Concern

The Company's assets consist mainly of equity shares in companies listed on recognised stock exchanges and are considered by the Board to be realisable within a short timescale under normal market conditions. The Board has set overall limits for borrowing and reviews regularly the Company's level of gearing, cash flow projections and compliance with banking covenants, when applicable. The Board has also performed stress testing and liquidity analysis.

The Company's Articles require that at every fifth AGM, the Directors shall propose an Ordinary Resolution to effect that the Company continues as an investment trust. An Ordinary Resolution approving the continuation of the Company for five years was passed at the AGM on 4 February 2022. The next continuation vote will take place at the AGM to be held in 2027.

As at 30 September 2023, the Company had a £30 million (2022: £30 million) revolving credit facility with The Royal Bank of Scotland International Limited, London Branch. £21 million was drawn at the end of the financial year (2022: £25 million). The revolving credit facility was refinanced during the financial year and matures on 23 June 2026.

The Directors are mindful of the Principal Risks and Uncertainties disclosed in the Strategic Report on pages 19 to 21 and they believe that the Company has adequate financial resources to continue its operational existence for a period of not less than 12 months from the date of approval of this Report. They have arrived at this conclusion having confirmed that the Company's diversified portfolio of realisable securities is sufficiently liquid and could be used to meet short-term funding requirements were they to arise. They have also reviewed the revenue and ongoing expenses forecasts for the coming year. Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Accountability and Audit

The respective responsibilities of the Directors and the Auditor in connection with the financial statements appear on page 70.

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

Independent Auditor

Shareholders approved the re-appointment of KPMG LLP as the Company's Independent Auditor at the AGM on 2 February 2023.

As set out in the Chair's Statement, following an audit tender exercise, the Board is submitting resolutions to the AGM on 20 February 2024 to appoint Johnston Carmichael LLP as the Company's Auditor for the year to 30 September 2024 and to authorise the Directors to determine the remuneration of the Auditor.

Relations with Shareholders

The Directors place a great deal of importance on communications with shareholders. Shareholders and investors may obtain up to date information on the Company through its website and the Manager's Customer Services Department by emailing trusts@abrdn.com.

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

The Company's Annual General Meeting provides a forum for communication primarily with private shareholders and is attended by the Board. The Manager makes a presentation to the meeting and all shareholders have the opportunity to put questions to both the Board and the Manager at the meeting. The Board will also be hosting an Online Pre-AGM Investor Session to engage directly with shareholders, regardless of their location. Details on how to register for the Online Pre-AGM Investor Session are set out in the Chair's Statement on page 8.

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

Additional Information

Where not provided elsewhere in the Directors' Report, the following provides the additional information required to be disclosed by Part 15 of the Companies Act 2006.

There are no restrictions on the transfer of Ordinary shares in the Company issued by the Company other than certain restrictions which may from time to time be imposed by law (for example, the Market Abuse Regulation). The Company is not aware of any agreements between shareholders that may result in a transfer of securities and/or voting rights.

The rules governing the appointment of Directors are set out in the Directors' Remuneration Report on pages 54 to 57. The Company's Articles of Association may only be amended by a special resolution passed at a general meeting of shareholders.

Directors' Report

Continued

The Company is not aware of any significant agreements to which it is a party that take effect, alter or terminate upon a change of control of the Company following a takeover. Other than the management agreement with the Manager, further details of which are set out on page 45, the Company is not aware of any contractual or other agreements which are essential to its business which could reasonably be expected to be disclosed in the Directors' Report.

Annual General Meeting

The Notice of the Annual General Meeting, which will be held on 20 February 2024, and related notes, may be found on pages 102 to 105.

Resolutions including the following business will be proposed.

Dividend Policy

As a result of the timing of the payment of the Company's quarterly dividends, the Company's shareholders are unable to approve a final dividend each year. In line with good corporate governance, the Board therefore proposes to put the Company's dividend policy to shareholders for approval at the Annual General Meeting and on an annual basis thereafter.

The Company's dividend policy is that interim dividends on the Ordinary shares are payable quarterly in March, June, September and January each year. Resolution 3 will seek shareholder approval for the dividend policy.

Issue of Ordinary Shares

Resolution 10, which is an ordinary resolution, will, if passed, renew the Directors' authority to allot new Ordinary shares up to an aggregate nominal amount of £1,194,538, being 10% of the issued share capital of the Company (excluding treasury shares) as at 29 November 2023.

Resolution 11, which is a special resolution, will, if passed, renew the Directors' existing authority to allot new Ordinary shares or sell treasury shares for cash without the new Ordinary shares first being offered to existing shareholders in proportion to their existing holdings. This will give the Directors authority to allot Ordinary shares or sell shares from treasury on a non pre-emptive basis for cash up to an aggregate nominal amount of £1,194,538.05 (representing 10% of the issued ordinary share capital of the Company (excluding treasury shares) as at 29 November 2023).

New Ordinary shares, issued under this authority, will only be issued at prices representing a premium to the last published net asset value per share.

The authorities being sought under Resolutions 10 and 11 shall expire at the conclusion of the Company's next AGM in 2025 or, if earlier, on the expiry of 15 months from the date of the passing of the resolutions, unless such authorities are renewed, varied or extended prior to such time. The Board will only rely upon these authorities if it believes that to do so would be in the best interests of shareholders as a whole

Purchase of the Company's Ordinary Shares

Resolution 12, which is a special resolution, seeks to renew the Board's authority to make market purchases of the Company's Ordinary shares in accordance with the provisions contained in the Companies Act 2006 and the FCA's Listing Rules. Accordingly, the Company will seek authority to purchase up to a maximum of 14.99% of the issued share capital (excluding treasury shares) at the date of passing of the resolution at a minimum price of 25 pence per share (being the nominal value). Under the Listing Rules, the maximum price that may be paid on the exercise of this authority must not exceed the higher of: (i) 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the shares over the five business days immediately preceding the date of purchase; and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue on which the purchase is carried out.

The Board does not intend to use this authority to purchase the Company's Ordinary shares, unless to do so would result in an increase in the net asset value per Ordinary share and would be in the best interests of shareholders as a whole. Any Ordinary shares purchased shall either be cancelled or held in treasury. The authority being sought shall expire at the conclusion of the AGM in 2025 or, if earlier, on the expiry of 15 months from the date of the passing of the resolution unless such authority is renewed, varied or extended prior to such time.

Notice of General Meetings

Under the Companies Act 2006, the notice period for the holding of general meetings of the Company is 21 clear days unless shareholders agree to a shorter notice period and certain other conditions are met. Resolution 13, which is a special resolution, will seek to authorise the Directors to call general meetings of the Company (other than Annual General Meetings) on not less than 14 clear days' notice, as permitted by the Companies Act 2006 amended by the Companies (Shareholders' Rights) Regulations 2009.

It is currently intended that this flexibility to call general meetings on shorter notice will only be used for non-routine business and where it is considered to be in the interests of all shareholders. If Resolution 13 is passed, the authority to convene general meetings on not less than 14 clear days' notice will remain effective until the conclusion of the AGM in 2025 or, if earlier, on the expiry of 15 months from the date of the passing of the resolution, unless renewed prior to such time.

Recommendation

The Board considers that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company's shareholders as a whole, and most likely to promote the success of the Company for the benefit of its members as a whole. Accordingly, the Board recommends that shareholders vote in favour of the resolutions as they intend to do in respect of their own beneficial shareholdings, amounting to 89,484 Ordinary shares, representing 0.19% of the issued share capital.

By order of the Board abrdn Holdings Limited

Company Secretary
1 George Street
Edinburgh EH2 2LL
29 November 2023

Directors' Remuneration Report

This Directors' Remuneration Report comprises three parts:

1. a Remuneration Policy which is subject to a binding shareholder vote every three years (or sooner if varied during this interval) – most recently approved at the Annual General Meeting on 2 February 2023;
2. an Implementation Report which is subject to an advisory vote on the level of remuneration paid during the year; and
3. an Annual Statement.

Company law requires the Company's Auditor to audit certain of the disclosures provided in the Directors' Remuneration Report. Where disclosures have been audited, they are indicated as such. The Auditor's report is included on pages 65 to 70.

The Director's Remuneration Policy and level of Directors' remuneration are determined by the Remuneration & Management Engagement Committee, which is chaired by Caroline Hitch and comprises all of the Directors.

Remuneration Policy

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

No shareholder views have been sought in setting the remuneration policy and no communication was received from shareholders during the year regarding Directors' remuneration.

The Company's policy is that the remuneration of the Directors, all of whom are non-executive, should reflect the experience of the Board as a whole and be fair and comparable to that of other investment trusts with a similar capital structure and similar investment objectives. Directors are remunerated exclusively in the form of fees, payable quarterly in arrears to the Director personally. The fees for the Directors are determined within the limits set out in this Remuneration Policy which limits the aggregate of the fees payable to the Directors to £250,000 per annum. It is intended that the fees payable to the Directors should reflect their duties, responsibilities, and the value and amount of time committed to the Company's affairs, and should also be sufficient to enable candidates of a high quality to be recruited and retained. There is no performance-related remuneration scheme and therefore the Directors do not receive bonuses,

pension benefits, share options, long-term incentive schemes or other benefits, and the fees are not specifically related to the Directors' performance, either individually or collectively.

The levels of fees at the year end are set out in the table below. Fees are reviewed annually and, if considered appropriate, adjusted accordingly.

	30 September 2023 £	30 September 2022 ^A £
Chair	34,500	32,000
Chair of Audit Committee	30,000	27,500
Chair of the Remuneration & Management Engagement Committee	26,000	24,000
Director	24,500	22,500

^A Directors fees were increased with effect from 1 April 2022. The increased fee rates were only applicable for six months of the financial year

Appointment

- The Company only intends to appoint Non-Executive Directors.
- All the Directors are non-executive and are appointed under the terms of letters of appointment.
- The terms of appointment provide that Directors should retire and be subject to election at the first Annual General Meeting after their appointment. The Company's Articles of Association require all Directors to retire by rotation at least every three years. However, notwithstanding the Articles of Association, the Board has agreed that all Directors should retire annually and seek re-election at the AGM.
- Any Director newly appointed to the Board will receive the fee applicable to each of the other Directors at the time of appointment together with any other fee then currently payable in respect of a specific role which the new Director is to undertake for the Company.
- No incentive or introductory fees will be paid to encourage a person to become a Director.
- Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.
- Directors are entitled to re-imbursment of out-of-pocket expenses incurred in connection with the performance of their duties.

- The Company indemnifies its Directors for all costs, charges, losses, expenses and liabilities which may be incurred in the discharge of duties as a Director of the Company.

Performance, Service Contracts, Compensation and Loss of Office

- Directors' remuneration is not subject to any performance related fee.
- No Director has a service contract.
- No Director was interested in contracts with the Company during the period or subsequently.
- The terms of appointment provide that a Director may be removed without notice.
- There is no notice period and no provision for compensation upon early termination of appointment, save for any arrears of fees which may be due.
- No Director is entitled to any other monetary payment or any assets of the Company.

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

During the year, shareholders voted in favour of an increase in the aggregate remuneration payable to Directors from £150,000 to £250,000. There were no changes to the Directors' Remuneration Policy during the year and there are no proposals for changes in the foreseeable future.

The Remuneration Policy is reviewed by the Remuneration & Management Engagement Committee on an annual basis and at last year's meeting the Committee's stated its intention that this Remuneration Policy will apply for the three year period ending 30 September 2025. This intention stands.

Statement of Voting on the Directors' Remuneration Policy at General Meeting

At the Annual General Meeting held on 2 February 2023, shareholders approved the Directors' Remuneration Policy. 96.84% of proxy votes were in favour of the resolution and 3.16% of proxy votes were cast against the resolution.

Implementation Report

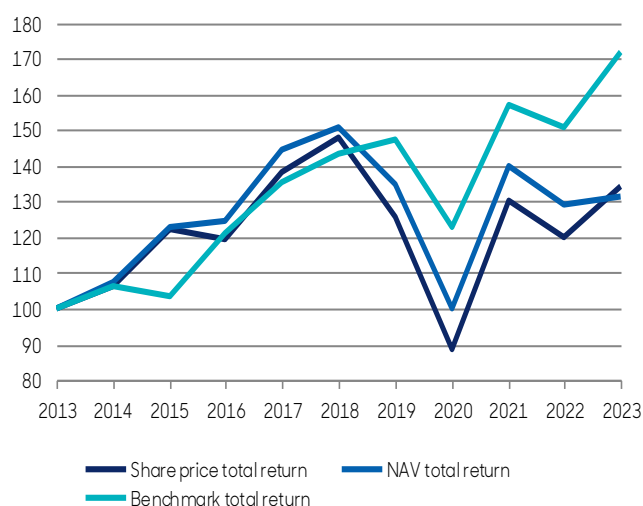
Review of Directors' Fees

The Remuneration & Management Engagement Committee carried out a review of the level of Directors' fees during the year, which included consideration of fees paid by comparable investment trusts and the sector as a whole. During the year, it was agreed that, with effect from 1 October 2023, it was agreed that Directors' fees would be increased by £3,000 for the Chair, and by £2,000 per annum for each other Director. The Remuneration & Management Engagement Committee also agreed that a separate fee for the Senior Independent Director be introduced at a total of £28,000 per annum.

The Remuneration & Management Engagement Committee was not provided with advice or services by any person in respect of its consideration of the Directors' remuneration.

Company Performance

The graph below shows the share price and NAV total return (assuming all dividends are reinvested) to Ordinary shareholders compared to the total return from the FTSE All-Share Index for the ten year period to 30 September 2023 (rebased to 100 at 30 September 2013). This index was chosen for comparison purposes only, as it is a widely used indicator for the equity market in which the Company invests.



Directors' Remuneration Report

Continued

Statement of Voting on the Directors' Remuneration Report at General Meeting

At the Company's last Annual General Meeting, held on 2 February 2023, shareholders approved the Directors' Remuneration Report in respect of the year ended 30 September 2022. 97.34% of proxy votes were in favour of the resolution, and 2.66% of proxy votes were cast against the resolution.

A resolution to approve the Directors' Remuneration Report in respect of the year ended 30 September 2023 will be proposed at the Annual General Meeting on 20 February 2024.

Spend on Pay

As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders. However, for ease of reference, the total fees paid to Directors are shown in the table below while dividends paid to shareholders are set out in note 7 and share buybacks and issuances are detailed in note 12.

Audited Information

Directors' Remuneration

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

Director	Year ended 30 September 2023	Year ended 30 September 2022 ^E
Mark White ^A	11,455	30,750
Caroline Hitch	26,000	23,000
Mark Little ^B	28,134	3,750
Sarika Patel ^C	32,973	26,250
Jeremy Tighe	24,500	21,500
Nick Timberlake ^D	4,083	n/a
Total	127,145	105,250

^A Retired from the Board on 2 February 2023

^B Appointed as a Director on 1 August 2022 and as Chair of the Audit Committee on 2 February 2023

^C Appointed as Chair on 2 February 2023

^D Appointed on 1 August 2023

^E Directors fees were increased with effect from 1 April 2022. The increased fee rates were only applicable for six months of the financial year

The above amounts exclude any employers' national insurance contributions, if applicable. All fees are at a fixed rate and there is no variable remuneration. Fees are pro-rated where a change takes place during a financial year. There were no payments to third parties included in the fees referred to in the table above. No other forms of remuneration were received by the Directors and none of the Directors has any taxable expenses, compensation for loss of office or non-cash benefit for the year ended 30 September 2023 (2022: nil).

Annual Percentage Change in Directors' Remuneration

The following table sets out the annual percentage change in Directors' fees for the past four years from 1 October 2019 to 30 September 2023.

	Year ended 30 September 2023	Year ended 30 September 2022	Year ended 30 September 2021	Year ended 30 September 2020
	Fees %	Fees %	Fees %	Fees %
Caroline Hitch ^A	13.0	7.1	4.8	0.0
Mark Little ^B	30.9	n/a	n/a	n/a
Sarika Patel ^C	25.6	5.0	14.2	n/a
Jeremy Tighe	14.0	4.9	0.0	0.0
Nick Timberlake ^D	n/a	n/a	n/a	n/a

^A Appointed as Chair of the Remuneration Management & Engagement Committee on 5 February 2021

^B Appointed as a Director on 1 August 2022 and as Chair of Audit Committee on 2 February 2023. Percentage increase reflects position if Mark had been appointed as a Director for the full year to 30 September 2022. The actual amount paid to Mark during the financial year to 30 September 2022 was £3,750.

^C Appointed as a Director on 1 November 2019, as Chair of the Audit Committee on 23 February 2020 and as Board Chair on 2 February 2023.

^D Appointed as a Director on 1 August 2023.

Directors' Interests in the Company

The Directors (including their connected persons) at 30 September 2023 and 30 September 2022 had no interest in the share capital of the Company other than those interests shown in the following table.

	30 September 2023	30 September 2022
	Ordinary shares	Ordinary shares
Caroline Hitch	27,900	27,900
Mark Little ^A	5,698	0
Sarika Patel	10,000	1,968
Jeremy Tighe	25,886	25,886
Nick Timberlake ^B	20,000	n/a
Mark White	75,000 ^C	75,000

^A Appointed on 1 August 2022

^B Appointed on 1 August 2023

^C As at 2 February 2023, the date Mark White retired from the Board

There have been no changes to the Directors' interests in the share capital of the Company since the year end up to the date of approval of this Report.

Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, it is confirmed that the above Remuneration Report summarises, as applicable, for the year to 30 September 2023:

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

Caroline Hitch

Chair of the Remuneration & Management Engagement Committee
29 November 2023

Audit Committee's Report

The Audit Committee presents its Report for the year ended 30 September 2023.

Committee Composition

During the financial year, the Committee was chaired by Sarika Patel until 2 February 2023, and has been chaired by Mark Little since then. Both Sarika Patel and Mark Little are Chartered Accountants and have recent and relevant financial experience.

The Committee comprises all Non-Executive Directors. Given the size of the Board, and the skillset and continued independence of Sarika Patel, the Board believes that it is appropriate for all the independent Directors, including the Chair of the Board, to constitute the Audit Committee. The Board is satisfied that the Committee as a whole has competence relevant to the investment trust sector.

Functions of the Audit Committee

The principal role of the Audit Committee is to assist the Board in relation to the reporting of financial information, the review of financial controls and the management of risk.

The Committee has defined terms of reference which are reviewed and re-assessed for their adequacy on at least an annual basis. Copies of the terms of reference are published on the Company's website and are available from the Company on request.

The Committee's main functions are listed below:

- to review and monitor the internal control systems and risk management systems (including review of non-financial risks) on which the Company is reliant (the Directors' statement on the Company's internal controls and risk management is set out below);
- to consider whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the half-yearly and annual financial statements of the Company and any formal announcements relating to the Company's financial performance, by reviewing, and challenging where necessary, the actions and judgements of the Manager;
- to review, and report to the Board on, the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, half-yearly financial reports, any formal announcements relating to the Company's financial performance;
- to review the content of the Annual Report and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- to meet with the Auditor to review the proposed audit programme of work and the findings of the Auditor. The Committee shall also use this as an opportunity to assess the effectiveness of the audit process;
- to develop and implement policy on the engagement of the Auditor to supply non-audit services. Non-audit fees paid to the Auditor during the year under review amounted to £nil (2022 £nil). All non-audit services must be approved in advance by the Audit Committee and will be reviewed in the light of relevant guidance and statutory requirements regarding the provision of non-audit services by the external audit firm, and the need to maintain the Auditor's independence;
- to review a statement from the Manager detailing the arrangements in place within the Manager whereby staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters;
- to make recommendations to the Board in relation to the appointment of the Auditor and to approve the remuneration and terms of engagement of the Auditor; and
- to monitor and review the Auditor's independence, objectivity, effectiveness, resources and qualification, taking into consideration relevant UK professional and regulatory requirements.

Activities During the Year

The Audit Committee met twice during the year when, amongst other things, it considered the Annual Report and the Half-Yearly Financial Report in detail.

Representatives of the Manager's internal audit, risk and compliance departments reported to the Committee at these meetings on matters such as internal control systems, risk management and the conduct of the business in the context of its regulatory environment. No significant weaknesses in the control environment were identified. The Committee, therefore, concluded that there were no significant issues which required to be reported to the Board.

The Audit Committee also led an audit tender during the financial year. Please see the Chair's Statement on page 8 and Appointment of New Independent Auditor on page 61 for more details.

Internal Controls and Risk Management

The Board confirms that there is an ongoing process for identifying, evaluating and managing the Company's significant business and operational risks, that has been in place for the year ended 30 September 2023 and up to the date of approval of the Annual Report, is regularly reviewed by the Board and accords with the FRC's guidance on internal controls.

The Board has overall responsibility for ensuring that there is a system of internal controls and risk management in place and a process for reviewing its effectiveness. Day-to-day measures have been delegated to the Manager with an effective process of reporting to the Board for supervision and control. The system of internal controls and risk management is designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the system of internal control and risk management is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and, by its nature, can only provide reasonable and not absolute assurance against material misstatement or loss.

The design, implementation and maintenance of controls and procedures to safeguard the assets of the Company and to manage its affairs properly extends to operational and compliance controls and risk management. The Board, through the Audit Committee, has prepared its own risk register which lists potential risks including those set out in the Strategic Report on pages 19 to 21. The Board considers the potential cause and possible effect of these risks as well as reviewing the controls in place to mitigate them.

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

The Board has reviewed the Manager's process for identifying and evaluating the significant risks faced by the Company and the policies and procedures by which these risks are managed. The Board has also reviewed the effectiveness of the Manager's system of internal control including its annual internal controls report prepared in accordance with the International Auditing and Assurance Standards Board's International Standard on Assurance Engagements ("ISAE") 3402, "Assurance Reports on Controls at a Service Organisation". Any weaknesses identified are reported to the Audit Committee and timetables are agreed for implementing improvements to systems. The implementation of any remedial action required is monitored and feedback provided to the Audit Committee.

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

- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers. These agreements are reviewed periodically by the Board;
- the Board and Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board;
- the Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance;
- as a matter of course the Manager's internal audit and compliance departments continually review its operations;
- bi-annually, the Audit Committee carries out an assessment of internal controls by considering documentation from the Manager, including the internal audit and compliance functions and reports to the Board on its conclusions; and
- the Audit Committee reviews internal control reports from its third party service providers including the Depository, BNP Paribas Trust Corporation UK Limited and the Registrar, Computershare.

Audit Committee's Report

Continued

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

Financial Statements and Significant Issues

During its review of the Company's financial statements for the year ended 30 September 2023, the Audit Committee considered the following significant issues, in particular those communicated by the Auditor during its planning and reporting of the year-end audit:

Valuation, Existence and Ownership of Investments

How the issue was addressed – The Company uses the services of an independent depository (BNP Paribas Trust Corporation UK Limited) (the "Depository") to hold the assets of the Company. An annual internal control report is received from the Depository and reviewed by the Audit Committee. This provides details of the Depository's control environment. The investment portfolio is reconciled regularly by the Manager. The portfolio is reviewed and verified by the Manager on a regular basis and management accounts, including a full portfolio listing, are prepared quarterly and are considered at the quarterly meetings of the Board. The valuation of investments is undertaken in accordance with the accounting policies disclosed in notes 1(b) and 1(c) to the financial statements.

The Committee satisfied itself that there were no issues associated with the valuation, existence and ownership of the investments which required to be addressed.

Recognition of Dividend Income

How the issue was addressed – The recognition of dividend income is undertaken in accordance with accounting policy note 1(d) to the financial statements. Special dividends are allocated to the capital or revenue accounts according to the nature of the payment and the specific circumstances. Management accounts are reviewed by the Board on a quarterly basis and discussions take place with the Manager regarding the allocation of any special dividends that have been received.

The Committee concluded that there were no issues associated with the recognition of dividend income which required to be addressed.

Review of Financial Reporting

The Committee, when considering the draft Annual Report and financial statements for the year ended 30 September 2023, concluded that taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. In reaching this conclusion, the Committee has assumed that the reader of the Annual Report and financial statements would have a reasonable knowledge of the investment industry in general and of investments trusts in particular.

Review of Independent Auditor

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

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

The independent Auditor's report is included on pages 65 to 70. Details of the amounts paid to KPMG during the year for audit services are set out in note 4 to the financial statements.

Tenure of the Independent Auditor

KPMG was initially appointed as the Company's independent Auditor on 15 March 2018 and approved by shareholders at the Annual General Meeting on 17 January 2019. In accordance with present professional guidelines the senior statutory auditor is rotated after no more than five years. The year ended 30 September 2023 is the second year during which the present senior statutory auditor has served.

The next compulsory audit tender of the Company was due to take place by 2027 in compliance with the EU regulations and FRC Guidance on audit tenders.

Appointment of New Independent Auditor

However, as set out in the Chair's Statement, the Board, led by the Audit Committee, undertook an early audit tender in 2023. This followed the Board's observation of a general trend of rising audit fees across the industry and discussion with KPMG about future fees. The Audit Committee invited a number of firms to tender for the Company's audit and interviewed three short-listed firms. Each of the firm's presentations were of an extremely high quality and the Audit Committee could have recommended the appointment of each of those firms.

Following the presentations and interviews, the Audit Committee proposed the appointment of Johnston Carmichael LLP ("Johnston Carmichael") to the Board for the financial year ending 30 September 2024.

The Audit Committee has agreed with KPMG that, assuming shareholder approval of the appointment of Johnston Carmichael, it will resign as the Company's external auditor at the Company's AGM on 20 February 2024. The Board formally thanks KPMG for their professional support and diligent service throughout their appointment.

The Committee is also satisfied that Johnston Carmichael is independent and therefore supports the recommendation to the Board that the appointment of Johnston Carmichael be put to shareholders for approval at the Annual General Meeting.

On behalf of the Audit Committee

Mark Little

Chair of the Audit Committee
29 November 2023

An aerial photograph of a city skyline. In the foreground, there are older, multi-story buildings with light-colored facades and small windows. A prominent feature is a tall, ornate spire or tower. In the background, several modern skyscrapers with glass facades rise into the sky. One of the central skyscrapers is partially covered in scaffolding and white protective sheeting, indicating it is under construction or renovation. The overall scene is a mix of old and new architecture.

Financial Statements



The Directors set the investment policy, which is to invest in a diversified portfolio consisting mainly of quoted UK equities which will normally comprise between 50 and 70 individual equity holdings.

Statement of Directors' Responsibilities

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

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

The Directors confirm that to the best of their knowledge:

- the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

We consider the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

Sarika Patel

Chair

29 November 2023

Independent Auditor's Report to the Members of abrdn Equity Income Trust plc

1. Our opinion is unmodified

We have audited the financial statements of abrdn Equity Income Trust plc ("the Company") for the year ended 30 September 2023 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2023 and of its return for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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 are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the shareholders on 15 March 2018. The period of total uninterrupted engagement is for the 6 financial years ended 30 September 2023. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including 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. We summarise below the key audit matter (unchanged from 2022), in arriving at our audit opinion above, together with our key audit procedures to address this matter and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter.

	The Risk	Our Response
Carrying amount of quoted investments (£165.7m; 2022: £179.7m)	Low risk, high value The Company's portfolio of quoted investments makes up 96.6% (2022: 96.8%) of the Company's total assets (by value) and is one of the key drivers of results. We do not consider these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	We performed the detailed tests below rather than seeking to rely on controls, because the nature of the balance is such that detailed testing is determined to be the most effective manner of obtaining audit evidence. Our procedures included: <ul style="list-style-type: none">· Tests of detail: Agreeing the valuation of 100% of investments in the portfolio to externally quoted prices; and· Enquiry of Depositary: Agreeing 100% of investment holdings in the portfolio to independently received third party confirmation from the Depositary. Our results: We found the carrying amount of quoted investments to be acceptable (2022: acceptable).

Independent Auditor's Report to the Members of abrdn Equity Income Trust plc

Continued

3. Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £1.70 million (2022: £1.85 million), determined with reference to a benchmark of total assets, of which it represents 1% (2022: 1%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2022: 75%) of materiality for the financial statements as a whole, which equates to £1.275 million (2022: £1.370 million). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

In addition, we applied a lower materiality of £0.57 million (2022: £0.63 million) to the income balance, and materiality of £1,000 to Director's remuneration, for which we believe misstatements of lesser amounts than materiality for the Financial Statements as a whole could be reasonably expected to influence the Company's members' assessment of the financial performance of the Company.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.85 million (2022: £0.09 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed by a single audit team.

The scope of the audit work performed was fully substantive as we did not rely upon the Company's internal control over financial reporting.

4. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources and its ability to operate over this period were:

- The impact of a significant reduction in the valuation of investments and the implications for the Company's debt covenants;
- The liquidity of the investment portfolio and its ability to meet the liabilities of the Company as and when they fall due; and
- The operational resilience of key service organisations.

We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Company's current and projected cash and liquid investment position (and the results of a reverse stress test).

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of going concern, including the identified risks and related sensitivities.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the Directors' statement in note 1 (a) to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 (a) to be acceptable; and
- the related statement under the Listing Rules set out on pages 50 and 51 is materially consistent with the financial statements and our audit knowledge,

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiries of Directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Assessing the segregation of duties in place between the Directors, the Administrator and the Company's Investment Manager; and
- Reading Board and Audit Committee minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Company management may be in a position to make inappropriate accounting entries. We evaluated the design and implementation of the relevant controls over journal entries and other adjustments and made inquiries of the Administrator about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. Based on the results of these procedures, we selected journal entries for testing, which included material post-closing journal entries.

On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue is non-judgemental and straightforward, with limited opportunity for manipulation. We did not identify any additional fraud risks.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors, the Investment Manager and the Administrator (as required by auditing standards) and discussed with the Directors the policies and procedures regarding compliance with laws and regulations. As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

Independent Auditor's Report to the Members of abrdn Equity Income Trust plc

Continued

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and its qualification as an Investment Trust under UK taxation legislation, any breach of which could lead to the Company losing various deductions and exemptions from UK corporation tax, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

We assessed the legality of the distributions made by the Company in the period based on comparing the dividends paid to the distributable reserves prior to each distribution, including consideration of accounts filed during the year.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: money laundering, data protection, bribery and corruption legislation and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and the Administrator and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

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

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement on page 24 that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Uncertainties disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability Statement, set out on page 24 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Company's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

Independent Auditor's Report to the Members of abrdn Equity Income Trust plc

Continued

7. We have nothing to report on the other matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 64, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9. The purpose of our audit work and to whom we owe our responsibilities

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.

Hannah Walsh (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace,
Edinburgh, EH1 2EG
29 November 2023

Statement of Comprehensive Income

	Notes	2023 Revenue £'000	Capital £'000	Total £'000	2022 Revenue £'000	Capital £'000	Total £'000
Net losses on investments at fair value	9	-	(6,443)	(6,443)	-	(24,281)	(24,281)
Currency (losses)/gains		-	(1)	(1)	-	1	1
Income	2	12,598	-	12,598	13,517	-	13,517
Investment management fee	3	(302)	(704)	(1,006)	(335)	(782)	(1,117)
Administrative expenses	4	(508)	-	(508)	(464)	-	(464)
Net return before finance costs and taxation		11,788	(7,148)	4,640	12,718	(25,062)	(12,344)
Finance costs	5	(401)	(936)	(1,337)	(149)	(347)	(496)
Return before taxation		11,387	(8,084)	3,303	12,569	(25,409)	(12,840)
Taxation	6	(278)	-	(278)	(325)	-	(325)
Return after taxation		11,109	(8,084)	3,025	12,244	(25,409)	(13,165)
Return per Ordinary share	8	23.43p	(17.05p)	6.38p	25.51p	(52.93p)	(27.42p)

The total column of this statement represents the profit and loss account of the Company.

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

The accompanying notes on pages 74 to 89 are an integral part of the financial statements.

Statement of Financial Position

	Notes	2023 £'000	2022 £'000
Fixed assets			
Investments at fair value through profit or loss	9	165,734	179,730
Current assets			
Debtors	10	1,611	2,343
Investments in AAA-rated money market funds		3,027	2,503
Cash and short-term deposits		1,196	1,054
		5,834	5,900
Current liabilities			
Creditors: amounts falling due within one year			
Bank loan	11	(20,941)	(24,979)
Other creditors	11	(754)	(3,152)
		(21,695)	(28,131)
Net current liabilities		(15,861)	(22,231)
Net assets		149,873	157,499
Capital and reserves			
Called-up share capital	12	12,295	12,295
Share premium account		52,043	52,043
Capital redemption reserve		12,616	12,616
Capital reserve	13	62,735	70,276
Revenue reserve		10,184	10,269
Equity shareholders' funds		149,873	157,499
Net asset value per Ordinary share	14	314.55p	331.77p

The financial statements on pages 71 to 89 were approved by the Board of Directors and authorised for issue on 29 November 2023 and were signed on its behalf by:

Sarika Patel
Chair

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

Statement of Changes in Equity

For the year ended 30 September 2023

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 September 2022		12,295	52,043	12,616	70,276	10,269	157,499
Return after taxation ^A		-	-	-	(8,084)	11,109	3,025
Purchase of own shares for treasury		-	-	-	(315)	-	(315)
Sale of own shares from treasury		-	-	-	858	-	858
Dividends paid during the year	7	-	-	-	-	(11,194)	(11,194)
Balance at 30 September 2023		12,295	52,043	12,616	62,735	10,184	149,873

For the year ended 30 September 2022

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 September 2021		12,295	52,043	12,616	97,491	8,486	182,931
Return after taxation ^A		-	-	-	(25,409)	12,244	(13,165)
Purchase of own shares for treasury		-	-	-	(1,806)	-	(1,806)
Dividends paid during the year	7	-	-	-	-	(10,461)	(10,461)
Balance at 30 September 2022		12,295	52,043	12,616	70,276	10,269	157,499

^A per the Statement of Comprehensive Income on page 71.

The capital reserve at 30 September 2023 is split between realised gains of £80,674,000 and unrealised losses of £17,939,000 (30 September 2022: realised gains of £85,606,000 and unrealised losses of £15,330,000).

The Company's reserves available to be distributed by way of dividends or buybacks which includes the revenue reserve and the realised element of the capital reserve amount to £90,858,000 (30 September 2022 – £95,875,000).

The accompanying notes on pages 74 to 89 are an integral part of the financial statements.

Notes to the Financial Statements

For the year ended 30 September 2023

1. Accounting policies

- (a) **Basis of accounting and going concern.** The Financial Statements have been prepared in accordance with Financial Reporting Standard 102 and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in July 2022. They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The Financial Statements have been prepared on a going concern basis.

The Company had net current liabilities at the year end. The Company's assets consist mainly of equity shares in companies listed on recognised stock exchanges and are considered by the Board to be realisable within a short timescale under normal market conditions. The Board has set overall limits for borrowing and reviews regularly the Company's level of gearing, cash flow projections and compliance with banking covenants, when applicable. The Board has also performed stress testing and liquidity analysis.

The Company's Articles require that at every fifth AGM, the Directors shall propose an Ordinary Resolution to effect that the Company continues as an investment trust. An Ordinary Resolution approving the continuation of the Company for the next five years was passed at the AGM on 4 February 2022. The next continuation vote will take place at the AGM to be held in 2027.

As at 30 September 2023, the Company had a £30 million (2022 – £30 million) revolving credit facility with The Royal Bank of Scotland International Limited, London Branch. £21 million was drawn at the end of the financial year (2022 – £25 million). The revolving credit facility matures on 23 June 2026. A replacement option will be sought in advance of the expiry of the facility, or should the Board decide not to renew this facility, any outstanding borrowing would be repaid through the proceeds of equity sales as required.

The Directors are mindful of the Principal Risks and Uncertainties disclosed in the Strategic Report on pages 19 to 21 and they believe that the Company has adequate financial resources to continue its operational existence for a period of not less than 12 months from the date of approval of this Report. They have arrived at this conclusion having confirmed that the Company's diversified portfolio of realisable securities is sufficiently liquid and could be used to meet short-term funding requirements were they to arise. They have also reviewed the revenue and ongoing expenses forecasts for the coming year, and expect to secure a replacement facility upon expiry of the current facility. Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

As an investment fund the Company has the option under FRS 102, which it has taken, not to present a cash flow statement. A cash flow statement is not required when an investment fund meets all the following conditions: substantially all of the entity's investments are highly liquid, substantially all of the entity's investments are carried at market value, and the entity provides a Statement of Changes in Equity. The Directors have assessed that the Company meets all of these conditions.

The accounting policies applied are unchanged from the prior year and have been applied consistently.

All values are rounded to the nearest thousand pounds (£'000) except where indicated otherwise.

- (b) **Investments.** Investments have been designated upon initial recognition as fair value through profit or loss in accordance with IAS 39. As permitted by FRS 102, the Company has elected to apply the recognition and measurement provisions of IAS 39 Financial Instruments. This is done because all investments are considered to form part of a group of financial assets which is evaluated on a fair value basis, in accordance with the Company's documented investment strategy, and information about the grouping is provided internally on that basis.

Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery to be made within the timeframe established by the market concerned, and are measured initially at fair value. Subsequent to initial recognition, investments are valued at fair value. For listed investments, this is deemed to be bid market prices or closing prices for SETS stocks sourced from the London Stock Exchange. SETS is the London Stock Exchange electronic trading service covering most of the market including all the FTSE All-Share and the most liquid AIM constituents.

Gains and losses arising from changes in fair value are included in net profit or loss for the period as a capital item in the Statement of Comprehensive Income and are ultimately recognised in the capital reserve.

- (c) **Investments in AAA-rated money market funds.** Money market funds investments are used by the Company to provide additional short term liquidity. Due to their short term nature, they are recognised in the Financial Statements as a current asset and are included at fair value through profit and loss.

The Company invests in a AAA-rated money-market fund, Aberdeen Standard Liquidity Fund, which is managed by abrdn Investments Limited. The share class of the money market fund in which the Company invests does not charge a management fee.

- (d) **Income.** Income from equity investments, including taxes deducted at source, is included in revenue by reference to the date on which the investment is quoted ex-dividend. Special dividends are credited to revenue or capital according to the circumstances. Foreign income is converted at the exchange rate applicable at the time of receipt. Interest receivable on cash at bank and in hand and on the money market fund is accounted for on an accruals basis.
- (e) **Expenses and interest payable.** Expenses are accounted for on an accruals basis. Expenses are charged to capital when they are incurred in connection with the maintenance or enhancement of the value of investments. In this respect, the investment management fee and relevant finance costs are allocated between revenue and capital in line with the Board's expectation of returns from the Company's investments over the long term in the form of revenue and capital respectively (see notes 3 and 5).

Transaction costs incurred on the purchase and disposal of investments are recognised as a capital item in the Statement of Comprehensive Income.

- (f) **Dividends payable.** Interim dividends are accounted for when they are paid. Final dividends are accounted on the date that they are approved by shareholders.

- (g) **Capital and reserves**

Called-up share capital. Share capital represents the nominal value of Ordinary shares issued. This reserve is not distributable.

Share premium account. The share premium account represents the premium above nominal value received by the Company on issuing shares net of issue costs. This reserve is not distributable.

Capital redemption reserve. The capital redemption reserve represents the nominal value of Ordinary shares repurchased and cancelled. This reserve is not distributable.

Capital reserve. Gains or losses on realisation of investments and changes in fair values of investments are included within the capital reserve. The capital element of the management fee and relevant finance costs are charged to this reserve. Any associated tax relief is also credited to this reserve. The part of this reserve represented by realised capital gains is available for distribution by way of a dividend and for the purpose of funding share buybacks.

Notes to the Financial Statements

Continued

Revenue reserve. The revenue reserve represents accumulated revenue profits retained by the Company that have not currently been distributed to shareholders as a dividend.

- (h) **Taxation.** The tax expense represents the sum of the tax currently payable and deferred tax. Tax payable is based on the taxable profit for the year. Taxable profit differs from profit before tax as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date where transactions or events that result in an obligation to pay more or a right to pay less tax in future have occurred at the Statement of Financial Position date measured on an undiscounted basis and based on enacted tax rates. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the accounts that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the accounts.

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

- (i) **Cash and cash equivalents.** Cash comprises bank balances and cash held by the Company. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- (j) **Bank borrowings.** Interest bearing bank loans and overdrafts are recorded initially at fair value, being the proceeds received, net of direct issue costs. They are subsequently measured at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Statement of Comprehensive Income using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.
- (k) **Treasury shares.** When the Company purchases its Ordinary shares to be held in treasury, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effect, and is recognised as a deduction from the capital reserve. When these shares are sold subsequently, the amount received is recognised as an increase in equity, and any resulting surplus on the transaction is transferred to the share premium account and any resulting deficit is transferred from the capital reserve.
- (l) **Judgements and key sources of estimation uncertainty.** Disclosure is required of judgements and estimates made by management in applying the accounting policies that have a significant effect on the Financial Statements. There are no significant estimates or judgements which impact these Financial Statements.

2. Income

	2023 £'000	2022 £'000
Income from investments		
<i>UK investment income</i>		
Ordinary dividends	8,191	8,460
Special dividends	101	800
Stock dividends	101	-
	8,393	9,260
<i>Overseas and Property Income Distribution investment income</i>		
Ordinary dividends	3,998	4,243
Special dividends	85	-
Stock dividends	52	-
	4,135	4,243
	12,528	13,503
Other income		
Money-market interest	67	14
Bank interest	3	-
	70	14
Total income	12,598	13,517

3. Investment management fee

	2023 £'000	2022 £'000
Charged to revenue reserve	302	335
Charged to capital reserve	704	782
	1,006	1,117

The Company has an agreement with abrdn Fund Managers Limited ("aFML") for the provision of management services, under which investment management services have been delegated to abrdn Investment Management Limited. The contract is terminable by either party on not less than six months' notice.

The fee payable to aFML was calculated at a rate of 0.65% per annum of net assets up to £175 million and at a rate of 0.55% per annum of net assets thereafter. The fee is payable quarterly in arrears and is chargeable 30% to revenue and 70% to capital (see note 1(e) for further detail). The balance of fees due at the year end was £245,000 (2022 - £530,000).

Notes to the Financial Statements

Continued

4. Administrative expenses

	2023 £'000	2022 £'000
Directors' fees	127	105
Employers' National Insurance	7	4
Fees payable to the Company's Auditor (excluding VAT):		
- for the audit of the annual financial statements	65	40
Professional fees	14	52
Depositary fees	19	22
Promotional activities ^A	109	103
Other expenses	167	238
	508	564

^A The Company has an agreement with aFML for the provision of promotional activities. Fees paid under the agreement during the year were £109,000 (2022 - £103,000). At 30 September 2023, £27,000 was due to aFML (2022 - £166,000).

With the exception of fees payable to the Company's auditor, irrecoverable VAT has been included under the relevant expense line above. Irrecoverable VAT on fees payable to the Company's auditor is included within other expenses.

The Company has no employees.

5. Finance costs

	2023 £'000	2022 £'000
On bank loans and overdrafts:		
Charged to revenue reserve	401	149
Charged to capital reserve	936	347
	1,337	496

Finance costs are chargeable 30% to revenue and 70% to capital (see note 1(e)).

6. Taxation

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(a) Analysis of charge for the year						
Overseas withholding tax	278	-	278	325	-	325

- (b) Factors affecting total tax charge for the year.** The corporation tax rate was 22% (2022 - 19%). The total tax assessed for the year is lower (2022 - higher) than that resulting from applying the standard rate of corporation tax in the UK.

A reconciliation of the Company's total tax charge is set out below:

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return before taxation	11,387	(8,084)	3,303	12,569	(25,409)	(12,840)
Corporation tax at a rate of 22% (2022 - 19%)	2,505	(1,778)	727	2,388	(4,828)	(2,440)
Effects of:						
Non-taxable UK dividends	(1,891)	-	(1,891)	(1,770)	-	(1,770)
Non-taxable overseas dividends	(826)	-	(826)	(744)	-	(744)
Expenses not deductible for tax purposes	2	-	2	-	-	-
Losses on investments not relieviable	-	1,417	1,417	-	4,613	4,613
Excess management expenses and loan relationship losses	210	361	571	126	215	341
Irrecoverable overseas withholding tax	278	-	278	325	-	325
Total taxation	278	-	278	325	-	325

At 30 September 2023, the Company had unutilised management expenses and loan relationship losses of £34,587,000 (2022 - £31,990,000). No deferred tax asset has been recognised on the unutilised management expenses and loan relationship losses as it is unlikely that the Company will generate suitable taxable profits in the future that these tax losses could be deducted against.

Notes to the Financial Statements

Continued

7. Dividends on Ordinary shares

	2023 £'000	2022 £'000
Amounts recognised as distributions to equity holders in the year:		
Fourth interim dividend for 2022 of 6.50p per share (2021 – 5.60p)	3,079	2,690
First interim dividend for 2023 of 5.70p per share (2022 – 5.40p)	2,700	2,594
Second interim dividend for 2023 of 5.70p per share (2022 – 5.40p)	2,700	2,594
Third interim dividend for 2023 of 5.70p per share (2022 – 5.40p)	2,715	2,583
	11,194	10,461

The fourth interim dividend of 5.70p per Ordinary share, payable on 8 January 2024 to shareholders on the register on 8 December 2023 has not been included as a liability in the financial statements.

The total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Sections 1158–1159 of the Corporation Tax Act 2010 are considered, are set out below.

	2023 £'000	2022 £'000
First interim dividend for 2023 of 5.70p per share (2022 – 5.40p)	2,700	2,594
Second interim dividend for 2023 of 5.70p per share (2022 – 5.40p)	2,700	2,594
Third interim dividend for 2023 of 5.70p per share (2022 – 5.40p)	2,715	2,583
Fourth interim dividend for 2023 of 5.70p per share (2022 – 6.50p)	2,724	3,079
	10,839	10,850

8. Return per Ordinary share

	2023		2022	
	£'000	p	£'000	p
Basic				
Revenue return	11,109	23.43	12,244	25.51
Capital return	(8,084)	(17.05)	(25,409)	(52.93)
Total return	3,025	6.38	(13,165)	(27.42)
Weighted average number of Ordinary shares in issue^A	47,415,968		48,004,224	

^A Calculated excluding shares held in Treasury where applicable.

9. Investments

	2023 £'000	2022 £'000
Fair value through profit or loss		
Opening book cost	195,060	191,866
Opening fair value (losses)/gains on investments held	(15,330)	15,552
Opening fair value	179,730	207,418
Movements in the year:		
Purchases at cost	46,738	40,986
Sales – proceeds	(54,291)	(44,393)
Losses on investments	(6,443)	(24,281)
Closing fair value	165,734	179,730
Closing book cost	183,673	195,060
Closing fair value losses on investments held	(17,939)	(15,330)
Closing fair value	165,734	179,730

The Company received £54,291,000 (2022 – £44,393,000) from investments sold in the year. The book cost of these investments when they were purchased was £58,125,000 (2022 – £37,797,000). 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.

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

	2023 £'000	2022 £'000
Purchases	206	201
Sales	37	30
Total	243	231

Notes to the Financial Statements

Continued

10. Debtors: amounts falling due within one year

	2023 £'000	2022 £'000
Amounts due from brokers	148	9
Net dividends and interest receivable	1,078	2,056
Other debtors	385	278
	1,611	2,343

11. Creditors: amounts falling due within one year

	2023 £'000	2022 £'000
Bank loan	21,000	25,000
Unamortised loan arrangement expenses	(59)	(21)
	20,941	24,979
Other creditors		
Amounts due to brokers	305	2,247
Investment management fee payable	245	530
Sundry creditors	204	375
	754	3,152

On 23 June 2023, the Company agreed a new three year £30 million revolving credit facility with the Royal Bank of Scotland International Limited, which expires on 23 June 2026.

The facility agreement contains the following covenants:

- The Company's gross assets will not be less than £120 million (2022 - £120 million) at any time.
- The Company's total net debt will not exceed 25% (2022 - 25%) of net asset value at any time.
- The Company should hold a minimum of 45 eligible investments.

All covenants were complied with throughout the year.

At 30 September 2023 and at the date of signing this Report, £21 million had been drawn down from the facility, at a SONIA rate of 6.6847%. This is due to mature on 21 December 2023.

12. Called-up share capital

	2023 £'000	2022 £'000
Issued and fully paid:		
Ordinary shares of 25p each		
Opening balance of 47,471,939 (2022 – 48,033,474) Ordinary shares	11,868	12,009
Buyback of 100,417 (2022 – 561,535) Ordinary shares	(25)	(141)
Issue of 275,000 (2022 – nil) Ordinary shares	69	–
Closing balance of 47,646,522 (2022 – 47,471,939) Ordinary shares	11,912	11,868
Treasury shares		
Opening balance of 1,706,828 (2022 – 1,145,293) Treasury shares	427	286
Buyback of 100,417 (2022 – 561,535) Ordinary shares to Treasury	25	141
Issue of 275,000 (2022 – nil) Ordinary shares from Treasury	(69)	–
Closing balance of 1,532,245 (2022 – 1,706,828) treasury shares	383	427
	12,295	12,295

During the year, 100,417 Ordinary shares (2022 – 561,535) were repurchased for a consideration of £315,000 (2022 – £1,806,000), and 275,000 Ordinary shares (2022 – nil) were issued from Treasury for a consideration of £858,000 (2022 – £nil). At the year end the number of shares held in Treasury was 1,532,245 (2022 – 1,706,828).

Subsequent to the year end, a further 135,000 Ordinary shares were issued from Treasury for a consideration of £403,000.

Notes to the Financial Statements

Continued

13. Capital reserve

	2023 £'000	2022 £'000
Opening balance	70,276	97,491
Unrealised losses on investment holdings	(2,612)	(30,877)
(Losses)/ Gains on realisation of investments at fair value	(3,831)	6,596
Currency (losses)/gains	(1)	1
Investment management fee charged to capital	(704)	(782)
Finance costs charged to capital	(936)	(347)
Buyback of Ordinary shares into treasury	(315)	(1,806)
Issue of Ordinary shares from treasury	858	-
Closing balance	62,735	70,276

The capital reserve includes investment holding losses amounting to £17,939,000.00 (2022 – losses of £15,330,000) as disclosed in note 9.

14. Net asset value per share

The net asset value per share and the net assets attributable to Ordinary shares at the end of the year calculated in accordance with the Articles of Association were as follows:

	2023	2022
Basic		
Total shareholders' funds (£'000)	149,873	157,499
Number of Ordinary shares in issue at year end ^A	47,646,522	47,471,939
Net asset value per share	314.55p	331.77p

^A Excludes shares in issue held in treasury where applicable.

15. Financial instruments

Risk management. The Company's financial instruments comprise securities and other investments, cash balances, loans and debtors and creditors that arise directly from its operations; for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income. The Company also has the ability to enter into derivative transactions for the purpose of managing currency and market risks arising from the Company's activities.

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

The Board regularly reviews and agrees policies for managing each of these risks. The Manager's policies for managing these risks are summarised below and have been applied throughout the year.

- (i) **Market risk.** The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices.

This market risk comprises three elements – interest rate risk, currency risk and other price risk.

Interest rate risk

Interest rate movements may affect:

- the level of income receivable on cash deposits;
- interest payable on the Company's variable rate borrowings.

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

It is the Company's policy to increase its exposure to equity market price risk through the judicious use of borrowings. When borrowed funds are invested in equities, the effect is to magnify the impact on Shareholders' funds of changes – both positive and negative – of revenue and capital returns.

Notes to the Financial Statements

Continued

Interest rate profile

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

As at 30 September 2023	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
Assets				
Investments in AAA-rated money-market funds	-	5.38	-	3,027
Cash deposits	-	3.69	-	1,196
Total assets	-	-	-	4,223
Liabilities				
Bank loans	0.22	6.68	20,941	-
Total liabilities	-	-	20,941	-

As at 30 September 2022	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
Assets				
Investments in AAA-rated money-market funds	-	6.67	-	2,503
Cash deposits	-	-	-	1,054
Total assets	-	-	-	3,557
Liabilities				
Bank loans	-	2.79	24,979	-
Total liabilities	-	-	24,979	-

The weighted average interest rate is based on the current yield of each asset, weighted by its market value. The weighted average interest rate on bank loans is based on the interest rate payable, weighted by the total value of the loans.

The floating rate assets consist of investments in AAA-rated money-market funds and cash deposits on call earning interest at prevailing market rates.

All financial liabilities are measured at amortised cost.

Maturity profile. The Company did not hold any assets at 30 September 2023 or 30 September 2022 that had a maturity date. The £21 million (2022 - £25 million) loan drawn down had a maturity date of 21 December 2023 (2022 - 30 November 2022) at the Statement of Financial Position date.

Interest rate sensitivity. The sensitivity analysis below have been determined based on the exposure to interest rates at the Statement of Financial Position date and with the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Company's :

- profit for the year ended 30 September 2023 would decrease/increase by £168,000 (2022 - decrease/increase by £214,000). This is mainly attributable to the Company's exposure to interest rates on its fixed rate borrowings and floating rate cash balances.

Currency risk. All of the Company's investments are in Sterling. The Company can be exposed to currency risk when it receives dividends in currencies other than Sterling. The current policy is not to hedge this risk but this policy is kept under constant review by the Board.

Other price risk. Other price risks (ie changes in market prices other than those arising from interest rate or currency risk) may affect the value of the quoted investments.

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular sector. The Manager actively monitors market prices throughout the year and reports to the Board. The investments held by the Company are listed on the London Stock Exchange.

Other price risk sensitivity. If market prices at the Statement of Financial Position date had been 10% higher or lower while all other variables remained constant, the return attributable to ordinary shareholders and equity for the year ended 30 September 2023 would have increased/decreased by £16,573,000 (2022 - increase/decrease of £17,973,000). This is based on the Company's equity portfolio held at each year end.

- (ii) **Liquidity risk.** This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk is not considered to be significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary. Short-term flexibility is achieved through the use of loan and overdraft facilities (note 11).

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

The risk is not significant, and is managed as follows:

- where the investment manager makes an investment in a bond, corporate or otherwise, the credit rating of the issuer is taken into account so as to minimise the risk to the Company of default;
- investment transactions are carried out with a large number of brokers, whose credit-standing and credit rating is reviewed periodically by the investment manager, and limits are set on the amount that may be due from any one broker;
- cash and money invested in AAA money market funds are held only with reputable institutions.

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

Notes to the Financial Statements

Continued

Credit risk exposure. In summary, compared to the amount in the Statement of Financial Position, the maximum exposure to credit risk at 30 September was as follows:

	2023		2022	
	Statement of Financial Position £'000	Maximum exposure £'000	Statement of Financial Position £'000	Maximum exposure £'000
Current assets				
Debtors	1,611	1,611	2,343	2,343
Investments in AAA-rated money market funds	3,027	3,027	2,503	2,503
Cash and short term deposits	1,196	1,196	1,054	1,054
	5,834	5,834	5,900	5,900

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

Fair values of financial assets and financial liabilities. The fair value of borrowings is not materially different to the accounts value in the financial statements of £20,941,000 (note 11).

16. Fair value hierarchy

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

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

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

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

All of the Company's investments are in quoted equities (2022 – same) that are actively traded on recognised stock exchanges, with their fair value being determined by reference to their quoted bid prices at the reporting date. The total value of the investments (2023 – £165,734,000; 2022 – £179,730,000) have therefore been deemed as Level 1. The investment in AAA rated money market funds of £3,027,000 (2022 – £2,503,000) is considered to be Level 2 under the fair value hierarchy of FRS 102 due to not trading in an active market.

17. Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern; and
- to maximise the income and capital return to its equity shareholders through an appropriate balance of equity capital and debt. The Board normally seeks to limit gearing to 15% of net assets. At the year end the Company had gearing of 11.3% of net assets (2022 – 15.0%) (see page 91 for more details).

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes the nature and planned level of gearing, which takes account of the Manager's views on the market and the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period. Any year end positions are presented in the Statement of Financial Position.

The Company does not have any externally imposed capital requirements.

18. Contingent liabilities

As at 30 September 2023 there were no contingent liabilities (2022 – none).

19. Segmental Information

The Company is engaged in a single segment of business, which is to invest in equity securities. All of the Company's activities are interrelated and each activity is dependent on the others. Accordingly, all significant operating decisions are based on the Company as one segment.

20. Related party transactions and transactions with the Manager

Related party transactions. Fees payable during the year to the Directors and their interests in shares of the Company are considered to be related party transactions and are disclosed within the Directors' Remuneration Report on pages 56 and 57. The balance of fees due to Directors at the year end was £33,000 (2022 – £30,000).

Transactions with the Manager. abrdn Fund Managers Limited received fees for its services as Manager. Further details are provided in notes 3 and 4.

21. Subsequent events

Subsequent to the year end, the Company announced a change to the terms of the management fee. With effect from 1 October 2023, the Company's management fee will be charged at a flat fee of 0.55% per annum of the Company's net assets. Prior to 1 October 2023, the Company's management fee was charged at a rate of 0.65% per annum of net assets up to £175 million and at a rate of 0.55% per annum of net assets thereafter.

Alternative Performance Measures

Alternative performance measures ('APM') are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes FRS 102 and the AIC SORP.

The Directors assess the Company's performance against a range of criteria which are viewed as particularly relevant for closed-ended investment companies. Where the calculation of an APM is not detailed within the financial statements, an explanation of the methodology employed is provided below:

Discount & premium

A discount is the percentage by which the market price of an investment trust is lower than the Net Asset Value ("NAV") per share. A premium is the percentage by which the market price per share of an investment trust exceeds the NAV per share.

	30 September 2023	30 September 2022
Share price	314.00p	302.50p
Net asset value per share	314.55p	331.77p
Discount	0.2%	8.8%

Dividend yield

Dividend yield measures the dividend per share as a percentage of the share price per share.

	30 September 2023	30 September 2022
Share price	314.00p	302.50p
Dividend per share	22.80p	22.70p
Dividend yield	7.3%	7.5%

Net gearing

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

		30 September 2023 £'000	30 September 2022 £'000
Total borrowings	a	20,941	24,979
Cash and short-term deposits		1,196	1,054
Investments in AAA-rated money-market funds		3,027	2,503
Amounts due from brokers		148	9
Amounts payable to brokers		(305)	(2,247)
Total cash and investments in AAA-rated money-market funds	b	4,066	1,319
Gearing (borrowings less cash & investments in AAA-rated money-market funds)	c=(a-b)	16,875	23,660
Shareholders' funds	d	149,873	157,499
Net gearing	e=(c/d)	11.3%	15.0%

Ongoing charges ratio

The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC, which is defined as the total of investment management fees and recurring administrative expenses and expressed as a percentage of the average daily net asset values published throughout the period.

		30 September 2023 £'000	30 September 2022 £'000
Investment management fees		1,006	1,117
Administrative expenses		508	464
Less: non-recurring charges ^A		(27)	(42)
Ongoing charges	a	1,487	1,539
Average net assets	b	158,676	178,283
Ongoing charges ratio (excluding look-through costs)	c=(a/b)	0.94%	0.86%
Look-through costs ^B	d	0.00%	0.05%
Ongoing charges ratio (including look-through costs)	e=c+d	0.94%	0.91%

^A Comprises professional fees not expected to recur.

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

Alternative Performance Measures

Continued

The ongoing charges ratio provided in the Company's Key Information Document is calculated in line with the PRIIPs regulations, which includes financing and transaction costs.

Total return

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

Year ended 30 September 2023		NAV	Share Price
Opening at 1 October 2022	a	331.8p	302.5p
Closing at 30 September 2023	b	314.6p	314.0p
Price movements	$c=(b/a)-1$	(5.2%)	3.8%
Dividend reinvestment ^A	d	7.0%	7.6%
Total return	c+d	1.8%	11.4%

Year ended 30 September 2022		NAV	Share Price
Opening at 1 October 2021	a	380.8p	349.0p
Closing at 30 September 2022	b	331.8p	302.5p
Price movements	$c=(b/a)-1$	(12.9%)	(13.3%)
Dividend reinvestment ^A	d	5.3%	5.5%
Total return	c+d	(7.6%)	(7.8%)

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

Corporate Information



London

Stock Exchange Group

The Company's Manager is a subsidiary of abrdn plc. The abrdn Group's assets under management and administration were £496 billion as at 30 June 2023.

Information about the Investment Manager

abrdn Investment Management Limited

The Company's Manager is abrdn Fund Managers Limited which has delegated portfolio management to abrdn Investment Management Limited, a subsidiary of abrdn whose assets under management and administration were £496 billion as at 30 June 2023.

The team within abrdn managing the Company's portfolio of investments has been headed up by Thomas Moore since 2011.

Subsequent to the year end, the Board was pleased to meet with Wes McCoy, an experienced member of abrdn's UK Equity Team, who will be taking a more active role in supporting Thomas Moore, the Company's Portfolio Manager.

The Investment Team Senior Managers



Thomas Moore

Portfolio Manager

Thomas is a Senior Investment Director within the UK equities team. He began his career in 1998, joining Schroder Investment Management as Assistant Fund Manager, UK Equities. He joined abrdn in 2002 as an Investment Analyst. He then managed EMEA portfolios before moving to the UK equities team in 2006.



Wes McCoy

Senior Investment Director

Wes is a Senior Investment Director at abrdn and is portfolio manager for the UK Value Equity fund. Wes joined abrdn in 1999 as an Investment Director covering UK equities where he was responsible for the management of a wide range of institutional mandates, including the creation and launch of the UK Value Equity strategy. He left the industry in 2008 to work with a charity in Africa. He re-joined abrdn in October 2012 as Investment Director in global equities before moving to manage UK equities in April 2015. He holds a BA and the CFA.

Investor Information

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

The Company has appointed abrdrn Fund Managers Limited as its alternative investment fund manager and BNP Paribas Trust Corporation UK Limited as its Depositary under the AIFMD.

The AIFMD requires abrdrn Fund Managers Limited, as the Company's AIFM, to make available to investors certain information prior to such investors' investment in the Company. Details of the leverage and risk policies which the Company is required to have in place under the AIFMD are published in the Company's PIDD which can be found on its website: abrdrnequityincome.com. The periodic disclosures required to be made by the AIFM under the AIFMD are set out on page 100.

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

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

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

The Financial Conduct Authority provides advice with respect to share fraud and boiler room scams at: fca.org.uk/consumers/scams.

Shareholder Enquiries

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

Any general queries, comments or complaints, including for the specific attention of the Chair or Senior Independent Director, should be directed to the Company Secretary in writing (see Contact Addresses) or by email to: CEF.CoSec@abrdrn.com.

Closure of the abrdrn Investment Trust Savings Plans (the "Plans")

In June 2023, abrdrn notified existing investors in the abrdrn Investment Trust ISA, Share Plan and Investment Plan for Children that these plans will be closing in December 2023.

The Plans are expected to close on 8 December 2023. All Investors with a holding or cash balance at that time will transfer to interactive investor ("ii"). ii communicated with Investors in late November to set up account security to ensure that investors can access holdings via ii as the Plans close.

Please contact Interactive Investor for any ongoing support with your account on 0345 646 1366, or +44 113 346 2309 if you are calling from outside the UK. Lines are open 8.00am to 5.00pm Monday to Friday. Alternatively you can access the ii Website at ii.co.uk/abrdrn-welcome.

How to Invest

Investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser.

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

Discretionary Private Client Stockbrokers

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

Investor Information

Continued

Financial Advisers

To find an adviser who recommends on investment trusts visit: unbiased.co.uk.

Regulation of Stockbrokers

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

How to Attend and Vote at Company Meetings

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

Investors who hold their shares through platforms and have their shares held through platform nominees, may not necessarily receive notification of general meetings and are advised to keep themselves informed of Company business by referring to the Company's website. Where voting is required, and the Board encourages shareholders to vote at all general meetings of the Company, shareholders with their holdings in nominees, need to instruct the nominee to vote on their behalf and should do so in good time before the meetings.

Keeping You Informed

Further information about the Company may be found on its dedicated website: abrdnequityincome.com.

This provides access to information on the Company's share price performance, capital structure, London Stock Exchange announcements, current and historic Annual and Half-Yearly Reports, and the latest monthly factsheet on the Company issued by the Manager.

Details are also available at: invtrusts.co.uk.

Twitter:

[@abrdnTrusts](https://twitter.com/abrdnTrusts)

LinkedIn:

[abrdn Investment Trusts](https://www.linkedin.com/company/abrdn-investment-trusts)

Key Information Document ("KID")

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

Suitable for Retail/NMPI Status

The Company's shares are intended for investors, primarily in the UK, including retail investors, professionally-advised private clients and institutional investors. Investors should consider consulting a financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

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

Note

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

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

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

The information on pages 95 and 96 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by abrdn Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Glossary of Terms

abrdrn Group or abrdrn plc

The abrdrn plc group of companies.

AFML or AIFM or Manager

abrdrn Fund Managers Limited ("AFML"), is a wholly owned subsidiary of abrdrn Holdings Limited, which is part of abrdrn, and acts as the alternative investment fund manager ("AIFM") for the Company. AFML is authorised and regulated by the Financial Conduct Authority. The Manager has delegated portfolio management to abrdrn Investment Management Limited.

AIC

The Association of Investment Companies.

AIFMD

The UK version of the Alternative Investment Fund Managers Directive and all implementing and delegating legislation thereunder, as it forms part of UK law following the UK's departure from the EU. The AIFMD was originally European legislation which created a European-wide framework for regulating managers of 'alternative investment funds' ("AIFs"). It is designed to regulate any fund which is not a UCITS fund and which is managed and/or marketed in the EU (and, now, separately, the UK). The Company has been designated as an AIF.

Alternative Performance Measures or APMs

Numerical measures of the Company's current, historical or future performance, financial position, other than the financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes FRS102 and the AIC SORP.

Capital Return Per Share

The realised and unrealised gains and losses of the investment portfolio net of costs, interest and tax of the Company that have been allocated to capital, divided by the weighted average number of shares in issue during the year.

Closed-End Fund

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

Depository

A depository is responsible for cash monitoring, the custody and safeguarding of the Company's financial instruments and monitoring the Company's compliance with investment limits and leverage requirements. The Company's Depository is BNP Paribas Trust Corporation UK Limited.

Discount

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

Dividend Cover

Revenue Return Per Share divided by dividends per share expressed as a ratio.

Dividend per Share or DPS

The total of all dividends paid by the Company for the financial year on a per share basis.

Dividend Yield

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

Earnings per Share or EPS

The net income after tax of the Company divided by the weighted average number of shares in issue during the year. In an Investment Trust this is made up of Revenue Return Per Share and Capital Return Per Share.

ESG

Environmental, social and governance (ESG) factors, which are considered in all investment decisions.

Ex-dividend date ("XD date")

The day before the Record Date. The XD date is normally about a month before the dividend is paid.

FCA

Financial Conduct Authority.

Gearing or Net Gearing

Gearing is calculated by dividing total borrowings less cash and cash equivalents by Shareholders' Funds, expressed as a percentage.

Glossary of Terms

Continued

Index

A market index calculates the average performance of its constituents, normally on a weighted basis. It provides a means against which the performance of individual instruments can be assessed.

Investment Trust

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

Key Information Document or KID

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

Leverage

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

Manager

The Company's Manager is abrdn Fund Managers Limited.

Market Capitalisation

The latest price of an Ordinary share multiplied by the number of shares in issue.

Net Asset Value, NAV or Shareholders' Funds

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

Ongoing Charges Ratio

Ratio of total expenses as a percentage of average daily Shareholders' Funds calculated as per the AIC's industry standard method.

Portfolio Manager

The Company's Portfolio Manager is Thomas Moore. Thomas has managed the Company's portfolio, on behalf of the Manager, since 2011.

Pre-Investment Disclosure Document ("PIDD")

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

Premium

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

Price/Earnings Ratio

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

Prior Charges

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

Realised Gains / Losses

The profit / loss on the sale of investments during the year.

Record Date

The date when an investor needs to be holding a share in order to qualify for a forthcoming dividend.

Relative Performance

Performance of the Company relative to the FTSE All-Share Index.

Retail Prices Index ("RPI")

One of the main measures of consumer inflation in the UK, produced by the Office for National Statistics.

Revenue Return Per Share

The net income from dividends and interest received, after costs, interest and tax allocated to revenue, divided by the weighted average number of shares in issue during the year.

Revenue Reserves

The total of undistributed revenue earnings from prior years. This is available for distribution to shareholders by way of dividend.

Total Assets

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

Total Return

The theoretical return including reinvesting each dividend in additional shares in the Company on the day that the shares go ex-dividend. The NAV Total Return involves investing the same net dividend in the NAV of the Company on the ex-dividend date.

Unrealised Gains / Losses

The profit / loss on the revaluation of the investment portfolio at the end of the period.

AIFMD Disclosures (Unaudited)

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

There have been no material changes to the disclosures contained within the PIDD since its most recent update in December 2022.

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

- information on the investment strategy, geographic and sector investment focus and principal stock exposures is included in the Strategic Report;
- none of the Company's assets are subject to special arrangements arising from their illiquid nature;
- the Strategic Report, note 15 to the financial statements and the PIDD together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected;
- there are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by AFML; and
- all authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the AIFM's remuneration policy is available from the Company Secretary, abrdrn Holdings Limited, on request, and the remuneration disclosures in respect of the AIFM's reporting period for the year ended 31 December 2022 are available on the Company's website.

Leverage

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

	Gross Method	Commitment Method
Maximum level of leverage	3.00:1	2.00:1
Actual level at 30 September 2023	1.25:1	1.28:1

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

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

General

The Annual General Meeting of abrdn Equity Income Trust plc will be held at wallacespace Spitalfields, 15-25 Artillery Lane, London, E1 7HA on Tuesday, 20 February 2024 at 11:30 am.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the thirty second Annual General Meeting of abrdn Equity Income Trust plc ("the Company") will be held at wallacespace Spitalfields, 15-25 Artillery Lane, London, E1 7HA on Tuesday, 20 February 2024 at 11:30 am for the following purposes:

To consider and, if thought fit, pass resolutions 1 to 10 (inclusive) as ordinary resolutions:

1. To receive and adopt the Directors' Report and financial statements of the Company for the year ended 30 September 2023, together with the independent Auditor's report thereon.
2. To receive and approve the Directors' Remuneration Report for the year ended 30 September 2023.
3. To approve the Company's dividend policy to pay four interim dividends per annum.
4. To re-elect Caroline Hitch as a Director of the Company.
5. To re-elect Mark Little as a Director of the Company.
6. To re-elect Sarika Patel as a Director of the Company.
7. To elect Nick Timberlake as a Director of the Company.
8. 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 accounts are laid before the Company.
9. To authorise the Directors to fix the remuneration of the independent Auditor for the year to 30 September 2024.

Special Business

10. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date of the passing of this resolution, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ("Securities") provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to £1,194,538 (representing 10% of the Company's total issued share capital (excluding shares held in treasury) as at the date of this notice. Such authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, unless previously revoked, varied, extended or renewed by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.

To consider and, if thought fit, to pass resolutions 11 to 13 (inclusive) as special resolutions:

11. That, subject to the passing of resolution 10 set out above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date of the passing of this resolution, the Directors of the Company be and they are hereby generally empowered, pursuant to sections 570 and 573 of the Companies Act 2006 (the 'Act'), to allot equity securities (within the meaning of section 560(1) of the Act), for cash pursuant to the authority given by resolution 10 above, and to sell treasury shares for cash, as if Section 561(1) of the Act did not apply to any such allotment or sale provided that this power:

- a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, unless previously revoked, varied, extended or renewed by the Company in a general meeting, save that the Company may, at any time prior to the expiry of this authority, make an offer or enter into an agreement which would or might require equity securities to be allotted or sold out of treasury after such expiry and the Directors may allot or sell out of treasury equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and
 - b) shall be limited to the allotment, or sale out of treasury, of equity securities up to an aggregate nominal value of £1,194,538, being approximately 10% of the nominal value of the issued share capital of the Company (excluding treasury shares), as at the date of this notice.
12. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date of the passing of this resolution, the Company be and is hereby generally and, subject as hereinafter appears, unconditionally 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 25p each in the capital of the Company (the "Shares") either for retention as treasury shares for future reissue, resale or transfer, or for cancellation provided always that:
- a) the maximum number of Shares hereby authorised to be purchased shall be 7,162,450, or, if less, the number representing approximately 14.99% of the Company's issued share capital (excluding shares held in treasury) at the date of the passing of this resolution;
 - b) the minimum price (exclusive of expenses) which may be paid for each Share shall be 25p;
 - c) the maximum price (exclusive of expenses) which may be paid for a Share is the higher of (i) 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the Shares over the five business days immediately preceding the date of purchase and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue which the purchase is carried out; and
 - d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is earlier, unless previously revoked, varied, extended or renewed by the Company in a general meeting, save that the Company may, at any time prior to the expiry of this authority, enter into a contract to purchase shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract.
13. That a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

By order of the Board
abrdrn Holdings Limited
 Company Secretary
 29 November 2023

Registered Office
 280 Bishopsgate
 London EC2M 4AG

Notice of Annual General Meeting

Continued

Notes

- i. A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him/her or on his/her behalf at the meeting. A proxy need not be a shareholder. A shareholder may appoint more than one proxy, provided that each proxy is appointed to attend, speak and vote in respect of a different share or shares. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint your own choice of proxy (not the Chair of the meeting) and give instructions directly to them. Appointing a proxy will not prevent a shareholder from attending in person and voting at the meeting. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should, or if you would like to appoint more than one proxy, please contact the Company's Registrar, Computershare Investor Services PLC on 0370 707 1150. In the case of joint holders, the vote of the first named in the register of members of the Company who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.
- ii. To be valid, the appointment of a proxy, and the original or duly certified copy of the power of attorney or other authority, if any, under which it is signed or authenticated, should be sent to the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ so as to arrive not less than 48 hours (excluding non-working days) before the time fixed for the meeting.
- iii. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the register of members of the Company at close of business on 16 February 2024 (or, if the meeting is adjourned, 48 hours (excluding non-working days) before the time fixed for the adjourned meeting) shall be entitled to attend or vote at the meeting in respect of the number of Ordinary shares registered in their name at that time. In each case, changes to entries on the register of members of the Company after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- iv. Any shareholder holding 3% or more of the total voting rights of the Company who appoints a person other than the Chair of the meeting as his or her proxy(ies) will need to ensure that both he or she and his/her proxy(ies) comply with their respective disclosure obligations under the FCA Disclosure Guidance and Transparency Rules.
- v. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual and/or by logging in to the website www.euroclear.com/CREST. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- vi. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & International Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID number 3RA50) by 11:30 am on 16 February 2024 (or, if the meeting is adjourned, 48 hours (excluding non-working days) before the time fixed for the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
- vii. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

- viii. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- ix. A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statements of the rights of members in relation to the appointment of proxies in Notes (i) and (ii) above do not apply to a Nominated Person. The rights described in those Notes can only be exercised by registered members of the Company.
- x. The terms of appointment of the Directors of the Company are available for inspection on any day (except Saturdays, Sundays and bank holidays) from the date of this notice until the date of the meeting during usual business hours at the registered office of the Company and will, on the date of the meeting, be available for inspection at the venue of the meeting from 15 minutes before the meeting until the conclusion of the meeting.
- xi. Shareholders are advised that, unless otherwise stated, any telephone number, website or email address which may be set out in this notice of Annual General Meeting or in any related documents (including the proxy form) is not to be used for the purposes of serving information or documents on, or otherwise communicating with, the Company for any purposes other than those expressly stated.
- xii. Following the meeting, the results of the voting at the meeting and the numbers of proxy votes cast for and against and the number of votes actively withheld in respect of each of the resolutions will be announced via a Regulatory Information Service and placed on the Company's website: **abrdnequityincome.com**.
- xiii. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The Company will be required to do so once it has received such requests either from members representing at least 5% of the voting rights of the Company or from 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 Company's registered office. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006.
- xiv. As at 6pm on 28 November 2023 (being the latest practicable date prior to publication of this notice) the Company's issued share capital comprised 47,781,522 Ordinary shares of 25p each. Each Ordinary share (other than any Ordinary shares held in treasury) carries the right to one vote at a general meeting of the Company. Accordingly, the total number of voting rights in the Company as at 28 November 2023 was 47,781,522.
- xv. If you wish to attend the meeting in person, there will be a members' register for you to sign on arrival. Under section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the meeting put by a member attending the meeting unless:
 - a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
 - b) the answer has already been given on a website in the form of an answer to a question; or
 - c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
- xvi. Information regarding the Annual General Meeting, including information required by Section 311A of the Companies Act 2006, is available from the Company's website: **abrdnequityincome.com**.

Overview

Strategic Report

Portfolio

Governance

Financial Statements

Corporate Information

General

Contact Addresses

Directors

Sarika Patel (Chair)
Caroline Hitch
Mark Little
Jeremy Tigue
Nick Timberlake

Registered Office

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Registered Number

Registered in England & Wales No. 2648152

Alternative Investment Fund Manager

abrdrn Fund Managers Limited
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Website Address:

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Company Secretary

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1 George Street
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Independent Auditor

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Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Solicitor

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EH2 4DF

Depository and Custodian

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Stockbroker

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For more information visit abrdnequityincome.com

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