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Shires Income PLC
23 May 2024

SHIRES INCOME PLC

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 31 MARCH 2024

Legal Entity Identifier (LEI): 549300HVCIHNQNZAYA89

The Company

Shires Income PLC (the "Company") is an investment trust. Its Ordinary shares are listed on the premium segment of the London Stock Exchange.

Investment Objective

The Company's investment objective is to provide shareholders with a high level of income, together with the potential for growth of both income and capital from a diversified portfolio substantially invested in UK equities but also in preference shares, convertibles and other fixed income securities.

Benchmark

The Company's benchmark is the FTSE All-Share Index (total return).

Website

Up to date information can be found on the Company's website: www.shiresincome.co.uk

Performance Highlights

Net asset value per Ordinary share total return[A]		Share price total return[A]	
+5.1%		-5.7%	
2023	-2.2%	2023	-5.5%
Benchmark index total return		Earnings per share (revenue)	
+8.4%		14.75p	
2023	+2.9%	2023	14.83p
Dividends per Ordinary share		Dividend yield[A]	
14.40p		6.5%	
2023	14.20p	2023	5.7%

[A] Alternative Performance Measure .

For further information, please contact:

Paul Finlayson (0131 372 2200)

abrdn Fund Managers Limited

Financial Calendar and Highlights

Financial Calendar

Online Shareholder Presentation	25 June 2024
Annual General Meeting	5 July 2024

Expected payment dates of quarterly dividends	31 July 2024 31 October 2024 31 January 2025 30 April 2025
Half year end	30 September 2024
Expected announcement of results for the six months ending 30 September 2024	November 2024
Financial year end	31 March 2025
Expected announcement of results for year ending 31 March 2025	May 2025

Highlights

	31 March 2024	31 March 2023
Total assets	£124,920,000	£98,864,000
Shareholders' funds	£105,957,000	£79,913,000
Market capitalisation[A]	£91,840,000	£77,411,000
Net asset value per Ordinary share[B]	256.00p	257.92p
Share price	222.00p	250.00p
Discount to NAV (cum-income)[C]	13.3%	3.1%
Net gearing[C]	16.4%	22.2%
Dividend and earnings		
Revenue return per share[D]	14.75p	14.83p
Dividend per share[E]	14.40p	14.20p
Dividend cover[C]	1.02	1.04
Revenue reserves[F]	£7,388,000	£7,040,000
Dividend yield[C]	6.5%	5.7%
Operating costs		
Ongoing charges ratio (excluding look-through costs)[C]	1.09%	1.03%
Ongoing charges ratio (including look-through costs)[C]	1.10%	1.17%

[A] Represents the number of Ordinary shares in issue in the Company multiplied by the Company's share price.

[B] Net asset value per Ordinary share is calculated after the repayment of the capital paid up on Cumulative Preference shares (see note 16).

[C] Considered to be an Alternative Performance Measure.

[D] Measures the revenue earnings for the year divided by the weighted average number of Ordinary shares in issue (see Statement of Comprehensive Income).

[E] The figures for dividend per share reflect the years in which they were earned (see note 9).

[F] The revenue reserve figure does not take account of payment of the third interim or final dividend amounting to £3,310,000 (2023 - £2,415,000) combined.

Chairman's Statement

Highlights

- Successful completion of the combination with abrdn Smaller Companies Income Trust plc ("aSCIT").
- Increased dividend of 14.40p per Ordinary share, providing a dividend yield of 6.5% based on the year end share price.
- Confidence that the dividend remains sustainable

· Confidence that the dividend remains sustainable.

· NAV total return of 5.1%, compared to a total return of 8.4% from the FTSE All-Share Index.

Markets and Performance

The year to 31 March 2024 was good for equities globally, with growing expectations of interest rate reductions during the course of 2024. The UK market, as represented by the FTSE All-Share Index, delivered a total return of 8.4%. The Company's net asset value ("NAV") total return for the year was lower, at 5.1%. Although lagging the market return, the performance for the year is in line with what we would expect, given the defensive and income focused nature of the portfolio, and delivered the Company's objective of providing shareholders with a high level of income, together with the potential for growth of both income and capital.

Revenue earnings per share for the year were broadly similar to last year and the total dividends for the year have been increased to 14.40p per Ordinary share. This represents a dividend yield of 6.5% based on the year end share price.

The share price performance for the year was disappointing, with a negative total return of 5.7%, reflecting a significant widening of the discount, to 13.3% at the year end. Discount widening has been exhibited across much of the investment trust universe. The persistence of higher interest rates is a factor, as is decreased demand for collective funds generally, but, in the case of Shires, the decision of abrdn to transfer its in-house savings scheme to Interactive Investor certainly contributed to some short-term selling of our shares. The Board's view was that this unprecedented level of discount was unwarranted, and, to address this imbalance of supply and demand for the Company's shares, the Company made use of its share buy back authority during the year and will continue to make use of this authority going forward if considered appropriate.

More detailed information on performance for the year and investment activity within the portfolio are contained within the Investment Manager's Review.

Earnings and Dividends

The Company's revenue earnings per share for the year were 14.75p (2023 - 14.83p). Investment income was 13.7% higher than last year, due mainly to the impact of a larger portfolio following the aSCIT transaction, including a special dividend of £445,000 from aSCIT at the time of the transaction. The transaction also resulted in a larger share capital base meaning that the per share revenue earnings for the year were broadly unchanged.

The Company has paid three interim dividends of 3.20p per Ordinary share (2023: 3.20p). The Board is proposing a final dividend of 4.80p per Ordinary share (2023: 4.60p), which will be paid on 31 July 2024 to shareholders on the register on 5 July 2024. This final dividend brings total Ordinary share dividends for the year to 14.40p per share.

With the total dividends for the year covered by earnings, revenue reserves will stand at 0.69 times (2023 - 1.05 times) the current annual Ordinary share dividend cost. The reduction in reserve cover during the year is as a result of the larger capital base following the aSCIT transaction, but it should still allow the Company to support future dividend payments in times of reduced earnings. In addition, the Company also has the flexibility to pay dividends from its realised capital reserves, although the Board has no current intention of making use of this flexibility. As explained below, we propose to create greater flexibility through cancelling the amount standing to the credit of the Company's Share Premium Account.

Through the proposed changes to the investment policy described below and the cancellation of the Share Premium Account, together with the already healthy level of revenue reserves, shareholders should take comfort that maintaining and potentially growing the dividend remains realistic.

Allocation of Costs

The Company has historically allocated management fees and finance costs 50% to Revenue and 50% to Capital in the Statement of Comprehensive Income. Following a review of this allocation after the completion of the aSCIT transaction, the Board has decided that, with effect from 1 April 2024, these costs will be charged 40% to Revenue and 60% to Capital. The Board considers that this allocation better reflects the expected long-term view of the nature of the future investment returns of the enlarged portfolio and is consistent with the treatment adopted by other UK Equity Income investment trusts.

Discount and Share Buy Backs

The discount at which the price of the Company's Ordinary shares traded relative to the NAV widened during the period, to 13.3% as at 31 March 2024 compared to 3.1% at the start of the year. While it is disappointing to see the Company's discount widen, this is consistent with what we have seen in the investment trust sector more generally. It is important to note that Shires, as a high yield, relatively risk averse, company is seen by some as in more direct competition with cash deposits than many of its peers. Recent interest rate rises have made cash investments more attractive and we suspect that this has had a detrimental effect on demand for the Company's shares.

Market forecasts of reductions in interest rates later this year should make Shires relatively more attractive to investors. In the meantime, we believe that what the Board sees as the quite secure dividend and the potential for capital growth and inflation protection provided by the Company, makes it a much more compelling option compared to cash.

The Board has recently used share buybacks for the first time in the Company's history to address the liquidity of the Company's shares - excess supply being one of the factors which can impact the discount level. The extent of buybacks is somewhat limited by the size of the Company and its gearing. It is in all interests to grow the Company over time in order to spread fixed costs and increase liquidity. Buying back shares acts against this and so has been used with caution.

The Company bought back 863,532 Ordinary shares during the year at a cost of £1.9 million and an average discount of 9.3%, thereby providing a modest enhancement to the NAV. All shares bought back are held in treasury for potential future resale at a premium to the NAV.

The Board will seek the renewal of the share buy back authority at the AGM and will make use of this authority if it considers it in the best interests of shareholders to do so.

It is encouraging to see that the discount has started to narrow since the year end.

Proposed Changes to Investment Policy

Following a review by the Board and Manager of the Company's investment policy we propose to seek shareholder approval at the AGM, principally to increase the limit on exposure to overseas companies from 10% of total assets to 20% of total assets. At the year end, 9.2% of the Company's total assets were invested in the equity securities of overseas companies. The Board considers that this change will provide the Investment Manager with greater flexibility to achieve the Company's investment objective. The Company will remain in the AIC's UK Equity Income Sector following the change.

Proposed Cancellation of Share Premium Account

Following the issue of new Ordinary shares to shareholders of aSCIT, the value of the Company's Share Premium Account now amounts to £50.0 million. This reserve cannot be used for distributions, including share buy backs or the payment of dividends, although the Company is permitted to use its realised capital reserve, which amounted to £27.5 million at the year end, for these purposes.

The Board will propose a special resolution at the AGM to cancel the amount standing to the credit of the Share Premium Account. The cancellation will also require court approval which will be sought following the AGM. Once this exercise is complete, the newly created distributable reserve will be available to fund the cost of share buy backs and dividend payments. The Board considers that it is in shareholders' interests for the Company to have this flexibility, although it has no current intention of making use of it for dividend payments which will continue to be resourced through net revenue and revenue reserves.

Gearing

The Company has a £20 million loan facility of which £19 million was drawn down at the year end. Net of cash, this represented gearing of 16.4%, compared to 22.2% at the start of the year. The reduction is due mainly to the impact of the aSCIT transaction, with the Company having the same value of borrowings but a larger asset base. The weighted average borrowing cost at the year end was 5.3% (31 March 2023 - 4.7%).

The Board continually monitors the level of gearing and takes the view that the borrowings are notionally invested in the less volatile fixed income part of the portfolio which generates a high level of income, giving the Investment Manager greater ability to invest in a range of equity stocks with lower yields and higher growth prospects. The Board believes that this combination should enable the Company to achieve a high and potentially growing level of dividend, and also deliver some capital appreciation for shareholders.

Manager's Fee Re-Investment Programme

The Board notes the announcement by abrdn plc in December 2023 of the initiation of a programme to invest up to six months' worth of the management fees received from the UK investment trusts it manages, in the underlying companies' shares.

We welcome this proposal as it demonstrates commitment by abrdn to the Company and the investment trust sector.

aSCIT Transaction

On 26 July 2023, the Company announced that it had agreed terms with the Board of aSCIT for a proposed combination of the assets of the Company with those of aSCIT (the "aSCIT transaction"). This was achieved by a scheme of reconstruction and winding up of aSCIT, where assets were transferred to the Company in exchange for the issue of new Ordinary shares to aSCIT shareholders. A cash exit was also available under the scheme. aSCIT and Shires shareholders approved the scheme on 20 November 2023 and it completed on 1 December. Shires issued 11,268,494 new Ordinary shares to aSCIT shareholders, with the new shares admitted to trading on 4 December 2023. The terms of the scheme were such that Shires shareholders did not suffer any dilution in their interests from the costs of the scheme, and an important component of the scheme offsetting these costs was the elimination of the discount to net asset value on the Company's holding in aSCIT via the switch to directly held smaller companies, which are now valued at their market price.

The transaction increased the size of Shires by more than 35%, to net assets of £101 million at the point when aSCIT's assets transferred. Other than as highlighted above, the Company will continue with its existing investment policy and management arrangements, and now has a focused and direct exposure to UK smaller companies rather than obtaining its exposure through investing in aSCIT. This provides an additional benefit of allowing the Investment Manager to spread risk amongst a number of investments rather than all risk being concentrated in one vehicle. In addition, as a result of the transaction, the Company's gearing ratio has fallen as explained above.

Board Composition

The Board is pleased to welcome Simon White as an independent non-executive Director of the Company with effect from 1 January 2024. Simon has a background in UK equity fund management and significant experience in the investment trust sector. He was, until June 2022, Co-Head of Investment Trusts at BlackRock where he was responsible for overseeing the company secretarial, sales, marketing and third-party administration services. Simon has an excellent understanding of the investment trust sector and we believe he will make a significant contribution to the Board going forward.

As previously announced, I shall be stepping down from the Board at the AGM in July, having served for nine years. Robin Archibald, who is the current Chair of the Audit Committee and Senior Independent Director, will replace me as Chairman, Jane Pearce will become the new Chair of the Audit Committee and Helen Sinclair will become the new Senior Independent Director.

I would like to thank my colleagues on the Board for their support during my time as Chairman. I am confident that the Board has the appropriate collective skills and experience to take the Company forward and I wish the Company every success in the future.

Online Shareholder Presentation and Annual General Meeting ("AGM")

Given the popularity of our Online Shareholder Presentation in previous years, we have decided to hold another online presentation this year, in addition to the AGM. This will be held at 10.00am on Tuesday 25 June 2024. A presentation will be given by the Investment Manager, and those in attendance will be given the opportunity to ask questions of the Chairman and Investment Manager both during the presentation and in advance. Full details on how to register for the event can be found at: https://bit.ly/Shires-Income. Details are also contained on the Company's website. Should you be unable to attend the online event, it will be made available on the Company's website shortly afterwards. For those wishing to submit questions in advance, you can do this at the following email address: shires.income@abrdn.com

The Company's AGM will take place at 12 noon on Friday 5 July 2024 at the offices of abrdn plc, 18 Bishops Square, London E1 6EG, and will be followed by lunch. As well as the formal business of the meeting, the Investment Manager will provide a short presentation on the Company and there will be an opportunity for shareholders to ask questions of the Manager and the Board. Irrespective of whether you are able to attend, we do encourage all shareholders to complete and return the Proxy Form enclosed with the Annual Report to ensure that your votes are represented at the meeting. If you hold your shares in the Company via a share plan or a platform and would like to attend and / or vote at the AGM, then you will need to make arrangements with the administrator of your share plan or platform.

Outlook

There remain a number of geo-political uncertainties that could impact stock markets over the months ahead, including the continuing impact of the conflicts in Ukraine and the Middle East, as well as the outcomes of the elections in the US and the UK. It seems likely that interest rates in the UK and globally have peaked and will be reduced later in the year, which should be a positive for equity market valuations. The Board also believes that this will be beneficial for the rating of the Company's shares, which is something that we will continue to monitor very carefully.

In this environment, good stock selection will continue to be key. The Investment Manager has a strong long term track record of delivering the Company's income and capital growth objective. Despite the various macro uncertainties, the Board remains confident in the Company's ability, to continue to achieve its objective going forward.

Robert Talbut
Chairman
22 May 2024

Overview of Strategy

Business Model

The business of the Company is that of an investment company which qualifies as an investment trust for tax purposes. The Directors do not envisage any change in this activity in the foreseeable future.

Benchmark

In assessing its performance, the Company compares its returns with the returns of the FTSE All-Share Index (total return).

Investment Objective

The Company's investment objective is to provide shareholders with a high level of income, together with the potential for growth of both income and capital, from a diversified portfolio substantially invested in UK equities but also in preference shares, convertibles and other fixed income securities.

Investment Policy

The Company's investment policy is to invest principally in the ordinary shares of UK quoted companies, and in preference shares, convertibles and other fixed income securities with above average yields. The Company generates income primarily from ordinary shares, preference shares, convertibles and other fixed income securities. It also generates income by writing call and put options on shares owned, or shares the Company would like to own. By doing so, the Company generates premium income.

Gearing

The Directors are responsible for determining the gearing strategy of the Company. Gearing is used with the intention of enhancing long-term returns. It is subject to a maximum equity gearing level of 35% of net assets at the time of drawdown. Any borrowing except in relation to short-term liquidity requirements is used for investment purposes.

Diversification of Risk and Investment Restrictions

In order to ensure adequate diversification, limits are set within the investment policy which the AIFM and Investment Manager must operate. All of these limits are measured at the point of acquisition of investments, unless otherwise stated, as follows:

General Investment Limits

- a maximum of 10% of total assets may be invested in the equity securities of overseas companies;
- a maximum of 7.5% of total assets may be invested in the securities of one company (historically excluding abrdn Smaller Companies Income Trust plc);
- any investment must not represent more than 5% of a quoted investee company's ordinary shares (historically excluding abrdn Smaller Companies Income Trust plc); and
- a maximum of 10% of total assets may be invested directly in AIM holdings.

Limits in Relation to Preference Shares

- a maximum of 7.5% of total assets may be invested in the preference shares of any one company; and
- the Company may not hold more than 10% of any investee company's preference shares.

Limits in Relation to Traded Option Contracts

There are principal guidelines put in place to manage the risks associated with these contracts, including:

- call options written are to be covered by stock;
- put options written are to be covered by net current assets/borrowing facilities;
- call options are not to be written on more than 10% of the equity portfolio; and
- put options are not to be written on more than 10% of the equity portfolio.

The Board assesses on a regular basis with the Investment Manager the applicability of these investment limits, the use of gearing and risk diversification, whilst aiming to meet the overall investment objectives of the Company.

In accordance with the Listing Rules, the Company will not make any material change to its published investment policy without the prior approval of the FCA and the approval of its shareholders by ordinary resolution.

As set out in the Chairman's Statement, the Directors are seeking shareholder approval for certain amendments at the forthcoming Annual General Meeting.

Key Performance Indicators ("KPIs")

The Board uses a number of financial performance measures to assess the Company's success in achieving its objective and determining the progress of the Company in pursuing its investment policy. The main KPIs identified by the Board in relation to the Company, which are considered at each Board meeting, are shown in the table below

KPI	Description
Performance against benchmark index	The Board measures performance over the medium to long-term, on a total return basis against the benchmark index - the FTSE All-Share Index (total return).
Share price performance	The Board monitors the performance of the Company's share price on a total return basis.
Premium/discount to NAV	The premium/discount relative to the NAV per share represented by the share price is closely monitored by the Board.
Revenue return per Ordinary share	The Board monitors the Company's net revenue return (earnings per share).
Dividend per share	The Board monitors the Company's annual dividends per Ordinary share and the extent to which dividends are covered by current net revenue and revenue reserves
Ongoing charges	The Board monitors the Company's operating costs carefully.

Principal and Emerging Risks and Uncertainties

The Board carries out a regular review of the risk environment in which the Company operates, changes to that environment and to individual risks. The Board also identifies emerging risks which might impact the Company. During the year, the most significant risks were inflation and high interest rates and the resultant volatility that this created in global stock markets. In addition, the conflicts in Ukraine and the Middle East and other geo-political tensions have created geo-political uncertainty which has further increased market risk premia and volatility. The most significant direct issue that the Company has faced is the increasing discounts to net asset value that have affected the entire investment company sector, including income funds, resulting from selling pressure and lack of investor demand.

There are a number of other risks which, if realised, could have a material adverse effect on the Company and its financial condition, performance and prospects. The Board 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 and has endeavoured to find means of mitigating those risks, wherever practical.

The principal risks and uncertainties faced by the Company are reviewed by the Audit Committee in the form of a risk matrix. The assessment of risks and their mitigation continues to be an area of significant focus for the Audit Committee. The principal risks and uncertainties facing the Company at the current time, together with a description of the mitigating actions the Board has taken, are set out in the table below.

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.

Description	Mitigating Actions
Strategic objectives and investment policy - a lack of demand for the Company's shares due to its objectives becoming unattractive to investors, or a negative perception of investment trusts, could result in a fall in the value of its shares and a widening of the discount of the share price to its underlying NAV.	The Board formally reviews the Company's objectives and strategies for achieving them on an annual basis, or more regularly if appropriate. The Board is cognisant of the importance of regular communication with shareholders and knowledge of what encourages investment in the Company. Directors attend meetings with shareholders where practical, host the Annual General Meeting as a forum for shareholder contact and regularly discuss shareholder investment behaviour with the Manager, including trends on investment platforms and shareholder themes. The Board reviews shareholder feedback through reports provided by the Manager's Investor Relations team and also receives feedback from the Company's Stockbroker. The Board and Manager keep the level of discount under constant review, as well as changes to the Company's shareholder register. There has been regular review in the last year culminating in the use of share buy backs as appropriate.
Investment performance - performance of the portfolio when measured against the benchmark.	The Board meets the Manager on a regular basis and keeps investment performance under close review. This includes performance attribution by sector and stock, and liquidity analysis, as well as the degree of diversification in the portfolio and income sustainability through examination of forward income projections. Representatives of the Investment Manager attend all Board meetings and a detailed formal appraisal of the abrdn Group is carried out annually by the Management Engagement Committee. The Board sets, and monitors, the investment restrictions and guidelines, and receives regular reports which include performance reporting on the implementation of the investment policy, the investment process, risk management and application of the guidelines. Investment risk within the portfolio is managed in four ways: · Adherence by the Investment Manager to the investment process in order to minimise investments in poor quality companies and/or overpaying for investments. · Diversification of investment - seeking to invest in a wide variety of companies with strong balance sheets and the earnings power to pay increasing dividends. In addition, investments are diversified by sector in order to reduce the risk of a single large exposure. The Company invests mainly in equities and preference shares. · Adherence by the Investment Manager to the investment limits set by the Board.

Description	Mitigating Actions
	• Examination of changes to the portfolio and emerging investment themes, including relative to benchmark constituents and in order to provide income. Investment in preference shares The Company has longstanding holdings in a number of preference shares with no fixed redemption dates (representing 19.8% of the Company's portfolio as at 31 March 2024). The Directors regularly review these investments, which are held primarily to enhance the income generation of the Company. By their nature, their price movements will be subject to a number of factors, including prevailing and changing interest rates, and, in normal market conditions, will tend to respond less to pricing movements in equity markets. Issue sizes of these preference shares are normally relatively small and with associated low secondary market liquidity by comparison with the equity component of the portfolio. The Board also considers the long-term nature of these investments and the impact of any potential changes on the duration of the portfolio and its returns, as well as the sustainability of the dividends paid.
Failure to maintain, and grow the dividend over the longer term - the level of the Company's dividends and future dividend growth will depend on the performance of the underlying portfolio.	The Directors review detailed income forecasts at each Board meeting and discuss the Investment Manager's outlook for dividends. The Company has revenue reserves which it can draw upon should there be a shortfall in revenue returns in a year, and also has the ability to pay dividends from realised capital reserves but would only resort to this in circumstances where there was an unexpected fall in net income.. The Board regularly reviews forward net revenue projections and takes into account revenue reserves in setting quarterly dividend levels.
Share price and shareholder relations - the adoption of an inappropriate marketing strategy, failure to address shareholder concerns or other factors, including the setting of an unattractive strategic investment proposition, changing investor sentiment and investment underperformance, may lead to a decrease in demand for the Company's shares and a widening of the difference between the share price and the NAV per share.	The Board monitors the Company's Ordinary share price relative to the NAV per share and keeps the level of premium or discount at which the Company's shares trade under review. The Board also keeps the investment objective and policy under review and holds an annual strategy meeting where it reviews investor relations reports and updates from the Manager and the Company's Stockbroker. The Directors are updated at each Board meeting on the composition of, and any movements in, the shareholder register, which is retail investor dominated. The Board annually agrees a marketing and communications programme and budget with the Manager, and receives updates regularly on both marketing and investor relations. The Board has a close focus on investor platform activity which has been the dominant change over recent years in how retail investors choose to acquire and hold their shares. This includes contact with the platform operators through the Manager. The transfer of the abrdn Savings Plans to the Interactive Investor platform during the last twelve months has given rise to some selling pressure on the Company's shares.
Gearing - a fall in the value of the Company's investment portfolio could be exacerbated by the impact of gearing. It could also result in a breach of loan covenants and the forced sale of investments.	The Board sets the gearing limits within which the Investment Manager can operate. Gearing levels and compliance with loan covenants are monitored on an ongoing basis by the Manager and at scheduled Board meetings, or between Board meetings if required. In the event of a possible impending covenant breach, appropriate action would be taken to reduce borrowing levels. The financial covenants attached to the Company's borrowings currently provide for significant headroom. The maximum equity gearing level is 35% of net assets at the time of drawdown, which constrains the amount of gearing that can be invested in equities which are more volatile than the fixed interest part of the portfolio. The use of gearing has been an important facilitator of the income returns from the portfolio, particularly in financing the high yield preference share proportion of the portfolio which has historically provided significant dividend income for the Company. The Company's gearing includes a revolving credit facility which can be reduced without any significant financial penalties for early repayment and at relatively short notice.
Accounting and financial reporting - inadequate controls over financial record keeping and forecasting could result in inaccurate financial reporting, the Company being unable to meet its financial obligations or inability to pay a dividend, losses to the Company and impact its ability to continue trading as a going concern.	At each Board meeting, the Board reviews management accounts and receives a report from the Administrator, detailing any breaches during the period under review. The Company's annual financial statements are audited. The Audit Committee receives bi-annual compliance and internal reports from the Manager and meets a representative from its Internal Audit team on at least an annual basis and discusses any findings and recommendations relevant to the Company.
Regulatory and governance - failure to comply with relevant laws and regulations could result in fines, loss of reputation and potentially loss of an advantageous tax regime.	The Board and Manager monitor changes in government policy and legislation which may have an impact on the Company, and the Audit Committee monitors compliance with regulations by reviewing internal control reports from the Manager. There is also a regular review of adherence to governance guidelines that affect investment companies and how the Company is meeting existing or proposed guidelines. The Board is kept aware of proposed changes to laws and regulations, considers the changes and applies them as appropriate, if they are not already being met. From time to time the Board employs external advisers to advise on specific regulatory and governance matters.
Operational - the Company is dependent on third parties for the provision of all systems and services (in particular, those of	The Board receives reports from the Manager on its internal controls and risk management processes and receives assurances from the Manager and all its other significant service providers on at least an annual basis, including on matters relating to operational resilience and cyber security. Written agreements are in place with all third

Description	Mitigating Actions
the abrdn Group) and any control failures and gaps in their systems and services, including in relation to cyber security, could result in a loss or damage to the Company.	party service providers. 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. In the last year this has included close monitoring of the activities involved in consolidating the interests of the Company with abrdn Smaller Companies Income Trust plc, including setting the terms of participation.
Exogenous risks such as health, social, financial, economic, climate and geo-political - the financial impact of such risks, associated with the portfolio or the Company itself, could result in losses to the Company.	At any given time, the Company has sufficient cash resources to meet its operating requirements. In common with most commercial operations, exogenous risks over which the Company has no control are always a risk. The Company does what it can to address these risks where possible and to try and meet the Company's investment objectives. The Board is supportive of the Investment Manager's approach to environmental, social and governance ("ESG") risks and welcomes its active engagement with company management. Through this activity, the Investment Manager aims to identify and manage the exposure to such risks over time. The financial and economic risks associated with the Company include market risk, liquidity risk and credit risk, all of which the Investment Manager seeks to mitigate. Further details of the steps taken to mitigate the financial risks associated with the portfolio are set out in note 18 to the financial statements.

External Agencies

In addition to the services provided to the Company by the abrdn Group, the Board has contractually delegated certain services to external service suppliers, including: depositary services (which include the safekeeping of the Company's assets) (BNP Paribas Trust Corporation UK Limited) and share registration services (Equiniti Limited). Each of these services was entered into after full and proper consideration by the Board of the quality and cost of services offered. In addition, day-to-day accounting and administration services are provided, through delegation by the Manager, by the Administrator, BNP Paribas Securities Services.

Promotional Activities

The Board recognises the importance of promoting the Company to prospective investors both for improving liquidity and enhancing the 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 the abrdn Group on behalf of a number of investment trusts under its management. The Company's financial contribution to the programme is matched by the abrdn Group. The Company also supports the Manager's investor relations programme which involves regional roadshows to existing and potential shareholders, promotional and public relations campaigns. The Manager'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. The promotional programme includes commissioning independent paid for research on the Company, most recently from Kepler Trust Intelligence. A copy of the latest research note is available from the Company's website.

Environmental, Social and Human Rights Issues

The Company has no employees as 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 or environmental matters.

Modern Slavery Act

Due to the nature of the Company's business, being a company that does not offer goods and services to customers, the Board considers that it 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 Governance ("ESG") Matters

The Board is supportive of the Investment Manager's approach to ESG issues, including climate change, and welcomes its active engagement with company management.

The UK Stewardship Code and Proxy Voting

The Company supports the UK 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, 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 on a quarterly basis on stewardship (including voting) issues.

Global Greenhouse Gas Emissions

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Under Listing Rule 15.4.29(R), the Company, as a closed ended investment company, is exempt from complying with the Task

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.

Viability Statement

The Board considers the Company, with no fixed life, to be a long-term investment vehicle but, for the purposes of this viability statement, has decided that three years is an appropriate period over which to report, irrespective of any exogenous risks that the Company may face. The Board considers that this period reflects a balance between a longer-term investment horizon, the inherent uncertainties within equity markets and the specifics of a closed-end investment company where its central purpose is different from other listed commercial and industrial companies.

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 above and the steps taken to mitigate these risks.

· The ongoing relevance of the Company's investment objective.

· The liquidity of the Company's portfolio. The majority of the portfolio is invested in readily realisable listed securities.

· The level of ongoing expenses. The Company's annual revenue expenses, excluding the cost of the dividend, are expected to continue to be covered by investment income.

· The level of gearing. This is closely monitored and stress testing is carried out by the Manager. The financial covenants attached to the Company's borrowings provide for significant headroom.

· Regulatory or market changes.

· The robustness of the operations of the Company's third party service providers.

· The operation of share buy backs undertaken by the Company.

In making its assessment, the Board has considered that there are other matters that could have an impact on the Company's prospects or viability in the future, including the current events in Ukraine and the Middle East, economic shocks, significant stock market volatility, the emerging risk of climate change, and changes in regulation or investor sentiment, including to income propensities.

Taking into account the Company's current position and the potential impact of its principal risks and uncertainties and emerging risks, 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 approval of this Report.

Outlook

The Board's view on the general outlook for the Company can be found in the Chairman's Statement whilst the Investment Manager's views on the outlook for the portfolio are included in its statement.

On behalf of the Board
Robert Talbut
Chairman
22 May 2024

Promoting the Success of the Company

How the Board Meets its Obligations Under Section 172 of the Companies Act

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"). The Board provides below 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, amongst other things, the likely long-term consequences of decisions, the need to foster business relationships with all stakeholders and the impact of the Company's operations on the environment.

The Purpose of the Company and Role of the Board

The purpose of the Company is to act as an investment vehicle to provide, over time, financial returns (both income and capital) to its shareholders. Investment trusts, such as the Company, are long-term investment vehicles and are typically externally managed, have no employees, and are overseen by an independent non-executive board of directors.

The Board, which, at the year end, comprised five independent non-executive Directors with a broad range of skills and experience across all major functions that affect the Company, retains responsibility 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's philosophy is that the Company should operate in a transparent culture where all parties are treated with respect and provided with the opportunity to offer practical challenge and participate in positive debate which is focused on the aim of achieving the expectations of shareholders and other stakeholders alike. The Board reviews the culture and manner in which the Manager and Investment Manager operate at its regular meetings and receives regular reporting and feedback from the other key service providers. The Board is very conscious of the ways it promotes the Company's culture and ensures as part of its regular oversight that the integrity of the Company's affairs is foremost in mind in the way that the activities are managed and promoted. The Board works very closely with the Manager and Investment Manager in reviewing how stakeholder 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.

The Company's main stakeholders have been identified as its shareholders, the Manager/Investment Manager, service providers, investee companies, its debt provider and, more broadly, the community at large and the environment.

How the Board Engages with Stakeholders

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

The Board and Manager also continue to consider how best to engage with private investors who invest through platforms, not least to increase voting participation at general meetings of the Company and to try and increase investor demand for diversified income from retail investors.

Stakeholder	How We Engage
Shareholders	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 between all shareholders. The Company's shareholder register is retail dominated. The Manager and Company's Stockbroker regularly meet with current and prospective shareholders from the wealth management and IFA community to discuss performance. Shareholder feedback is discussed by the Directors at each Board meeting. The Company subscribes to the Manager's investor relations programme in order to maintain communication channels with shareholders. Regular updates are provided to shareholders through the Annual Report, Half-Yearly Report, monthly factsheets, Company announcements, including daily NAV announcements, and through the Company's website, which includes up to date information on the Company. 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. In addition to the Annual General Meeting, there will be an Online Shareholder Presentation again this year following a favourable response in the past to this informal on-line event. The Board welcomes contact with shareholders and has various ways of receiving shareholder questions and responding to them, including through the Company Secretary. During the year, the Investment Manager held meetings with a number of the Company's larger shareholders to update them on the Company and to receive any feedback or concerns, particularly in relation to the corporate action involving abrdn Smaller Companies Income Trust plc. The Board is keen to have increased shareholder voting at general meetings of the Company and reviews ways in which there can be greater communication with the largely retail investor shareholder base.
Manager/Investment Manager	The Investment Manager's Review details the key investment decisions taken during the year. The Investment Manager has continued to manage the Company's assets in accordance with the mandate agreed with the Company, with the oversight of the Board. The Board regularly reviews the Company's performance against its investment objective and undertakes an annual strategy review meeting to ensure that the Company is positioned well for the future delivery of its objective for its shareholders. The Board receives presentations from the Investment Manager at every Board meeting to help it to exercise effective oversight of the Investment Manager and the Company's strategy. The Board, through the Management Engagement Committee, formally reviews the performance of the Manager and Investment Manager at least annually.
Service Providers	The Board seeks to maintain constructive relationships with the Company's suppliers either directly or through the Manager with regular communications and meetings. The 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, undertaking their responsibilities and providing value for money.
Investee Companies	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. 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. Through engagement and exercising voting rights, the Investment Manager actively works with companies to improve corporate standards, transparency and accountability. The Board monitors investments made and divested and questions the rationale for investment and voting decisions.
Debt Provider	On behalf of the Board, the Manager maintains a positive working relationship with the provider of the Company's loan facility, and provides regular updates to the Board on business activity and compliance with its loan covenants. Gearing is an important component of the Company's capital structure.
Environment and Community	The Board and Manager are committed to investing in a responsible manner and the Investment Manager embeds Environmental, Social and Governance ("ESG") considerations into its research and analysis as part of the investment decision-making process.

Specific Examples of Stakeholder Consideration During the Year

The Board is fully engaged in both oversight and the general strategic direction of the Company. During the year, the Board's main strategic discussions focussed around the aSCIT transaction.

While the importance of giving due consideration to the Company's stakeholders is not a new requirement, and is considered during every Board decision, the Directors were particularly mindful of stakeholder considerations during the following decisions undertaken during the year ended 31 March 2024.

aSCIT Transaction

On 26 July 2023, the Company announced that it had agreed terms with the Board of aSCIT for a proposed combination of the assets of the Company with those of aSCIT (the "aSCIT transaction"). The scheme of reconstruction completed on 1 December 2023. Further details of the transaction and the benefits to shareholders are contain in the Chairman's Statement.

Management of the Portfolio

The Investment Manager's Review 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.

During the year, the Board, through the Management Engagement Committee, decided that the continuing appointment of the Manager was in the best interests of shareholders.

Proposed Change to Investment Policy

As explained in the Chairman's Statement, following a review by the Board and Manager of the Company's investment policy, the Board proposes to seek shareholder approval at the Annual General Meeting to increase the limit on exposure to overseas companies from 10% of total assets to 20% of total assets. The Board considers that this change will provide the Investment Manager with greater flexibility to achieve the Company's investment objective and is therefore in the best interests of shareholders. The Company will remain in the AIC's UK Equity Income Sector following the change.

Dividend

Following the payment of the final dividend for the year, of 4.80p per Ordinary share, total dividends for the year will amount to 14.40p per Ordinary share, representing a dividend yield of 6.5% based on the share price of 222p at the end of the financial year. This is in accordance with the Company's objective to provide shareholders with a high level of income.

In deciding on the level of dividend for the year, the Board took into account the revenue earnings per Ordinary share for the year, forecast revenues for subsequent years, the level of revenue reserves and the increase in issued share capital following the aSCIT transaction, as well as the impact of share buy backs.

Through meetings with shareholders and feedback from the Manager and the Company's Stockbroker, the Board remains conscious of the importance that shareholders place on the level, and sustainability, of dividends paid by the Company.

Allocation of Costs

As explained in the Chairman's Statement, the Board has decided that, with effect from 1 April 2024, management fees and finance costs will be charged 40% to Revenue and 60% to Capital. The Board considers that this allocation better reflects the expected long-term view of the nature of the future investment returns of the enlarged portfolio and is consistent with the treatment adopted by other UK Equity Income investment trusts. The Board therefore considers that this change is in the best interests of shareholders.

Share Buy Backs

During the year, the Company bought back 863,532 Ordinary shares to be held in treasury, 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 had widened in normal market conditions. It is the view of the Board that this policy of periodically using buy back powers, but not in a mechanical fashion, is in the interest of all shareholders.

Proposed Cancellation of Share Premium Account

As explained in the Chairman's Statement, the Board will propose a special resolution at the Annual General Meeting to cancel the amount standing to the credit of the Share Premium Account. The cancellation will also require court approval which will be sought following the Annual General Meeting. Once this exercise is complete, the newly created distributable reserve will be available to fund the cost of share buy backs and dividend payments. The Board considers that it is in shareholders' interests for the Company to have this flexibility, although it has no current intention of making use of it for dividend payments which will continue to be resourced through net revenue and revenue reserves.

Board Succession

As explained in the Directors' Report, Simon White was appointed as an independent non-executive Director on 1 January 2024 in advance of the retirement of Robert Talbut from the Board at the forthcoming Annual General Meeting. New Board appointments seek to achieve a good balance of skills, experience, gender and ethnicity. 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.

Following the Annual General Meeting, Robin Archibald, current Audit Committee Chairman and Senior Independent Director ("SID"), will assume the role of Chairman of the Board and Jane Pearce will assume the role of Chair of the Audit Committee, with Helen Sinclair acting as the SID.

Online Shareholder Presentation

As explained in the Chairman's Statement, to encourage and promote interaction and engagement with the Company's shareholders, the Board has again decided to hold an interactive Online Shareholder Presentation which will be held at 10.00am on 25 June 2024. At the presentation, shareholders will receive updates from the Chairman and Investment Manager and there will be an interactive question and answer session. The online presentation is being held ahead of the Annual General Meeting in order to allow shareholders to submit their proxy votes prior to the meeting.

On behalf of the Board
Robert Talbut
Chairman
22 May 2024

Performance

Performance (Total Return)

	1 year % return	3 year % return	5 year % return
Net asset value[A]	+5.1	+14.5	+25.7
Share price[A] (based on mid-market)	-5.7	+5.6	+9.2
FTSE All-Share Index	+8.4	+26.1	+30.3

[A] Considered to be an Alternative Performance Measure.
All figures are for total return and assume re-investment of net dividends excluding transaction costs.
Source: abrdn plc, Morningstar & Factset

Analysis of Total Return Performance

	%
Gross assets total return	6.7
Total NAV return per share	5.1
Total return on FTSE All-Share Index	8.4
Relative performance of NAV compared to FTSE All-Share Index	-3.3

Dividends

	Rate per share	XD date	Record date	Payment date
First interim dividend	3.20p	5 October 2023	6 October 2023	27 October 2023
Second interim dividend	3.20p	4 January 2024	5 January 2024	31 January 2024
Third interim dividend	3.20p	4 April 2024	5 April 2024	30 April 2024
Proposed final dividend	4.80p	4 July 2024	5 July 2024	31 July 2024
2023/24	14.40p			
First interim dividend	3.20p	6 October 2022	7 October 2022	28 October 2022
Second interim dividend	3.20p	5 January 2023	6 January 2023	27 January 2023
Third interim dividend	3.20p	6 April 2023	11 April 2023	28 April 2023
Final dividend	4.60p	6 July 2023	7 July 2023	28 July 2023
2022/23	14.20p			

Ten Year Financial Record

Year to 31 March	2015	2016	2017	2018	2019	2020	2021*	2022*	2023*	2024*
Revenue available for ordinary dividends (£'000)	3,877	3,617	3,925	4,106	3,920	3,961	3,796	4,379	4,584	5,068
Per share (p)										
Net revenue earnings	12.9	12.1	13.1	13.7	13.1	13.0	12.3	14.2	14.8	14.8
Net dividends paid/proposed	12.25	12.25	12.75	13.00	13.20	13.20	13.20	13.80	14.20	14.40
Net total earnings	23.1	(17.8)	54.5	9.4	10.3	(45.4)	68.2	29.5	(6.6)	(4.3)
Net asset value	259.5	229.4	271.6	268.2	265.5	207.4	262.4	278.3	257.9	256.0
Share price (mid-market)	252.0	202.0	243.3	260.0	267.0	200.5	248.0	279.0	250.0	222.0
Shareholders' funds (£m)	77.8	68.8	81.5	80.5	80.1	63.9	80.9	85.8	79.9	106.0

* Net asset value per share is calculated after the repayment of the capital paid up on Cumulative Preference shares (see note 16).

Cumulative Performance

Rebased to 100 at 31 March 2014

As at 31 March	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Net asset value	100.0	104.5	92.3	109.4	108.0	106.9	83.5	105.7	112.1	103.8	103.1
Net asset value total return[A]	100.0	109.7	102.0	127.0	131.2	136.4	111.8	149.8	166.8	163.1	171.5
Share price performance	100.0	99.9	80.1	96.4	103.1	105.8	79.5	98.3	110.6	99.1	88.0
Share price total return[A]	100.0	104.9	88.7	113.0	126.9	137.0	107.9	141.6	167.7	158.5	149.6
Benchmark performance	100.0	103.0	95.5	112.2	109.5	111.9	87.4	107.7	117.8	116.9	122.0
Benchmark total return[A]	100.0	106.6	102.4	124.9	126.4	134.5	109.7	138.9	157.1	161.6	175.3

[A] Total return figures are based on reinvestment of net income.

Investment Manager's Review

Highlights

- NAV total return of 5.1% compared to the FTSE All-Share Index total return of 8.4%.
- The equity portfolio lagged a rising market, as we would expect given the defensive and income focused nature of the holdings.
- The total return from the preference share portfolio was 16.1%, with yields compressing as interest rate expectations began to move lower.
- The Company successfully completed the combination with abrdn Smaller Companies Income Trust (the "aSCIT transaction"), adding scale and liquidity and improving exposure to a focused set of high quality small-cap companies.

Portfolio Strategy

We take a long term approach to investing, believing that, whilst there might be volatility in the short and even medium term, share prices will ultimately reflect the fundamental value of a company. Consequently, there was no change to our approach to the construction of the portfolio during the year under review. The Company's investment portfolio continues to be invested in equities and preference shares. At the year end, 80% of the portfolio was invested in equities and 20% was invested in preference shares.

Equity Market Review

The year to the end of March 2024 was a good one for equities, with the MSCI World Global Index delivering a total return of around 25%, well ahead of the long term average. This return was heavily weighted to the second half of the year. The market move has generally tracked inflation and therefore interest rate expectations, with valuations improving once investors had a line of sight on the peak of inflation and interest rates.

By geography, the US performed well, with a 30% return from the S&P 500 Index and an even more impressive 40% gain for the technology focused Nasdaq Index. Europe, returning 15%, and the UK, 8% were comparative laggards. Emerging markets were also relatively weaker, returning 8% in aggregate, although there were distinct winners and losers within that: the MSCI China Index returned a negative 17%; the MSCI India Index returned a positive 40%, highlighting the stark difference in investor positions of these two economies over the period.

The above performance data highlights the significant outperformance of the US in developed markets and particularly of the group of large cap technology companies known as the "Magnificent Seven". These companies have been direct beneficiaries of accelerated revenue growth due to the early adoption of artificial intelligence technologies alongside increased investor optimism on the sector. They have also been natural beneficiaries of investor expectations that interest rates have peaked and will begin to fall in the second half of 2024 (more on this in the Outlook section below). In contrast, European and UK markets, which have a lower weighting to technology and growth companies, have relatively underperformed.

Within the UK market, technology also performed well, with the sector returning 35%. The problem was that with a weighting of only 1.4% in the FTSE 350 Index at the end of the year, it was not enough to drive the wider market. Other sectors that performed well were Industrials (+27%), Financials (+14%), Consumer Discretionary (+13%) and Energy (+11%). These were offset by weaker returns from Telecoms (-13%), Consumer Staples (-6%), Basic Materials (-5%) and Utilities (flat on the year). In general, the UK's weighting to some defensive and income sectors meant it failed to keep up with a rapidly rising global market.

The UK market ended the year on a material valuation discount to global markets - roughly a 40% discount on a price to earnings multiple. While much of this is justified by the lower growth from the UK's sectoral exposure, the discount remains around 20% once we adjust for this.

Investment Performance

The equity portfolio returned 5.1% over the 12 month period, lagging the FTSE All-Share Index which returned 8.4%. This performance is roughly in line with what we would expect in these markets. The equity portfolio is defensive and weighted to higher income sectors, so can lag a rising market. That being said, stock section in the year detracted from portfolio returns and that was disappointing. After taking into account the performance of the preference share portfolio (see below) and adjusting for costs, the net asset value ("NAV") total return of the Company was also 5.1%.

On a stock specific level, there were a number of strong performers in the portfolio. Intermediate Capital, a private equity fund

On a stock specific level, there were a number of strong performers in the portfolio. Intermediate Capital, a private equity fund manager, delivered robust performance and flows, with its shares rising by 78%. The exposure to banks performed well as returns improved, benefitting from higher interest rates and low credit write-offs: NatWest's shares increased by 31% during the period and Standard Chartered increased by 16%. Industrials generally performed well as economic activity remained robust and valuations recovered. Melrose Industrials (+65%) re-rated after spinning out its lower quality autos business and Morgan Sindall (+45%) delivered continued growth as its fit out and construction businesses performed strongly. Finally, the addition of a number of small cap UK companies around the middle of the year also had a positive impact as these responded well to robust results and falling interest rate expectations. Hollywood Bowl (+24%) and 4Imprint (+46%) performed particularly well.

Offsetting this, the portfolio suffered from holding a number of companies that disappointed in the year for fundamental reasons. XP Power, which provides power supply to high tech manufacturing, fell by 61% after issuing a profit warning as end clients de-stocked. This was particularly disappointing, coming only a matter of weeks after management had reassured on the outlook for the business. XP Power was one company that fell victim to a lack of visibility in client orders as many industries went through a de-stocking cycle, having built up inventory during the pandemic period. Dr. Martens (-36%) faced similar issues, with high inventory levels in US wholesalers and supply chain challenges causing downgrades to expectations. Another cyclical disappointment was Genus, with its shares down 40% due to weakening demand for pork in China. Close Brothers fell by 51% after the announcement of an FCA review into auto lending in the UK, although we feel the impact of this is overstated. Some commodity companies also suffered from falling prices: Anglo American fell by 24% due to lower metals prices and disappointing production figures, while Diversified Energy fell 40% due to a sustained fall in the US gas prices to very low levels. Given its weighting in the portfolio, the fall in Diversified Energy had a meaningful impact on the portfolio, detracting 1.4% from performance over the year.

Gearing and Preference Share Portfolio

The total return from the preference share portfolio for the year was 16.1%, with yields compressing as interest rate expectations began to move lower. This performance is very much as expected - during a period of rapidly rising interest rates we would expect the bond like characteristics of preference shares to mean they decline in value, and in an environment when interest rates are falling we would expect this to provide a boost to the portfolio. Our view on the long term attractions of the preference shares has not changed. From here onwards it is more likely that interest rates eventually decline gradually, acting as a modest tailwind for the valuation of this part of the portfolio. Secondly, the attraction of these instruments is their high, dependable yield. This has not changed and the preference share portfolio offered a forward yield of almost 7% as at the year end.

The gearing level at the year end was 16.4%. The Company's borrowings are notionally invested in the preference share portfolio. At the year end these securities had a value of £24.2 million, materially in excess of net indebtedness which stood at £17.3 million.

Revenue Account

Revenue earnings per share were broadly flat at 14.75p. While the income generation of the portfolio in absolute terms has continued to increase, the aSCIT transaction in December resulted in an increased share-count. We expect the impact of this to be limited over time, but the timing of the transaction meant that we received a number of holdings from aSCIT which did not pay dividends during the remainder of the financial year, resulting in a short term shortfall in income. We remain optimistic on the income growth potential of the portfolio over the longer term.

The following table details the Company's main sources of income over the last five years.

	2024 %	2023 %	2022 %	2021 %	2020 %
Ordinary dividends	63.0	62.8	66.5	57.2	60.0
Preference dividends	25.7	29.1	26.9	33.2	31.0
abrdn Smaller Companies Income Trust	9.4	6.6	5.2	5.7	5.4
Fixed interest and bank interest	1.4	0.2	-	-	0.3
Traded option premiums	0.5	1.3	1.4	3.9	3.3
Total	100.0	100.0	100.0	100.0	100.0
Total income (£'000s)	6,429	5,673	5,239	4,529	4,807

Portfolio Activity

Over the course of the year, we remained active in the portfolio, adding 14 new positions and exiting 18. The number of positions in the portfolio therefore reduced and, despite the aSCIT transaction, we have maintained a reasonably concentrated portfolio, while diversifying sources of income widely.

The aSCIT transaction allowed us to select, alongside the abrdn small-cap team, those holdings from the portfolio which best suited our requirements of income growth and long term capital growth. The result was a more concentrated and meaningful small-cap exposure than through our previous indirect exposure through aSCIT. We added five new names: Greggs is a growing UK food retailer with a strong market position and cost competitive offering; Hollywood Bowl is a well-run leisure company gaining market share in the UK and expanding internationally in Canada; 4Imprint is a digital business providing corporate marketing products and is winning market share in a fragmented industry; Bytes Technology is an IT re-seller with exposure to growing software demand; and Hunting is a high quality engineer focused on energy services and benefiting from increased visibility on sales as offshore activity recovers. In aggregate, these companies give us exposure to a diversified mix of quality and growth within the portfolio.

Other additions reflected changing outlooks for some sectors. We added exposure to UK banks via Lloyds given the outlook for more resilient income as interest rates have normalised. We also added some modest real estate exposure after a period of weakness, adding Sirius Real Estate and Assura - two companies with strong management teams and track records of growing value and dividends. Our view that the aerospace sector had an improving outlook was reflected in a purchase of Melrose Industrials, which also re-rated after the spin out of its lower quality auto business.

We also reflected changes in our analysts' preference by switching holdings within sectors. For example, we replaced Smith & Nephew with

Convatec given our view that there was more margin improvement and end market growth to come from Convatec in the near term. In the banking sector, we switched Nordea into ING given the more defensive nature of the business and a preference to move away from Nordic banks after a strong run and higher valuations. Also overseas, we continued to look for ways to diversify income, adding Mercedes-Benz, where the valuation looked very attractive and Enel which gives exposure to diversified utilities and strong capital growth from energy transition in its end markets.

Exits during the year primarily reflected changes to our view on the fundamental value of the businesses. RS Group, Howden Joinery and Coca-Cola Hellenic all performed reasonably well and reached levels where we saw more limited upside compared to other holdings. For Diageo and British American Tobacco we had some concerns around the potential for revenue growth in the near term and decided to move onto higher conviction ideas. Sales of Vistry, Urban Logistics, Nordea, Bawag and Smith & Nephew reflected a preference for other companies in the same sectors. Veterinary pharmaceuticals producer Dechra Pharmaceuticals was sold after the company was bid for by a private equity firm at a healthy premium.

In most cases of disappointing performance we chose to hold onto the positions, taking the view that the long term quality of the businesses remained and a lower price reflected short term changes in outlook. However, we did sell out of XP Power after a profit warning and Direct Line Insurance following a dividend cut, given decreased visibility on cash generation and the ability to pay a stable and growing source of income over time.

As usual, the preference share portfolio has seen limited change, although we did add two new fixed income investments issued by Standard Chartered and Lloyds. This enabled the portfolio to retain its weighting of around 20% to preference shares after the aSCIT transaction. Both positions offered around a 7% yield at the time of purchase, an attractive level relative to equities and with a higher degree of income protection in the long term.

Stewardship

We believe that, as long term owners of the businesses in which we are invested, it is not sufficient merely to seek out assets that we believe to be undervalued. It is also incumbent upon us to take a proactive approach to our stewardship of these companies. Therefore, we engage extensively with investee companies. We have attended a range of meetings with chairmen, non-executive directors and other stakeholders. Topics covered have included the composition of boards, environmental and social issues, and remuneration. Risk is a very broad subject that is interpreted in varying manners by different companies. However, by engaging on this subject we secure a deeper understanding of how the boards of investee companies perceive and seek to manage these issues. Such interactions also enable us to push for improved disclosure and better management practices and on occasion different decisions where appropriate. We have had conversations regarding companies' financing choices. We find that it is always worthwhile communicating our preference for conservatively structured balance sheets that place a company's long term fortunes ahead of possible short term share price gains. Such activity is by its nature time consuming but we regard it as an integral aspect of our role as long term investors.

Consideration of Environmental, Social and Governance ("ESG") factors forms an important part of our investment process. Whilst the management of the Company's investments is not undertaken with any specific instructions to exclude certain asset types or classes, we embed ESG into the portfolio and sector specific research on all positions as part of the investment process. ESG investment is about active engagement with the goal of improving the performance of assets held by the Company. We aim to make the best possible investments for the Company by understanding the whole picture - before, during and after an investment is made. That includes understanding the ESG risks and opportunities they present, and how these could affect longer-term performance and valuation. ESG considerations underpin all investment activities.

Outlook

The last 12 months have delivered positive NAV growth, increased scale and continued income growth for the Company. Performance has not kept pace with a rising market and that is, of course, disappointing, but we continue to focus on capital and income growth. Positions in defensive, income generating sectors, such as utilities have lagged faster growth areas of the market such as technology, but that does not mean they have been bad investments or that they will fail to deliver an attractive total return for investors over the long term.

Making forecasts for the next 12 months is always difficult, and especially at the moment. In the last three months we have seen interest rate expectations move back and forward, with global markets pushed to new highs before retreating again. At this time, it seems that interest rates will need to stay higher for longer to counteract inflation and continued strong growth from the US economy - but which direction we will be heading a year from now is hard to guess. Economic policy and market sentiment is very data dependent, and the data can change quickly. The added complication of a record year for democratic elections globally, including the US and the UK, makes the outlook even cloudier.

Stretching our time horizon perhaps makes the task easier. Interest rates are higher than they have been for some time and although they are not going back to the extreme lows we have seen in the last decade, the likelihood is that the direction of travel is back towards an equilibrium rate of 3-3.5% within our investment timeframe. Rates at that level should allow for a more normal market, with equity performance broadening out, something we have started to see in March and April 2024. Market performance in the past year has been unusually concentrated - history would indicate that is unlikely to remain the case forever. Similarly, the discount on UK equities is historically high, providing a margin of safety. Without a re-rating of the benchmark index we will continue to see UK companies acquired by international peers.

The portfolio has performed well in the past few months and our expectation would be that a focus on capital and income growth will deliver results over the long term. We also expect a reduction in interest rates to increase the relative appeal of the proposition. Currently, investors can earn an attractive return on cash deposits and that has led many to understandably take a "risk-free" approach in allocation. The Company's dividend yield is already superior to cash, while also providing the prospect of capital growth and a hedge to inflation, but as deposit rates reduce it is likely that a high level income will become more appealing again.

Iain Pyle and Charles Luke
abrdn Investments Limited
22 May 2024

Investment Portfolio - Equities

As at 31 March 2024

Company	FTSE All-Share Index Sector	Valuation 2024 £'000	Total portfolio %	Valuation 2023 £'000
AstraZeneca	Pharmaceuticals and Biotechnology	5,440	4.5	4,136
Shell	Oil, Gas and Coal	4,674	3.8	3,931
Morgan Sindall	Construction and Materials	3,642	3.0	883
Energean	Oil, Gas and Coal	3,333	2.7	1,894
BP	Oil, Gas and Coal	3,281	2.7	3,184
Intermediate Capital Group	Investment Banking and Brokerage Services	3,234	2.6	1,078
HSBC Holdings	Banks	3,232	2.6	903
Inchcape	Industrial Support Services	2,931	2.4	1,226
Rio Tinto	Industrial, Metals and Mining	2,637	2.2	1,152
4Imprint Group	Media	2,637	2.2	-
Ten largest investments		35,041	28.7	
Chesnara	Life Insurance	2,399	2.0	1,222
Anglo American	Industrial, Metals and Mining	2,384	1.9	2,748
Hollywood Bowl	Travel and Leisure	2,334	1.9	-
Diversified Energy	Oil, Gas and Coal	2,292	1.9	2,499
National Grid	Gas, Water and Multiutilities	2,283	1.9	1,726
SSE	Electricity	2,265	1.9	2,661
TotalEnergies	Oil, Gas and Coal	2,218	1.8	1,839
Telecom Plus	Telecommunications Service Providers	2,161	1.7	754
Sirius Real Estate	Real Estate Investment Trusts	1,991	1.6	-
Bytes Technology	Software and Computer Services	1,914	1.6	-
Twenty largest investments		57,282	46.9	
Balfour Beatty	Construction and Materials	1,780	1.5	967
Lloyds Banking	Banks	1,779	1.5	-
Standard Chartered	Banks	1,771	1.4	1,526
M&G	Investment Banking and Brokerage Services	1,723	1.4	1,051
NatWest	Banks	1,722	1.4	1,042
Melrose Industrials	General Industrials	1,614	1.3	-
Enel	Electricity	1,609	1.3	-
GSK	Pharmaceuticals and Biotechnology	1,576	1.3	835
Convatec	Health Care Equipment and Services	1,563	1.3	-
Softcat	Software and Computer Services	1,500	1.2	563
Thirty largest investments		73,919	60.5	
Assura	Real Estate Investment Trusts	1,487	1.2	-
Hunting	Oil Equipment Services and Distribution	1,410	1.2	-
Imperial Brands	Tobacco	1,362	1.1	1,351
Games Workshop Group	Leisure Goods	1,302	1.1	654
Mercedes-Benz Group	Automobiles and Parts	1,222	1.0	-
Novo-Nordisk	Pharmaceuticals and Biotechnology	1,186	1.0	1,272
Engie	Gas, Water and Multiutilities	1,182	1.0	981
ING Group	Banks	1,080	0.9	-
Hiscox	Non-life Insurance	1,066	0.9	982
OSB	Finance and Credit Services	1,035	0.7	995
Forty largest investments		86,251	70.6	
Greggs	Food and Drug Retailers	995	0.8	-
AXA	Non-life Insurance	977	0.8	906
IP Group	Investment Banking and Brokerage Services	975	0.8	-

Berkeley Group Holdings	Household Goods and Home Construction	953	0.8	-
Ashmore	Investment Banking and Brokerage Services	875	0.7	641
Unilever	Personal Care, Drug and Grocery Stores	873	0.7	1,378
Mondi	General Industrials	866	0.8	855
Drax	Electricity	809	0.7	578
Wood Group	Oil Equipment Services and Distribution	781	0.6	648
Prudential	Life Insurance	764	0.6	1,149
Fifty largest investments		95,119	77.9	
Close Brothers	Banks	721	0.6	810
Dr. Martens	Personal Goods	668	0.5	673
Bodycote	Industrial Engineering	627	0.5	553
Genus	Pharmaceuticals and Biotechnology	480	0.4	-
Oxford Instruments	Electronic and Electrical Equipment	359	0.3	833
Total equity investments		97,974	80.2	

Purchases and/or sales of portfolio holdings effected during the year and the transaction with aSCIT result in 2024 and 2023 values not being directly comparable.

Investment Portfolio - Other Investments

As at 31 March 2024

Company	Valuation 2024 £'000	Total portfolio %	Valuation 2023 £'000
Preference shares[A]			
Ecclesiastical Insurance Office 8 5/8%	5,837	4.8	5,512
Royal & Sun Alliance 7 3/8%	4,899	4.0	4,437
Santander 10.375%	4,244	3.5	3,616
General Accident 7.875%	4,116	3.4	3,654
Standard Chartered 8.25%	3,197	2.6	2,900
Lloyds Bank 11.75%	960	0.8	-
R.E.A. Holdings 9%	686	0.5	776
Standard Chartered 7.375%	256	0.2	-
Total Preference shares	24,195	19.8	
Total Investments	122,169	100.0	

[A] None of the preference shares listed above have a fixed redemption date.
Purchases and/or sales of portfolio holdings effected during the year and the transaction with aSCIT result in 2024 and 2023 values not being directly comparable.

Distribution of Assets and Liabilities

			Movement during the year				
	Valuation at 31 March 2023 £'000	%	Purchases £'000	Sales £'000	Gains/ (losses) £'000	Valuation at 31 March 2024 £'000	%
Listed investments							
Equities	75,760	94.8	75,634	(44,372)	(9,048)	97,974	92.5
Preference shares	20,895	26.2	-	-	3,300	24,195	22.8
Total investments	96,655	121.0	75,634	(44,372)	(5,748)	122,169	115.3
Current assets	2,559	3.2				3,242	3.1
Current liabilities	(9,350)	(11.7)				(9,491)	(9.0)
Non-current liabilities	(9,951)	(12.5)				(9,963)	(9.4)
Net assets	79,913	100.0				105,957	100.0

Net asset value per Ordinary share	257.9p	256.0p

Directors' Report (extract)

The Directors present their report and audited financial statements for the year ended 31 March 2024.

Results and Dividends

The financial statements for the year ended 31 March 2024 are contained below. Dividends paid and proposed for the year amounted to 14.40p per Ordinary share.

First, second and third interim dividends for the year, each of 3.20p per Ordinary share, were paid on 27 October 2023, 31 January 2024 and 30 April 2024 respectively. The Directors recommend a final dividend of 4.80p per Ordinary share, payable on 31 July 2024 to shareholders on the register on 5 July 2024. The ex-dividend date is 4 July 2024. Under UK-adopted international accounting standards the third interim and final dividends will be accounted for in the financial year ended 31 March 2025. A resolution in respect of the final dividend will be proposed at the forthcoming Annual General Meeting.

Investment Trust Status

The Company is registered as a public limited company (registered in England and Wales No. 00386561) and is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company has been approved by HM Revenue & Customs as an investment trust subject to it continuing to meet the relevant eligibility conditions of Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements of Part 2 Chapter 3 Statutory Instrument 2011/2999 for all financial years commencing on or after 1 April 2012. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 March 2024 so as to enable it to comply with the ongoing requirements for investment trust status.

Individual Savings Accounts

The Company satisfies the requirements as a qualifying security for Individual Savings Accounts. The Directors intend that the Company will continue to conduct its affairs in this manner.

aSCIT Transaction

On 26 July 2023 the Company announced that it had agreed terms with the board of abrdn Smaller Companies Income Trust plc ("aSCIT") in respect of a proposed combination of the assets of the Company with those of aSCIT (the "aSCIT transaction"). Shareholders were sent documentation in October explaining that this was to be effected by way of a scheme of reconstruction and winding up of aSCIT under section 110 of the Insolvency Act 1986 (the "Scheme") and the associated transfer of the assets of aSCIT to the Company in exchange for the issue of new Ordinary shares in the Company to those aSCIT shareholders who rolled their shareholdings into the Company in accordance with the Scheme.

Shareholders approved the Scheme proposals at the Company's General Meeting held on 20 November 2023 and aSCIT's shareholders approved the Scheme proposals at their General Meeting held on the same day. The Scheme completed on 1 December. On that date the Company issued 11,268,494 new Ordinary shares to aSCIT shareholders in accordance with the Scheme. The new shares were admitted to trading on 4 December 2023.

Capital Structure

During the year the Company issued 11,268,494 Ordinary shares of 50p each in connection with the aSCIT transaction as referred to above. In addition, the Company bought back 863,532 Ordinary shares at a discount to net asset value, to hold in treasury. The issued Ordinary share capital as at 31 March 2024 comprised 41,369,542 Ordinary shares of 50p each, 863,532 Ordinary shares held in treasury and 50,000 3.5% Cumulative Preference shares of £1 each.

Voting Rights

Each Ordinary and Cumulative Preference share carries one vote at general meetings of the Company. The Cumulative Preference shares carry a right to receive a fixed rate of dividend and, on a winding up of the Company, to the payment of such fixed cumulative preferential dividends to the date of such winding up and to the repayment of the capital paid up on such shares in priority to any payment to the holders of the Ordinary shares.

The Ordinary shares, excluding any treasury shares, carry a right to receive dividends and, on a winding up or other return of capital, after meeting the liabilities of the Company, the surplus assets will be paid to Ordinary shareholders in proportion to their shareholdings.

There are no restrictions on the transfer of Ordinary or Cumulative Preference shares in the Company other than certain restrictions which may from time to time be imposed by law.

Management Agreement

The Company has appointed abrdn Fund Managers Limited ("aFML"), a wholly owned subsidiary of abrdn plc, as its alternative investment fund manager. aFML has been appointed to provide investment management, risk management, administration, company secretarial services and promotional activities to the Company. The Company's portfolio is managed by abrdn Investments Limited by way of a group delegation agreement in place between aFML and abrdn Investments Limited. In addition, aFML has sub-delegated administrative and company secretarial services to abrdn Holdings Limited and promotional activities to abrdn Investments Limited. Details of the management fee and fees payable for promotional activities are shown in notes 4 and 5 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.

Substantial Interests

Information provided to the Company by major shareholders pursuant to the FCA's Disclosure Guidance and Transparency Rules is 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 31 March 2024.

Shareholder	Number of Ordinary shares held	% of Ordinary shares held
Interactive Investor	13,410,525	32.4
Hargreaves Lansdown	8,562,529	20.7
AJ Bell	2,841,009	6.9
HSDL	2,363,079	5.7

There have been no changes notified to the Company between the year end and the date of approval of this Report.

Directors

Simon White was appointed as an independent non-executive Director on 1 January 2024. In respect of the appointment of Mr White, the Board used the services of an external search consultant, Fletcher Jones Limited. Fletcher Jones Limited does not have any other connections with the Company or individual Directors.

At the end of the year the Board comprised five non-executive Directors, each of whom is considered by the Board to be independent of the Company and the Manager.

The Directors attended scheduled Board and Committee meetings during the year ended 31 March 2024 as follows (relevant meetings in brackets):

Director	Board	Audit Committee	Management Engagement Committee	Remuneration Committee
Robert Talbut	5 (5)	2 (2)	1 (1)	1 (1)
Robin Archibald	5 (5)	2 (2)	1 (1)	1 (1)
Jane Pearce	5 (5)	2 (2)	1 (1)	1 (1)
Helen Sinclair	5 (5)	2 (2)	1 (1)	1 (1)
Simon White[A]	1 (1)	- (-)	1 (1)	1 (1)

[A] Appointed 1 January 2024

The Board meets more frequently when business needs require and has regular dialogue between formal Board meetings, including with the Manager. During the year, there were an additional 11 Board/Board Committee meetings held principally in relation to the aSCIT transaction, but also in relation to share buy backs, Board succession and the approval of the Annual and Half Yearly Reports.

Under the terms of the Company's Articles of Association, Directors must retire and be subject to appointment at the first Annual General Meeting after their appointment by the Board, and be subject to re-appointment every three years thereafter. However, the Board has decided that all Directors will seek annual re-appointment after initial appointment to the Board.

Having served for nine years, Robert Talbut will retire at the Annual General Meeting on 5 July 2024. Simon White will stand for appointment and each of Helen Sinclair, Robin Archibald and Jane Pearce will seek re-appointment at the meeting.

The Board believes that all the Directors seeking appointment/re-appointment 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 Board believes that each Director has the requisite high level and range of business, investment and financial experience which enables the Board to provide clear and effective leadership, oversight and proper governance of the Company.

During the year, the Board undertook an annual appraisal of the Chairman of the Board, individual Directors and the performance of Committees and the Board as a whole. This process involved the completion of questionnaires by each Director and follow-on discussions between the Chairman and each Director. The appraisal of the Chairman was undertaken by the Senior Independent Director. Following this process, the Board considers that it continues to operate in an efficient and effective manner and that the performance of each of the Directors seeking appointment/re-appointment continues to be effective. Each Director has demonstrated commitment to the role and the Board is satisfied that their individual performances contribute to the long-term sustainable success of the Company. All of the Directors have demonstrated that they have sufficient time and commitment to fulfil their directorial roles with the Company. The Board therefore recommends the appointment/re-appointment 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, as well as providing continuity of experience of the Company.

It is the Board's policy that the Chairman of the Board will not normally serve as a Director beyond the Annual General Meeting following the ninth anniversary of his/her appointment to the Board. However, this may be extended in certain circumstances including the facilitation of effective succession planning and the development of a diverse Board. In such a situation the reasons for the extension will be fully explained to shareholders and a timetable for the departure of the Chairman clearly set out.

The Role of the Chairman and Senior Independent Director

The Chairman 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 Chairman facilitates the effective demonstrating objective judgement and promoting a culture of openness and debate. The Chairman facilitates the effective contribution and encourages active engagement by each Director. In conjunction with the Company Secretary, the Chairman ensures that Directors receive accurate, timely and clear information to assist them with effective decision-making. The Chairman 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 Chairman and acts as an intermediary for other Directors, when necessary. Working closely with the other Directors, the Senior Independent Director takes responsibility for an orderly succession process for the Chairman, and leads the annual appraisal of the Chairman's performance. The Senior Independent Director is also available to shareholders to discuss any concerns they may have.

Directors' and Officers' Liability Insurance

The Company maintains insurance in respect of Directors' and Officers' liabilities in relation to their acts on behalf of the Company. In addition, the Company has entered into a separate deed of indemnity with each of the Directors reflecting the scope of the indemnity in the Articles of Association. Under the Articles of Association, each Director is entitled to be indemnified out of the assets of the Company to the extent permitted by law against any loss or liability incurred by him or her in the proper execution of his or her duties in relation to the affairs 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, which may be amended from time to time to reflect regulatory and other changes. Other than the deeds of indemnity referred to above and the Directors' 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.

Board Diversity

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.

Table for reporting on gender as at 31 March 2024

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, Chair and SID)	Number in executive management	Percentage of executive management
Men	3	60%			
Women	2	40% (note 1)	n/a (note 3)	n/a (note 3)	n/a (note 3)
Not specified/prefer not to say	-	-			

Table for reporting on ethnic background as at 31 March 2024

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, Chair and SID)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	5	100%			
Minority ethnic	-	- (note 2)	n/a (note 3)	n/a (note 3)	n/a (note 3)
Not specified/prefer not to say	-	-			

Notes:

1. Meets target that at least 40% of Directors are women as set out in LR 9.8.6R (9)(a)(i).
2. Does not meet target that at least one Director is from a minority ethnic background as set out in LR 9.8.6R (9)(a)(iii). The Directors will take this into account when making future Board appointments.

3. This column is not applicable as the Company is externally managed and does not have any executive staff. Specifically, it does not have either a CEO or CFO. The Company considers that the roles of Chairman of the Board, Senior Independent Director and Chairman of the Audit Committee are senior Board positions. During the year ended 31 March 2024 the Company did not meet the target set out in LR 9.8.6R (9)(a)(ii) that at least one of the senior Board positions is held by a woman. However, it will meet the target following the Annual General Meeting on 5 July 2024 when Jane Pearce will be appointed as Chair of the Audit Committee and Helen Sinclair will be appointed as SID.

Corporate Governance

The Company is committed to high standards of corporate governance and the Board is accountable to the Company's shareholders for good governance. The Board has 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 Corporate Governance Code as published by the FRC in July 2018 (the "UK Code"), as well as setting out additional provisions on issues that are of specific relevance to investment trusts.

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 than if it had adopted the UK Code. 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 trusts.

The Board confirms that, during the year, the Company complied with the principles and provisions of the AIC Code.

Further details of the Company's compliance with the AIC Code can be found on its website.

Going Concern

The Company's assets consist mainly of equity shares in companies listed on the London Stock Exchange. The Board has performed stress testing and liquidity analysis on the portfolio and considers that, in most foreseeable circumstances, the majority of the Company's investments are realisable within a relatively short timescale.

The Board has set limits for borrowing and regularly reviews actual exposures, cash flow projections and compliance with banking covenants, including the headroom available. At the year end, the Company had a £20 million loan facility which is due to mature in May 2027.

Having taken these factors into account, the Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future and has the ability to meet its financial obligations as they fall due for the period to 30 June 2025, which is at least twelve months from the date of approval of this Report. For these reasons, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Accountability and Audit

Each Director confirms that, so far as he or she is aware, there is no relevant audit information of which the Company's Auditor is unaware, and they have taken all the steps that they could reasonably be expected to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Independent Auditor

The Company's Auditor, Ernst & Young LLP, has indicated its willingness to remain in office. The Board will place resolutions before the Annual General Meeting to re-appoint Ernst & Young LLP as Auditor for the ensuing year and to authorise the Directors to determine its remuneration.

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 information service.

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. 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 Chairman responds personally as appropriate.

Directors make themselves available to attend meetings with the Company's largest shareholders and meet other shareholders at the Annual General Meeting and, as explained in the Chairman's Statement, the Company will hold an Online Shareholder Presentation in advance of the Annual General Meeting this year including the opportunity for an interactive question and answer session.

The notice of the Annual General Meeting is, where practicable, 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. Further details regarding the arrangements for this year's Annual General Meeting and separate Online Shareholder Presentation are set out in the Chairman's Statement.

Annual General Meeting

The Annual General Meeting will be held at 18 Bishops Square, London E1 6EG on Friday 5 July 2024 at 12 noon.

By order of the Board
abrdn Holdings Limited
Company Secretary
1 George Street
Edinburgh EH2 2LL
22 May 2024

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, and under that law they have chosen to prepare the financial statements in accordance with UK-adopted international accounting standards.

The financial statements are required by law to 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 in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in UK-adopted international accounting standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state whether the financial statements have been prepared in accordance with UK-adopted international accounting standards subject to any material departures disclosed and explained in the notes to the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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 Board confirms that to the best of its 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;
- in the opinion of the Directors, the Annual Report taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's position and performance, business model and strategy; 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.

On behalf of the Board
Robert Talbut
Chairman
22 May 2024

Statement of Comprehensive Income

		Year ended 31 March 2024			Year ended 31 March 2023		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments at fair value	11	-	(5,748)	(5,748)	-	(6,084)	(6,084)
Currency (losses)/gains		-	(56)	(56)	-	39	39
Income	3						
Income from investments		6,361	-	6,361	5,593	-	5,593
Income from other investing activity		68	-	68	80	-	80
		6,429	(5,804)	625	5,673	(6,045)	(372)
Expenses							
Management fee	4	(210)	(210)	(420)	(207)	(207)	(414)
Administrative expenses	5	(505)	(24)	(529)	(417)	-	(417)
Finance costs	7	(502)	(502)	(1,004)	(363)	(363)	(726)
		(1,217)	(736)	(1,953)	(987)	(570)	(1,557)
Profit/(loss) before taxation		5,212	(6,540)	(1,328)	4,686	(6,615)	(1,929)
Taxation	8	(144)	-	(144)	(102)	-	(102)
Profit/(loss) attributable to equity holders of the Company		5,068	(6,540)	(1,472)	4,584	(6,615)	(2,031)

Earnings per Ordinary share (pence)	10	14.75	(19.03)	(4.28)	14.83	(21.40)	(6.57)

The Company does not have any income or expense that is not included in profit for the year, and therefore the "Profit for the year" is also the "Total comprehensive income for the year", as defined in IAS 1 (revised).

The total column of this statement represents the Statement of Comprehensive Income of the Company, prepared in accordance with UK adopted International Accounting Standards. The revenue and capital columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

All items in the above statement derive from continuing operations.

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

Balance Sheet

	Notes	As at 31 March 2024 £'000	As at 31 March 2023 £'000
Non-current assets			
Ordinary shares		97,974	75,760
Preference shares		24,195	20,895
Securities at fair value	11	122,169	96,655
Current assets			
Other receivables	12	1,567	1,383
Cash at bank		1,675	1,176
		3,242	2,559
Creditors: amounts falling due within one year			
Other payables		(491)	(350)
Short-term borrowings		(9,000)	(9,000)
	13	(9,491)	(9,350)
Net current liabilities		(6,249)	(6,791)
Total assets less current liabilities		115,920	89,864
Non-current liabilities			
Long-term borrowings	13	(9,963)	(9,951)
Net assets		105,957	79,913
Share capital and reserves			
Called-up share capital	14	21,166	15,532
Share premium account		49,952	21,411
Capital reserve	15	27,451	35,930
Revenue reserve		7,388	7,040
Equity shareholders' funds		105,957	79,913
Net asset value per Ordinary share (pence)	16	256.00	257.92

The financial statements were approved by the Board of Directors and authorised for issue on 22 May 2024 and were signed on its behalf by:

Robert Talbut
Chairman

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

Statement of Changes in Equity

Year ended 31 March 2024

	Note	Share capital £'000	Share premium account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 31 March 2023		15,532	21,411	35,930	7,040	79,913
Issue of shares on the aSCIT transaction	22	5,634	29,594	-	-	35,228
Cost of shares issued in respect of the aSCIT transaction	22	-	(1,053)	-	-	(1,053)
Buyback of Ordinary shares for treasury		-	-	(1,939)	-	(1,939)
(Loss)/profit for the year		-	-	(6,540)	5,068	(1,472)
Equity dividends	9	-	-	-	(4,720)	(4,720)
As at 31 March 2024		21,166	49,952	27,451	7,388	105,957

Year ended 31 March 2023

	Note	Share capital £'000	Share premium account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 31 March 2022		15,460	21,109	42,545	6,705	85,819
Issue of Ordinary shares		72	302	-	-	374
(Loss)/profit for the year		-	-	(6,615)	4,584	(2,031)
Equity dividends	9	-	-	-	(4,249)	(4,249)
As at 31 March 2023		15,532	21,411	35,930	7,040	79,913

The Company has aggregate realised and distributable reserves of £34,839,000 as at 31 March 2024 (2023 - £42,970,000), comprising a capital reserve of £27,451,000 (2023 - £35,930,000) and a revenue reserve of £7,388,000 (2023 - £7,040,000).

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

Cash Flow Statement

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Net cash inflow from operating activities		
Dividend income received	6,171	5,478
Interest income received	31	7
Options premium received	35	71
Interest received from money market funds	31	7
Management fee paid	(397)	(415)
Other cash expenses	(539)	(432)
Cash generated from operations	5,332	4,716
Interest paid	(991)	(684)
Overseas tax paid	(140)	(184)
Net cash inflows from operating activities	4,201	3,848
Cash flows from investing activities		
Purchases of investments	(43,873)	(16,518)
Sales of investments	44,372	16,199
Net cash outflow from investing activities	499	(319)
Cash flows from financing activities		
Equity dividends paid	(4,720)	(4,249)
Issue of Ordinary shares	-	374
Buyback of Ordinary shares to Treasury	(1,838)	-
Net cash acquired and received following the aSCIT transaction	3,444	-
Cost of shares issued in respect of the aSCIT transaction	(1,031)	-

Loan repayment	-	(19,000)
Loan drawdown	-	19,000
Net cash outflow from financing activities	(4,145)	(3,875)
Increase/(decrease) in cash and cash equivalents	555	(346)

Reconciliation of net cash flow to movements in cash and cash equivalents		
Increase/ (decrease) in cash and cash equivalents as above	555	(346)
Net cash and cash equivalents at start of year	1,176	1,483
Effect of foreign exchange rate changes	(56)	39
Net cash and cash equivalents at end of year	1,675	1,176

Notes to the Financial Statements

For the year ended 31 March 2024

1. Principal activity.

The Company is a closed-end investment company, registered in England and Wales No. 00386561, with its Ordinary shares listed on the London Stock Exchange.

2. Accounting policies

(a) Basis of accounting. The financial statements of the Company have been prepared in accordance with UK adopted International Accounting Standards ("IAS") and using the historical cost convention except for investments, which are measured at fair value (see note 2(b) below) .

In preparing these financial statements the Directors have considered the impact of climate change risk as an emerging risk, and have concluded that it does not have a material impact on the Company's investments. In line with IAS, investments are valued at fair value, which for the Company are quoted bid prices for investments in active markets at the Balance Sheet date and therefore reflect market participants view of climate change risk.

The Company's financial statements are presented in sterling, which is also the functional currency as it is the currency in which shares are issued and expenses are generally paid. All values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

Where presentational guidance set out in the Statement of Recommended Practice ("SORP"): 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies ("AIC"), is consistent with the requirements of IAS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP issued in July 2022.

Going concern. The Company's assets consist mainly of equity shares in companies listed on the London Stock Exchange. The Board has performed stress testing and liquidity analysis on the portfolio and considers that, in most foreseeable circumstances, the majority of the Company's investments are realisable within a relatively short timescale. The Board has set limits for borrowing and regularly reviews actual exposures, cash flow projections and compliance with banking covenants, including the headroom available. At the year end, the Company had a £20 million loan facility which is due to mature in May 2027. Having taken these factors into account, the Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future and has the ability to meet its financial obligations as they fall due for the period to 30 June 2025, which is at least twelve months from the date of approval of this Report. For these reasons, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Significant accounting judgements, estimates and assumptions. The preparation of financial statements requires the use of certain significant accounting judgements, estimates and assumptions which requires management to exercise its judgement in the process of applying the accounting policies and are continually evaluated. The Directors do not consider there to be any significant judgements and estimates within the financial statements for the year ended 31 March 2024. Special dividends are assessed and credited to capital or revenue according to their circumstances.

New and amended accounting standards and interpretations. At the date of authorisation of these financial statements, the following amendments to Standards and Interpretations were assessed to be relevant and are all effective for annual periods beginning on or after 1 January 2023 but are considered to not have a material impact on the financial statements:

- IAS 1 Amendments (Disclosure of Accounting Policies) (effective from 1 January 2023)

Future amendments to standards and interpretations. At the date of authorisation of these financial statements, the following amendments to Standards and Interpretations were assessed to be relevant and are all effective for annual periods beginning on or after 1 January 2024;

- IAS 1 Amendments (Classification of Liabilities as Current or Non-Current) (effective from 1 January 2024)
- IAS 1 Amendments (Non-current Liabilities with Covenants) (effective from 1 January 2024)

The Company intends to adopt the Standards and Interpretations in the reporting period when they become effective and the Board does not anticipate that the adoption of these Standards and Interpretations in future periods will materially impact the Company's financial results in the period of initial application although there may be revised presentations to the Financial Statements and additional disclosures.

(b) Investments. All investments are evaluated and managed on a fair value basis and are therefore classified as FVTPL ("Fair Value Through Profit or Loss").

Investments are recognised and de-recognised at the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are measured at fair value. For listed investments, this is deemed to be bid market prices or closing prices for SETS (London Stock Exchange's electronic trading service) stocks sourced from the London Stock Exchange.

Gains and losses arising from the changes in fair value are included in net profit or loss for the period as a capital item. Transaction costs are treated as a capital cost.

(c) Income. Dividend income from equity investments, which have a discretionary dividend, is recognised when the shareholders' rights to receive payment have been established, normally the ex-dividend date. Special dividends are allocated to revenue or capital based on their individual merits.

If a scrip dividend is taken in lieu of a cash dividend, the net amount of the cash dividend declared is credited to the revenue account. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised as capital.

Income from preference shares which do not have a discretionary dividend are accounted for on a fair value basis.

Interest from deposits and interest from debt securities which do not have a discretionary dividend are accounted for on an accruals basis.

The premium received from traded options is recognised in the revenue column of the Statement of Comprehensive Income.

(d) Expenses. All expenses are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the Statement of Comprehensive Income, all expenses have been presented as revenue items except those where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated. Accordingly, the management fee and finance costs have been allocated 50% to revenue and 50% to capital, in order to reflect the Directors' expected long-term view of the nature of the future investment returns of the Company.

(e) Borrowings. Both short-term and long-term borrowings, which comprise interest bearing bank loans are initially recognised at cost, being the fair value of the consideration received, net of any issue expenses and subsequently measured at amortised cost using the effective interest method. The finance costs, being the difference between the net proceeds of borrowings and the total amount of payments that require to be made in respect of those borrowings, are amortised over the life of the borrowings.

(f) Taxation. The tax payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expenditure that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company has no liability for current tax.

Deferred tax is recognised in respect of all temporary differences at the Balance Sheet date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the Balance Sheet date. 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 temporary differences can be deducted. Deferred tax assets and liabilities are measured at the rates applicable to the legal jurisdictions in which they arise, using tax rates that are expected to apply at the date the deferred tax position is unwound.

Owing to the Company's status as an investment trust, 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.

(g) Foreign currencies. Monetary assets and liabilities, comprising current assets, current liabilities and non-current liabilities and non-monetary assets comprising non-current assets held at fair value which are denominated in foreign currencies are converted into sterling at the rate of exchange ruling at the reporting date. Transactions during the year in foreign currencies are converted at the rate of exchange ruling at the transaction date. Gains or losses on monetary assets and liabilities arising from a change in exchange rates subsequent to the date of a transaction are included as a currency gain or loss in revenue or capital column of the Statement of Comprehensive Income, depending on whether the gain or loss is of a revenue or capital nature. Non-monetary assets that are measured at fair value and gains or losses arising from a change in exchange rates subsequent to the date of a transaction are included as a gain or loss on investments in the capital column of the Statement of Comprehensive Income.

(h) Derivatives. The Company may enter into certain derivatives (e.g. traded options). Traded option contracts are restricted to writing out-of-the-money options with a view to generating income. Premiums received on traded option contracts are recognised as income evenly over the period from the date they are written to the date when they expire or are exercised or assigned. Losses on any movement in the fair value of open contracts at the year end and on the exercise of the contracts are recorded in the capital column of the Statement of Comprehensive Income as they arise.

(i) Cash and cash equivalents. Cash and cash equivalents comprise cash in hand and at banks and short-term deposits with an original maturity of less than 90 days.

(j) Other receivables. Financial assets classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. As such they are measured at amortised cost. Other receivables do not carry any interest, they have been assessed for any expected credit losses over their lifetime due to their short-term nature.

(k) Other payables. Payables are non-interest bearing and are stated at their undiscounted cash flows.

(l) Dividends payable. Final dividends are recognised from the date on which they are approved by shareholders. Interim dividends are recognised when paid.

(m) Nature and purpose of reserves

Share premium account. The balance classified as share premium includes the premium above nominal value from the proceeds on issue of any equity share capital comprising Ordinary shares of 50p per share and includes the premium arising following the issue of shares on the transaction with abrdn Smaller Companies Income Trust plc on 1 December 2023 less the costs associated with the transaction. This reserve is not distributable.

Capital reserve. This reserve reflects any realised gains or losses in the period together with any unrealised increases and decreases that have been recognised in the Statement of Comprehensive Income. These include gains and losses from foreign currency exchange differences. Additionally, expenses, including finance costs, are charged to this reserve in accordance with (d) above.

The capital reserve, to the extent that the gains are deemed realised, is distributable, including by way of share buybacks and dividends.

Revenue reserve. This reserve reflects all income and costs which are recognised in the revenue column of the Statement of Comprehensive Income. The revenue reserve is distributable, including by way of dividend.

(n) Segmental reporting. The Directors are of the opinion that the Company is engaged in a single segment of business activity, being investment business. Consequently, no business segmental analysis is provided.

3. Income

	2024 £'000	2023 £'000
Income from listed investments		
UK dividend income	5,254	4,784
Overseas dividend income	1,048	802
Interest from investment in money market funds	31	7
UK interest	28	-
	6,361	5,593
Other income from investment activity		
Deposit interest	34	7
Traded option premiums	34	73
Total income	6,429	5,673

4. Management fees

	2024			2023		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fees	210	210	420	207	207	414

The management fee is based on 0.45% per annum up to £100 million and 0.40% over £100 million, by reference to the net assets of the Company and including any borrowings up to a maximum of £30 million, and excluding commonly managed funds, calculated monthly and paid quarterly. In addition, with effect from 1 December 2023, a further fee of £120,000 per annum is charged for other services provided under the terms of the management agreement. The fee is allocated 50% to revenue and 50% to capital. The management agreement is terminable on not less than six months' notice. For the period 1 December 2023 to 30 May 2024, there is a management fee waiver in place as a result of the transaction with abrdn Smaller Companies Income Trust plc ("aSCIT"). For this period the fee will be calculated at 0.29% per annum of net assets up to £100 million and 0.26% per annum of net assets over this threshold. After this waiver period has ended the fee will return to the existing fee rates. Should the Company terminate the management agreement within three years of the date of the transaction with aSCIT, then the Company undertakes to repay all or a proportion of the management fees waived by the Manager based on the time elapsed since completion of the transaction. For the period to 31 March 2024 the value of the management fee waiver was calculated to be £65,000. The total of the fees paid and payable during the year to 31 March 2024 was £420,000 (2023 - £414,000) and the balance due to abrdn Fund Managers Limited ("aFML") at the year end was £127,000 (2023 - £105,000).

5. Administrative expenses

	2024 £'000	2023 £'000
Directors' remuneration	141	134
Auditor's remuneration: fees payable to the Company's Auditor for the audit of the Company's annual accounts	60	53
Promotional activities	50	40
Professional fees	25	19

Directors' & Officers' liability insurance	11	10
Trade subscriptions	29	27
Share plan costs	30	18
Registrar's fees	39	39
Printing, postage and stationery	28	31
Custody fees	11	7
Other administrative expenses	81	39
	505	417
Capital administrative expenses - professional fees	24	-
	529	417

The management agreement with aFML also provides for the provision of promotional activities, which aFML has delegated to abrdn Investments Limited. The total fees payable under the management agreement in relation to promotional activities were £50,000 (2023 - £40,000) with a balance due to aFML at the year end of £19,000 (2023 - £10,000). The Company's management agreement with aFML also provides for the provision of company secretarial and administration services to the Company. No separate fee is charged to the Company in respect of these services, which have been delegated to abrdn Holdings Limited.

6. Directors' remuneration

The Company had no employees during the year (2023 - none). No pension contributions were paid for Directors (2023 - £nil). Further details on Directors' Remuneration can be found in the Directors' Remuneration Report.

7. Finance costs

	2024			2023		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
On bank loans	502	502	1,004	363	363	726

8. Taxation

	2024			2023		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(a) Analysis of the charge for the year						
Overseas tax	144	-	144	102	-	102
Total tax charge	144	-	144	102	-	102

(b) Factors affecting the tax charge for the year. The tax assessed for the year is lower than the effective rate of corporation tax in the UK. The differences are explained in the reconciliation below:

	2024			2023		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profit/(loss) before taxation	5,212	(6,540)	(1,328)	4,686	(6,615)	(1,929)
Corporation tax at an effective rate of 25% (2023 - 19%)	1,303	(1,635)	(332)	890	(1,257)	(367)
Effects of:						
Non-taxable UK dividend income	(1,329)	-	(1,329)	(903)	-	(903)
Excess management expenses not utilised	251	184	435	162	108	270
Expenses not deductible for tax purposes	3	-	3	-	-	-
Overseas withholding tax	144	-	144	102	-	102
Non-taxable overseas dividends	(228)	-	(228)	(149)	-	(149)
Losses on investments not taxable	-	1,437	1,437	-	1,156	1,156
Losses/(gains) on currency movements	-	14	14	-	(7)	(7)
Total tax charge	144	-	144	102	-	102

At 31 March 2024 the Company had surplus management expenses and loan relationship debits with a tax value of £8,008,000 based on a corporation tax rate of 25% (2023 - £7,572,000 based on a corporation tax rate of 19%) in respect of which a deferred tax asset has not been recognised. This is because the Company is not expected to generate taxable income in a future period in excess of the deductible expenses of that future period and, accordingly, it is unlikely that the Company will be able to reduce future tax liabilities through the use of existing surplus expenses.

9. Dividends

9. Dividends

	2024 £'000	2023 £'000
Amounts recognised as distributions to equity holders in the period:		
Third interim dividend for 2023 of 3.20p (2022 - 3.20p) per share	991	986
Final dividend for 2023 of 4.60p (2022 - 4.20p) per share	1,425	1,294
First two interim dividends for 2024 totalling 6.40p (2023 - 6.40p) per share	2,308	1,982
Refund of unclaimed dividends from previous periods	(6)	(15)
	4,718	4,247
3.5% Cumulative Preference shares	2	2
Total	4,720	4,249

The third interim dividend of 3.20p for the year to 31 March 2024, which was paid on 30 April 2024, and the proposed final dividend of 4.80p for the year to 31 March 2024, payable on 31 July 2024, have not been included as liabilities in these financial statements.

Set out below are the total Ordinary dividends payable 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:

	2024 £'000	2023 £'000
Three interim dividends for 2024 totalling 9.60p (2023 - 9.60p) per share	3,632	2,973
Proposed final dividend for 2024 of 4.80p (2023 - 4.60p) per share	1,986	1,424
	5,618	4,397

The amount reflected above for the cost of the proposed final dividend for 2024 is based on 41,369,542 Ordinary shares, being the number of Ordinary shares in issue at the date of this Report.

10. Earnings per Ordinary share

	2024 £'000	2023 £'000
Earnings per Ordinary share are based on the following figures:		
Revenue return	5,068	4,584
Capital return	(6,540)	(6,615)
Total return	(1,472)	(2,031)
Weighted average number of Ordinary shares	34,363,846	30,919,854

During the year and preceding years there were no potentially dilutive shares in issue.

11. Non-current assets - Securities at fair value

	2024 Listed investments £'000	2023 Listed investments £'000
Opening book cost	89,610	87,106
Opening investment holdings gains	7,045	15,319
Opening valuation	96,655	102,425
Assets acquired in relation to the aSCIT transaction	31,761	-
Purchases	43,873	16,513
Sales - proceeds	(44,372)	(16,199)
Losses on investments	(5,748)	(6,084)
Total investments held at fair value through profit or loss	122,169	96,655

	2024 Listed investments £'000	2023 Listed investments £'000
Closing book cost	119,549	89,610
Closing investment holdings gains	2,620	7,045
Total investments held at fair value through profit or loss	122,169	96,655

Losses on investments	2024 £'000	2023 £'000
Net realised (losses)/gains on sales of investments[A]	(1,202)	2,210
Cost of call options exercised	(121)	(20)
Net realised (losses)/gains on sales	(1,323)	2,190
Movement in fair value of investments	(4,413)	(8,274)
Cost of put options assigned	(12)	-
	(5,748)	(6,084)

[A] Includes losses realised on the exercise of traded options of £133,000 (2023 - £20,000) which are reflected in the capital column of the Statement of Comprehensive Income.

The cost of exercising of call options and assigning put options is the difference between the market price of the underlying shares and the strike price of the options. The premiums earned on options expired, exercised or assigned of £34,000 (2023 - £73,000) have been dealt with in the revenue account.

The movement in the fair value of traded option contracts has been calculated in accordance with the accounting policy stated in note 2(h) and has been charged to the capital reserve.

The Company received £44,372,000 (2023 - £16,199,000) from investments sold in the period. The book cost of these investments when they were purchased was £45,695,000 (2023 - £14,009,000). 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.

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 on purchases of investments in the year was £182,000 (2023 - £78,000). The total costs on sales of investments in the year was £15,000 (2023 - £11,000). The above transaction costs are calculated in line with the AIC SORP. The transaction costs in the Company's Key Information Document are calculated on a different basis and in line with the PRIIPs regulations.

At 31 March 2024 the Company held the following investments comprising more than 3% of the class of share capital held:

Company	Country of Incorporation	Number of shares held	Class of shares held	Class held %
Ecclesiastical Insurance Office	England	4,490,000	8 5/8% Cum Pref	4.2
Royal & Sun Alliance	England	4,600,000	7 3/8% Cum Pref	3.7
General Accident	Scotland	3,548,000	7.875% Cum Pref	3.2

12. Other receivables

	2024 £'000	2023 £'000
Accrued income and prepayments	1,567	1,381
Option contract premium	-	2
	1,567	1,383

None of the above amounts are overdue.

13. Current liabilities

	2024 £'000	2023 £'000
Short-term bank loan	9,000	9,000
Amounts due to brokers relating to buyback of Ordinary shares for Treasury	101	-
Other creditors	390	350
	9,491	9,350

Included above are the following amounts owed to aFML for management and savings scheme services and for the promotion of the Company.

	2024 £'000	2023 £'000
Other creditors	160	123

Non-current liabilities	2024 £'000	2023 £'000
Long-term bank loan	10,000	10,000
Loan arrangement fees	(37)	(49)
	9,963	9,951

On 3 May 2022, the Company entered into a five year £20 million loan facility with The Royal Bank of Scotland International Limited, London Branch. £10 million of the loan facility has been drawn down and fixed at an all-in interest rate of 3.903% until 30 April 2027. £9 million of the facility has been drawn down on a short-term basis at an all-in interest rate of 6.84%, maturing 5 April 2024. At the date this Report was approved £9,000,000 of the facility had been drawn down on a short-term basis at a rate of 6.85%, maturing on 7 June 2024.

The terms of The Royal Bank of Scotland International Limited facility contain covenants that consolidated gross borrowings do not exceed 33% of the adjusted portfolio value ("Securities at fair value" per the Balance Sheet adjusted for any ineligible investments) at any time, the number of eligible investments shall not be less than 30 at any time and the portfolio value shall at all times be equal to or more than £40 million. The Company met these covenants during the year and following the year end.

The arrangement expenses incurred on the drawdown of the loan will be amortised over the term of the loan.

14. Called up share capital

	2024		2023	
	Number	£'000	Number	£'000
Allotted, called up and fully paid Ordinary shares of 50 pence each:				
Balance brought forward	30,964,580	15,482	30,819,580	15,410
Ordinary shares issued	11,268,494	5,634	145,000	72
Ordinary shares bought back to Treasury in the year	(863,532)	(432)	-	-
Balance carried forward	41,369,542	20,684	30,964,580	15,482
Allotted, called up and fully paid 3.5% Cumulative Preference shares of £1 each:				
Balance brought forward and carried forward	50,000	50	50,000	50
		20,734		15,532

Treasury shares:				
Balance brought forward	-	-	-	-
Ordinary shares bought back to Treasury in the year	863,532	432	-	-
Balance carried forward	863,532	432	-	-

During the year 11,268,494 Ordinary shares were issued in exchange for £35,228,000 of net assets from abrdn Smaller Companies Income Trust plc (note 22).

During the year 863,532 Ordinary shares were bought back into Treasury representing 2.1% of the Company's total issued share capital (2023 - nil) at a total cost of £1,939,000 (2023 - the Company issued 145,000 Ordinary shares of 50p each for proceeds of £374,000).

Each Ordinary and Cumulative Preference share carries one vote at general meetings of the Company. The Cumulative Preference shares are considered to be equity. They have no fixed redemption date, carry a right to receive a fixed rate of dividend and, on a winding up of the Company, to the payment of such fixed cumulative preferential dividends to the date of such winding up and to the repayment of the capital paid up on such shares in priority to any payment to the holders of the Ordinary shares.

The Ordinary shares, excluding any treasury shares, carry a right to receive dividends and, on a winding up or other return of capital, after meeting the liabilities of the Company, the surplus assets will be paid to Ordinary shareholders in proportion to their shareholdings.

There are no restrictions on the transfer of Ordinary or Cumulative Preference shares in the Company other than certain restrictions which may from time to time be imposed by law.

15. Capital reserve

	2024 £'000	2023 £'000

	£'000	£'000
At 31 March 2023	35,930	42,545
Net (losses)/gains on sales of investments during year	(1,323)	2,190
Movement in fair value decreases of investments	(4,425)	(8,274)
Buyback of Ordinary shares for treasury	(1,939)	-
Management fees	(210)	(207)
Administrative expenses	(24)	-
Interest on bank loans	(502)	(363)
Currency (losses)/gains	(56)	39
At 31 March 2024	27,451	35,930

The capital reserve includes gains of £2,620,000 (31 March 2023 - gains of £7,045,000), which relate to the revaluation of investments held at the reporting date.

16. Net asset value per Ordinary share

The net asset value per share and the net assets attributable to the Ordinary shareholders at the year end were as follows:

	2024	2023
Net assets per Balance Sheet	£105,957,000	£79,913,000
3.5% Cumulative Preference shares of £1 each	£50,000	£50,000
Attributable net assets	£105,907,000	£79,863,000
Number of Ordinary shares in issue	41,369,542	30,964,580
Net asset value per share	256.00p	257.92p

17. Analysis of changes in financial liabilities during the year

Financing activities	At 31 March 2023 £'000	Cash flows £'000	Other movements[A] £'000	At 31 March 2024 £'000
Debt due within one year	(9,000)	-	-	(9,000)
Debt due after more than one year	(9,951)	-	(12)	(9,963)
	(18,951)	-	(12)	(18,963)

Financing activities	At 31 March 2022 £'000	Cash flows £'000	Other movements[A] £'000	At 31 March 2023 £'000
Debt due within one year	(19,000)	10,000	-	(9,000)
Debt due after more than one year	-	(10,000)	49	(9,951)
	(19,000)	-	49	(18,951)

[A] The other movements column represents the amortisation of the loan arrangement fees.

18. Financial instruments

Risk management. The Company's investment activities expose it to various types of financial risk associated with the financial instruments and markets in which it invests. 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 may also, subject to Board approval, enter into derivative transactions, in the form of traded options, for the purpose of enhancing income returns and portfolio management. During the year, the Company entered into certain derivative contracts. As disclosed in note 3, the premium received and fair value changes in respect of options written in the year were £34,000 (2023 - £73,000). Positions closed during the year realised a loss of £133,000 (2023 - £20,000). The largest position in derivative contracts held during the year at any given time was £35,000 (2023 - £40,000). The Company had no open positions in derivative contracts at 31 March 2024 (2023 - nil).

The Board has delegated the risk management function in relation to financial instruments to abrdn Fund Managers Limited ("aFML") under the terms of its management agreement with aFML (further details of which are included under note 4). The Board regularly reviews and agrees policies for managing each of the key financial risks identified with the Manager. The types of risk and the Manager's approach to the management of each type of risk, are summarised below. Such approach has been applied throughout the year and has not changed since the previous accounting period. The numerical disclosures exclude short-term debtors and creditors given their relatively low value.

Risk management framework. The directors of aFML collectively assume responsibility for aFML's obligations under the AIFMD including reviewing investment performance and monitoring the Company's risk profile during the year.

aFML is a fully integrated member of the abrdn Group (the "Group"), which provides a variety of services and support to aFML in the conduct of its business activities, including in the oversight of the risk management framework for the Company. The AIFM has delegated the day to day administration of the investment policy to abrdn Limited, which is responsible for ensuring that the Company is managed within the terms of its investment guidelines and the limits set out in its pre-investment disclosures to investors (details of which can be found on the Company's website). The AIFM has retained responsibility for monitoring and oversight of investment performance, product risk and regulatory and operational risk for the Company.

The Group's Internal Audit Department is independent of the Risk Division and reports directly to the Group's CEO and to the Audit Committee of the Group's Board of Directors. The Internal Audit Department is responsible for providing an independent assessment of the Group's control environment.

The Manager conducts its risk oversight function through the operation of the Group's risk management processes and systems which are embedded within the Group's operations. The Group's Risk Division supports management in the identification and mitigation of risks and provides independent monitoring of the business. The Division includes Compliance, Business Risk, Market Risk, Risk Management and Legal. The team is headed up by the Group's Chief Risk Officer, who reports to the Group's CEO. The Risk Division achieves its objective through embedding the Risk Management Framework throughout the organisation using the Group's operational risk management system ("SHIELD").

The Group's corporate governance structure is supported by several committees to assist the board of directors of abrdn, its subsidiaries and the Company to fulfil their roles and responsibilities. The Group's Risk Division is represented on all committees, with the exception of those committees that deal with investment recommendations. The specific goals and guidelines on the functioning of those committees are described on the committees' terms of reference.

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

(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 fair value of the investments in convertibles and preference shares;
- the level of income receivable on cash deposits; and
- interest payable on the Company's variable rate borrowings.

Management of the risk. 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.

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. Borrowings comprise fixed rate, revolving, and uncommitted facilities. The fixed rate facilities are used to finance opportunities at low rates and, the revolving and uncommitted facilities to provide flexibility in the short-term. Current bank covenants state that the gross borrowings will not exceed one-third of adjusted portfolio value.

The Board reviews the value of investments in preference shares on a regular basis.

Interest rate profile. The interest rate risk profile of the portfolio of financial assets and liabilities (excluding ordinary shares) at the Balance Sheet date was as follows:

As at 31 March 2024	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
Assets				
UK preference shares	-	8.62	24,195	-
Cash and cash equivalents	-	5.35	-	1,675
Total assets			24,195	1,675
Liabilities				
Short-term bank loans	0.01	6.84	(9,000)	-
Long-term bank loans	3.09	3.90	(9,963)	-
Total liabilities			(18,963)	-

	Weighted average period for which rate is	Weighted average interest	Fixed	Floating

As at 31 March 2023	fixed Years	rate %	rate £'000	rate £'000
Assets				
UK preference shares	-	8.49	20,895	-
Cash and cash equivalents	-	3.97	-	1,176
Total assets			20,895	1,176
Liabilities				
Short-term bank loans	0.01	5.58	(9,000)	-
Long-term bank loans	4.01	3.90	(9,951)	-
Total liabilities			(18,951)	-

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 cash assets consist of cash deposits on call earning interest at prevailing market rates.

The UK preference shares assets have no maturity date.

Short-term debtors and creditors (with the exception of bank loans) have been excluded from the above tables.

Interest rate sensitivity. The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the Balance Sheet date and 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 200 basis points higher or lower and all other variables were held constant, the Company's:

- profit before tax for the year ended 31 March 2024 would increase/decrease by £34,000 (2023 - £24,000). This is mainly attributable to the Company's exposure to interest rates on its floating rate cash balances. These figures have been calculated based on cash positions at each year end.

- the capital return would decrease/increase by £3,300,000 (2023 - increase/decrease by £3,342,000) using VaR ("Value at Risk") analysis based on 100 observations of monthly VaR computations of fixed interest portfolio positions at each year end.

Currency risk. A small proportion of the Company's investment portfolio is invested in overseas securities whose values are subject to fluctuation due to changes in exchange rates.

Management of the risk. The revenue account is subject to currency fluctuations arising on dividends received in foreign currencies and, indirectly, due to the impact of foreign exchange rates upon the profits of investee companies. The Company does not hedge this currency risk. The Company does not have any exposure to foreign currency liabilities. No currency sensitivity analysis has been prepared as the Company considers any impact to be immaterial to the financial statements.

Price risk. 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.

Management of the risk. 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 allocation of assets to specific sectors and the stock selection process both act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The investments held by the Company are listed on recognised stock exchanges.

Price sensitivity. If market prices at the Balance Sheet date had been 20% higher or lower while all other variables remained constant, the profit before tax attributable to Ordinary shareholders for the year ended 31 March 2024 would have increased/decreased by £19,595,000 (2023 - increase/decrease of £15,152,000). This is based on the Company's portfolio of Ordinary shares 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.

Management of the risk. 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 facilities, details of which can be found in note 13. Under the terms of the loan facility, the Manager provides the lender with loan covenant reports on a monthly basis, to provide the lender with assurance that the terms of the facility are not being breached. The Manager will also review the credit rating of a lender on a regular basis.

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. Borrowings comprise a revolving loan facility and a fixed term loan facility. The Board has imposed a maximum equity gearing level of 35% which constrains the amount of gearing that can be invested in equities which, in normal market conditions, are more volatile than the preference shares within the portfolio. Details of borrowings at 31 March 2024 are shown in note 13.

Maturity profile. The maturity profile of the Company's financial liabilities at the Balance Sheet date, with amounts undiscounted and order by contractual maturity, was as follows:

At 31 March 2024	Within 1 year £'000	Within 1-5 years £'000	More than 5 years £'000
Trade and other payables	(491)	-	-
Short-term bank loans	(9,052)	-	-
Long-term bank loans	(389)	(10,873)	-
	(9,932)	(10,873)	-

At 31 March 2023	Within 1 year £'000	Within 1-5 years £'000	More than 5 years £'000
Trade and other payables	(350)	-	-
Short-term bank loans	(9,044)	-	-
Long-term bank loans	(392)	(11,262)	-
	(9,786)	(11,262)	-

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

Management of the risk. The risk 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;
- transactions involving derivatives are entered into only with investment banks, the credit rating of which 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 is reviewed periodically by the investment manager, and limits are set on the amount that may be due from any one broker;
- the risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the review of failed trade reports on a daily basis. In addition, both stock and cash reconciliations to the Custodian's records are performed on a daily basis to ensure discrepancies are investigated on a timely basis. The Group's Compliance carries out periodic reviews of the Custodian's operations and reports its findings to the abrdn Group's Risk Management Committee and to the Board of the Company. This review will also include checks on the maintenance and security of investments held;
- transactions involving derivatives and other arrangements wherein the creditworthiness of the entity acting as broker or counterparty to the transaction is likely to be of sustained interest are subject to rigorous assessment by the Investment Manager of the credit worthiness of that counterparty. The Company's aggregate exposure to each such counterparty is monitored regularly by the Board; and
- cash is held only with reputable banks with high quality external credit enhancements.

It is the Investment Manager's policy to trade only with A- and above (Long Term rated) and A-1/P-1 (Short Term rated) counterparties.

None of the Company's financial assets are secured by collateral or other guarantees or assurances.

Credit risk exposure. In summary, compared to the amounts in the Balance Sheet, the maximum exposure to credit risk at 31 March 2024 and 31 March 2023 was as follows:

	2024		2023	
	Balance Sheet £'000	Maximum exposure £'000	Balance Sheet £'000	Maximum exposure £'000
Non-current assets				
Quoted preference shares at fair value through profit or loss	24,195	24,195	20,895	20,895
Current assets				
Accrued income	1,567	1,567	1,363	1,363
Option contract premium	-	-	2	2
Cash and cash equivalents	1,675	1,675	1,176	1,176
	27,437	27,437	23,436	23,436

None of the Company's financial assets is past its due date.

Fair value of financial assets and liabilities. The fair value of the long-term loan has been calculated at £9,619,000 as at 31 March 2024 (2023 - £9,097,000) compared to an accounts value in the financial statements of £9,963,000 (2023 - £9,951,000) (note 13). The fair value of each loan is determined by aggregating the expected future cash flows for that loan discounted at a rate comprising the borrower's margin plus an average of market rates applicable to loans of a similar period of time and currency. The loan is considered to be classed as a Level 2 liability under IFRS 13. The carrying values of fixed asset investments are stated at their fair values, which have been determined with reference to quoted market prices. Traded options contracts are valued at fair value which have been determined with reference to quoted market values of the contracts. The contracts are tradeable on a recognised exchange. For all other short-term debtors and creditors, their book values approximate to fair values because of their short-term maturity.

19. Fair value hierarchy

IFRS 13 'Financial Value Measurement' 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 has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The financial assets and liabilities measured at fair value in the Balance Sheet are grouped into the fair value hierarchy at 31 March 2024 as follows:

As at 31 March 2024	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted investments	a)	122,169	-	-	122,169
Net fair value		122,169	-	-	122,169

As at 31 March 2023	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted investments	a)	96,655	-	-	96,655
Net fair value		96,655	-	-	96,655

a) Quoted investments. The fair value of the Company's quoted investments has been determined by reference to their quoted bid prices at the reporting date. Quoted investments included in Fair Value Level 1 are actively traded on recognised stock exchanges.

20. 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 return to its equity shareholders through an appropriate balance of equity capital and debt.

The capital of the Company consists of equity, comprising issued capital, reserves and retained earnings.

The Board monitors and reviews the broad structure of the Company's capital. This review includes the nature and planned level of gearing, which takes account of the Investment 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 is not subject to any externally imposed capital requirements.

21. Related party transactions

Directors' fees and interests. Fees payable during the year to the Directors and their interests in shares of the Company are disclosed within the Directors' Remuneration Report.

Transactions with the Manager. The Company has an agreement with the abrdn Group for the provision of management, secretarial, accounting and administration services and for the carrying out of promotional activities in relation to the Company. Details of transactions during the year and balances outstanding at the year end are disclosed in notes 4 and 5.

22. Transaction with abrdn Smaller Companies Investment Trust plc ("aSCIT")

On 1 December 2023, the Company announced that it had acquired £35,228,000 of net assets from aSCIT in consideration for the issue of 11,268,494 new Ordinary shares as part of a recommended s110 Scheme under the Insolvency Act. The scheme, inter alia, involved the cancellation of the Company's existing holding in the issued capital of aSCIT, and a formula asset value ("FAV") calculation to take account the costs of the transaction in computing the number and value of shares to be issued by the Company and assets transferred under the Scheme, as well as the value of cash exit for aSCIT shareholders which was at a discount to the FAV.

Net assets acquired	£'000
Investments	31,779
Cash	3,444
Debtors	5
Net assets	35,228

Satisfied by the value of new Ordinary shares issued	35,228

Alternative Performance Measures

Alternative performance measures 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 IAS and the AIC SORP. The Directors assess the Company's performance against a range of criteria which are viewed as particularly relevant for closed-end investment companies.

Discount to net asset value per Ordinary share

The difference between the share price and the net asset value per Ordinary share expressed as a percentage of the net asset value per Ordinary share.

		2024	2023
NAV per Ordinary share (p)	a	256.00	257.92
Share price (p)	b	222.00	250.00
Discount	(a-b)/a	13.3%	3.1%

Dividend Cover

Dividend cover measures the revenue return per share divided by total dividends per share, expressed as a ratio.

		2024	2023
Revenue return per share	a	14.75p	14.83p
Dividends per share	b	14.40p	14.20p
Dividend cover	a/b	1.02x	1.04x

Dividend Yield

The annual dividend divided by the share price, expressed as a percentage.

		2024	2023
Annual dividend per Ordinary share (p)	a	14.40p	14.20p
Share price (p)	b	256.00p	250.00p
Dividend yield	a/b	5.6%	5.7%

Net Gearing

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

		2024	2023
Borrowings (£'000)	a	18,963	18,951
Cash (£'000)	b	1,675	1,176
Amounts due to brokers (£'000)	c	101	-
Amounts due from brokers (£'000)	d	-	-
Shareholders' funds (£'000)	e	105,957	79,913
Net gearing	(a-b+c-d)/e	16.4%	22.2%

Ongoing Charges Ratio

The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total of investment management fees and administrative expenses and expressed as a percentage of the average net asset values throughout the year.

		2024	2023

	2024	2023
Investment management fees (£'000)	420	414
Administrative expenses (£'000)	529	417
Less: non-recurring charges[A] (£'000)	(24)	-
Ongoing charges (£'000)	925	831
Average net assets (£'000)	85,134	80,617
Ongoing charges ratio (excluding look-through costs)	1.09%	1.03%
Look-through costs[B]	0.01%	0.14%
Ongoing charges ratio (including look-through costs)	1.10%	1.17%

[A] Comprises promotional acitivities 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.

The ongoing charges ratio provided in the Company's Key Information Document is calculated in line with the PRIIPs regulations which amongst other things, includes the cost of borrowings 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 31 March 2024		NAV	Share Price
Opening at 1 April 2023	a	250.00p	257.92p
Closing at 31 March 2024	b	222.00p	256.00p
Price movements	c=(b/a)-1	-11.2%	-0.7%
Dividend reinvestment[A]	d	5.8%	5.5%
Total return	c+d	-5.4%	+4.8%

Year ended 31 March 2023		NAV	Share Price
Opening at 1 April 2022	a	278.29p	279.00p
Closing at 31 March 2023	b	257.92p	250.00p
Price movements	c=(b/a)-1	-7.3%	-10.4%
Dividend reinvestment[A]	d	5.1%	4.9%
Total return	c+d	-2.2%	-5.5%

[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.

Additional Notes to Annual Financial Report

The Annual General Meeting will be held at 18 Bishops Square, London E1 6EG on Friday 5 July 2024 at 12 noon.

The Annual Financial Report Announcement is not the Company's statutory accounts. The above results for the year ended 31 March 2024 are an abridged version of the Company's full accounts, which have been approved and audited with an unqualified report. The 2023 and 2024 statutory accounts received unqualified reports from the Company's auditor and did not include any reference to matters to which the auditor drew attention by way of emphasis without qualifying the reports, and did not contain a statement under S.498 of the Companies Act 2006. The financial information for 2023 is derived from the statutory accounts for 2023 which have been delivered to the Registrar of Companies. The 2024 accounts will be filed with the Registrar of Companies in due course.

The Annual Report and Accounts will be posted to shareholders and copies will be available from the registered office of the Manager and on the Company's website, www.shiresincome.co.uk. *

Please note that past performance is not necessarily a guide to the future and that the value of investments and the income from them may fall as well as rise. Investors may not get back the amount they originally invested.

By order of the Board

abrdn Holdings Limited

Company Secretary

22 May 2024

** Neither the Company's website nor the content of any website accessible from hyperlinks on the Company's website (or any other website) is (or is deemed to be) incorporated into, or forms (or is deemed to form) part of this announcement.*

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