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abrdn Equity Income Trust plc

Annual Report 30 September 2022

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

Company Number: 2648152

www.abrdnequityincome.com

abrdn Equity Income Trust plc is an "AIC Dividend Hero" – it has consistently increased its dividend for 22 years in a row.

"I am delighted that we have been able to cover the dividend this year and resume making significant dividend increases while starting to replenish our revenue reserves."

Mark White, Chairman

"This sharp recovery in the revenue account is a result of our focus on achieving the priorities set out by the Board at the time of the Covid-19 crisis. The Board emphasised that our first priority should be to build a portfolio that could deliver sufficient income to cover the dividend. I welcomed this challenge as I could see that it was consistent with our investment process."

Thomas Moore,
Portfolio Manager

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

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"The Board is committed to its progressive dividend policy and to maintaining and extending its track record of 22 consecutive years of dividend growth. We therefore expect that, in the absence of any adverse circumstances, in the coming financial yearwe will pay a dividend of at least 22.80 pence per share."

Mark White, Chairman

Performance Highlights

Net asset value total return per Ordinary share[A]
Year ended 30 September 2022

-7.6%

Year ended 30 September 2021 +39.9%

Share price total return per Ordinary share[A]
Year ended 30 September 2022

-7.8%

Year ended 30 September 2021 +47.1%

Revenue return per Ordinary share
Year ended 30 September 2022

25.51p

Year ended 30 September 2021 20.06p

Discount to net asset value[A]
As at 30 September 2022

8.8%

As at 30 September 2021 8.4%

Dividend per Ordinary share
Year ended 30 September 2022

22.70p

Year ended 30 September 2021 21.20p

Ongoing charges ratio[A]
Year ended 30 September 2022

0.91%

Year ended 30 September 2021 0.93%

[A] Considered to be an Alternative Performance Measure. Further details can be found on pages 83 to 85.

Net asset value per Ordinary share
At 30 September- pence

Dividends per share
For the year to 30 September - pence

Share price
At 30 September- pence

Financial Calendar, Dividends and Highlights

Pre-AGM Online Investor Event	**20 January 2023**
Annual General Meeting (London)	**2 February 2023**
Expected payment dates of interim dividends for year ending 30 September 2023	**March 2023** **June 2023** **September 2023** **January 2024**
Half year end	**31 March 2023**
Expected announcement of results for the six months ending 31 March 2023	**May 2023**
Financial year end	**30 September 2023**
Expected announcement of results for year ending 30 September 2023	**December 2023**

Strategic Report

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

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

Chairman's Statement

Earnings

While markets have been very volatile, particularly since the start of 2022, the Board's consistent direction to our Portfolio Manager over the last couple of years has been to focus on the income account and this has borne fruit. The Company's revenue per share, or earnings per share, for the financial year to 30 September 2022 were 25.51p, an impressive increase of 27.2% from the previous year. This exceeds the Company's previous record earnings of 22.06p in 2018 and means that the dividend for the year is covered by the earnings for the first time in three years.

Furthermore, the Board has stressed that while the focus should be on returning to a covered dividend, this was not to be achieved by simply buying the highest yielding stocks in the market. Our Portfolio Manager has confirmed that he currently expects the income generated by the portfolio to grow, despite the macro environment. Please see the Portfolio Manager's Review on pages 23 to 27 for more detail on the sources of the performance and income.

Results

In the year to 30 September 2022, the Net Asset Value ("NAV") total return of the Company was -7.6% and the share price total return was -7.8%. The FTSE All-Share Index delivered a total return of -4.0% over the same period. The reasons for the somewhat disappointing NAV performance are detailed in the Portfolio Manager's Report.

The uncertainty of the outlook is probably about the only constant in Chairman's statements these days but the pace at which events have unfolded since the start of 2022 has been truly remarkable. The last quarter of 2021 was challenging for the Company. However, the market's rotation out of growth and into value at the start of the year was beneficial, and our Portfolio Manager remained focused on generating sustainable income despite the challenging geopolitical and economic environment.

Dividend

I am delighted that the strong recovery in earnings has permitted the Board to announce a substantial increase in the fourth interim dividend while also making a solid start in rebuilding the revenue reserves. Furthermore, the Portfolio Manager's forecasts implythat net income in 2023 should be sufficient to allow further growth in the dividend on a fully covered basis. The fourth interim dividend for 2022 will be 6.5 pence per share which will be paid on 9 January 2023 to shareholders on the Register on 9 December 2022 with an associated ex-dividend date of 8 December 2022. This takes the total dividend for the year to 22.70 pence per share which is a 7.1% increase on the previous year and the 22nd consecutive annual dividend increase declared by the Company. After the payment of the fourth interim dividend, 2.94 pence per share will be transferred to revenue reserves, increasing revenue reserves to 24.62 pence per share.

In setting the level of the fourth interim dividend the Board balanced the desire to pay a meaningful dividend increase with the need to ensure that revenue reserves were replenished. The situation has been made easier by the impressive income growth exhibited by the portfolio.

The Board is committed to its progressive dividend policy and to maintaining and extending its track record of 22 consecutive years of dividend growth. We therefore expect that, in the absence of any adverse circumstances, in the coming financial yearwe will pay a dividend of at least 22.80 pence per share. The first three interim dividends will be 5.7 pence per share, payable in March, June and September and the fourth interim will be at least 5.7 pence per share payable in January. We have not given guidance on the dividend for the coming year in the past.

We believe that it is important to do so now (a) because we recognise that shareholders are looking for certainty in their budgeting and (b) because we want to stress our confidence in the quality of the portfolio and its ability to deliver the income required. The Company is currently trading on a yield of over 7%, the highest in the AIC UK Equity Income sector, which we do not believe is reflective of the revenue earning capacity of the underlying portfolio.

Buybacks

The Company bought back 561,535 Ordinary shares or 1.17% of the issued share capital during the year. The buy backs increased the NAV per share by 0.42 pence. The Board monitors the discount of the share price to the cum-income NAV in both absolute terms and relative to the discount of other UK equity income investment trusts with a view to moderating discount volatility.

The Board

In the Half-Yearly Report to 31 March 2022 I stated that I would stand down from the Board at the completion of the Annual General Meeting (the "AGM") in February 2023 and that Sarika Patel would succeed me as Chair. We have therefore undertaken a search for Sarika's successor as Chair of the Audit Committee. I am delighted to welcome Mark Little to the Board. Mark is a qualified accountant and has a wealth of experience in the sector. I'm sure he will be a great addition to the Board. He will stand for election to the Board at the AGM in February 2023 and will take over as Audit Chair from that point.

Online Shareholder Presentation

In order to encourage as much interaction as possible with our shareholders, we will be hosting an Online Shareholder Presentation, which will be held at 11:00 am on Friday, 20 January 2023. At this event there will be a presentation from the Portfolio Manager followed by an opportunity to ask live questions to the Portfolio Manager and the Chairman. The online presentation is being held ahead of the AGM to allow shareholders sufficient time to submit their proxy votes after the presentation but prior to the AGM should they so wish. Full details on how to register for the online event can be found on the Company's website at **www.abrdnequityincome.com**.

Annual General Meeting ("AGM")

This year's Annual General Meeting ("AGM") will be held at wallacespace Spitalsfield, 15-25 Artillery Lane, London, E1 7HA on Thursday, 2 February 2023 at 11:30 am. The meeting will include a presentation by the Portfolio Manager and will be followed by lunch. This is a good opportunity for shareholders to meet the Board and the Manager and the Board encourages you to attend. The Notice of the Meeting is contained on pages 97 to 100.

Outlook

I will be retiring from the Board at the AGM after a relatively brief tenure as Chair but nine years as a director.

In his valedictory remarks, Richard Burns, my predecessor, hoped that I would have a better story to tell in terms of our performance when my turn to hand over came round. Despite the negative capital return in the last 12 months, I am delighted that we have been able to cover the dividend this year and resume making significant dividend increases while starting to replenish our revenue reserves. The capital performance of the portfolio needs to be set against the global economic backdrop which remains troubled. The latest UK budget sets out to raise an additional £25bn to address the budget deficit caused by the extensive support provided to households and businesses during the Covid and Ukraine crises.

While low valuations may indicate that this troubled economic outlook is at least partially priced in, the Board is aware that capital growth may be constrained in the near term. This makes the income component of the total return all the more important. The Board is maintaining its direction to the Portfolio Manager that the revenue account should cover a dividend greater than the 22.70 pence per share that we are paying for FY22. At the time of writing, the revenue forecasts indicate that this should be achieved in the coming year.

As the current share price discount to NAV shows, we also still have some work to do to persuade the market that we will be able to achieve real growth in our distributions in the face of a likely UK recession. However, I am very confident in the ability of my successor, Sarika Patel, to lead the Board and believe she will be able to report to you that we have achieved this despite the economic challenges to come. I wish her every success.

Mark White
Chairman
30 November 2022

Overview of Strategy

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

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

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

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

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

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

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

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

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

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

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

The consequence of this is that the Company's portfolio often looks very different from other investment vehicles providing their investors with access to UK equity income. This is because the process focuses on conviction levels rather than index weightings. This means that the Company may provide a complementary portfolio to the existing portfolios of investors who prefer to make their own decisions and manage their ISAs, SIPPs and personal dealing accounts themselves. Currently 48.9% (2021: 58%) of the Company's portfolio is invested in companies outside the FTSE 100 Index.

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

The Investment Manager's Approach to ESG

Although environmental, social and governance ("ESG") factors are not the over-riding criteria in relation to the investment decisions taken by the Portfolio Manager, significant emphasis is placed on ESG and climate related factors throughout the Manager's investment process.

The Portfolio Manager considers ESG risks and opportunities for all investments. ESG considerations are inextricably embedded into the investment process in order to achieve successful and sustainable performance for the Company over the long term.

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

Proactive company engagement

Ensures our holdings remain or become better companies

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

However, the Company does not specifically exclude any sectors from its investment universe. All investments are required to pass a quality test and ESG issues are only part of the investment analysis.

The Company may invest in , and vigorously engage with, well-managed and well-capitalised companies which may not necessarily immediately be considered ESG leaders.

The Company's approach to engagement is set out below.

Our Engagement

Engagement allows us to influence for positive outcomes and act as responsible stewards of our clients' assets. We engage with multiple stakeholders far beyond just company management, such as NGOs, industry and regulatory bodies, activists and clients

Example areas of engagement include:

- Board Diversity
- Carbon Emissions
- Corporate Governance
- Cyber Security
- Deforestation
- Employee Discrimination
- Employee Safety
- ESG Disclosures
- Human Capital Management
- Human Rights
- Labour Management
- Market Communication
- Remuneration
- Succession Planning
- Waste Affluence Management
- Water Management

Please see the case study on Glencore on page 10, the Spotlight on Thungela on page 24, and the Investment Case Studies on National Grid and the NatWest Group on pages 34 and 35 for specific examples of the Company's engagement with investee entities in the portfolio.

Overview of Strategy

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Glencore Case Study

For example, the Company invests in Glencore, the diversified natural resources company. Engagement and fundamental research by the Portfolio Manager and ESG equity analyst before investment, and as part of ongoing monitoring, is critical in ensuring that the investee is a suitable investment for the Company, and its ESG credential are fully understood.

The Portfolio Manager has actively engaged with Glencore in order to deepen the understanding of its management of ESG-related risks and to encourage improvements.

During the financial year, the Investment Manager met with Glencore's Chairman and Senior Executives to discuss Glencore's responses to climate change challenges, health and safety challenges, and the progress to resolve regulatory misconduct investigations.

On climate change, in particular, the Investment Manager discussed Glencore's approach and noted its improved transparency on its climate change targets and strategy. However, the Investment Manager believes that there is scope for further improvement on strategy, such as with respect to integration into renumeration structures and granularity on the actions required to meet Glencore's emissions reductions targets. Following engagement, the Investment Manager elected to vote against a resolution to approve Glencore's Climate Progress Report at the latest AGM.

The Investment Manager has also continued to challenge Glencore on its strategy to run down its coal business, amid ongoing debate in the market as to whether Glencore should spin off its coal assets. While the Investment Manager continues its own assessment on the merits of Glencore's strategy, it has valued Glencore's engagement on the challenges to a successful spin off both from an environmental and financial perspective.

The Investment Manager is encouraging Glencore to enhance ESG practices and transparency at its coal business, including health and safety, as the Investment Manager believes this would strengthen the company's position that it is the most responsible owner of these assets.

Glencore is the fourth largest holding in the Company, making up 4% of the total portfolio.

Since the financial year end, Glencore announced that, following the votes against the Climate Progress Report and engagement with shareholders, it would improve disclosures around the planning and execution of its climate strategy, and provide investors with more details on the Board's and Management's governance of climate matters.

Promoting the Success of the Company

The Board's statement on pages 17 to 19 describes how the Directors have discharged their duties and responsibilities over the course of the financial year under section 172 (1) of the Companies Act 2006 and how they have promoted the success of.the Company. That statement forms part of the Strategic Report.

Key Performance Indicators ("KPIs")

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

KPI	Description
Net Asset Value ("NAV") Total Return relative to the FTSE All-Share Index	While the Manager does not manage the portfolio with direct reference to any particular index, the Board does review the performance against that of the FTSE All-Share Index to provide context for the performance delivered. The Company's NAV Total Return relative to the FTSE All Share Index since 2012, the first full year after Thomas Moore took over the role of Portfolio Manager, is set out on page 21.
Premium or discount to the NAV compared to the unweighted average of the discount of the peer group	The Board compares the discount of the Company's share price to its NAV when compared to the unweighted average discount of the other investment trusts in the UK Equity Income sector. The discount at the year end and at the end of the previous year, and the narrowest and widest discounts during the year, for the Company and the peer group, are shown in the table on page 21.
Dividend growth compared to the Retail Price Index ("RPI")	The Company's objective is to provide shareholders with an above average income from their equity investment, while also providing real growth in capital and income. Between 2012 and the outbreak of the Covid-19 pandemic, the dividend growth of the portfolio exceeded inflation, as measured by the RPI, indicating that shareholders had received real growth in the dividends paid by the Company. However, the income generated by the portfolio was significantly affected by dividend cuts made by investee companies during 2020. While dividend payments to shareholders did increase over the last two years they did not keep pace with RPI, despite the dividends being supplemented by drawing from revenue reserves. In setting the level of the dividend for the current financial year, the Board has balanced the need to deliver a meaningful increase to shareholders and its desire to start rebuilding the revenue reserves. After having paid the fourth interim dividend, 2.94 pence per share will be transferred to revenue reserves. The Company's dividend has grown at an annualised rate of 5.7% over the last 10 years, while RPI has increased at3.6% per annum over the same time. A breakdown of the Company's dividend growth compared with RPI since 2012 is set out on page 22.
Ongoing charges ratio relative to comparator investment vehicles	The Board monitors the Company's ongoing charges ratio against prior years and other similar sized companies in the peer group. The Ongoing Charges Ratio for the year reduced to 0.91% based on average net assets over the year (2021: 0.93%).

Overview of Strategy

Continued

Principal Risks and Uncertainties

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

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

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

The Board has identified the implications for the Company's investment portfolio of a changing climate as an emerging risk which it considers is likely to become more relevant for the Company in the future. The Board continues to assess this emerging risk as it develops, including how investor sentiment is evolving towards climate risk within investment portfolios, and will consider how the Company may mitigate this risk and any other emerging risks. The Board receives regular reporting from the Manager on its approach to engagement with investees on climate change and other topics.

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

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

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

Risk	Mitigating Action
Strategy - the Company's objectives or the investment trust sector as a whole become unattractive to investors, leading to a fall in demand for the Company's shares. No Change during the Year	Through regular updates from the Manager, the Board monitors the discount/ premium at which the Company's shares trade relative to the net asset value. It also holds an annual strategy meeting and receives feedback from the Company's broker and updates from the Manager's investor relations team at Board meetings. The Board appreciates that shareholders overwhelmingly voted in favour of the continuation of the Company at the AGM in 2022.
Investment Performance - the Board recognises that market risk is significant in achieving performance and it reviews investment guidelines to ensure that they are appropriate. The Board regularly reviews the impact of geopolitical instability and change on market risk. Risk Increased during the Year	The Board meets the Manager on a regular basis and keeps investment performance under close review. The Board sets and monitors the investment restrictions and guidelines and regular reports are received from the Investment Manager on stock selection, asset allocation, gearing, revenue forecasts and the costs of running the Company. The Board determines the Company's dividend policy and approves the level of dividends payable to shareholders. Representatives of the Manager attend all Board meetings and a detailed formal appraisal of the Manager is carried out by the Management Engagement Committee on an annual basis to ensure that the continued appointment of the Manager remains in the best interests of the shareholders.

Risk	Mitigating Action
	The Board engages with shareholders at its AGM and Pre-AGM Online Event and with larger shareholders at least annually to listen to sentiment towards the Company and its performance directly.
Exogenous risks such as health, social, financial, economic and geopolitical - the effects of instability or change arising from these risks could have an adverse impact on stock markets and the value of the investment portfolio. Political risks include the political instability in the UK, the terms of the UK's exit from the European Union, any regulatory changes resulting from a different political environment, and wider geo-political issues. Risk Increased during the Year	The Board discusses current issues with the Manager. During the year under review, such issues have included political instability in the UK and impact on stock markets, inflation and the resulting volatility that it created in global stock markets, the Russian invasion of Ukraine and associated sanctions, the ongoing impact of the UK's exit from the European Union, and the steps that the Manager has taken or might take to limit their impact on the portfolio and the operations of the Company. The Portfolio Manager's Review on pages 23 to 27 summarises the purchases and sales activity during the Period as the Company considered the new set of opportunities arising from the meaningful change in market backdrop during the financial year. The Manager is in regular communication with investee entities, economists, and the wider market to determine the impact of the geopolitical and economic environment on the portfolio. The Board oversees the Manager's performance at each Board Meeting and formally considers whether the Company's strategy remains fit for purpose, in light of exogenous risk, at its annual strategy meeting which last took place in August 2022. The Board also regularly discusses the economic environment, geopolitical risks, industry trends and the potential impact on the Company with the Company's broker.
Operational Risk - in common with most investment trusts, the Board delegates the operation of the business to third parties, the principal delegate being the Manager. Failure of internal controls and poor performance of any service provider could lead to disruption, reputational damage or loss to the Company. No Change during the Year	The Audit Committee receives reports from the Manager on its internal controls and risk management (including an annual ISAE Report) and receives assurances from all its other significant service providers on at least an annual basis, including on matters relating to business continuity and cyber security. Written agreements are in place with all third party service providers. 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. A formal appraisal of the Company's main third party service providers is carried out by the Management Engagement Committee on an annual basis. The Company's operations were severely tested during the Covid-19 pandemic. However, the increased use of online communication and out of office working have, to date, proved to be robust.
Governance Risk - the Directors recognise the impact that an ineffective board, unable to discuss, review and make decisions, could have on the Company and its shareholders. No Change during the Year	The Board is aware of the importance of effective leadership and board composition. The Board regularly reviews its own performance and, at least annually, formally reviews the performance of the Board and Chair through its performance evaluation process.
Discount / Premium to NAV - a significant share price discount or premium to net asset	The Board keeps the level of the Company's discount / premium under review. During the financial year, shares have been bought back at a discount by the

Overview of Strategy

Continued

Risk	Mitigating Action
value per share could lead to high levels of uncertainty for shareholders. No Change during the Year	Company. Please see the Share Buy Backs section on page 18 for more details on the Company's approach to discount control during the financial year. The Company participates in the Manager's investment trust promotional programme where the Manager has an annual programme of meetings with institutional shareholders and reports back to the Board on these meetings.
Financial obligations - inadequate controls over financial record keeping and forecasting, the setting of an inappropriate gearing strategy or the breaching of loan covenants could result in the Company being unable to meet its financial obligations, losses to the Company and its ability to continue trading as a going concern. No Change during the Year	At each Board meeting, the Board reviews management accounts and revenue forecasts. The Directors set the gearing policy within which the portfolio is managed. The parameters are that the portfolio should operate between holding 5% net cash and 15% net gearing. The Directors have delegated responsibility to the Manager for the operation of the gearing level within the above parameters. The Company's annual financial statements are audited by the independent auditor.
Legal and Regulatory Risks - the Company operates in a complex legal and regulatory environment. As a UK company with shares publicly quoted on the London Stock Exchange, as an alternative investment fund and an investment trust, there are several layers of risk of this nature. No Change during the Year	The actions the Board takes to mitigate these extensive risks are to ensure that there is breadth and depth of expertise within the Board and the organisations to which the Company has delegated. There are also authorities whereby the Board or individual Directors can take further advice by employing experts should that ever be considered necessary.

Promotional Activities

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

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

During the year, the Board was delighted, in January 2022, to host an online shareholder presentation where the Portfolio Manager provided an update on the portfolio. The Portfolio Manager and Chairman also answered questions from the audience. In August 2022, the Company also hosted an in-person meeting for large shareholders, the first since the outbreak of Covid-19, at which all members of the Board were present and at which the Portfolio Manager provided an update. Both these events gave the Directors the opportunity to hear the views of shareholders first hand.

Board Diversity

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

At 30 September 2022, there were three male and two female Directors on the Board.

Modern Slavery Act

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

Environmental, Social and Human Rights Issues

The Company has no employees 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. The Company's socially responsible investment policy is set out below.

Active Engagement

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

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

Responsible Investment

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

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

Stewardship

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

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

Overview of Strategy

Continued

Global Greenhouse Gas Emissions

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

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

Viability Statement

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

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

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

- The principal risks and uncertainties detailed on pages 12 to 14 and the steps taken to mitigate these risks.
- All of the Company's investments are traded on major stock exchanges and there is a spread of investments held.
- The Company is closed ended in nature and therefore it is not required to sell investments when shareholders wish to sell their shares.
- The Company's main liability is its bank loan of £25m (2021: £25m), which represents 15.0% (2021: 13.5%) of the Company's investment portfolio. This is a £30m (2021: £30m) revolving credit facility with The Royal Bank of Scotland International Limited, London Branch, which is due to expire in June 2023. £25m was drawn at the end of the financial year. A replacement option will be sought in advance of the expiry of the facility, or should the Board decide not to renew this facility, any outstanding borrowing would be repaid through the proceeds of equity sales as required.
- The Company' s cash balance, including money market funds, at 30 September 2022 amounted to £3.6m (2021: £3.5m).
- The relatively low level of ongoing charges, which reduced to 0.91% (2021 0.93%).
- Shareholders' overwhelming voting in favour of the continuation of the Company at the AGM in February 2022. The next continuation vote is due to take place at the AGM to be held in 2027.

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

Taking into account all of these factors, the Company's current position and the potential impact of the principal risks and uncertainties faced by the Company, the Board has concluded that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period of this assessment to 30 September 2025.

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

Future Strategy

The Board intends to maintain the strategic policies set out in the Strategic Report for the year ending 30 September 2022 as it is believed that these are in the best interests of shareholders.

On behalf of the Board
Mark White
Chair
30 November 2022

Promoting the Success of the Company

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

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

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

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

Specific Examples of Stakeholder Consideration during the Year

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

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

The Directors were particularly mindful of stakeholder considerations when considering the following items during the year ended 30 September 2022:

Portfolio

The Portfolio Manager's Review on pages 23 to 27 details the key investment decisions taken during the year. The overall shape and structure of the investment portfolio is an important factor in delivering the Company's stated investment objective and is reviewed at every Board Meeting. At every Board Meeting, the Board discusses performance in detail with the Portfolio Manager. In addition, during the year, the Board considered in detail how the Investment Manager incorporates ESG issues into its research and analysis work that forms part of the investment decision process.

Dividend

The Board has determined the payment of a fourth interim dividend for the year of 6.5 pence per Ordinary share. Following payment of the fourth interim dividend, total dividends for the year will amount to 22.70 pence per Ordinary share, an increase of 7.1% compared to the previous year. In setting the level of the dividend, the Board has balanced the need to deliver a meaningful increase to shareholders and start the process of rebuilding the revenue reserves, which have been depleted in the last two years. 2.94 pence per share will be transferred to reserves.

Promoting the Company

In January 2022, the Board hosted an online shareholder presentation where the Portfolio Manager provided an update on the portfolio, and the Chairman and Portfolio Manager answered questions from the audience. Over 200 investors signed up to the event. In August 2022, the Company hosted a meeting for large shareholders at which all members of the Board were present and at which the Portfolio Manager provided an update. Both these events gave the Directors the opportunity to hear the views of shareholders first hand.

Promoting the Success of the Company

Continued

Pre-AGM Online Investment Event

In line with the Event held in January 2022, we will be hosting an Online Shareholder Presentation, which will be held at 11am on Friday, 20 January 2023. At this event there will be a presentation from the Portfolio Manager followed by an opportunity to ask live questions of the Portfolio Manager and the Chairman. The online presentation is being held ahead of the AGM to allow shareholders time to submit their proxy votes after the presentation but prior to the AGM should they so wish. Full details on how to register for the online event can be found on the Company's website at **www.abrdnequityincome.com**.

Share Buy Backs

During the year the Company bought back 561,535 Ordinary shares to be held in treasury, providing a small accretion of 0.38 pence per share to the NAV and a degree of liquidity to the market at times when the discount to the NAV per share has widened. The Company announced on 25 August 2022 its intention to publish details of its share buyback powers which it renews annually and that until the AGM, to be held on 2 February 2023, that it had the authority to repurchase a maximum of 7,200,217 ordinary shares.

The Board believes that the selective use of share buybacks is in the best interest of all shareholders.

Succession Planning

The Board has continued to consider its succession plans during the year, as it recognises the benefits of regular Board refreshment. As reported in the Chairman's Statement, Mark White will retire as Chairman and as a Director at the AGM on 2 February 2022.

During the financial year, it was agreed that Sarika Patel, having served on the Board since 1 November 2019 would succeed Mark White as Chairman. The Board, therefore, commenced the search for an additional non-executive director to succeed Sarika Patel as Chair of the Audit Committee. Mark Little was appointed on 1 August 2022 and will take over as Chair of the Audit Committee after that AGM. Mark brings a wealth of investment trust and audit committee experience to the Board.

How the Board Engages with Stakeholders

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

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

Stakeholder	How We Engage
Shareholders	Shareholders are key stakeholders and the Board places great importance on communication with them. The Board welcomes all shareholders' views and aims to act fairly to all shareholders. The Manager and the Company's broker regularly meet with current and prospective shareholders to discuss performance and shareholder feedback is discussed by the Directors at Board meetings. In addition, Directors typically meet shareholders at the Annual General Meeting. The Company subscribes to abrdn's investor relations programme in order to maintain communication channels with the Company's shareholder base. Regular updates are provided to shareholders through the Annual Report, Half Yearly Report, monthly factsheets, Company announcements, including daily net asset value announcements, and the Company's website. 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.

Stakeholder	How We Engage
Manager (and Investment Manager)	The Portfolio Manager's Review on pages 23 to 27 details the key investment decisions taken during the year. The Manager has continued to manage the Company's assets in accordance with the mandate provided by shareholders, with oversight provided by the Board. The Board regularly reviews the Company's performance against its investment objective and the Board undertakes an annual strategy review meeting to ensure that the Company is positioned well for the future delivery of its objective for its stakeholders. The Board receives presentations from the Manager at every Board meeting to help it to exercise effective oversight of the Manager and the Company's strategy. The Board, through the Remuneration & Management Engagement Committee, formally reviews the performance of the Manager at least annually. More details are provided on pages 44 and 45.
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 Remuneration & Management Engagement Committee conducts an annual review of the performance, terms and conditions of the Company's main service providers to ensure they are performing in line with Board expectations, carrying out their responsibilities and providing value for money.
Investee Companies	Responsibility for monitoring the activities of portfolio companies has been delegated by the Board to the Manager which has sub-delegated that authority to the Investment Manager. 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. Through engagement and exercising voting rights, the Manager actively works with companies to improve corporate standards, transparency and accountability. Further details are provided on pages 9 and 10. The Board monitors investments made and divested and questions the rationale for investment and voting decisions made.
Debt Providers	On behalf of the Board, the Manager maintains a positive working relationship with The Royal Bank of Scotland International Limited, London Branch, the provider of the Company's loan facility, and provides regular updates on business activity and compliance with its loan covenants.
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 the research and analysis as part of the investment-decision-making process. Through the Investment Manager, the Board encourages improvements in ESG practices and disclosures. Further details are provided on pages 9 and 10.

Results

	30 September 2022	30 September 2021	% change
Capital			
Net asset value per Ordinary share	**331.8p**	380.8p	-12.9%
Ordinary share price	**302.5p**	349.0p	-13.3%
Reference Index capital return[C]	**3,763.5**	4,059.0	-7.3%
Discount of Ordinary share price to net asset value[A]	**8.8%**	8.4%	
Total assets (as defined on page 94)	**£182.5m**	£207.9m	-12.2%
Shareholders' funds	**£157.5m**	£182.9m	-13.9%
Gearing			
Net gearing[A]	**15.0%**	13.5%	
Earnings and Dividends			
Revenue return per Ordinary share	**25.51p**	20.06p	27.2%
Total dividends for the year	**22.70p**	21.20p	7.1%
Dividend yield[A]	**7.5%**	6.1%	
Expenses			
Ongoing charges ratio[AB]	**0.91%**	0.93%	

[A] Considered to be an Alternative Performance Measure. Further details can be found on pages 83 and 84.
[B] Calculated in accordance with AIC guidance issued in October 2020 to include the Company's share of costs of holdings in investment companies on a look-through basis.
[C] FTSE All-Share Index

Performance (total return)

30 September 2022	1 year %	3 years %	5 years %	10 years %
Net asset value[A]	-7.6	-3.9	-10.5	66.5
Share price[A]	-7.8	-4.2	-12.9	65.7
Reference Index[B]	-4.0	2.4	11.3	79.5

[A] Considered to be an Alternative Performance Measure. Further details can be found on page 85.
[B] FTSE All-Share Index.
Source: abrdn/Morningstar/Factset

Annual total returns of abrdn Equity Income Trust NAV and FTSE All-Share Index September 2012 - 2022[A]

abrdn Equity Income Trust Premium/(Discount) relative to the UK Equity Income unweighted sector average since 30 September 2017

Results

Continued

Annual Dividend Growth versus RPI since 2012[A]

Ten Year Financial Record

Year ended 30 September	Gross revenue £'000	Revenue available for Ordinary shareholders £'000	Revenue return p	Ordinary dividends p	Net asset value[A] p	Share price p	Discount[AB] %	Ongoing charges[BC] %	Net gearing / (cash)[B] %	Equity shareholders' funds £m	Revenue reserves[D] (£m)
2013	5,257	4,877	14.07	13.40	383.3	383.0	0.1	0.97	12.5	151.8	4.84
2014	5,780	5,136	15.69	14.00	397.9	394.0	1.0	0.94	13.4	166.5	5.75
2015	6,107	5,361	17.18	14.70	440.7	439.0	0.4	0.94	7.7	195.6	6.88
2016	7,084	6,214	17.92	15.40	431.5	412.4	4.4	0.96	7.5	199.7	8.15
2017	7,957	7,044	19.23	17.10	478.6[E]	459.6	4.8	0.87	9.9	235.3[E]	9.41
2018	11,893	10,846	22.06	19.20	485.0	473.0	2.5	0.87	12.1	238.4	10.82
2019	11,791	10,687	21.74	20.50	411.8	381.5	7.4	0.91	13.7	201.5	11.58
2020	8,730	7,614	15.61	20.60	288.0	252.0	12.5	0.92	13.3	139.2	8.75
2021	10,642	9,693	20.06	21.20	380.8	349.0	8.4	0.93	13.5	182.9	8.49
2022	**13,517**	**12,244**	**25.51**	**22.70**	**331.8**	**302.5**	**8.8**	**0.91**	**15.0**	**157.5**	**10.27**

[A] Diluted for the effect of Subscription shares in issue for the year ended 30 September 2012 to 30 September 2016.
[B] Considered to be an Alternative Performance Measure. Further details can be found on pages 83 and 84.
[C] Calculated in accordance with AIC guidance issued in October 2020 to include the Company's share of costs of holdings in investment companies on a look-through basis. The figure for 30 September 2020 has been restated in accordance with this guidance.
[D] Revenue reserves are reported prior to paying the final dividend or fourth interim dividend in each year. For 2017 only, reserves are reported after having deducted the third interim dividend.
[E] The 2017 Net Asset Value is calculated under Financial Reporting Standards, but includes an adjustment for the third interim dividend which had been declared, but not paid, at the year end.

Portfolio Manager's Review

Market Review

After showing some resilience in the early months of the financial year, the UK equity market succumbed to a range of headwinds including geopolitical tensions, supply chain issues, rising inflation and interest rate hikes. By far the most significant event of the period was the Russian invasion of Ukraine in February 2022. This caused global equity markets to drop sharply and acted to depress sentiment, as investors worked through the second-round effects on economies and markets.

The most important economic impact of the war was a surge in oil and natural gas prices, adding to existing inflationary pressures. The resultant cost of living squeeze drove down consumer confidence, raising fears of a recession in the UK and Continental Europe. The UK Consumer Price Index inflation rate hit 10.1% in September 2022, the highest level since 1982. Central Banks around the world responded to rising prices by tightening monetary policy. Having held the base rate at 0.1% since March 2020, the Bank of England made its first interest rate increase in December 2021 and followed up with six further hikes by the end of the period, reaching 2.25% in September 2022. The base rate has increased to 3.0% at the time of writing.

Domestic political uncertainty remained a key driver of markets throughout the period, with Prime Minister Boris Johnson's resignation in July followed by a prolonged leadership election process, culminating in the election of Liz Truss as his successor. Her tenure turned out to be short-lived, having spooked financial markets with a mini-budget aimed at delivering on tax cutting pledges she made during her leadership campaign. The market reaction to this mini-budget was sufficiently fierce as to require the Bank of England to intervene, carrying out purchases of long-dated government bonds in order to restore orderly market conditions. This market dysfunction also led to reports that the Bank of England would delay the start of its planned sale of government bonds.

Despite such tumultuous conditions, the UK equity market was relatively resilient over the 12 months to 30 September 2022, with the Company's reference Index, the FTSE All-Share Index, returning -4.0% over the period, performing less badly than other major indices globally. However, this masked significant variations in performance within the UK market. The FTSE 100 index produced a total return of 0.9%, with multi-national companies benefiting from the decline in sterling against the US dollar over the period. The more domestically-orientated FTSE 250 and Small Cap indices fell sharply, producing a total return of -23.5% and -18.7% respectively. This divergence can be largely explained by significant variations at the sector level, with investors gravitating towards large cap sectors such as Oil and Gas and Banks on expectations that they would benefit from rising inflation and interest rates, at the same time as they shunned domestically-orientated sectors such as Housebuilders and Travel & Leisure on fears over the impact of rising inflation and interest rates on consumer spending.

Portfolio Performance

The Company's net asset value ("NAV") total return was -7.6% for the period. This was behind the total return of -4.0% from the Company's reference index, but was in line with the AIC sector's weighted average NAV total return.

The drivers of our performance over the period can be summarised as follows:

- The main detractors from performance were Financials, in particular small and mid cap holdings. **Close Brothers** on fears of slowing activity, **Premier Miton** on weaker fund flows and **R&Q Insurance** on the narrow rejection of a bid for the company. Among large cap financials, the contribution from owning **Standard Chartered** and avoiding Prudential was offset by not holding HSBC. Overall, this sector detracted just over 7% of relative performance.
- The next biggest detractor was Consumer Discretionary, notably housebuilder **Vistry** and sofa retailer **DFS**, as fears grew over the cost of living impact of Russia's invasion of Ukraine, as well as **Entain** and **888** on slowing growth in online gaming revenues. This sector detracted just under 4% of relative performance.

- The gearing position, averaging 13.4% over the financial year, detracted around 0.7% of relative performance.
- On the positive side, the largest contributor to performance was the portfolio's heavy weighting to Energy at a time of rising concerns over energy security. Notable outperformers were **Thungela Resources, Diversified Energy** and **BP**. This sector alone contributed over 7% of relative performance.
- The next biggest contributor to performance was Basic Resources, most notably **Glencore** and **BHP**, as commodity prices supported strong cash generation. This sector contributed just under 3% of relative performance. We significantly increased our weightings in these sectors last year in anticipation of the strong cash flows and dividends that these stocks are now delivering.
- This was a busy period for M&A activity, with **Go Ahead, ContourGlobal, River & Mercantile** and **Vivo Energy** on the receiving end of bids all at meaningful share price premia. These four holdings generated just under 2% of relative performance.

As noted in the Market Review, the sharp out-performance of large-cap stocks was a key feature of the stock market during the financial year. Overall, this was a drag on performance given the portfolio's relatively heavy weightings in small and mid-cap stocks; itself a function of the index-agnostic approach that we use in constructing the portfolio. This approach involves sizing our positions according to our conviction levels, rather than anchoring around index weightings. While the constituents of the FTSE 100 Index typically account for around 80% of the total value of the Index, our portfolio's exposure to the FTSE 100 Index is typically around 60% and was 51% at the end of the financial year. We are aware that this approach can cause variations in the portfolio's return relative to its benchmark, particularly at times of heightened geopolitical nervousness when larger stocks tend to outperform. That said, we remain convinced that this approach can provide benefits over time, as it allows us to construct a differentiated portfolio with greater flexibility, enabling us to identify stocks that can help us to deliver on our objectives through the cycle and enables us to generate a diversified income stream.

Spotlight on Thungela Resources

Thungela Resources spun out of Anglo American in June 2021. Rather than selling this tiny position of only 6,572 shares, we concluded that this highly cash-generative business was deeply under-valued, so we bought an additional 579,281 shares between June 2021 and January 2022 in order to make the holding more meaningful. We paid an average of 187 pence. The shares ended the financial year at 1,666 pence, nearly nine times higher than our initial purchase price. The stock also paid 393 pence of dividends per share during the financial year, taking the total return to 11 times our initial investment in only 15 months, making it one of the most profitable investment decisions we have made for this portfolio. Consensus estimates expect that the company will distribute over 600 pence per share (at the current exchange rate) in its next financial year indicating that the dividend received can be seen as recurring. We believe that this is a good example of the returns that our investment process can generate.

We have engaged with the management of Thungela to understand better the company's approach to sustainability and then urge improvements where we see gaps. We have urged the company to set more ambitious goals, increase transparency and to commit to clearer timeframes for developing its sustainability roadmap, in particular on measures to reduce carbon emissions. We have provided Thungela with our recommendations on industry best practices as we seek to support the company's growth in this area. We have been encouraged by Thungela's development of an ESG framework, covering issues such as environmental stewardship and local community relations.

Revenue Account

Dividends distributed by our portfolio in the period under review rose by 27.0% to £13.5 million, compared to the £10.6 million received last year. This compares favourably to the Index where dividends grew by 13% over the same timeframe. The contribution from special dividends remained low at 5.9% of the dividend income (2021: 5.7%), reflecting the continuing scarcity of special dividends in the wake of the pandemic.

Net revenue was £12.2 million, or 26.3% higher than last year. Management fees were 2.1% lower, but this is a function of the decrease in the value of the portfolio. Total expenditure before interest and tax was 9.0% higher than last year. This was largely due to the comparative year's professional fees being a rebate as a result of reversal of provisions in the year prior.

We are forecasting that the portfolio is currently delivering a gross dividend yield, before costs, of 8.1% based on the income expected to be generated by the portfolio over the financial year divided by the portfolio value at the year end, representing a significant premium to the effective monthly average dividend yield of the Index of 3.8% as at 30 September 2022.

Recent interest rate hikes are unhelpful for our investment return as they increase the cost of our overdraft facility. However, the gap between the interest rate we pay for this overdraft facility and the dividend yield we earn on the portfolio, while narrower than it was a year ago, remains very wide by historical standards at around four percentage points at the time of writing.

This sharp recovery in the revenue account is a result of our focus on achieving the priorities set out by the Board at the time of the Covid-19 crisis. The Board emphasised that our first priority should be to build a portfolio that could deliver sufficient income to cover the dividend. I welcomed this challenge as I could see that it was consistent with our investment process which favours companies whose strong cash flow and dividend potential are not priced in by the market. During the financial year we identified many examples of stocks that fit this description, enabling our dividend cover to exceed 1x sooner than might have been expected in the midst of the Covid-19 crisis.

For the wider UK equity market, the outlook for dividends has improved significantly since the pandemic, with dividend cover recovering to 2.5x (on a 12 month forward basis), suggesting some cushion for corporates in the event that macro conditions deteriorate. We also have the advantage of selecting from a broad palette of UK stocks, with many different earnings drivers. This helps to underpin our confidence in the continued progression of our dividend per share in FY23.

Activity

Purchases

The market backdrop has changed meaningfully in the past year, creating a new set of opportunities that we have attempted to seize upon. Inflation was already increasing prior to Russia's invasion of Ukraine. Two key drivers of higher inflation were supply disruptions linked to the shutdown of the economy during Covid-19 and rampant growth in money supply caused by the Bank of England's Quantitative Easing programme. The war in Ukraine only exacerbated existing inflationary trends, as natural gas and food supplies were disrupted. So it is against this backdrop that we have been carefully positioning the portfolio.

Our largest purchases are mostly companies whose cash flows have the potential to benefit from rising prices and interest rates, providing the portfolio with some inflation hedge characteristics:

- Oil & Gas: We increased our exposure to the Energy sector, adding to **BP** and starting a new holding in **Harbour Energy**, anticipating that tight upstream and downstream markets would persist, driving cash flows and dividends.
- Banks: We increased our weighting in Banks by starting a new holding in **NatWest** and adding to our holdings in **Barclays** and **Standard Chartered**, which we expect to be beneficiaries of rising base rates, as net interest income grows thanks to the stickiness of deposit pricing. Despite the sharp slowdown in economic growth, we expect bad debts to remain low, with significant impairment provisions already taken. If the banks navigate this downturn successfully, we should expect a substantial narrowing in the discount to NAV on which they trade.
- **National Grid**: We added to National Grid whose earnings are set to benefit from inflation-linked contracts in the UK, at the same time as their regulatory asset base starts to grow rapidly to deliver the infrastructure necessary for the transition to electric vehicles.

Sales

Our largest sales can be grouped into the following categories:

- Mergers & Acquisitions: This was a busy year for corporate activity in the portfolio. We sold our holdings in **Go-Ahead, ContourGlobal** and **Vivo Energy** after they received bids. We also received the proceeds from tender offers in **River & Mercantile** and **Zegona Communications** after they divested of their core divisions. We continue to see the high level of M&A activity as a sign of the intrinsic value in this portfolio.
- Online gaming: We took profits in **Entain** following the withdrawal of bid interest from DraftKings. While it was disappointing that the shares fell back following this announcement, we were still able to sell at over double the share price that we paid when we bought into the company in January 2017 (when it was called GVC Holdings). We also took profits in **Playtech** as the chances of a takeover approach diminished. The wider sector is seeing a slowdown in growth as regulation toughens and it becomes clearer that

Portfolio Manager's Review

Continued

activity levels reached unsustainable levels during Covid-19 lockdowns.

- Iron ore: We reduced our weightings in **BHP** and **Rio Tinto** in the sector half of the financial year, as we become more concerned about the outlook for the Chinese construction sector. After years of rapid growth in floor space, inventories are rising and activity levels are falling. This is important for BHP and Rio Tinto because the iron ore they sell is mainly used in the production of Chinese steel.

Outlook

It is pleasing to report that the improvement in our portfolio income resulted in the dividend per share being amply covered by earnings per share in the 12 months to 30 September 2022. This has allowed the Board to resume meaingful dividend per share growth, while starting to rebuild our reserves after a hiatus of two years caused by the Covid-19 pandemic. It is a reflection of the benefits of the closed-end structure that we have come through such an exceptional period while maintaining our 22 year track record of consecutive dividend increases. It should be noted that this has been achieved without compromising the investment process, as market dislocation has created an abundance of stocks that fit our investment criteria. The result for shareholders is a high yield portfolio comprised of high conviction investment ideas.

The global economy is slowing as Central Banks try to control inflation leading to a high risk of recession in the UK and other major countries. This is a challenging backdrop, but we remain confident that we can navigate this environment successfully for the following reasons:

- Broad universe of stocks: As they are starting with high levels of dividend cover, we expect many UK stocks to deliver attractive dividend growth despite the uncertain economic situation. The UK equity market is highly diverse, allowing us to access a wide range of companies with different income drivers. Some companies will struggle in an inflationary environment, but others will thrive. Furthermore, the UK equity market provides exposure to different parts of the world. It seems likely that economic outturns will differ widely in the coming year. For example, the US will be far less affected by the Ukraine war than Germany, as a result of their radically different energy policies. In light of this, we can position our portfolio carefully through thoughtful analysis of how each company is likely to fare in the current environment.

- Tendency of share prices to price in recessions early: Recent research by Stifel has mapped the performance of the S&P 500 index to each US recession post-1945 and found that the stock market bottoms out 4 months before the end of the recession. While it is not possible to know in advance with any certainty when a recession will start or end, this is a reminder that recessions can provide opportunities to buy well-managed companies at attractive valuations.

- Style rotation: Rising interest rates are up-ending stock markets. Loose monetary policy was a boon for highly valued growth stocks, as falling interest rates mechanically drove up their discounted cash flow valuations. As we enter an inflationary era with higher rates, investors are shifting their focus to the cash-generative value stocks that our investment process favours. This is a more favourable environment for us as it enables the delivery of both income and capital growth.

- Style characteristics of the portfolio: We believe that the portfolio has a significant "margin of safety" as the relatively low valuations of our holdings do not appear to factor in their solid fundamentals. Our Matrix quant model indicates that the portfolio scores particularly highly on Valuation and Earnings Momentum factors, underlining our view that high yield need not come at the expense of high conviction. At the time of writing, the median PE (12 months forward) of our holdings is 8.9x. The median dividend cover (12 months forward) is 1.9x. We expect the valuations of our holdings to re-rate, as investors respond to the strength of their corporate fundamentals.

We are aware that the stock market is currently heavily affected by macro drivers and that it is difficult to know how the coming year will play out in that regard. For this reason we have segmented the portfolio into three discrete baskets, each of which can play a role in helping the portfolio to deliver our investment objective:

1. Inflation Protection: Stocks with inflation hedge characteristics; potentially benefiting from rising prices. We expect inflationary conditions to provide a tailwind to these companies, helping them to grow their cash flows and dividends. Examples include **Shell, NatWest** and **National Grid**. At the time of writing, this basket represented 37% of the portfolio. Objective: achieve real growth in income.

2. Mispriced Yield: Stocks whose high yields indicate that the market is pricing in bad news. We believe these stocks are more resilient than their valuation implies. Examples include **Legal & General**, **Diversified Energy** and **Chesnara**. At the time of writing, this basket represented 24% of the portfolio. Objective: achieve above average income.

3. Latent Growth: Stocks that are capable of delivering operational progress, driving growth on a medium-term view once the current period of uncertainty abates. This change is being overlooked by the market. Examples include **OneSavings Bank**, **Hiscox** and **DFS**. At the time of writing, this basket represented 29% of the portfolio. Objective: achieve real growth in capital.

We expect each of these baskets to perform best in different scenarios. Inflation Protection stocks should perform best in an inflationary environment, driven by high commodity prices and rising interest rates. The Mispriced Yield basket should perform best in a rotation out of growth stocks into value stocks. Latent Growth stocks should perform best on any easing in inflationary pressures, perhaps triggered by a resolution to the Ukraine war. We would see the most adverse scenario for the portfolio as a prolonged and synchronised global recession, as this could drive down large swathes of the market. For now we see this as a low probability scenario given the variations in economic conditions around the world.

The UK is a particularly unloved stock market due to a series of political crises since the 2016 Brexit referendum. The scale of the UK's furlough and energy bill support schemes have caused the UK's debt/GDP ratio to approach 100%, although it should be noted that this is still the second lowest in the G7. The arrival of Rishi Sunak as the third Prime Minister in as many months heralds an era of more conventional economic policies. This has already calmed the markets, helping to drive a reduction in Gilt yields and a recovery in sterling. Amongst all the political 'fear and loathing', it is worth keeping in mind that the UK has many enduring strengths that make it a highly attractive destination for international capital. As has been demonstrated by all the recent M&A activity in our own portfolio, some international investors are coming to the view that UK companies are now attractively priced. It would not take much for broader attitudes to the UK to improve dramatically. This would be helpful for our portfolio given that we have a heavy position in UK domestic companies relative to the broader index and peer group.

Through turbulent times, we will remain focused on achieving our objective to provide shareholders with an above average income, while also providing real growth in capital and income. With inflation at its highest level in 40 years, the resonance of this investment objective is greater than usual and I will do my utmost to deliver on it for shareholders.

Thomas Moore
Portfolio Manager
30 November 2022

Portfolio

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

Ten Largest Investments

As at 30 September 2022

BP

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

Shell

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

BHP

BHP is a diversified resources group with a global portfolio of high quality assets, focusing on iron ore, petroleum and copper.

SSE

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

British American Tobacco

British American Tobacco sells combustible tobacco products in more than 50 countries around the world, as well as a growing portfolio of non-combustible products such as vapour and tobacco heating products.

Thungela Resources

Thungela is a leading pure-play producer and exporter of high quality, low-cost thermal coal in South Africa.

Glencore

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

Diversified Gas & Oil

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

Rio Tinto

Rio Tinto is a leading global mining group that focuses on finding, mining and processing mineral resources, with a focus on iron ore and aluminium.

Barclays

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

Investment Portfolio

As at 30 September 2022

Stock	Key Sector	Valuation as at 30 September 2022 £'000	Weight %	Valuation as at 30 September 2021 £'000
BP	Oil Gas and Coal	10,244	5.7	6,834
Thungela Resources	Oil Gas and Coal	9,109	5.1	2,582
Shell (previously Royal Dutch Shell)	Oil Gas and Coal	8,712	4.9	7,038
Glencore	Industrial Metals and Mining	7,157	4.0	6,041
BHP	Industrial Metals and Mining	6,172	3.4	7,101
Diversified Energy	Oil Gas and Coal	6,154	3.4	5,311
SSE	Electricity	5,735	3.2	6,026
Rio Tinto	Industrial Metals and Mining	5,353	3.0	7,357
British American Tobacco	Tobacco	5,068	2.8	4,403
Barclays	Banks	4,921	2.7	3,266
Top ten investments		**68,625**	**38.2**	
CMC Markets	Investment Banking and Brokerage Services	4,498	2.5	5,036
Close Brothers	Banks	4,445	2.5	7,405
Imperial Brands	Tobacco	4,217	2.3	3,285
Standard Chartered	Banks	4,015	2.2	919
Chesnara	Life Insurance	3,756	2.1	3,873
OSB Group	Finance and Credit Services	3,626	2.0	4,312
Natwest Group	Banks	3,504	2.0	–
Anglo American	Industrial Metals and Mining	3,488	1.9	2,651
Mondi	General Industrials	3,424	1.9	1,572
National Grid	Gas Water and Multi-utilities	3,180	1.8	1,574
Top twenty investments		**106,778**	**59.4**	

As at 30 September 2022

Stock	Key Sector	Valuation as at 30 September 2022 £'000	Weight %	Valuation as at 30 September 2021 £'000
Legal & General	Life Insurance	3,145	1.7	3,778
Playtech	Travel and Leisure	3,017	1.7	4,441
Vistry	Household Goods and Home Construction	2,995	1.7	6,646
DWF Group	Industrial Support Services	2,639	1.5	3,111
BAE Systems	Aerospace and Defense	2,623	1.5	3,554
Smith (DS)	General Industrials	2,503	1.4	2,129
Coca-Cola HBC	Beverages	2,470	1.4	1,325
Premier Miton	Investment Banking and Brokerage Services	2,411	1.3	5,556
Randall & Quilter	Non-life Insurance	2,337	1.3	4,300
Tyman	Construction and Materials	2,320	1.3	4,971
Top thirty investments		**133,238**	**74.2**	
Real Estate Investors	Real Estate Investment Trusts	2,319	1.3	2,993
Diageo	Beverages	1,922	1.1	1,297
Vodafone	Telecommunications Service Providers	1,887	1.1	1,953
Speedy Hire	Industrial Transportation	1,865	1.0	2,726
AstraZeneca	Pharmaceuticals and Biotechnology	1,839	1.0	1,189
Hargreaves Lansdown	Investment Banking and Brokerage Services	1,737	1.0	1,840
Petershill Partners	Investment Banking and Brokerage Services	1,706	0.9	2,798
Centamin	Precious Metals and Mining	1,668	0.9	1,021
DFS Furniture	Retailers	1,667	0.9	4,080
Hiscox	Non-life Insurance	1,632	0.9	-
Top forty investments		**151,480**	**84.3**	

Investment Portfolio
Continued

As at 30 September 2022

Stock	Key Sector	Valuation as at 30 September 2022 £'000	Weight %	Valuation as at 30 September 2021 £'000
Litigation Capital	Investment Banking and Brokerage Services	1,631	0.9	2,436
Phoenix	Life Insurance	1,606	0.9	2,171
TP ICAP	Investment Banking and Brokerage Services	1,602	0.9	601
Ashmore	Investment Banking and Brokerage Services	1,591	0.9	2,751
Conduit Holdings	Non-life Insurance	1,520	0.9	2,086
Galliford Try	Construction and Materials	1,517	0.8	1,878
Hays	Industrial Support Services	1,490	0.8	1,402
Direct Line Insurance	Non-life Insurance	1,437	0.8	2,680
International Personal Finance	Finance and Credit Services	1,326	0.7	2,307
Quilter	Investment Banking and Brokerage Services	1,281	0.7	2,323
Top fifty investments		**166,481**	**92.6**	
CLS Holdings	Real Estate Investment and Services	1,266	0.7	1,410
Bellway	Household Goods and Home Construction	1,272	0.7	1,832
GSK (previously GlaxoSmithKline)	Pharmaceuticals and Biotechnology	1,257	0.7	1,926
LondonMetric	Real Estate Investment Trusts	1,222	0.7	1,129
Harbour Energy	Oil Gas and Coal	1,209	0.7	-
Bridgepoint	Investment Banking and Brokerage Services	981	0.6	1,176
Industrials REIT	Real Estate Investment Trusts	976	0.5	1,351
888 Holdings	Travel and Leisure	891	0.5	3,497
Energean	Oil Gas and Coal	865	0.5	-
Intermediate Capital Group	Investment Banking and Brokerage Services	799	0.4	1,369
Top sixty investments		**177,219**	**98.6**	
Halfords	Retailers	753	0.4	-
AssetCo	Investment Banking and Brokerage Services	750	0.4	-
National Express	Travel and Leisure	705	0.4	-
Polar Capital	Investment Banking and Brokerage Services	303	0.2	1,544
Total Portfolio		**179,730**	**100.0**	

All investments are equity investments.

Sector Distribution

As at 30 September 2022

As at 30 September 2021

Investment Case Studies

National Grid

Towards the end of the financial year, we increased our stake in National Grid, after the share price weakened. Prior to investment, we engaged with National Grid on a variety of topics including the potential impact of the UK government's plans to grow transmission by 2030, future investment requirements to deliver growth plans and skill-sets on the Board of directors. Our engagement continues.

We believe that National Grid is well positioned at the heart of the energy transition, poised to deliver the significant investment needed to upgrade electricity networks in the UK and US. We expect earnings to grow solidly in the coming years, with the UK regulated assets indexed to inflation and almost half of their earnings denominated in US dollars.

The shares can be subject to political worries, as utility companies are seen as vulnerable to windfall taxes. However, we see a windfall tax as far less likely for National Grid than other utility companies given the nature of its activities, with no excess profits being made as a direct result of high natural gas prices. The shares can also be subject to macro vicissitudes, with rising bond yields a negative driver for the share price. However, this is offset by the benefit of rising inflation which supports the dividend policy to grow the dividend per share at least in line with UK inflation.

All of this makes National Grid an appropriate holding for the Company.

Natwest Group

We initiated a new position in the NatWest Group during the financial year.

We see the NatWest Group as a beneficiary of rising interest rates, given its low loan to deposit ratio and significant current account deposit base. We believe that NatWest is well insulated from economic recession, as a result of the high quality of its loan book (over 90% of which is secured lending) and on the level of existing provisions against bad debts, which factor in a severe downside scenario.

The flip side of rising interest rates is that loan demand is likely to slow sharply, although this will not greatly impact the NatWest Group's profitability as the bulk of its lending is re-mortgages, rather than first time buyers. The competitive position of the larger banks improves when interest rates increase, as they have access to a range of funding sources, including current accounts. This tends to allow banks like the NatWest Group to gain market share at this point in the cycle. The net effect of these macro variables is that NatWest should comfortably achieve a Return on Equity in excess of 10%.

In this context, the stock looks very cheap, trading at a discount to Net Asset Value. Its strong earnings delivery and robust capital position should underpin a generous dividend, making this an attractive holding for the Company.

During our recent engagement meetings with NatWest Group, we have focused on climate, particularly its sustainability finance target, financed emissions and initiviates to green their mortgage book. We have encouraged Natwest Group to increase the frequency that climate is discussed at Board level from every six months to every Board meeting. We have engaged on social initiatives too and were impressed by NatWest's targets to support minority business owners with gender, ethnicity and social targets.

Governance

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

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

Board of Directors

Mark White
Independent Non-Executive Chair

Experience:
Appointed to the Board on 1 November 2013 and as Chairman on 5 February 2021, Mark is a director of LGT Capital Partners UK Holding Limited. He is also a non-executive Director of Aviva Investors Holdings Limited and Chairman of Aviva Investors UK Fund Services Limited. He was previously Joint Head of JP Morgan Asset Management in Europe and Chief Executive of Jardine Fleming Investment Management in Hong Kong.

Length of service:
9 years, 1 month. Appointed a Director on 1 November 2013 and as Chair on 5 February 2021 when he ceased to be Chair of the Remuneration & Management Engagement Nomination Committees which he had chaired from 1 February 2015 and 15 December 2016 respectively.

Committee membership:
Audit Committee, Remuneration & Management Engagement Committee.

Contribution:
As set out in the Chairman's Statement, Mark White is due to step down from the Board at the AGM. The Board would like to thank Mark White for his commitment to the Company during his nine years on the Board. He has provided significant investment insight into Board discussions as well as investment management and investment trust sectors. He has also proved to be an extremely effective Chairman since February 2021.

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

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

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

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

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

Mark Little

Independent Non-Executive Director

Experience:

Mark was appointed to the Board on 1 August 2022. He is a non-executive director and also chairs the audit committees of BlackRock Smaller Companies Trust plc, the Majedie Investment Trust Plc and Securities Trust of Scotland Plc. He was previously Investment Director at Seven Investment Management and a non-executive director (and audit committee chairman) of Sanditon Investment Trust plc. Mr Little began his career in the investment industry as a fund manager with Scottish Widows Investment Management after qualifying in 1991 as a chartered accountant with Price Waterhouse. He subsequently worked as Global Head of Automotive Research for Deutsche Bank and Managing Director of Barclays Wealth (Scotland and Northern Ireland), a position that he held for eight years until 2013.

Length of service:

5 months. Appointed a Director on 1 August 2022.

Committee membership:

Audit Committee and Remuneration & Management Engagement Committee

Contribution:

The Board has reviewed the contribution of Mark Little in light of his proposed election at the AGM and has concluded that he has already contributed positively to the Board discussions and believe his experience and attitude will make him an effective successor to Sarika Patel as Chair of the Audit Committee.

Sarika Patel

Independent Non-Executive Director
and Chair of the Audit Committee

Experience:

Appointed to the Board on 1 November 2019, Sarika Patel is a business leader with nearly 30 years' experience. She is a Chartered Accountant and a Chartered Marketer. Sarika is a non-executive director and Chair of the Audit Committees of Sequoia Economic Infrastructure Fund Limited, SDCL Energy Efficiency Income Trust plc and of Foresight Sustainable Forestry Company.

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

Length of service:

3 years, 1 month. Appointed a Director on 1 November 2019 and as Chair of the Audit Committee on 23 January 2020.

Committee membership:

Audit Committee (Chair) and Remuneration & Management Engagement Committee

Contribution:

The Board has reviewed the contribution of Sarika Patel in light of her proposed re-election at the AGM and has concluded that she continues to provide significant financial and risk management insight to Board discussions, has chaired the Audit Committee effectively and is a suitable successor to Mark White as Chair of the Board.

Board of Directors

Continued

Jeremy Tigue

Senior Independent Non-Executive Director

Experience:

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

Length of service:

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

Committee membership:

Audit Committee and Remuneration & Management Engagement Committee

Contribution:

The Board has reviewed the contribution of Jeremy Tigue in light of his proposed re-election at the AGM and has concluded that his contribution to the Board, from an investment, industry and corporate governance perspective, has been invaluable during the financial year.

Directors' Report

The Directors present their report and the audited financial statements of the Company for the year ended 30 September 2022.

Results and Dividends

The financial statements for the year ended 30 September 2022 are contained on pages 65 to 82. Interim dividends of 5.4 pence per share were paid in March, June and September 2022. The Board has declared that a fourth interim dividend for the year to 30 September 2022 of 6.5 pence per share is payable on 9 January 2023 to shareholders on the register on 9 December 2022. The ex-dividend date is 8 December 2022.

Principal Activity and Status

The Company is registered as a public limited company in England and Wales under company number 2648152. The Company is an investment company within the meaning of Section 833 of the Companies Act 2006, carries on business as an investment trust and is a member of the Association of Investment Companies.

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

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

Capital Structure and Voting Rights

The Company's issued share capital at 30 September 2022 consisted of 47,471,939 Ordinary shares of 25 pence each (2021: 48,033,474) and there were 1,706,828 Ordinary shares held in treasury (2021: 1,145,293), representing 3.5% (2021: 2.4%) of the issued share capital as at that date.

During the year, 561,535 Ordinary shares were bought back into treasury (2021: 294,486). The Company did not issue any new shares, or shares from treasury, during the year.

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

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

Management Agreement

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

In addition, AFML has sub-delegated administrative and secretarial services to Aberdeen Asset Management PLC since 6 September 2019. Subsequent to the financial year end, Aberdeen Asset Management PLC was renamed abrdn Holdings Limited on 25 November 2022.

The management fee is calculated as 0.65% per annum of net assets up to £175million and at a rate of 0.55% of net assets above this threshold. The Manager also receives a separate fee for the provision of promotional activities to the Company.

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

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

External Agencies

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

Directors' Report

Continued

Substantial Interests

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

The table below sets out the interests in 3% or more of the issued share capital of the Company, of which the Board was aware as at 30 September 2022.

Shareholder	Number of Ordinary shares	% held
Interactive Investor	9,366,832	19.7
Hargreaves Lansdown	9,238,384	19.4
Charles Stanley	4,945,565	10.4
AJ Bell	2,300,219	4.8
HSDL	2,005,704	4.2
Evelyn Partners	1,473,161	3.1

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

Directors

Biographies of the Directors of the Company are shown on pages 38 to 40.

Mark White is the Chair, Jeremy Tigue is the Senior Independent Director, Sarika Patel is Chair of the Audit Committee and Caroline Hitch is Chair of the Remuneration & Management Engagement Committee. Mark Little was appointed as an Independent Non-executive Director on 1 August 2022.

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

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

The Directors attended scheduled Board and Committee meetings during the year ended 30 September 2022 as follows (with their eligibility to attend the relevant meetings in brackets):

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

[A] Appointed to the Board on 1 August 2022.

The Board meets more frequently when business needs require, and met additionally once during the financial year.

Caroline Hitch, Sarika Patel, and Jeremy Tigue will retire and, being eligible, will offer themselves for re-election at the Annual General Meeting. Mark Little will offer himself for election at the Annual General Meeting. As set out in the Chairman's Statement, Mark White will retire from the Board at the Annual General Meeting on 2 February 2023, having served on the Board for nine years.

The Board believes that all the Directors seeking election or re-election remain independent of the Manager and free from any relationship which could materially interfere with the exercise of their judgement on issues of strategy, performance, resources and standards of conduct. The biographies of each of the Directors are shown on pages 38 to 40, setting out their range of skills and experience as well as length of service and their contribution to the Board during the year. The Board believes that, collectively, it has the requisite high level and range of business, investment and financial experience to enable it to provide clear and effective leadership and proper governance of the Company. Following formal performance evaluations, each Director's performance continues to be effective and demonstrates commitment to the role, and their individual performances contribute to the long-term sustainable success of the Company. The Board therefore recommends the election or re-election of each of the Directors at the Annual General Meeting.

Board's Policy on Tenure

In normal circumstances, it is the Board's expectation that Directors will not serve beyond the Annual General Meeting following the ninth anniversary of their appointment. However, the Board takes the view that independence of individual Directors is not necessarily compromised by length of tenure on the Board and that continuity and experience can add significantly to the Board's strength. The Board believes that recommendation for re-election should be on an individual basis following a rigorous review which assesses the contribution made by the Director concerned, but also taking into account the need for regular refreshment and diversity.

Board Diversity Policy

The Board recognises the importance of having a range of skilled, 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, 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 and the Board does not therefore consider it appropriate to set measurable objectives in relation to its diversity.

At 30 September 2022, there were three male and two female Directors on the Board. One of the female directors is Chair of the Audit Committee and the other is Chair of the Remuneration & Management Engagement Committee. One director has a non-white ethnic background.

Directors' and Officers' Liability Insurance

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

Management of Conflicts of Interest

The Board has a procedure in place to deal with a situation where a Director has a conflict of interest. As part of this process, each Director prepares a list of other positions held and all other conflict situations that may need to be authorised either in relation to the Director concerned or his or her connected persons. The Board considers each Director's situation and decides whether to approve any conflict, taking into consideration what is in the best interests of the Company and whether the Director's ability to act in accordance with his or her wider duties is affected. Each Director is required to notify the Company Secretary of any potential, or actual, conflict situations that will need authorising by the Board. Authorisations given by the Board are reviewed at each Board meeting.

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

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

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

Financial Instruments

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

Corporate Governance

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

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

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

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

The UK Code includes provisions relating to:

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

The Board considers that these provisions, with the exception of the requirement to establish a nomination committee and describe the work of the nomination committee, are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations.

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

During the financial year to 30 September 2021, the Board determined that there was no need for the Company to have a standalone Nomination Committee given the number of Directors on the Board. The Nomination Committee was therefore wound up and the Board fulfils the role of the Nomination Committee.

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

Board Committees

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

Audit Committee

The Audit Committee's Report is contained on pages 52 to 55.

Remuneration & Management Engagement Committee

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

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

The Committee met once during the year to 30 September 2022 and undertook a review of the management of the Company and its performance. Following the conclusion of the review, the Committee recommended to the Board that the continuing appointment of the Manager and other key service providers was in the best interests of the shareholders and the Company as a whole.

Going Concern

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

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

As at 30 September 2022, the Company had a £30 million (2021: £30 million) revolving credit facility with The Royal Bank of Scotland International Limited, London Branch. £25 million was drawn at the end of the financial year (2021: £25 million). The revolving credit facility matures on 25 June 2023. A replacement option will be sought in advance of the expiry of the facility, or should the Board decide not to renew this facility, any outstanding borrowing would be repaid through the proceeds of equity sales as required.

The Directors are mindful of the Principal Risks and Uncertainties disclosed in the Strategic Report on pages 12 to 14 and they believe that the Company has adequate financial resources to continue its operational existence for a period of not less than 12 months from the date of approval of this Report. They have arrived at this conclusion having confirmed that the Company's diversified portfolio of realisable securities is sufficiently liquid and could be used to meet short-term funding requirements were they to arise. They have also reviewed the revenue and ongoing expenses forecasts for the coming year, and expect to secure a replacement facility upon expiry of the current facility. Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Accountability and Audit

The respective responsibilities of the Directors and the Auditor in connection with the financial statements appear on page 64.

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

Independent Auditor

Shareholders approved the re-appointment of KPMG LLP as the Company's Independent Auditor at the AGM on 4 February 2022. Resolutions to approve the re-appointment of KPMG LLP for the year to 30 September 2023 and to authorise the Directors to determine the remuneration of the Auditor will be proposed at the AGM on 2 February 2023.

Relations with Shareholders

The Directors place a great deal of importance on communications with shareholders. Shareholders and investors may obtain up to date information on the Company through its website and the Manager's Customer Services Department (see contact details on page 88).

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

The Company's Annual General Meeting provides a forum for communication primarily with private shareholders and is attended by the Board. The Manager normally makes a presentation to the meeting and all shareholders have the opportunity to put questions to both the Board and the Manager at the meeting. The Board will also be hosting an Online Pre-AGM Investor Session to engage directly with shareholders, regardless of their location. Details on how to register for the Online Pre-AGM Investor Session are set out in the Chairman's Statement on page 7.

Prior to the Covid-19 pandemic, the Manager hosted an annual Meet the Manager session at which members of the Board were present and to which all shareholders were invited. Although this programme has been interrupted due to Covid-19, Thomas Moore has continued to provide updates to shareholders by video conference.

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

Additional Information

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

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

The rules governing the appointment of Directors are set out in the Directors' Remuneration Report on pages 48 and 49. The Company's Articles of Association may only be amended by a special resolution passed at a general meeting of shareholders.

The Company is not aware of any significant agreements to which it is a party that take effect, alter or terminate upon a change of control of the Company following a takeover. Other than the management agreement with the Manager, further details of which are set out on page 41, the Company is not aware of any contractual or other agreements which are essential to its business which could reasonably be expected to be disclosed in the Directors' Report.

Annual General Meeting

The Notice of the Annual General Meeting, which will be held on 2 February 2023, and related notes, may be found on pages 97 to 100.

Resolutions including the following business will be proposed.

Dividend Policy

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

The Company's dividend policy is that interim dividends on the Ordinary shares are payable quarterly in March, June, September and January each year. Resolution 4 will seek shareholder approval for the dividend policy.

Aggregate fees payable to Directors

The Board carried out a review of the level of Directors' fees during the financial year. The resulting increases, which took effect from 1 October 2022, are detailed in the Directors' Remuneration Report on page 49.

As a result of these increases in fees, and in order to ensure that the Board has ongoing flexibility to manage succession planning and potentially appoint additional directors, Resolution 5, an ordinary resolution, will be put to shareholders at the 2023 AGM seeking approval to increase the maximum aggregate limit of remuneration of the directors each year in respect of their ordinary services as Directors from £150,000 to £250,000. Whilst the directors do not intend to rely on this increase, they believe that it gives the Board additional flexibility to manage succession plans and recruit additional directors if necessary.

Issue of Ordinary Shares

Resolution 12, which is an ordinary resolution, will, if passed, renew the Directors' authority to allot new Ordinary shares up to an aggregate nominal amount of £1,184,288, being 10% of the issued share capital of the Company (excluding treasury shares) as at 29 November 2022.

Resolution 13, which is a special resolution, will, if passed, renew the Directors' existing authority to allot new Ordinary shares or sell treasury shares for cash without the new Ordinary shares first being offered to existing shareholders in proportion to their existing holdings. This will give the Directors authority to allot Ordinary shares or sell shares from treasury on a non pre-emptive basis for cash up to an aggregate nominal amount of £1,184,288 (representing 10% of the issued ordinary share capital of the Company (excluding treasury shares) as at 29 November 2022).

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

The authorities being sought under Resolutions 12 and 13 shall expire at the conclusion of the Company's next AGM in 2024 or, if earlier, on the expiry of 15 months from the date of the passing of the resolutions, unless such authorities are renewed, varied or extended prior to such time. The Directors have no current intention to exercise these authorities and will only do so if they believe it is advantageous and in the best interests of shareholders as a whole.

Purchase of the Company's Ordinary Shares

Resolution 14, which is a special resolution, seeks to renew the Board's authority to make market purchases of the Company's Ordinary shares in accordance with the provisions contained in the Companies Act 2006 and the FCA's Listing Rules. Accordingly, the Company will seek authority to purchase up to a maximum of 14.99% of the issued share capital (excluding treasury shares) at the date of passing of the resolution at a minimum price of 25 pence per share (being the nominal value). Under the Listing Rules, the maximum price that may be paid on the exercise of this authority must not exceed the higher of: (i) 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the shares over the five business days immediately preceding the date of purchase; and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue on which the purchase is carried out.

The Board does not intend to use this authority to purchase the Company's Ordinary shares, unless to do so would result in an increase in the net asset value per Ordinary share and would be in the best interests of shareholders as a whole. Any Ordinary shares purchased shall either be cancelled or held in treasury. The authority being sought shall expire at the conclusion of the AGM in 2024 or, if earlier, on the expiry of 15 months from the date of the passing of the resolution unless such authority is renewed, varied or extended prior to such time.

Notice of General Meetings

Under the Companies Act 2006, the notice period for the holding of general meetings of the Company is 21 clear days unless shareholders agree to a shorter notice period and certain other conditions are met. Resolution 15, which is a special resolution, will seek to authorise the Directors to call general meetings of the Company (other than Annual General Meetings) on not less than 14 clear days' notice, as permitted by the Companies Act 2006 amended by the Companies (Shareholders' Rights) Regulations 2009.

It is currently intended that this flexibility to call general meetings on shorter notice will only be used for non-routine business and where it is considered to be in the interests of all shareholders. If Resolution 15 is passed, the authority to convene general meetings on not less than 14 clear days' notice will remain effective until the conclusion of the AGM in 2024 or, if earlier, on the expiry of 15 months from the date of the passing of the resolution, unless renewed prior to such time.

Recommendation

The Board considers that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company's shareholders as a whole, and most likely to promote the success of the Company for the benefit of its members as a whole. Accordingly, the Board recommends that shareholders vote in favour of the resolutions as they intend to do in respect of their own beneficial shareholdings, amounting to 138,786 Ordinary shares, representing 2.9% of the issued share capital.

By order of the Board
abrdn Holdings Limited
Company Secretary
1 George Street
Edinburgh EH2 2LL
30 November 2022

Directors' Remuneration Report

This Directors' Remuneration Report comprises three parts:

1. a Remuneration Policy which is subject to a binding shareholder vote every three years (or sooner if varied during this interval) - most recently voted on at the Annual General Meeting on 23 January 2020, with approval to be sought at the Annual General Meeting on 2 February 2023;
2. an Implementation Report which is subject to an advisory vote on the level of remuneration paid during the year; and
3. an Annual Statement.

Company law requires the Company's Auditor to audit certain of the disclosures provided in the Directors' Remuneration Report. Where disclosures have been audited, they are indicated as such. The Auditor's report is included on pages 59 to 64.

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

Remuneration Policy

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

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

The Company's policy is that the remuneration of the Directors, all of whom are non-executive, should reflect the experience of the Board as a whole and be fair and comparable to that of other investment trusts with a similar capital structure and similar investment objectives. Directors are remunerated exclusively in the form of fees, payable quarterly in arrears to the Director personally. The fees for the Directors are determined within the limits set out in this Remuneration Policy which limits the aggregate of the fees payable to the Directors to £150,000 per annum (or, if Resolution 5 is approved by shareholders at the 2023 AGM, to £250,000 per annum) It is intended that the fees payable to the Directors should reflect their duties, responsibilities, and the value and amount of time committed to the Company's affairs, and should also be sufficient to enable candidates of a high quality to be recruited and retained. There is no performance-related remuneration scheme and therefore the Directors do not receive bonuses, pension benefits, share options, long-term incentive schemes or other benefits, and the fees are not specifically related to the Directors' performance, either individually or collectively.

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

	30 September 2022[A] £	30 September 2021 £
Chair	**32,000**	29,500
Chair of Audit Committee	**27,500**	25,000
Chair of the Remuneration & Management Engagement Committee	**24,000**	22,000
Director	**22,500**	20,500

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

Appointment

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

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

Performance, Service Contracts, Compensation and Loss of Office

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

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

There were no changes to the Directors' Remuneration Policy during the year and, aside from the proposed increase in aggregate of remuneration payable to Directors as set out on page 46, there are no proposals for changes in the foreseeable future. The Remuneration Policy is reviewed by the Remuneration & Management Engagement Committee on an annual basis and it is the Committee's intention that this Remuneration Policy will apply for the three year period ending 30 September 2025.

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

At the Annual General Meeting held on 23 January 2020, shareholders approved the Directors' Remuneration Policy. 98.1% of proxy votes were in favour of the resolution and 1.1% of proxy votes were cast against the resolution.

A resolution to approve the Directors' Remuneration Policy will be proposed at the Annual General Meeting on 2 February 2023.

Implementation Report

Review of Directors' Fees

The Remuneration & Management Engagement Committee carried out a review of the level of Directors' fees during the year, which included consideration of fees paid by comparable investment trusts and the sector as a whole. During the year, it was acknowledged that Directors' fees had not changed since 2018 and were materially below peers and, with effect from 1 April 2022, it was agreed that Directors' fees would be increased by £2,500 for the Chair and Chair of the Audit Committee, and by £2,000 per annum for each other Director. And, with effect from 1 October 2022, it was agreed that Directors' Fees would be increased by £2,500 per annum for the Chair and Chair of the Audit Committee, and by £2,000 per annum for each other Director.

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

Company Performance

The graph below shows the share price and NAV total return (assuming all dividends are reinvested) to Ordinary shareholders compared to the total return from the FTSE All-Share Index for the ten year period to 30 September 2022 (rebased to 100 at 30 September 2012). This index was chosen for comparison purposes only, as it is a widely used indicator for the equity market in which the Company invests.

Directors' Remuneration Report

Continued

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

At the Company's last Annual General Meeting, held on 4 February 2022, shareholders approved the Directors' Remuneration Report in respect of the year ended 30 September 2021. 98.8% of proxy votes were in favour of the resolution, and 2.2% of proxy votes were cast against the resolution.

A resolution to approve the Directors' Remuneration Report in respect of the year ended 30 September 2022 will be proposed at the Annual General Meeting on 2 February 2023.

Spend on Pay

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

Audited Information

Directors' Remuneration

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

Director	Year ended 30 September 2022[E]	Year ended 30 September 2021
Mark White[A]	**30,750**	26,562
Caroline Hitch[B]	**23,000**	21,478
Mark Little[C]	**3,750**	n/a
Sarika Patel	**26,250**	25,000
Jeremy Tigue	**21,500**	20,500
Richard Burns[D]	**n/a**	10,272
Total	**105,250**	103,812

[A] Appointed as Chair on 5 February 2021
B Appointed as Chair of the Remuneration Management & Engagement Committee on 5 February 2021
[C] Appointed as a Director on 1 August 2022
[D] Retired on 5 February 2021
[E] Directors fees were increased with effect from 1 April 2022. The increased fee rates were only applicable for six months of the financial year

The above amounts exclude any employers' national insurance contributions, if applicable. All fees are at a fixed rate and there is no variable remuneration. Fees are pro-rated where a change takes place during a financial year. There were no payments to third parties included in the fees referred to in the table above. No other forms of remuneration were received by the Directors and none of the Directors has any taxable expenses, compensation for loss of office or non-cash benefit for the year ended 30 September 2022 (2021: nil).

Annual Percentage Change in Directors' Remuneration

The following table sets out the annual percentage change in Directors' fees for the past three years from 1 October 2019 to 30 September 2022.

	Year ended 30 September 2022	Year ended 30 September 2021	Year ended 30 September 2020
	Fees %	**Fees %**	**Fees %**
Mark White[A]	**15.8**	20.7	0.0
Caroline Hitch[B]	**7.1**	4.8	0.0
Mark Little[C]	**n/a**	n/a	n/a
Sarika Patel[D]	**5.0**	14.2	n/a
Jeremy Tigue	**4.9**	0.0	0.0

[A] Appointed as Chair on 5 February 2021
[B] Appointed as Chair of the Remuneration Management & Engagement Committee on 5 February 2021
[C] Appointed as a Director on 1 August 2022
[D] Appointed as a Director on 1 November 2019 and as Chair of the Audit Committee on 23 February 2020

Directors' Interests in the Company

The Directors (including their connected persons) at 30 September 2022 and 30 September 2021 had no interest in the share capital of the Company other than those interests shown in the following table.

	30 September 2022	30 September 2021
	Ordinary shares	Ordinary shares
Mark White	**75,000**	50,000
Caroline Hitch[A]	**27,900**	27,900
Mark Little[B]	**0**	n/a
Sarika Patel	**1,968**	1,679
Jeremy Tigue	**25,886**	25,886

[A] Includes non-beneficial holdings
[B] Appointed on 1 August 2022

Since 30 September 2022, Sarika Patel has increased her interest in the Company to 10,000 Ordinary shares. There have been no other changes to the Directors' interests in the share capital of the Company since the year end up to the date of approval of this Report.

Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, it is confirmed that the above Remuneration Report summarises, as applicable, for the year to 30 September 2022:

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

Caroline Hitch
Chair of the Remuneration & Management Engagement Committee
30 November 2022

Audit Committee's Report

The Audit Committee presents its Report for the year ended 30 September 2022.

Committee Composition

The Committee is chaired by Sarika Patel who is a Chartered Accountant and has recent and relevant financial experience. As set out in the Chairman's Statement on page 7, Mark Little will succeed Sarika Patel as Chair following the Annual General Meeting on 2 February 2023.

The Committee comprises all Non-Executive Directors. The Audit Committee and Board considers that the Chair of the Board, Mark White, was independent on appointment, and continues to be independent of the Manager.

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

Functions of the Audit Committee

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

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

The Committee's main functions are listed below:

- to review and monitor the internal control systems and risk management systems (including review of non-financial risks) on which the Company is reliant (the Directors' statement on the Company's internal controls and risk management is set out below);
- to consider whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the half-yearly and annual financial statements of the Company and any formal announcements relating to the Company's financial performance, by reviewing, and challenging where necessary, the actions and judgements of the Manager;
- to review, and report to the Board on, the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, half-yearly financial reports, any formal announcements relating to the Company's financial performance;
- to review the content of the Annual Report and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- to meet with the Auditor to review the proposed audit programme of work and the findings of the Auditor. The Committee shall also use this as an opportunity to assess the effectiveness of the audit process;
- to develop and implement policy on the engagement of the Auditor to supply non-audit services. Non-audit fees paid to the Auditor during the year under review amounted to £nil (2021 £nil). All non-audit services must be approved in advance by the Audit Committee and will be reviewed in the light of relevant guidance and statutory requirements regarding the provision of non-audit services by the external audit firm, and the need to maintain the Auditor's independence;
- to review a statement from the Manager detailing the arrangements in place within the Manager whereby staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters;
- to make recommendations to the Board in relation to the appointment of the Auditor and to approve the remuneration and terms of engagement of the Auditor; and
- to monitor and review the Auditor's independence, objectivity, effectiveness, resources and qualification, taking into consideration relevant UK professional and regulatory requirements.

Activities During the Year

The Audit Committee met twice during the year when, amongst other things, it considered the Annual Report and the Half-Yearly Financial Report in detail. Representatives of the Manager's internal audit, risk and compliance departments reported to the Committee at these meetings on matters such as internal control systems, risk management and the conduct of the business in the context of its regulatory environment. No significant weaknesses in the control environment were identified and it was also noted that there had not been any adverse comment from the independent Auditor and that the independent Auditor had not identified any significant issues in its audit report. The Committee, therefore, concluded that there were no significant issues which required to be reported to the Board.

Internal Controls and Risk Management

The Board confirms that there is an ongoing process for identifying, evaluating and managing the Company's significant business and operational risks, that has been in place for the year ended 30 September 2022 and up to the date of approval of the Annual Report, is regularly reviewed by the Board and accords with the FRC's guidance on internal controls.

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

The design, implementation and maintenance of controls and procedures to safeguard the assets of the Company and to manage its affairs properly extends to operational and compliance controls and risk management. The Board, through the Audit Committee, has prepared its own risk register which lists potential risks as set out in the Strategic Report on pages 12 to 14. The Board considers the potential cause and possible effect of these risks as well as reviewing the controls in place to mitigate them.

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

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

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

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

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

Financial Statements and Significant Issues

During its review of the Company's financial statements for the year ended 30 September 2022, the Audit Committee considered the following significant issues, in particular those communicated by the Auditor during its planning and reporting of the year-end audit:

Valuation, Existence and Ownership of Investments

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

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

Recognition of Dividend Income

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

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

Review of Financial Reporting

The Committee, when considering the draft Annual Report and financial statements for the year ended 30 September 2022, concluded that taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. In reaching this conclusion, the Committee has assumed that the reader of the Annual Report and financial statements would have a reasonable knowledge of the investment industry in general and of investments trusts in particular.

Review of Independent Auditor

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

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

The independent Auditor's report is included on pages 59 to 64. Details of the amounts paid to KPMG during the year for audit services are set out in note 4 to the financial statements.

Tenure of the Independent Auditor

KPMG was initially appointed as the Company's independent Auditor on 15 March 2018 and approved by shareholders at the Annual General Meeting on 17 January 2019. In accordance with present professional guidelines the senior statutory auditor is rotated after no more than five years. The year ended 30 September 2022 is the first year during which the present senior statutory auditor has served.

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

The Audit Committee is satisfied with the quality of the work and service carried out by KPMG and with the level of fees. The Committee is also satisfied that KPMG is independent and therefore supports the recommendation to the Board that the re-appointment of KPMG be put to shareholders for approval at the Annual General Meeting.

On behalf of the Audit Committee
Sarika Patel
Chair of the Audit Committee
30 November 2022

Financial Statements

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

Statement of Directors' Responsibilities

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

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

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

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

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

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

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

The Directors confirm that to the best of their knowledge:

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

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

On behalf of the Board
Mark White
Chair
30 November 2022

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

1. Our Opinion is Unmodified

We have audited the financial statements of abrdn Equity Income Trust plc ("the Company") for the year ended 30 September 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 15 March 2018. The period of total uninterrupted engagement is for the 5 financial years ended 30 September 2022. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2. Key Audit Matters: Our Assessment of Risks of Material Misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter (unchanged from 2021), in arriving at our audit opinion above, together with our key audit procedures to address this matter and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter.

	The Risk	Our Response
Carrying amount of quoted investments (£179.9 million; 2021: £207.4 million) Refer to page 54 (Audit Committee Report), pages 68 and 69 (accounting policy) and page 75 (financial disclosures).	**Low risk, high value** The Company's portfolio of quoted investments makes up 97% (2021: 98%) of the Company's total assets (by value) and is one of the key drivers of results. We do not consider these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	We performed the detailed tests below rather than seeking to rely on controls, because the nature of the balance is such that detailed testing is determined to be the most effective manner of obtaining audit evidence. Our procedures included: · **Tests of detail**: Agreeing the valuation of 100% of investments in the portfolio to externally quoted prices; and · **Enquiry of Depositary**: Agreeing 100% of investment holdings in the portfolio to independently received third party confirmation from the Depositary. **Our results**: We found the carrying amount of quoted investments to be acceptable (2021: acceptable).

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

Continued

3. Our Application of Materiality and an Overview of the Scope of our Audit

Materiality for the financial statements as a whole was set at £1.85million (2021: £2.1million), determined with reference to a benchmark of total assets, of which it represents 1% (2021: 1%).

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

Performance materiality was set at 75% (2021: 75%) of materiality for the financial statements as a whole, which equates to £1.38 million (2021: £1.60 million). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

In addition, we applied a lower materiality of £0.63 million (2021: £0.49 million) to the income balance, and materiality of £1,000 to Director's remuneration, for which we believe misstatements of lesser amounts than materiality for the Financial Statements as a whole could be reasonably expected to influence the Company's members' assessment of the financial performance of the Company.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.09 million (2021: £0.10 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

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

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

4. Going Concern

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

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

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

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

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

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the Directors' statement in note 1 (a) to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1(a) to be acceptable; and
- the related statement under the Listing Rules set out on page 45 is materially consistent with the financial statements and our audit knowledge.

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

5. Fraud and Breaches of Laws and Regulations – Ability to Detect

Identifying and responding to risks of material misstatement due to fraud

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

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

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

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular to the risk that management may be in a position to make inappropriate accounting entries. We evaluated the design and implementation of the controls over journal entries and other adjustments and made inquiries of the Administrator about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. We substantively tested all material post-closing entries and, based on the results of our risk assessment procedures and understanding of the process, including the segregation of duties between the Directors and the Administrator, no further high-risk journal entries or other adjustments were identified.

On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue is non-judgemental and straightforward, with limited opportunity for manipulation particularly in light of the segregation of duties.

We did not identify any additional fraud risks.

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

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

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

Continued

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

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

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

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

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

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

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

6. We Have Nothing to Report on the Other Information in the Annual Report

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

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

Strategic Report and Directors' Report

Based solely on our work on the other information:

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

Directors' Remuneration Report

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

Disclosures of Emerging and Principal Risks and Longer-Term Viability

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

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement on page 16 that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Uncertainties disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability Statement, set out on page 16 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

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

Corporate Governance Disclosures

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

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

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

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

7. We Have Nothing to Report on the Other Matters on Which we are Required to Report by Exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. Respective Responsibilities

Directors' Responsibilities

As explained more fully in their statement set out on page 58, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

9. The Purpose of Our Audit Work and to Whom we Owe our Responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

HM Walsh

Hannah Walsh (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace,
Edinburgh, EH1 2EG
30 November 2022

Statement of Comprehensive Income

		2022			2021		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net (losses)/gains on investments at fair value	9	-	(24,281)	(24,281)	-	46,078	46,078
Currency gains/(losses)		-	1	1	-	(2)	(2)
Income	2	13,517	-	13,517	10,642	-	10,642
Investment management fee	3	(335)	(782)	(1,117)	(342)	(799)	(1,141)
Administrative expenses	4	(464)	-	(464)	(373)	-	(373)
Net return before finance costs and taxation		12,718	(25,062)	(12,344)	9,927	45,277	55,204
Finance costs	5	(149)	(347)	(496)	(109)	(253)	(362)
Return before taxation		12,569	(25,409)	(12,840)	9,818	45,024	54,842
Taxation	6	(325)	-	(325)	(125)	-	(125)
Return after taxation		12,244	(25,409)	(13,165)	9,693	45,024	54,717
Return per Ordinary share	8	25.51p	(52.93p)	(27.42p)	20.06p	93.18p	113.24p

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

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

The accompanying notes on pages 68 to 82 are an integral part of the financial statements.

Statement of Financial Position

	Notes	2022 £'000	2021 £'000
Fixed assets			
Investments at fair value through profit or loss	9	**179,730**	207,418
Current assets			
Debtors	10	**2,343**	1,322
Money-market funds		**2,503**	3,408
Cash and short-term deposits		**1,054**	45
		5,900	4,775
Current liabilities			
Creditors: amounts falling due within one year			
Bank loan	11	**(24,979)**	(24,951)
Other creditors	11	**(3,152)**	(4,311)
		(28,131)	(29,262)
Net current liabilities		**(22,231)**	(24,487)
Net assets		**157,499**	182,931
Capital and reserves			
Called-up share capital	12	**12,295**	12,295
Share premium account		**52,043**	52,043
Capital redemption reserve		**12,616**	12,616
Capital reserve	13	**70,276**	97,491
Revenue reserve		**10,269**	8,486
Equity shareholders' funds		**157,499**	182,931
Net asset value per Ordinary share	14	**331.77p**	380.84p

The financial statements on pages 65 to 82 were approved by the Board of Directors and authorised for issue on 30 November 2022 and were signed on its behalf by:

Mark White
Chairman

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

Statement of Changes in Equity

For the year ended 30 September 2022

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

For the year ended 30 September 2021

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 September 2020		12,295	52,043	12,616	53,494	8,748	139,196
Return after taxation		-	-	-	45,024	9,693	54,717
Purchase of own shares for treasury		-	-	-	(1,027)	-	(1,027)
Dividends paid	7	-	-	-	-	(9,955)	(9,955)
Balance at 30 September 2021		12,295	52,043	12,616	97,491	8,486	182,931

The capital reserve at 30 September 2022 is split between realised gains of £85,606,000 and unrealised losses of £15,330,000 (30 September 2021: realised gains of £81,939,000 and unrealised gains of £15,552,000).

The revenue and capital reserves represent the amount of the Company's reserves distributable by way of dividend.

The accompanying notes on pages 68 to 82 are an integral part of the financial statements.

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Notes to the Financial Statements

For the year ended 30 September 2022

1. Accounting policies

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

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

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

As at 30 September 2022, the Company had a £30 million (2021 - £30 million) revolving credit facility with The Royal Bank of Scotland International Limited, London Branch. £25 million was drawn at the end of the financial year (2021 - £25 million). The revolving credit facility matures on 25 June 2023. A replacement option will be sought in advance of the expiry of the facility, or should the Board decide not to renew this facility, any outstanding borrowing would be repaid through the proceeds of equity sales as required

The Directors are mindful of the Principal Risks and Uncertainties disclosed in the Strategic Report on pages 12 to 14 and they believe that the Company has adequate financial resources to continue its operational existence for a period of not less than 12 months from the date of approval of this Report. They have arrived at this conclusion having confirmed that the Company's diversified portfolio of realisable securities is sufficiently liquid and could be used to meet short-term funding requirements were they to arise. They have also reviewed the revenue and ongoing expenses forecasts for the coming year, and expect to secure a replacement facility upon expiry of the current facility. Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements

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

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

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

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

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

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

(c) **Money market funds investments.** Money market funds investments are used by the Company to provide additional short term liquidity. As they are not listed on a recognised exchange and due to their short term nature, they are recognised in the financial statements as a current asset and are included at fair value through profit or loss.

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

(d) **Income.** Income from equity investments, including taxes deducted at source, is included in revenue by reference to the date on which the investment is quoted ex-dividend. Special dividends are credited to revenue or capital according to the circumstances. Foreign income is converted at the exchange rate applicable at the time of receipt. Interest receivable on cash at bank and in hand and on the money market fund is accounted for on an accruals basis.

(e) **Expenses and interest payable.** Expenses are accounted for on an accruals basis. Expenses are charged to capital when they are incurred in connection with the maintenance or enhancement of the value of investments. In this respect, the investment management fee and relevant finance costs are allocated between revenue and capital in line with the Board's expectation of returns from the Company's investments over the long term in the form of revenue and capital respectively (see notes 3 and 5).

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

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

(g) **Capital and reserves**

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

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

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

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

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

Notes to the Financial Statements

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

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

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

(i) **Cash and cash equivalents**. Cash comprises bank balances and cash held by the Company. Cash equivalents are short-term, highly liquid investments including money-market funds that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) **Bank borrowings**. Interest bearing bank loans and overdrafts are recorded initially at fair value, being the proceeds received, net of direct issue costs. They are subsequently measured at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Statement of Comprehensive Income using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(k) **Treasury shares**. When the Company purchases its Ordinary shares to be held in treasury, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effect, and is recognised as a deduction from the capital reserve. When these shares are sold subsequently, the amount received is recognised as an increase in equity, and any resulting surplus on the transaction is transferred to the share premium account and any resulting deficit is transferred from the capital reserve.

(l) **Judgements and key sources of estimation uncertainty**. Disclosure is required of judgements and estimates made by management in applying the accounting policies that have a significant effect on the Financial Statements. There are no significant estimates or judgements which impact these Financial Statements.

2. Income

	2022 £'000	2021 £'000
Income from investments		
UK investment income		
Ordinary dividends	**8,460**	8,286
Special dividends	**800**	600
	9,260	8,886
Overseas and Property Income Distribution investment income		
Ordinary dividends	**4,243**	1,748
Special dividends	**-**	5
	4,243	1,753
	13,503	10,639
Other income		
Money-market interest	**14**	2
Underwriting commission	**-**	1
	14	3
Total income	**13,517**	10,642

3. Investment management fee

	2022 £'000	2021 £'000
Charged to revenue reserve	**335**	342
Charged to capital reserve	**782**	799
	1,117	1,141

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

The fee payable to aFML was calculated at a rate of 0.65% per annum of net assets up to £175 million and at a rate of 0.55% per annum of net assets thereafter. The fee is payable quarterly in arrears and is chargeable 30% to revenue and 70% to capital (see note 1(e) for further detail). The balance of fees due at the year end was £530,000 (2021 - £298,000).

Notes to the Financial Statements

Continued

4. Administrative expenses

	2022 £'000	2021 £'000
Directors' fees	**105**	104
Employers' National Insurance	**4**	6
Fees payable to the Company's Auditor (excluding VAT):		
– for the audit of the annual financial statements	**40**	32
Professional fees	**52**	(3)
Depositary fees	**22**	25
Other expenses	**241**	209
	464	373

The Company has an agreement with aFML for the provision of promotional activities. Fees paid under the agreement during the year were £103,000 (2021 - £95,000). At 30 September 2022, £166,000 was due to aFML (2021 - £63,000).

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

The Company has no employees.

5. Finance costs

	2022 £'000	2021 £'000
On bank loans and overdrafts:		
Charged to revenue reserve	**149**	109
Charged to capital reserve	**347**	253
	496	362

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

6. Taxation

	2022			2021		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
(a) Analysis of charge for the year						
Overseas withholding tax	**325**	**-**	**325**	125	-	125

(b) Factors affecting total tax charge for the year. The corporation tax rate was 19% (2021 - 19%). The total tax assessed for the year is higher (2021 - lower) than that resulting from applying the standard rate of corporation tax in the UK.

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

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return before taxation	**12,569**	**(25,409)**	**(12,840)**	9,818	45,024	54,842
Corporation tax at a rate of 19% (2021 - 19%)	**2,388**	**(4,828)**	**(2,440)**	1,865	8,555	10,420
Effects of:						
Non-taxable UK dividends	**(1,770)**	**-**	**(1,770)**	(1,686)	-	(1,686)
Non-taxable overseas dividends	**(744)**	**-**	**(744)**	(273)	-	(273)
(Gains)/losses on investments not relievable	**-**	**4,613**	**4,613**	-	(8,755)	(8,755)
Excess management expenses and loan relationship losses	**126**	**215**	**341**	94	200	294
Irrecoverable overseas withholding tax	**325**	**-**	**325**	125	-	125
Total taxation	**325**	**-**	**325**	125	-	125

At 30 September 2022, the Company had unutilised management expenses and loan relationship losses of £31,990,000 (2021 - £30,202,000). No deferred tax asset has been recognised on the unutilised management expenses and loan relationship losses as it is unlikely that the Company will generate suitable taxable profits in the future that these tax losses could be deducted against.

7. Dividends on Ordinary shares

	2022 £'000	2021 £'000
Amounts recognised as distributions to equity holders in the year:		
Fourth interim dividend for 2021 of 5.60p per share (2020 - 5.00p)	**2,690**	2,416
First interim dividend for 2022 of 5.40p per share (2021 - 5.20p)	**2,594**	2,513
Second interim dividend for 2022 of 5.40p per share (2021 - 5.20p)	**2,594**	2,513
Third interim dividend for 2022 of 5.40p per share (2021 - 5.20p)	**2,583**	2,513
	10,461	9,955

The fourth interim dividend of 6.50p per Ordinary share, payable on 9 January 2023 to shareholders on the register on 9 December 2022 has not been included as a liability in the financial statements.

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

	2022 £'000	2021 £'000
First interim dividend for 2022 of 5.40p per share (2021 - 5.20p)	**2,594**	2,513
Second interim dividend for 2022 of 5.40p per share (2021 - 5.20p)	**2,594**	2,513
Third interim dividend for 2022 of 5.40p per share (2021 - 5.20p)	**2,583**	2,513
Fourth interim dividend for 2022 of 6.50p per share (2021 - 5.60p)	**3,079**	2,690
	10,850	10,229

8. Return per Ordinary share

	2022		2021	
	£'000	p	£'000	p
Basic				
Revenue return	**12,244**	**25.51**	9,693	20.06
Capital return	**(25,409)**	**(52.93)**	45,024	93.18
Total return	**(13,165)**	**(27.42)**	54,717	113.24

Weighted average number of Ordinary shares in issue[A]	**48,004,224**	48,320,851

[A] Calculated excluding shares held in Treasury where applicable.

9. Investments

	2022 £'000	2021 £'000
Fair value through profit or loss		
Opening book cost	**191,866**	188,007
Opening fair value gains/(losses) on investments held	**15,552**	(30,208)
Opening fair value	**207,418**	157,799
Movements in the year:		
Purchases at cost	**40,986**	59,701
Sales – proceeds	**(44,393)**	(56,160)
(Losses)/gains on investments	**(24,281)**	46,078
Closing fair value	**179,730**	207,418
Closing book cost	**195,060**	191,866
Closing fair value (losses)/gains on investments held	**(15,330)**	15,552
Closing fair value	**179,730**	207,418

The Company received £44,393,000 (2021 – £56,160,000) from investments sold in the year. The book cost of these investments when they were purchased was £37,797,000 (2021 – £55,842,000). These investments have been revalued over time and until they were sold any unrealised gains/(losses) were included in the fair value of the investments.

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

	2022 £'000	2021 £'000
Purchases	**201**	261
Sales	**30**	44
Total	**231**	305

Notes to the Financial Statements

Continued

10. Debtors: amounts falling due within one year

	2022 £'000	2021 £'000
Amounts due from brokers	**9**	670
Net dividends and interest receivable	**2,056**	611
Other debtors	**278**	41
	2,343	1,322

11. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Bank loan	**25,000**	25,000
Unamortised loan arrangement expenses	**(21)**	(49)
	24,979	24,951

Other creditors		
Amounts due to brokers	**2,247**	3,823
Investment management fee payable	**530**	298
Sundry creditors	**375**	190
	3,152	4,311

On 28 June 2021, the Company agreed a new two year £30 million revolving credit facility with the Royal Bank of Scotland International Limited, which has a maturity date of 25 June 2023.

The facility agreement contains the following covenants:

- The Company's gross assets will not be less than £120 million (2021 - £120 million) at any time.
- The Company's total net debt will not exceed 25% (2021 - 25%) of net asset value at any time.

All covenants were complied with throughout the year.

At 30 September 2022, and the date of signing this Report, £25 million had been drawn down, at a SONIA rate of 2.791%. This is due to mature on 30 November 2022.

12. Called-up share capital

	2022 £'000	2021 £'000
Issued and fully paid:		
Ordinary shares of 25p each		
Opening balance of 48,033,474 (2021 - 48,327,960) Ordinary shares	12,009	12,083
Buyback of 561,535 (2021 - 294,486) Ordinary shares	(141)	(74)
Closing balance of 47,471,939 (2021 - 48,033,474) Ordinary shares	11,868	12,009
Treasury shares		
Opening balance of 1,145,293 (2021 - 850,807) Treasury shares	286	212
Buyback of 561,535 (2021 - 294,486) Ordinary shares to Treasury	141	74
Closing balance of 1,706,828 (2021 - 1,145,293) treasury shares	427	286
	12,295	12,295

During the year, 561,535 Ordinary shares (2021 - 294,486) were repurchased for a consideration of £1,806,000 (2021 - £1,027,000). The total shares held in Treasury is 1,706,828 (2021 - 1,145,293).

Subsequent to the year end, a further 100,417 Ordinary shares were repurchased to be held in Treasury for a consideration of £315,000.

13. Capital reserve

	2022 £'000	2021 £'000
Opening balance	97,491	53,494
Unrealised (losses)/gains on investment holdings	(30,877)	45,760
Gains on realisation of investments at fair value	6,596	318
Currency gains/(losses)	1	(2)
Investment management fee charged to capital	(782)	(799)
Finance costs charged to capital	(347)	(253)
Buyback of Ordinary shares into treasury	(1,806)	(1,027)
Closing balance	70,276	97,491

The capital reserve includes investment holding losses amounting to £15,330,000 (2021 - gains of £15,552,000) as disclosed in note 9.

Notes to the Financial Statements

Continued

14. Net asset value per share

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

	2022	2021
Basic		
Total shareholders' funds (£'000)	**157,499**	182,931
Number of Ordinary shares in issue at year end[A]	**47,471,939**	48,033,474
Net asset value per share	**331.77p**	380.84p

[A] Excludes shares in issue held in treasury where applicable.

15. Financial instruments

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

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

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

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

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

Interest rate risk

Interest rate movements may affect:

- the level of income receivable on cash deposits;

- interest payable on the Company's variable rate borrowings.

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

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

Interest rate profile

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

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

As at 30 September 2021	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
Assets				
Money market funds	-	0.08	-	3,408
Cash deposits	-	-	-	45
Total assets	-	0.08	-	3,453
Liabilities				
Bank loans	-	1.15	24,951	-
Total liabilities	-	1.15	24,951	-

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 floating rate assets consist of money market funds and cash deposits on call earning interest at prevailing market rates.

All financial liabilities are measured at amortised cost.

Maturity profile. The Company did not hold any assets at 30 September 2022 or 30 September 2021 that had a maturity date. The £25 million (2021 - £25 million) loan drawn down had a maturity date of 30 November 2022 (2021 - 30 December 2021) at the Statement of Financial Position date.

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

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

- profit for the year ended 30 September 2022 would decrease/increase by £214,000 (2021 - decrease/increase by £215,000). This is mainly attributable to the Company's exposure to interest rates on its fixed rate borrowings and floating rate cash balances.

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

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

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

Other price risk sensitivity. If market prices at the Statement of Financial Position date had been 10% higher or lower while all other variables remained constant, the return attributable to ordinary shareholders and equity for the year ended 30 September 2022 would have increased/decreased by £17,973,000 (2021 - increase/decrease of £20,742,000). This is based on the Company's equity portfolio held at each year end.

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

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

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

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

- where the investment manager makes an investment in a bond, corporate or otherwise, the credit rating of the issuer is taken into account so as to minimise the risk to the Company of default;

- investment transactions are carried out with a large number of brokers, whose credit-standing and credit rating is reviewed periodically by the investment manager, and limits are set on the amount that may be due from any one broker;

- cash and money invested in AAA money market funds are held only with reputable institutions.

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

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

	2022		2021	
	Statement of Financial Position £'000	**Maximum exposure £'000**	**Statement of Financial Position £'000**	**Maximum exposure £'000**
Current assets				
Debtors	2,343	2,343	1,322	1,322
Money market funds (indirect exposure)	2,503	2,503	3,408	3,408
Cash and short term deposits	1,054	1,054	45	45
	5,900	5,900	4,775	4,775

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

Fair values of financial assets and financial liabilities. The fair value of borrowings is not materially different to the accounts value in the financial statements of £24,979,000 (note 11).

16. Fair value hierarchy

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

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

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

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

All of the Company's investments are in quoted equities (2021 - same) that are actively traded on recognised stock exchanges, with their fair value being determined by reference to their quoted bid prices at the reporting date. The total value of the investments (2022 - £179,730,000; 2021 - £207,418,000) have therefore been deemed as Level 1.

Notes to the Financial Statements

Continued

17. Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern; and
- to maximise the income and capital return to its equity shareholders through an appropriate balance of equity capital and debt. The Board normally seeks to limit gearing to 15% of net assets. At the year end the Company had gearing of 15.0% of net assets (2021 - 13.5%) (see page 84 for more details).

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

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

The Company does not have any externally imposed capital requirements.

18. Contingent liabilities

As at 30 September 2022 there were no contingent liabilities (2021 - none).

19. Segmental Information

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

20. Related party transactions and transactions with the Manager

Related party transactions. Fees payable during the year to the Directors and their interests in shares of the Company are considered to be related party transactions and are disclosed within the Directors' Remuneration Report on pages 50 to 51. The balance of fees due to Directors at the year end was £30,000 (2021 - £nil).

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

Alternative Performance Measures

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

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

Discount & premium

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

	30 September 2022	30 September 2021
Share price	**302.50p**	349.00p
Net asset value per share	**331.77p**	380.84p
Discount	**8.8%**	8.4%

Dividend yield

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

	30 September 2022	30 September 2021
Share price	**302.50p**	349.00p
Dividend per share	**22.70p**	21.20p
Dividend yield	**7.5%**	6.1%

Alternative Performance Measures

Continued

Net gearing

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

		30 September 2022 £'000	30 September 2021 £'000
Total borrowings	a	**24,979**	24,951
Cash and short-term deposits		**1,054**	45
Investments in AAA-rated money-market funds		**2,503**	3,408
Amounts due from brokers		**9**	670
Amounts payable to brokers		**(2,247)**	(3,823)
Total cash and cash equivalents	b	**1,319**	300
Gearing (borrowings less cash & cash equivalents)	c=(a-b)	**23,660**	24,651
Shareholders' funds	d	**157,499**	182,931
Net gearing	e=(c/d)	**15.0%**	13.5%

Ongoing charges ratio

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

		30 September 2022 £'000	30 September 2021 £'000
Investment management fees		**1,117**	1,141
Administrative expenses		**464**	373
Less: non-recurring charges[A]		**(42)**	(2)
Ongoing charges	a	**1,539**	1,512
Average net assets	b	**178,283**	173,473
Ongoing charges ratio (excluding look-through costs)	c=(a/b)	**0.86%**	0.87%
Look-through costs[B]	d	**0.05%**	0.06%
Ongoing charges ratio (including look-through costs)	e=c+d	**0.91%**	0.93%

[A] Comprises professional fees not expected to recur.
[B] Calculated in accordance with AIC guidance issued in October 2020 to include the Company's share of costs of holdings in investment companies on a look-through basis.

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

Total return

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

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

Year ended 30 September 2021		NAV	Share Price
Opening at 1 October 2020	a	**288.0p**	252.0p
Closing at 30 September 2021	b	**380.8p**	349.0p
Price movements	c=(b/a)-1	**32.2%**	38.5%
Dividend reinvestment[A]	d	**7.7%**	8.6%
Total return	c+d	**39.9%**	47.1%

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

Corporate Information

The Manager is a subsidiary of abrdn plc. Assets under the management of the abrdn investment division, were equivalent to £508 billion at 30 June 2022.

Information about the Investment Manager

abrdn Investment Management Limited

The Company's Investment Manager is abrdn Investment Management Limited (previously known as Standard Life Investments Limited), a subsidiary of abrdn whose assets under management and administration were £508billion as at 30 June 2022.

The Investment Team Senior Managers

Thomas Moore

Portfolio Manager

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

Thomas began managing abrdn Equity Income Trust plc in November 2011.

Iain Pyle

Investment Director

Iain is an Investment Director in the UK Equities team, having joined abrdn in 2015. He is the lead manager of Shires Income PLC and is deputy manager for Murray Income Trust PLC and abrdn Equity Income Trust plc. Within his role, he also manages the UK Equity High Income Fund and has sector responsibility for oil & gas and banks.

Investor Information

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

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

The AIFMD requires abrdn Fund Managers Limited, as the Company's AIFM, to make available to investors certain information prior to such investors' investment in the Company. Details of the leverage and risk policies which the Company is required to have in place under the AIFMD are published in the Company's PIDD which can be found on its website: **abrdnequityincome.com**. The periodic disclosures required to be made by the AIFM under the AIFMD are set out on page 95.

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

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

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

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

Shareholder Enquiries

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

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

For questions about an investment held through the abrdn Investment Plan for Children, Investment Trust Share Plan or Investment Trust Stocks and Shares ISA, please telephone the Manager's Customer Services Department on **0808 500 0040**, email **inv.trusts@abrdn.com** or write to:

abrdn Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB

Dividend Tax Allowance

The annual tax-free personal allowance for dividend income for UK investors is £2,000 for the 2022/23 tax year. Above this amount, individuals pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company provides registered shareholders with a confirmation of dividends paid and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

How to Invest

Investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for retail clients, shares can be bought directly through the abrdn Investment Plan for Children, Investment Trust Share Plan or Investment Trust Individual Savings Account ("ISA"), or through the many broker platforms which offer the opportunity to acquire shares in investment companies.

abrdn Investment Plan for Children

abrdn runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including the Company. Anyone can invest in the Children's Plan, including parents, grandparents and family friends (subject to the eligibility criteria as stated within the terms and conditions). All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) where applicable on entry. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing abrdn in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

abrdn Investment Trust Share Plan

abrdn operates an investment trust Share Plan (the "Plan") through which shares in the Company can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors only pay Government Stamp Duty (currently 0.5%) on entry where applicable. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing abrdn in writing at any time.

abrdn Investment Trust ISA

abrdn operates an Investment Trusts ISA ("ISA") through which an investment may be made of up to £20,000 in the 2022/23 tax year.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases where applicable. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the ISA prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the ISA, from the sale of investments held in the ISA. Under current legislation, investments in ISAs can grow free of capital gains tax.

ISA Transfer

Investors can choose to transfer previous tax year investments to abrdn, which can be invested in the Company while retaining their ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per trust of £250.

Nominee Accounts and Voting Rights

In common with other schemes of this type, all investments in the abrdn Share Plan, Investment Plan for Children and Investment Trusts ISA are held in nominee accounts and investors have full voting and other rights of share ownership.

How to Attend and Vote at Company Meetings

Investors who hold their shares in the Company via the abrdn Investment Plan for Children, Investment Trust Share Plan and Investment Trust Stocks and Shares ISA and who would like to attend and vote at Company meetings (including AGMs) will be sent for completion and return a Letter of Direction in connection with the relevant meeting.

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

Investor Information

Continued

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

Keeping You Informed

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

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

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

Twitter:

@abrdnTrusts

LinkedIn:

abrdn Investment Trusts

Key Information Document ("KID")

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

Literature Request Service

For literature and application forms for abrdn investment trust products, please contact us through: **invtrusts.co.uk**.

Or telephone: **0808 500 4000**

Or write to:
abrdn Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB

Terms and Conditions

Terms and conditions for abrdn managed savings products can also be found on the Manager's website at: **invtrusts.co.uk.**

Suitable for Retail/NMPI Status

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

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

Online Dealing

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

Discretionary Private Client Stockbrokers

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

Financial Advisers

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

Regulation of Stockbrokers

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

Note

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

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

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

The information on pages 88 to 91 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by abrdn Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Glossary of Terms

abrdn or abrdn plc (formerly Standard Life Aberdeen plc) or the Group
The abrdn plc group of companies. Standard Life Aberdeen plc changed its name to abrdn plc in July 2021.

AFML or AIFM or Manager
abrdn Fund Managers Limited ("AFML"), formerly Aberdeen Standard Fund Managers Limited, is a wholly owned subsidiary of abrdn Holdings Limited, which is part of abrdn, and acts as the alternative investment fund manager ("AIFM") for the Company. AFML is authorised and regulated by the Financial Conduct Authority.

AIC
The Association of Investment Companies.

AIFMD
The Alternative Investment Fund Managers Directive. The AIFMD is European legislation which created a European-wide framework for regulating managers of 'alternative investment funds' ("AIFs"). It is designed to regulate any fund which is not a UCITS fund and which is managed and/or marketed in the EU. The Company has been designated as an AIF.

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

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

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

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

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

Dividend Cover
Revenue return per share divided by dividends per share expressed as a ratio.

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

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

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

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

Ex-dividend date ("XD date")
The day before the Record Date. The XD date is normally about a month before the dividend is paid.

FCA
Financial Conduct Authority.

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

Index

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

Investment Trust

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

Key Information Document or KID

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

Leverage

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

Market Capitalisation

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

Net Asset Value, NAV or Shareholders' Funds

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

Ongoing Charges Ratio

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

Pre-Investment Disclosure Document ("PIDD")

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

Premium

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

Price/Earnings Ratio

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

Realised Gains / Losses

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

Record Date

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

Relative Performance

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

Glossary of Terms

Continued

Retail Prices Index ("RPI")
One of the main measures of consumer inflation in the UK, produced by the Office for National Statistics.

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

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

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

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

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

AIFMD Disclosures (Unaudited)

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

There have been no material changes to the disclosures contained within the PIDD since its most recent update in December 2021.

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

- information on the investment strategy, geographic and sector investment focus and principal stock exposures is included in the Strategic Report;
- none of the Company's assets are subject to special arrangements arising from their illiquid nature;
- the Strategic Report, note 15 to the financial statements and the PIDD together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected;
- there are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by AFML; and
- all authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the AIFM's remuneration policy is available from the Company Secretary, abrdn Holdings Limited, on request, and the remuneration disclosures in respect of the AIFM's reporting period for the year ended 31 December 2021 are available on the Company's website.

Leverage

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

	Gross Method	Commitment Method
Maximum level of leverage	3.00:1	2.00:1
Actual level at 30 September 2022	1.30:1	1.34:1

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

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

General

The Annual General Meeting of abrdn Equity Income Trust plc will be held at wallacespace Spitalsfield, 15-25 Artillery Lane, London, E1 7HA on 2 February 2023 at 11:30 am.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the thirty first Annual General Meeting of abrdn Equity Income Trust plc ("the Company") will be held at wallacespace Spitalsfield, 15-25 Artillery Lane, London, E1 7HA on 2 February 2023 at 11:30 am for the following purposes:

To consider and, if thought fit, pass resolutions 1 to 12 (inclusive) as ordinary resolutions:

1. To receive and adopt the Directors' Report and financial statements of the Company for the year ended 30 September 2022, together with the independent Auditor's report thereon.
2. To receive and approve the Directors' Remuneration Policy.
3. To receive and approve the Directors' Remuneration Report for the year ended 30 September 2022.
4. To approve the Company's dividend policy to pay four interim dividends per annum.
5. That, with effect from 1 October 2022, the aggregate annual fees paid to the directors for their services as directors of the Company shall not exceed £250,000 per annum.
6. To re-elect Caroline Hitch as a Director of the Company.
7. To re-elect Sarika Patel as a Director of the Company.
8. To re-elect Jeremy Tigue as a Director of the Company.
9. To elect Mark Little as a Director of the Company.
10. To re-appoint KPMG LLP as independent Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company.
11. To authorise the Directors to fix the remuneration of the independent Auditor for the year to 30 September 2023.

Special Business

12. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date of the passing of this resolution, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ("Securities") provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to £1,184,288 (representing 10% of the Company's total issued share capital (excluding shares held in treasury) as at the date of this notice. Such authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, unless previously revoked, varied, extended or renewed by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.

To consider and, if thought fit, to pass resolutions 13 to 15 (inclusive) as special resolutions:

13. That, subject to the passing of resolution 12 set out above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date of the passing of this resolution, the Directors of the Company be and they are hereby generally empowered, pursuant to sections 570 and 573 of the Companies Act 2006 (the 'Act'), to allot equity securities (within the meaning of section 560(1) of the Act), for cash pursuant to the authority given by resolution 12 above, and to sell treasury shares for cash, as if Section 561(1) of the Act did not apply to any such allotment or sale provided that this power:

Notice of Annual General Meeting

Continued

a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, unless previously revoked, varied, extended or renewed by the Company in a general meeting, save that the Company may, at any time prior to the expiry of this authority, make an offer or enter into an agreement which would or might require equity securities to be allotted or sold out of treasury after such expiry and the Directors may allot or sell out of treasury equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and

b) shall be limited to the allotment, or sale out of treasury, of equity securities up to an aggregate nominal value of £1,184,288, being approximately 10% of the nominal value of the issued share capital of the Company (excluding treasury shares), as at the date of this notice.

14. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date of the passing of this resolution, the Company be and is hereby generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary shares of 25p each in the capital of the Company (the "Shares") either for retention as treasury shares for future reissue, resale or transfer, or for cancellation provided always that:

  a) the maximum number of Shares hereby authorised to be purchased shall be 7,100,991, or, if less, the number representing approximately 14.99% of the Company's issued share capital (excluding shares held in treasury) at the date of the passing of this resolution;

  b) the minimum price (exclusive of expenses) which may be paid for each Share shall be 25p;

  c) the maximum price (exclusive of expenses) which may be paid for a Share is the higher of (i) 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the Shares over the five business days immediately preceding the date of purchase and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue which the purchase is carried out; and

  d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is earlier, unless previously revoked, varied, extended or renewed by the Company in a general meeting, save that the Company may, at any time prior to the expiry of this authority, enter into a contract to purchase shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract.

15. That a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

By order of the Board
abrdn Holdings Limited
Company Secretary
30 November 2022

Registered Office
Bow Bells House
1 Bread Street
London EC4M 9HH

Notes

i. A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him/her or on his/her behalf at the meeting. A proxy need not be a shareholder. A shareholder may appoint more than one proxy, provided that each proxy is appointed to attend, speak and vote in respect of a different share or shares. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint your own choice of proxy (not the Chair of the meeting) and give instructions directly to them. Appointing a proxy will not prevent a shareholder from attending in person and voting at the meeting. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should, or if you would like to appoint more than one proxy, please contact the Company's Registrar, Computershare Investor Services PLC on 0370 707 1150. In the case of joint holders, the vote of the first named in the register of members of the Company who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.

ii. To be valid, the appointment of a proxy, and the original or duly certified copy of the power of attorney or other authority, if any, under which it is signed or authenticated, should be sent to the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ so as to arrive not less than 48 hours (excluding non-working days) before the time fixed for the meeting.

iii. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the register of members of the Company at close of business on 31 January 2023 (or, if the meeting is adjourned, 48 hours (excluding non-working days) before the time fixed for the adjourned meeting) shall be entitled to attend or vote at the meeting in respect of the number of Ordinary shares registered in their name at that time. In each case, changes to entries on the register of members of the Company after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

iv. Any shareholder holding 3% or more of the total voting rights of the Company who appoints a person other than the Chair of the meeting as his or her proxy(ies) will need to ensure that both he or she and his/her proxy(ies) comply with their respective disclosure obligations under the FCA Disclosure Guidance and Transparency Rules.

v. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual and/or by logging in to the website www.euroclear. com/CREST. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

vi. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & International Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID number 3RA50) by 11:30 am on 31 January 2023 (or, if the meeting is adjourned, 48 hours (excluding non-working days) before the time fixed for the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

vii. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

Notice of Annual General Meeting

Continued

viii. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

ix. A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statements of the rights of members in relation to the appointment of proxies in Notes (i) and (ii) above do not apply to a Nominated Person. The rights described in those Notes can only be exercised by registered members of the Company.

x. The terms of appointment of the Directors of the Company are available for inspection on any day (except Saturdays, Sundays and bank holidays) from the date of this notice until the date of the meeting during usual business hours at the registered office of the Company and will, on the date of the meeting, be available for inspection at the venue of the meeting from 15 minutes before the meeting until the conclusion of the meeting.

xi. Shareholders are advised that, unless otherwise stated, any telephone number, website or email address which may be set out in this notice of Annual General Meeting or in any related documents (including the proxy form or form of direction) is not to be used for the purposes of serving information or documents on, or otherwise communicating with, the Company for any purposes other than those expressly stated.

xii. Following the meeting, the results of the voting at the meeting and the numbers of proxy votes cast for and against and the number of votes actively withheld in respect of each of the resolutions will be announced via a Regulatory Information Service and placed on the Company's website: **abrdnequityincome.com.**

xiii. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the meeting: or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The Company will be required to do so once it has received such requests either from members representing at least 5% of the voting rights of the Company or from at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state the member's full name and address and be sent to the Company's registered office. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006.

xiv. As at 6pm on 29 November 2022 (being the latest practicable date prior to publication of this notice) the Company's issued share capital comprised 47,371,522 Ordinary shares of 25p each. Each Ordinary share (other than any Ordinary shares held in treasury) carries the right to one vote at a general meeting of the Company. Accordingly, the total number of voting rights in the Company as at 29 November 2022 was 47,371,522.

xv. If you wish to attend the meeting in person, there will be a members' register for you to sign on arrival. Under section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the meeting put by a member attending the meeting unless:

a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

b) the answer has already been given on a website in the form of an answer to a question; or

c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered..

xvi. Information regarding the Annual General Meeting, including information required by Section 311A of the Companies Act 2006, is available from the Company's website: **abrdnequityincome.com.**

Contact Addresses

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