abrdn UK Smaller Companies Growth Trust plc

Annual Report 30 June 2022

Capturing the growth potential of UK smaller companies

abrdn.com

Investments in the Software and Computer Services sector include Kainos, Bytes Technology and Auction Technology.

"For the year ended 30 June 2022, the Company's NAV total return, calculated on the basis that all dividends received are reinvested in additional shares, was -27.3%. The share price total return, calculated on the same basis, was -34.3%."

Liz Airey, Chairman

"The period was a challenging one for performance for the Company, particularly during the second half of the financial year, with our style being out of favour in the market as "top down" global macro factors have taken the lead over "bottom up" stock picking"

Harry Nimmo and Abby Glennie,
abrdn

Contents

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser.

If you have sold or otherwise transferred all your Ordinary shares in abrdn UK Smaller Companies Growth 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.

To find out more about abrdn UK Smaller Companies Growth Trust plc, please visit:
abrdnuksmallercompaniesgrowthtrust.co.uk

Performance Highlights and Financial Calendar

Net asset total return[AB]

–27.3%

2021 +41.9%

Share price total return[AB]

–34.3%

2021 +46.9%

Total dividends per share

8.10p

2021 7.70p

Discount to net asset value[AB]

14.6%

2021 5.4%

Revenue return per share

9.07p

2021 6.43p

Ongoing charges ratio[ABC]

0.82%

2021 0.88%

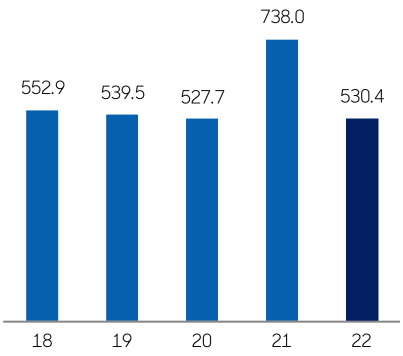
[A] Considered to be an Alternative Performance Measure. See pages 99 to 101 for more information.

[B] A Key Performance Indicator ("KPI"). See page 13 for more information on the Company's KPIs.

[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.

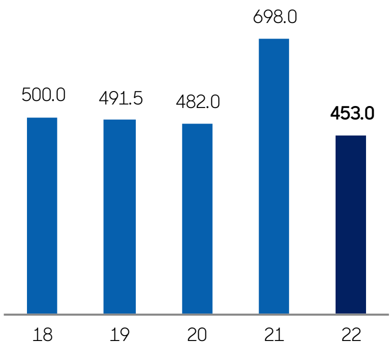
Net asset value per share

At 30 June – pence



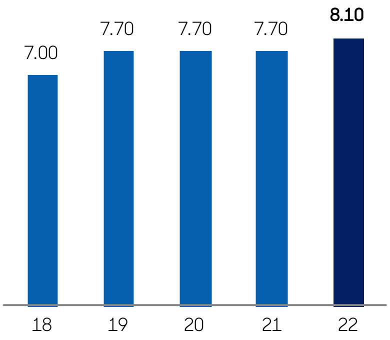
Share price

At 30 June – pence



Dividends per share

Year ended 30 June – pence



Performance Highlights and Financial Calendar

Continued

Financial Calendar

Annual General Meeting (London)	**20 October 2022**
Payment of final dividend for year ending 30 June 2022	**28 October 2022**
Half year end	**31 December 2022**
Expected announcement of results for the six months ending 31 December 2022	**February 2023**
Payment of interim dividend for year ending 30 June 2023	**7 April 2023**
Financial year end	**30 June 2023**
Expected announcement of results for year ending 30 June 2023	**September 2023**

Financial Highlights

	30 June 2022	30 June 2021	% change
Capital return			
Total assets (as defined on page 110)	**£538.6m**	£793.2m	(32.1%)
Equity shareholders' funds	**£498.6m**	£728.2m	(31.5%)
Market capitalisation[A]	**£425.9m**	£688.8m	(38.2%)
Net asset value per share (as defined on page 109)	**530.37p**	737.97p	(28.1%)
Share price	**453.00p**	698.00p	(35.1%)
Discount to NAV[B]	**14.6%**	5.4%	
Net gearing[B]	**5.1%**	5.7%	
Reference index	**5,520.20**	6,977.10	(20.9%)
Dividends and earnings			
Revenue return per share[C]	**9.07p**	6.43p	41.1%
Total dividends per share[D]	**8.10p**	7.70p	5.2%
Operating costs			
Ongoing charges ratio[BE]	**0.82%**	0.88%	

[A] Represents the number of Ordinary shares in issue in the Company multiplied by the Company's share price.
[B] Considered to be an Alternative Performance Measure, as defined on pages 99 and 100.
[C] Measures the revenue earnings for the year divided by the weighted average number of Ordinary shares in issue (see Statement of Comprehensive Income).
[D] The figures for dividend per share reflect the years in which they were earned (see note 8 on page 87).
[E] 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.

Strategic Report

Investments in the Electronics and Technology Hardware sectors include XP Power and discoverIE.

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

The Company's objective is to achieve long-term capital growth by investment in UK-quoted smaller companies.

Chairman's Statement

Last year I stated that "underperformance in any period is obviously disappointing", but last year that disappointment was offset somewhat by the positive absolute performance of more than 40%. This year we are in a more challenging position; the share price and net asset value ("NAV") total returns are both negative and have also underperformed the reference index.

Performance

For the year ended 30 June 2022, the Company's NAV total return, calculated on the basis that all dividends received are reinvested in additional shares, was -27.3%. The share price total return, calculated on the same basis, was -34.3%. By contrast, the total return of the Company's reference index, the Numis Smaller Companies plus AIM (ex investment companies) Index, was -19.0%.

The fall in equity values in the first half of 2022 was a global phenomenon; most major equity indices were trading at lower levels on 30 June 2022 than they were in December 2021, on the back of macro-economic concerns related to the threat of supply-chain issues in the post-Covid recovery and then the impact of the Russian invasion of Ukraine in February 2022. The initial reaction to these concerns was a very severe rotation out of what the market classifies as "growth" stocks into "value" stocks, which began at the beginning of 2022. These rotations are a fact of economic life and take place from time to time. They are uncomfortable while they last but, thankfully, they typically do not last for long. The historic phasing and triggers for these rotations is illustrated in the graph on page 27, demonstrating the impact on performance in the current cycle.

The tangible effect of this is that any shareholder who made an initial investment in the Company in the last two years will be nursing unrealised losses, and those who invested at the highs in September 2021 could be over 30% lower on their purchase price. While everyone should recognise that this is an unavoidable risk of investing in equities, we appreciate that it is nonetheless deeply disappointing. However, we should note that this outcome is not unique to shareholders in the Company; as shown in the table on page 23, the peer group weighted average NAV total return for the year was -22.7% and the peer group weighted average share price total return was -28.4%. This highlights how the challenging market backdrop is the significant driver of performance across the sector.

As the Investment Manager sets out in its report on pages 26 to 30, its expertise is in stock picking using a set of metrics, which have been rigorously back tested, to screen companies and help it select those with the desired growth and quality characteristics for the portfolio. During a significant rotation such as we are experiencing, the whole portfolio comes under pressure. The Investment Manager's challenge is to identify whether the market is misjudging and mispricing the outlook for an individual company, or whether the underlying investment thesis has changed, and adjust the holdings accordingly. The Investment Manager believes that the fact the portfolio holdings are out of favour with the market is explained by a change in sentiment and not by a change in the fundamentals of the companies in which the portfolio is invested, and has confidence in its investment approach.

For the year ended 30 June 2022, the Company's NAV total return, calculated on the basis that all dividends received are reinvested in additional shares, was -27.3%. The share price total return, calculated on the same basis, was -34.3%.

The Board considers the Investment Manager's process to be tried and tested and it has yielded good results over the past two decades - as can be seen from the chart on page 23 - albeit interspersed with periods of underperformance at times of market turbulence such as this. The Board monitors the performance, composition of the portfolio and focus on quality and growth as this is the basis upon which our shareholders have invested in the Company. Whilst a cautious approach, including on gearing, is appropriate as the UK economy faces significant challenge in the period ahead, any style drift or process change would increase risk significantly. The Board continues to believe that the opportunities remain for superior returns over the cycle.

Earnings and Dividends

The revenue return per share ("EPS") for the year ended 30 June 2022 was 9.07p (2021: 6.43p). The increase of 41.1% reverses the declines in the past two years and is the highest EPS the Company has ever generated, exceeding the 8.80p in 2019. The EPS was enhanced by 0.26p per share (2.9%) as a result of share buy backs undertaken during the year, but the level of investment income of £11.1 million is also £1.1 million higher than it was in 2019. It is helpful to be able to report that the contribution by special dividends was less than 1.5% of total income, which provides a degree of confidence in the potential of the portfolio in the coming year.

This higher level of earnings provides the Board with the capacity to increase the level of the final dividend, thereby increasing the total dividend per share for the year, which has been held at 7.70p for the last three years. The Board is therefore proposing a final dividend of 5.40p per share, making a total dividend for the year of 8.10p per share, a 5.2% increase on the dividend for 2021. In addition, over £1.1 million will be transferred to the Revenue Reserves, which will equate to approximately 4.0p per share after the proposed final dividend has been paid.

In making this decision, the Board is very aware of the challenging outlook for the UK economy and does not wish to raise the dividend to a level that might prove unsustainable in future years.

Subject to approval by shareholders at the Annual General Meeting, the final dividend will be paid on 28 October 2022 to shareholders on the register on 7 October 2022, with an associated ex-dividend date of 6 October 2022.

Ongoing Charges

The ongoing charges ratio ("OCR") for the year ended 30 June 2022 was 0.82 % (2021: 0.88%). The reduction is largely a function of a higher average NAV during the year as compared to 2021, and we would expect to see a reversal in this ratio in the coming year.

Discount Control and Share Buy Backs

At the year end the discount of the share price to the cum income NAV was 14.6% (2021: 5.4%).

Over the year, the Board bought back 4.7 million shares, equating to 4.7% of the Company's issued share capital, at a total cost of £29.7 million and a weighted average price of 632.2p per share. The weighted average discount at which the shares were repurchased was 9.1%. The Board calculates that this has added 2.9p per share to the NAV for remaining Shareholders.

The fall in equity values in the first half of 2022 was a global phenomenon on the back of macro-economic concerns related to the threat of supply-chain issues in the post-Covid recovery and then the impact of the Russian invasion of Ukraine in February 2022.

The Company has been more active in buying back shares in the last 12 months than in any previous year since it last undertook a tender offer in 2015, buying back shares on over 130 days last year. The increased activity has been caused by the level of the discount, which has been wider than the 8% target that the Board references in normal market conditions.

Given the backdrop has been unfavourable for the UK smaller companies sector as a whole, it is to be expected that we would see the discount widen as it has across most of our peer group. The Board remains committed to its target of 8% and will continue to be active in the market when it believes it to be in the best interests of shareholders.

Full details of the Board's discount control policy can be found on page 17 and a five-year chart of the movement in the discount compared to the peer group and the discount control mechanism threshold can be found on page 24. The average discount for the year as a whole was 8.2%.

Chairman's Statement

Continued

Gearing

The Board has given the Investment Manager discretion to vary the level of gearing between 5% net cash and 25% net gearing (at the time of drawdown). The Company has a £40 million revolving credit facility and a £25 million fixed-rate loan, providing it with total borrowing facilities of £65 million. At the year-end, £15 million of the revolving credit facility and the £25 million fixed-rate loan were drawn. The gross level of borrowings was offset by cash and cash equivalents of £15.0 million resulting in net gearing of 5.1% (2021: 5.7%).

The existing facilities will expire on 31 October 2022. The Board has reviewed its options and a range of proposals and is expecting to refinance the facilities when they expire.

The Investment Team

The Board noted the announcement by abrdn on 5 September 2022 that Harry Nimmo is retiring from the business on 31 December 2022. On behalf of the Board and shareholders, I would like to thank Harry for all that he has done for the Company. Harry was appointed as the portfolio manager of the Company when Standard Life Investments, as it then was, took on the mandate on 31 August 2003. At that time, the share price was 47.75p and net assets were £44 million. 19 years later, the share price was 482p and net assets are almost £500 million. With dividends reinvested, the total return is over 12 times the amount invested. To put this in context, the FTSE All-Share Index has delivered a total return of less than 3 times and the reference index has returned less than 5 times. We would like to wish Harry a long and happy retirement.

The mantle for managing the portfolio is being passed to Abby Glennie who has been co-manager of the portfolio since November 2020. With Harry's retirement, Abby will be supported by Amanda Yeaman as deputy manager. Their biographies are contained on page 103. The Board has been working with Abby now for several years and is pleased to have her and Amanda responsible for the portfolio and is comfortable that the change in personnel will not lead to a change of process.

The Board

There have been no changes to the Board which has now had consistent membership since 2019. We do, however, continue to review regularly the balance of attributes on our Board including skills, experience and diversity in all its forms to ensure the Board retains the right mix to carry out its role. Following our discussions on rounding out Board skills and enhancing diversity, we decided to participate in the Board Apprentice programme. This has been running for a number of years and is dedicated to increasing diversity on boards by increasing the pool of board-ready candidates. After interviewing a number of candidates, we were pleased to appoint Jessica Norell Neeson in this role for a 12-month period from May 2022. She will attend all Board and committee meetings and will take part in discussions when invited to do so. The role is unremunerated.

Annual General Meeting

The Company's Annual General Meeting ("AGM") will take place at 12 noon on Thursday 20 October 2022 at the offices of abrdn plc, Bow Bells House, 1 Bread Street, London EC4M 9HH. The meeting will include a presentation from the Investment Manager and will be followed by lunch. This is a good opportunity for shareholders to meet the Board and Manager and we would encourage you to attend. The Notice of the Meeting is contained on pages 116 to 120.

The Company's Annual General Meeting ("AGM") will take place at 12 noon on Thursday 20 October 2022 at the offices of abrdn plc, Bow Bells House, 1 Bread Street, London EC4M 9HH.

Shareholders will be able to submit questions in advance of the AGM at the following email address: **abrdnuksmallercompaniesgrowthtrust@abrdn.com.** Should you be unable to attend the AGM, the Investment Manager's presentation will be made available to shareholders on the Company's website shortly after the meeting. The results of the AGM will also be published on the website.

In the meantime, the Board strongly encourages all shareholders to exercise their votes in respect of the AGM in advance of the meeting, and to appoint the Chairman of the meeting as their proxy, by completing the enclosed form of proxy form, or letter of direction for those who hold shares through the abrdn Investment Trust savings plans. This should ensure that your votes are registered.

Outlook

Anticipating the future is never easy, but given the severity of the economic and political turmoil that exists, giving guidance to shareholders right now is particularly complex.

The challenges facing Liz Truss as the UK's new Prime Minister are multi-fold and daunting, with inflation running into double digits for the first time in almost 40 years, expectation of a recession and interest rates on a rising trajectory. Action will need to be taken urgently on the cost-of-living crisis, most notably the rapidly rising cost of energy, but at the time of writing the policy decisions, which will impact the whole of the UK economy, are unclear.

The problem for UK policy is that the root causes of these issues are primarily driven by external events; the energy crisis caused by the Russian invasion of Ukraine in February coming on top of existing climate change challenges and the effects of global policy responses to the Covid pandemic. The aftermath of Covid has seen significant global economic disruption and social change which is still unfolding.

Against this backdrop, markets as a whole are likely to remain volatile, responding to economic and geo-political developments as they unfold. However, it is important to remember that the Investment Manager invests in companies and their management teams, not in markets, and the share prices of individual companies, particularly small cap companies, will not track the market pound for pound. This is especially the case when the companies are market leaders in their, often, specialist fields. As a Board, we will be looking to ensure that the Investment Manager maintains a laser focus on identifying the next generation of market leading companies.

Liz Airey
Chairman
7 September 2022

Overview of Strategy

Business

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

Investment Objective

The Company's objective is to achieve long-term capital growth by investment in UK-quoted smaller companies.

Investment Policy

The Company intends to achieve its investment objective by investing in a diversified portfolio consisting mainly of UK-quoted smaller companies. The portfolio will normally comprise between 50-60 holdings representing the Investment Manager's highest conviction investment ideas. In order to reduce risk in the Company without compromising flexibility, no holding within the portfolio should exceed 5% of total assets at the time of acquisition.

The Company may use derivatives for portfolio hedging purposes (i.e. only for the purpose of reducing, transferring or eliminating the investment risks in its investments in order to protect the Company's portfolio).

Within the Company's Articles of Association, the maximum level of gearing is 100% of net assets. The Directors have set parameters of between 5% net cash and 25% net gearing (at the time of drawdown) for the level of gearing that can be employed in normal market conditions. The Directors have delegated responsibility to the Investment Manager for the operation of the gearing level within the above parameters.

Board Investment Limits

The Directors have set additional guidelines in order to reduce the risk borne by the portfolio:

- Companies with a market capitalisation of below £50 million should not represent more than 5% of total assets.
- Companies involved in "Blue Sky" products should not represent more than 5% of total assets.
- No more than 50% of the portfolio should be invested in companies that are constituents of the FTSE AIM All-Share Index.

Investment Process

The Investment Manager's investment process combines asset allocation, stock selection, portfolio construction, risk management, and dealing. The investment process has evolved out of the Investment Manager's 'Focus on Change' philosophy and is led by Quality, Growth and Momentum. The Investment Manager's stock selection led investment process involves compiling a shortlist of potential investments using a proprietary screening tool known as "The Matrix" which reflects Quality, Growth and Momentum based factor analysis. The final portfolio is the result of intensive research and includes face to face meetings with senior management of these potential investments. This disciplined process has been employed for many years and has delivered a consistency of performance through economic and market cycles.

Further information on the investment process is contained on pages 31 to 33.

Reference Index

The Company's reference index is the Numis Smaller Companies plus AIM (ex investment companies) Index.

Delivering the Investment Objective

The Directors are responsible for determining the Company's investment objective and investment policy. Day-to-day management of the Company's assets has been delegated, via the Alternative Investment Fund Manager (the "AIFM"), to the Investment Manager.

Promoting the Success of the Company

The Board's statement on pages 19 to 22 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 for the benefit of the members as a whole.

The Board believes that the success of the Company is best served through the measurement of Key Performance Indicators ("KPIs"), details of which are included below.

Key Performance Indicators ("KPIs")

The Board assesses the performance of the Company against the range of KPIs shown below over a variety of timeframes, 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 performance	The Board measures the Company's NAV total return performance against the total return of the reference index (the Numis Smaller Companies plus AIM (ex investment companies) Index) and its peer group of investment trusts. The figures for this year and for the past three, five and ten years are shown in the table on page 23.
Share price total return performance	The Board measures the Company's share price total return performance against the total return of the reference index and its peer group of investment trusts. The figures for this year and for the past three, five and ten years are shown in the table on page 23.
Discount/premium to NAV	The Board compares the discount or premium of the Ordinary share price to the NAV per share to the discount of the peer group and also to the threshold of the Company's discount target on a rolling 12 month basis. A summary of the discount for the past ten years is included in the table in page 25. A chart showing the discount over five years for the Company and the peer group, measured against the discount target level, is shown in page 24. The average discount for the year as a whole was 8.2%.
Ongoing charges	The Board monitors the Company's ongoing charges ratio against prior years and other similar sized companies in the peer group. A summary of the ongoing charges ratio ("OCR") for the past ten years is included in the table in page 25. The OCR for the year ended 30 June 2022 was 0.82%, including look-through costs. This compares to the range of the most recently reported full year OCRs, including performance fees, for comparable investment trusts in the UK smaller companies sector of between 0.80% and 1.38%.

Principal and Emerging Risks and Uncertainties

The Board carries out a regular review of the risk environment in which the Company operates, changes to the environment and individual risks. The Board also considers emerging risks which might affect the Company. During the year, the key risk was inflation and the resultant volatility that it created in global stock markets. In addition, recent events in Ukraine have created geo-political uncertainty which has further increased market risk and volatility.

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

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 principal risks and uncertainties facing the Company at the current time, together with a description of the mitigating actions the Board has taken, are set out in the table below.

In terms of its appetite for risk, the Board has identified what it considers to be the key risks to which the Company is exposed and seeks to take a proportionate approach to the control of these risks. In particular, by considering the likelihood and impact of a specific risk, if the potential exposure is rated as Critical or Significant, the Board ensures that significant mitigation is in place to reduce the likelihood of occurrence whilst recognising that this may not be possible in all cases.

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.	Through regular updates from the Manager, the Board monitors the discount/premium at which the Company's shares trade relative to the NAV. It also holds an annual strategy meeting and receives feedback from the Company's Stockbroker and shareholders and updates from the Manager's investor relations team at Board meetings.
Investment performance – the appointment or continuing appointment of an investment manager with inadequate resources, skills or experience, or the adoption of inappropriate strategies in pursuit of the Company's objectives could result in poor investment performance, a loss of value for shareholders and a widening discount.	The Board meets the Manager on a regular basis and keeps investment performance under close review. Representatives of the Investment 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. The Board sets and monitors the investment restrictions and guidelines and receives regular reports which include performance reporting on the implementation of the investment policy, the investment process, ESG matters, risk management and application of the investment guidelines.
Key person risk – a change in the key personnel involved in the investment management of the portfolio could impact on future investment performance and lead to loss of investor confidence.	The Board discusses key person risk and succession planning with the Manager and Investment Manager on a regular basis. The Investment Manager employs a standardised investment process for the management of the portfolio. The well-resourced smaller companies team has grown in size over a number of years. These factors mitigate against the impact of the departure of any one member of the investment team. Biographies of the team members involved with the management of the Company's portfolio are included on page 103.

Risk	Mitigating Action
Share price – failure to manage the discount effectively or an inappropriate marketing strategy could lead to a fall in the share price relative to the NAV per share.	The Company operates a discount control mechanism and aims to maintain a discount level of less than 8% to the cum-income NAV under normal market conditions. Details of the discount control mechanism are contained on page 17. The Directors undertake a programme of inviting major shareholders to discuss issues of governance or strategy with the Chairman or Senior Independent Director. In addition, 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 instruments – insufficient oversight or controls over financial risks, including market price risk, liquidity risk and credit risk could result in losses to the Company.	As stated above, the Board sets investment guidelines and restrictions which are reviewed regularly and the Manager reports on compliance with them at Board meetings. Further details of the Company's financial instruments and risk management are included in note 17 to the financial statements.
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 impact its ability to continue trading as a going concern.	At each Board meeting, the Board reviews management accounts and receives a report from the Administrator, detailing any breaches during the period under review. The Board sets gearing limits and monitors the level of gearing and compliance with the main financial covenants at Board meetings. The Company's annual financial statements are audited by the Independent Auditor. The Audit Committee meets representatives from the Manager's Compliance and Internal Audit teams on at least an annual basis and discusses any findings and recommendations relevant to the Company.
Regulatory – failure to comply with relevant laws and regulations could result in fines, loss of reputation and potential loss of investment trust status.	The Board receives updates on relevant changes in regulation from the Manager, industry bodies and external advisers and the Board and Audit Committee monitor compliance with regulations by review of checklists and internal control reports from the Manager. Directors are encouraged to attend relevant external training courses.
Operational - the Company is dependent on third parties for the provision of all systems and services (in particular those of the Manager and the Depositary) and any control failures and gaps in their systems and services could result in a loss or damage to the Company.	The Audit Committee reviews reports from the Manager on its internal controls and risk management (including an annual ISAE Report) and considers assurances from all its other significant service providers on at least an annual basis, including on matters relating to business continuity and cyber security. The Audit Committee meets representatives from the Manager's Compliance and Internal Audit teams on at least an annual basis and discusses any findings and recommendations relevant to the Company. 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 operational requirements of the Company, including its service providers, were subject to rigorous testing during the Covid-19 pandemic, including increased use of online communication and out of office working and reporting.

Overview of Strategy

Continued

Risk	Mitigating Action
Geopolitical - the effects of geopolitical instability or change could have an adverse impact on stock markets and the value of the Company's investment portfolio.	Current geopolitical risks include the Covid-19 pandemic, climate change, the war in Ukraine and the impact of increased inflation. The Investment Manager's focus on quality companies, the diversified nature of the portfolio and a managed level of gearing all serve to provide a degree of protection in times of market volatility.

Promotional Activities

The Board recognises the importance of promoting the Company to prospective investors both for improving liquidity and enhancing the rating of the Company's shares. The Board believes one effective way to achieve this is through subscription to, and participation in, the promotional programme run by the Manager on behalf of a number of investment trusts under its management. The Company also supports the Manager's investor relations programme which involves regional roadshows, promotional and public relations campaigns. During the Covid-19 pandemic, a number of events that are usually held physically were substituted with virtual events. The Manager's promotional and investor relations teams report to the Board on a quarterly basis giving analysis of the promotional activities as well as updates on the shareholder register and any changes in the make-up of that register.

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

The cost to the Company of participating in these programmes is matched by the Manager through the provision of the necessary resources to carry out the marketing and promotional activities.

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.

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 Governance ("ESG") Matters

The Investment Manager's approach to ESG matters is included on page 33. The Board supports the Investment Manager's approach to ESG considerations which are fully embedded into the investment process. A detailed explanation of the Investment Manager's overall approach to ESG was contained in last year's Annual Report and will be included on the Company's website.

The UK Stewardship Code and Proxy Voting

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

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

Global Greenhouse Gas Emissions

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

Discount Control Policy

The Board operates a discount control mechanism which targets a maximum discount of the share price to the cum-income net asset value of 8% under normal market conditions. In pursuit of this objective, the Board closely monitors the level of the discount and buys back shares in the market when it believes it is in the best interests of shareholders as a whole to do so. At each Annual General Meeting, the Board seeks shareholder approval to buy back up to 14.99% of the Company's share capital. Share buy-backs will only be made where the Board believes it to be in the best interests of shareholders as a whole and the making and timing of share buy-backs will be at the discretion of the Board.

The Company has a tender offer mechanism in place and the Board intends to continue to seek shareholder approval at each Annual General Meeting to enable it to carry out tender offers on a discretionary basis in circumstances where the Board believes that share buy-backs are not sufficient to maintain the discount at an appropriate level, although it expects that buy-backs should be the primary mechanism for managing the discount.

Viability Statement

The Board considers that the Company, which does not have a fixed life, is a long-term investment vehicle and, for the purposes of this statement, has decided that five years is an appropriate period over which to consider its viability. The Board considers that this period reflects a balance between looking out over a long-term horizon and the inherent uncertainties of looking out further than five years.

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 five 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 14 to 16 and the steps taken to mitigate these risks.
- The Company is invested in readily-realisable listed securities in normal market conditions 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 long-term performance record as shown on page 23.

Overview of Strategy

Continued

- The Company's level of gearing. The Company had net gearing of 5.1% as at 30 June 2022. The Company has a £65 million unsecured loan facility agreement with The Royal Bank of Scotland International Limited which matures on 31 October 2022. 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. The Board has also performed stress testing and liquidity analysis. The Board has reviewed its options and a range of proposals and is expecting to refinance the facility when it expires. However, in the event that the facility is not refinanced, there is considered to be sufficient portfolio liquidity to enable borrowings to be repaid.
- The Company typically has cash balances which, including money market funds, at 30 June 2022 amounted to £15.0 million. These balances allow the Company to meet liabilities as they fall due.
- The level of ongoing charges.
- There are no capital commitments currently foreseen that would alter the Board's view.
- The robustness of the operations of the Company's third party service suppliers.

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

In making its assessment, the Board is also aware that there are other matters that could have an impact on the Company's prospects or viability in the future, including the current events in Ukraine, economic shocks or significant stock market volatility caused by other factors, and changes in regulation or investor sentiment.

Future Strategy

The Board intends to maintain the strategic direction set out in the Strategic Report for the year ending 30 June 2023 as it believes that this is in the best interests of shareholders.

On behalf of the Board
Liz Airey
Chairman
7 September 2022

Promoting the Success of the Company

Introduction

Section 172 (1) of the Companies Act 2006 (the "Act") requires each Director to act in the way he/she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

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 that provision of the Act (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, among other things, 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 Purpose of the Company and Role of the Board

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

The Board, which at the end of the year, comprised five independent non-executive Directors with a broad range of skills and experience across all major functions that affect the Company, retains responsibility for taking all decisions relating to the Company's investment objective and policy, gearing, corporate governance and strategy, and for monitoring the performance of the Company's service providers.

The Board's philosophy is that the Company should operate in a transparent culture where all parties are treated with respect and provided with the opportunity to offer practical challenge and participate in positive debate which is focused on the aim of achieving the expectations of shareholders and other stakeholders alike. The Board reviews the culture and manner in which the Manager and Investment Manager operate at its meetings and receives regular reporting and feedback from the other key service providers. The Board is very conscious of the ways it promotes the Company's culture and ensures as part of its regular oversight that the integrity of the Company's affairs is foremost in the way that the activities are managed and promoted. The Board works very closely with the Manager and Investment Manager in reviewing how stakeholder issues are handled, ensuring good governance and responsibility in managing the Company's affairs, as well as visibility and openness in how the affairs are conducted.

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

How the Board Engages with Stakeholders

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

Promoting the Success of the Company

Continued

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 Company's Stockbroker regularly meet with current and prospective shareholders to discuss performance and shareholder feedback is discussed by the Directors at Board meetings. In addition, Directors meet shareholders at the Annual General Meeting and the Chairman offers to meet with the Company's larger shareholders to discuss their views. The Company subscribes to the Manager'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.
Manager (and Investment Manager)	The Investment Manager's Review on pages 26 to 30 details the key investment decisions taken during the year. The Investment Manager has continued to manage the portfolio and other assets in accordance with the mandate agreed with the Company, 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 Investment Manager at every Board meeting to help it to exercise effective oversight of the Investment Manager and the Company's strategy. The Board, through the Management Engagement Committee, formally reviews the performance of the Manager at least annually. More details are provided on page 54.
Service Providers	The Board seeks to maintain constructive relationships with the Company's service providers either directly or through the Manager with regular communications and meetings. The Management Engagement Committee conducts an annual review of the performance, terms and conditions of the Company's main service providers to ensure they are performing in line with Board expectations, 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 Investment Manager actively works with companies to improve corporate standards, transparency and accountability. Further details are provided on page 17. The Board monitors investments made and divested and questions the rationale for investment and voting decisions made.
Debt Providers	On behalf of the Company, the Manager maintains a positive working relationship with The Royal Bank of Scotland International Limited, 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 its research and analysis as part of the investment decision-making process. Further details are provided on page 33.

Specific Examples of Stakeholder Consideration During the Year

While the importance of giving due consideration to the Company's stakeholders is not a new requirement, and is considered during every significant Board decision, the Directors were particularly mindful of stakeholder considerations as part of the following decisions made during the year ended 30 June 2022. Each of these decisions was made after taking into account the short and long-term benefits for stakeholders.

Portfolio

The Investment Manager's Review on pages 26 to 30 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. Accordingly, at each Board meeting the Directors discuss performance in detail with the Investment 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.

As explained in more detail on page 54 during the year, the Management Engagement Committee decided that the continuing appointment of the Manager is in the best interests of shareholders.

Dividends

The Board is recommending payment of a final dividend for the year of 5.40p per Ordinary share. Following payment of the final dividend, total dividends for the year will amount to 8.10p per Ordinary share, an increase of 5.2% compared to the previous year.

Share Buy Backs

In accordance with the discount control policy included on page 17, during the year the Company bought back 4,670,519 Ordinary shares to be held in treasury, providing a small accretion to the NAV per share and a degree of liquidity to the market at times when the discount to the NAV per share has widened in normal market conditions. It is the view of the Board that this policy is in the interest of all shareholders.

Promoting the Success of the Company

Continued

'Meet the Manager' Presentation

In order to give shareholders an opportunity to meet the Board and the Investment Manager, the Board held an investor presentation in the Manager's office in London on 20 May 2022. The event was well attended and a number of questions were asked and responded to by the Investment Manager.

The Board places a great deal of importance on communications with shareholders and believes that events such as this provide good opportunities for it to receive feedback from shareholders.

Board Apprentice

To help grow the pool of young diverse candidates available to serve as non-executive directors of listed companies, during the year the Board conducted a process that resulted in the recruitment of a Board Apprentice, Jessica Norell Neeson, for a period of 12 months. Further details are provided in the Chairman's Statement on page 10.

On behalf of the Board
Liz Airey
Chairman
7 September 2022

Performance

Performance (total return)

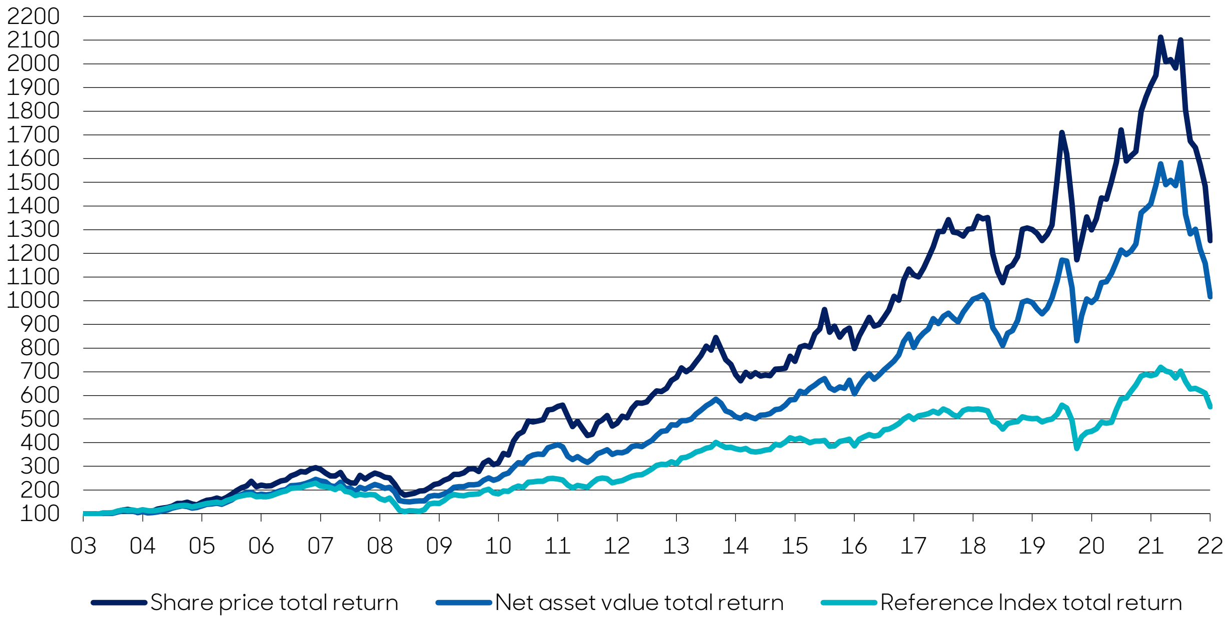
	1 year return %	3 years return %	5 years return %	10 years return %
Net asset value[AB]	–27.3	+2.7	+26.9	+184.1
Share price[B]	–34.3	–3.7	+13.1	+159.9
Reference Index	–19.0	+10.1	+10.8	+133.7
Peer Group weighted average (NAV)	–22.7	+7.4	+15.6	+167.7
Peer Group weighted average (share price)	–28.4	+2.9	+16.9	+189.8

[A] Cum-income NAV with debt at fair value.

[B] Considered to be an Alternative Performance Measure (see pages 100 and 101).

Source: Thomson Reuters Datastream

Long Term Total return of NAV v Share Price v Reference Index (rebased to 100 at 31 August 2003)

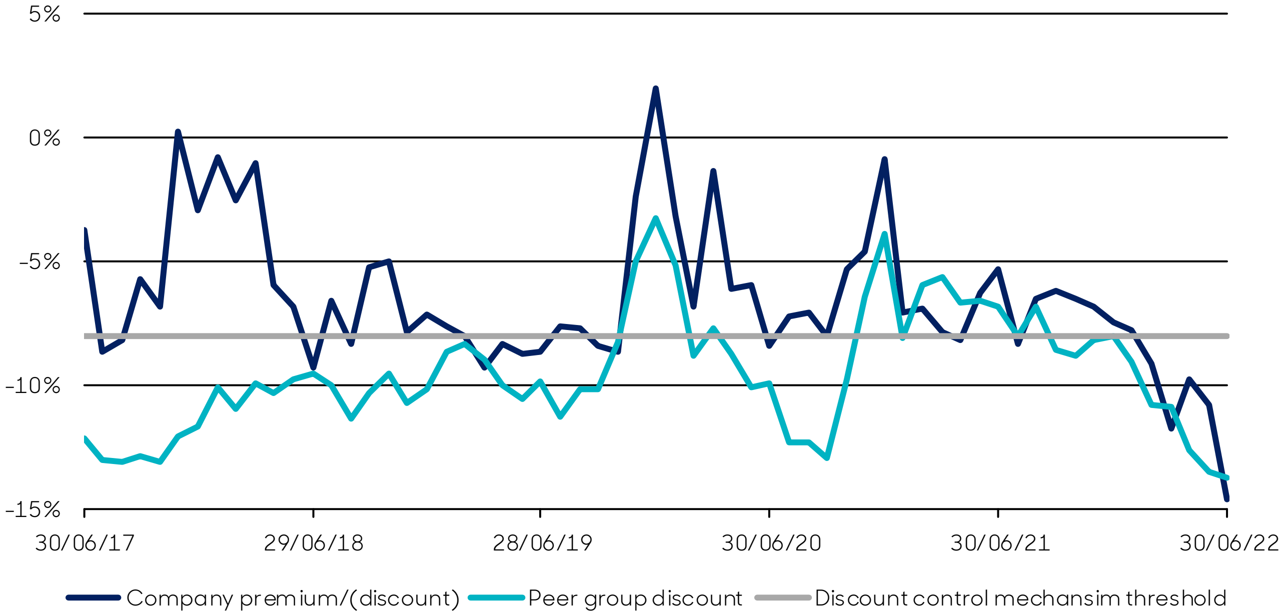


Source: Thomson Reuters Datastream

Performance

Continued

Premium/(discount) of Share Price to NAV v Peer Group
Five years ended 30 June 2022



Source: Thomson Reuters Datastream

Ten Year Financial Record

Year to 30 June	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Per Ordinary share (p)										
Net revenue return	4.58	5.05	6.76	6.76	6.42	7.24	8.80	6.74	6.43	**9.07**
Ordinary dividends paid/proposed	4.05	4.50	5.80	6.60	6.70	7.00	7.70	7.70	7.70	**8.10**
Net asset value[A]	281.58	298.92	336.89	345.43	456.60	552.93	539.54	527.73	737.97	**530.37**
Share price	280.50	281.25	300.00	316.00	431.00	500.00	491.50	482.00	698.00	**453.00**
Discount(%)[A]	0.4	5.9	10.9	8.5	5.6	9.6	8.9	8.7	5.4	**14.6**
Ongoing charges ratio (%)[B]	1.28	1.19	1.19	1.13	1.08	1.04	0.90	0.91	0.88	**0.82**
Gearing ratio (%)[C]	8.8	(4.6)	4.1	3.6	1.7	3.6	1.5	(0.3)	5.7	**5.1**
Shareholders' funds (£m)[D]	193	219	243	241	324	408	543	528	728	**499**
Revenue reserves (£m)[E]	3.69	4.34	5.83	6.50	6.26	8.30	10.87	8.80	7.53	**8.81**

[A] Calculated with debt at par value and diluted for the effect of Convertible Unsecured Loan Stock conversion from 31 March 2011 until 30 June 2017. From 30 June 2018, net asset value is calculated with debt at par value.

[B] Calculated as an average of shareholders' funds throughout the year and in accordance with updated 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] Net gearing ratio calculated as debt less cash invested in AAA-rated money market funds and short-term deposits divided by net assets at the year end.

[D] Increase in 2018 included the effect of the merger with Dunedin Smaller Companies Investment Trust PLC.

[E] Revenue reserves are reported prior to paying the final dividend for the year.

Investment Manager's Review

The net asset value ("NAV") total return for the Company for the year ended 30 June 2022 was -27.3%, while the share price total return was -34.3%. By comparison, the UK smaller companies sector as represented by the Numis Smaller Companies plus AIM (ex investment companies) Index (the "reference index") delivered a total return of -19.0%. Over the same period, the FTSE 100 Index of the largest UK listed companies delivered a total return of 5.8%. abrdn has managed the Company since 1 September 2003. The Company's share price at that time was 47.75p, compared to 453.0p at 30 June 2022. The share price total return over that period was 1,153.1% compared with the reference index's total return of 452.2%. The FTSE 100 Index's total return was 245.3% over the same period.

Equity Markets

The UK stock market, as represented by the FTSE All-Share Index, gained a small amount of ground over the year under review with a total return of 1.6%, outperforming many of its international counterparts. The picture is more mixed beneath the positive headline figure. Whilst the FTSE 100 Index of the UK's largest companies proved resilient, smaller companies, which are typically more focused on the domestic economy, came under significant pressure from the start of 2022. Investors continued to grapple with the fallout from the Covid-19 pandemic during the spring of 2021. Nonetheless, the easing of lockdown restrictions following an effective vaccine rollout built economic and stock market momentum for most of the period until the end of 2021, other than occasional market sell-offs as Covid-19 cases flared up.

Investors generally brushed off the threat of the Omicron variant at the end of 2021. The highly transmissible variant spread globally in December, with record daily cases in the US and most of Europe.

It has been a tough time for global stock markets in 2022, with investors rattled by soaring inflation, rising interest rates and the shock of the Russian invasion of Ukraine. Tensions escalated in Eastern Europe in early February when Russia deployed its armed forces to Ukraine's borders. However, the sharpest market falls came on 24 February when the invasion commenced. The macro driven impacts of steep inflation and rising interest rates have started to impact demand, particularly across consumer exposed areas, with a squeeze on disposable incomes, and a cost of living crisis for many in the UK on lower incomes. Whilst the UK large cap stock market has displayed relative resilience, small cap markets have been challenging. The FTSE 100 Index is home to many energy and mining companies, whose shares have benefited from high commodity prices, particularly after the Russian invasion. The small cap market in the UK has sold off sharply however, driven by the 'risk-off' trade where investors typically make a flight towards the perceived safety of larger cap areas. Smaller Companies also do not benefit from the support of the large weightings in areas such as resources, banks and energy that are prevalent within the FTSE 100 Index.

Inflation has continued to rise in the UK, with annual consumer price inflation hitting a 40-year high of 9.4% for the 12 month period to 30 June 2022. Soaring energy costs compounded by the war in Ukraine, post-pandemic supply problems and labour shortages are among the main reasons for escalating prices. The Bank of England ("BoE") reacted to rising inflation by steadily increasing base rates. Most recently, in August, it increased the rate by 50 basis points ("bps"), taking it to a 13-year high of 1.75%. Further interest rate rises are expected this year.

The period was a challenging one for performance for the Company, particularly during the second half of the financial year, with our style being out of favour in the market as "top down" global macro factors have taken the lead over "bottom up" stock picking.

Performance

The period was a challenging one for performance for the Company, particularly during the second half of the financial year, with our style being out of favour in the market as "top down" global macro factors have taken the lead over "bottom up" stock picking. Smaller companies markets have been difficult, seeing dramatic falls during 2022 after having been relatively stable in the second half of 2021. The first half of the period was stronger for our process, with quality growth names holding up well given the fragility and stop/start of the Covid-19 recovery. However, there has been a strong value tilt to the market since the turn of the year, with investors favouring cheaper, value driven companies. Profit taking has occurred extensively in our typical quality growth businesses despite their earnings resilience and continuing growth.

It is disappointing that our investment process has not provided resilience in a bear market, which has been typical in the past. The difference this time has been the market's focus on the "top-down", as inflation has risen, exacerbated by the implications of the continuing war in Ukraine.

The chart below goes some way to highlight the environments where, historically, we have relatively underperformed, and our investment process and style have been out of favour. These are typically environments which are macro driven, and where top-down factors are the key drivers of stock markets. Often, these are in the first periods of recovery following a market collapse, when the market favours value and recovery stocks, economic growth is on an improving pathway and markets typically care less about quality and areas such as balance sheet strength. 2022 has been a different environment, where we have seen a strong sell off, but characterised by a market focused on inflation and interest rate rises, and an economic environment where investors have discounted growth stocks.

Source: Refinitiv Datastream. 31 Aug 2003 = 100, 30 June 2022

The five leading performers during the year were as follows:

- **Telecom Plus** 118bps* (shares +72%): supportive end market conditions given the exit of low-priced competitors from the industry, and the strong position the nPower contract has in Utility Warehouse's pricing offering. Sales force fully engaged again post Covid-19. Strong cash generation and dividends. An investment case study for Telecom Plus is included on page 42.
- **Safestore** 90bps* (+12%): solid demand in the self-storage industry with the constant of the 3Ds (divorce, death, dislocation). Rate increases and strong utilisation have ensured consistent earnings and dividend growth.
- **Alpha Financial Markets** 77bps* (+10%): continues to take market share as consultant specialists in asset management, as well as expanding into insurance and alternatives through the acquisition of Lionpoint.

- **Clipper Logistics** 51bps* (+4%): strong growth through new and improving relationships with a range of retailers, given its full service offering and strong customer service proposition. Clipper was bid for by GXO Logistics during the year.
- **Hilton Food** 40bps* (-6%): resilient demand in the food industry, with a broad global presence, and with strong contracts and relationships with the supermarkets ensuring margin protection. Hilton has expanded in the fish protein market through acquisitions.

The five worst performers during the year were as follows:

- **Gamma Communications** -102bps* (shares -46%): disappointing growth in Europe given a slow recovery in corporate decision making and investment post Covid-19. However, Gamma offers a reliable and resilient revenue stream with high visibility, and continues to innovate in the latest service offerings.
- **XP Power** -94bps* (-49%): has navigated the challenges of the supply chain and Vietnam factory challenges well, to ensure continued delivery of products to customers. Shares were hit by the loss of a legal dispute, which came through an acquisition.
- **Future** -90bps* (-45%): has continued to deliver strong earnings growth, however the shares have been hit by sentiment around consumer exposure, as well as headwinds from energy and paper costs. Future continues to drive growth opportunities, both organically and through bolt on acquisitions.
- **Impax Asset Management** -82bps* (-46%): despite resilient asset inflows, the shares have been de-rated given the earnings downgrades from lower market levels. Impax continues to be a highly respected asset manager in the ESG space, which remains a growth market.
- **GB Group** -80bps* (-52%): whilst the Company's performance has remained solid, the shares were hit by a poorly managed placing to fund the Acuant acquisition. Since then, there has been a continued solid execution from the business, and good integration of the deal.

*(*relative to the reference index)*

Dealing and Activity

Turnover remained modest during the year, not out of line with previous periods. Over the year we have added nine new positions into the portfolio, and exited ten holdings.

We participated in two IPOs during the year; **Big Technologies,** the electronic monitoring tag business predominantly for the criminal justice system, operating globally; and **LBG Media**, the digital media business operating under brands including Lad Bible. Both are founder run businesses, in growth end markets, where they have strong market positions. LBG Media is a leading multi-brand, multi-channel digital content publisher, with a global audience of 264 million social media followers. As well as creating and distributing bespoke content through its ten brands, LBG also work directly with brands, creating content as a producer. Big Technologies produces industry leading electronic monitoring systems, and through its long-term contracts with governments and justice systems globally, has strong revenue visibility. New positions included **Volution** (leading supplier of ventilation products), **YouGov** (data services provider, a key business globally with products such as BrandIndex, and Profiles), **Marlowe** (UK leader in business-critical services and software), and **Tatton Asset Management** (discretionary fund management platform delivering strong growth). We also added new holdings in **Watkin Jones** (developer, builder and manager of new homes for rent across the UK and Ireland), **Alliance Pharma** (leading international healthcare business) and **Serica Energy** (North Sea producer of natural gas).

Turnover remained modest during the year, not out of line with previous periods. Over the year we have added nine new positions into the portfolio, and exited ten holdings.

Other significant purchases included **CVS** (veterinary practices and services) where we see improving execution and structural growth trends, **Robert Walters** (global recruitment company) which is well positioned in a positive environment given active recruitment markets and candidate confidence to move, and **Hollywood Bowl** (ten pin bowling and mini-golf leisure) which is delivering strong trading and cash generation post Covid-19.

We exited three holdings in the portfolio which were subject to bid approaches; **Sumo** (video games development) which was acquired by Tencent which already held 9.99% of the shares, **Sanne** (fund administration) which was acquired in a competitive bid process won by Apex), and **Clipper Logistics** (logistics for the retail industry) which was bid for by US peer GXO

Logistics in a cash and shares deal. As holders, we would have ended up with US listed equity so we exited the holding following the bid.

We exited the holdings in **AO World** and **Avon Protection** after they initially reported earnings downgrades, from fundamental operational challenges in their businesses. In neither case did we foresee a near term resolution, so moved on from these investments. These proved to be the correct decisions, with both companies subsequently experiencing continued downgrades and strategic reviews.

Trustpilot and **Victorian Plumbing** are both IPOs that we took part in, but we have since moved on. Trustpilot management are not showing a focus and discipline on profitability, rather choosing to focus on top line growth, which does not sit with our investment process. Victorian Plumbing profits were heavily impacted by supply chain disruptions and tight consumer spending.

We exited **James Fisher** (marine services) where management change and control of the business were a concern, and **AB Dynamics** (simulation and testing for autonomous vehicles) where the near term looked challenging and required investment. We also chose to exit **RWS** following the departure of the CEO, and the acquisition of SDL where we were unsure of the natural fit. We also reduced exposure to **AJ Bell** over the period, with the platform industry businesses all requiring investment, which pressures margins in a declining fee industry.

Sector Exposure

The sector exposures remain broadly consistent to the position at the interim stage. The leading sector exposures are to Financials, Media, Software and Industrial Support Services. We have reduced exposure to Financials, through reducing exposure to asset managers. We have also reduced exposure to Software, but have increased the weighting to Media where the portfolio holds a diverse mix of companies. We have increased the exposure in Telecoms through increasing exposure to Telecom Plus (multi utility provider to consumers). The portfolio continues to have low exposures to Resources, Personal Goods, Electronics, and Construction.

Discount

As at 30 June 2022, the cum-income discount to NAV stood at 14.6%. The simple average discount for the close peers as a whole was 13.6%. Whilst we have been disappointed with the widening of the discount during the year, it has not been out of line with the sector. As explained in more detail in the Chairman's Statement, the Company has been active in buying back shares.

The leading sector exposures are to Financials, Media, Software and Industrial Support Services. The Portfolio continues to have low exposures to Resources, Personal Goods, Electronics, and Construction.

Gearing

The level of gearing at 30 June 2022 was 5.1%. We expect gearing to remain around current levels, reflecting our positive view over the medium to long-term of the asset class. We have held higher cash positions in recent months due to our caution of a short-term market sell-off.

Dividends

The dividend outlook of the Company, seen through its income generation from underlying holdings, improved through the year. The earnings resilience and growth being delivered by the companies in the portfolio is being reflected in the dividend growth they are providing. The confidence in the outlooks for the companies has also been emphasised by management teams' conviction in continuing strong dividend payments to shareholders, aided by balance sheet strength.

Whilst companies have broadly returned to their pre-Covid dividend policies, the portfolio, at time of writing, held ten positions which were non-dividend payers during the year. These companies constitute around 15% of the portfolio. **Hotel Chocolat** has focused on continued investment in its business for growth post Covid and therefore not returned to paying dividends yet. However, many of the others are more recent listings to the stock market over the past couple of years and, whilst they have the potential to pay dividends in the future, are not yet doing so.

One risk, if we do enter a recessionary period, is that the combination of more cautious attitudes, as well as earnings pressures in some markets, may see a more challenging dividend environment.

Outlook

At the time of writing, the market is dominated by macro conditions, particularly the direction of interest rates and inflation. Control of Covid-19 remains an issue in some regions, particularly China. The Russian invasion of Ukraine sadly rumbles on. The combination of these factors creates a very uncertain environment, which continues to see markets selling off.

We see two potential environments emerging, and in both scenarios we believe the Company has a place to play.

We remain confident that our unchanged quality, growth and momentum investment process generates strong returns from smaller companies in the long-term. Our process has been seasoned by four full economic cycles.

In a recessionary environment, or continued low economic growth, we believe the market will look to move more towards quality; resilience, reliability, visible revenue streams and strong balance sheets. In which case, on a relative basis, our Quality focus should become increasingly attractive to the market. In that economic situation where growth becomes scarcer, what growth is around tends to become more valuable. Our ability to identify companies which can deliver sustained earnings growth in that environment should be rewarded. In the Global Financial Crisis, the market cared about quality and earnings; it did not care about value seen through the underperformance of perceived cheap stocks.

In a recovery phase, small and mid-cap stocks tend to lead that market recovery, and we believe the outlook for the asset class would be attractive. Particularly in this cycle, we have seen small and mid-caps in the UK heavily underperform large caps. This disparity has been wider than seen in other geographical markets, accentuated by the sector composition of FTSE 100 Index towards oil and gas, energy, resources and banks. In that environment, we believe the small cap asset class can produce some attractive return potential, as markets recover and as the disparity to large cap narrows.

Since our appointment as Investment Manager in 2003, including the current downturn, there have been falls in the market of over 40% on three occasions. Markets anticipate improvements, and indeed turning points in the past have always been when the outlook is bleakest. During the banking crisis in November 2008, it looked quite likely that the world banking system was in danger of collapse. 2009, however, saw a swift recovery with super normal profits available for the brave (it must be stressed, however, that future performance does not reflect past performance). The Company's discount to NAV is at a level not seen since 2009. It is also the case that the share price has traded at a premium to the NAV from time to time over the past decade.

Smaller company markets have higher levels of risk and volatility which in part reflects the potential for higher returns in the long run. Thus, Smaller Companies as an asset class should be viewed as a long-term multi-year investment to achieve these potential strong returns that have historically been available.

Our investment process features quality and resilience. It is fair to say that, so far in this downturn, the holdings in the portfolio are, on the whole, trading well, and some indeed are seeing earnings forecast upgrades even in these difficult times. Markets really need to see inflation come under control and the shape of any potential imminent recession. A resolution to the very serious geo-political issues and a proper end to the Covid-19 emergency in the Far East would also be helpful. Clarity, particularly, on the first issue could see a sharp turn in markets. However, we may be some months away from that occurring.

We remain confident that our unchanged Quality, Growth and Momentum investment process generates strong returns from smaller companies in the long-term. Our process has been seasoned by four full economic cycles.

Harry Nimmo and Abby Glennie
abrdn
7 September 2022

Investment Process

abrdn UK Smaller Companies Growth Trust plc offers an actively managed portfolio of equity shares of smaller and mid-sized companies listed in the UK. Over the longer term, smaller company returns have outstripped those of their large-cap peers.

Management

The Company's Manager is abrdn Fund Managers Limited ("aFML", the "AIFM" or the "Manager"). aFML is a wholly owned subsidiary of abrdn plc. The Company's portfolio is managed by abrdn Investment Management Limited (the "Investment Manager") by way of a group delegation agreement in place between it and aFML. Harry Nimmo has been the Portfolio Manager since 2003 and Abby Glennie was appointed as Co-manager in November 2020. They are part of a team focusing on investing in smaller and mid-sized companies.

Investment Philosophy and Process

The Board has identified that abrdn has a proven and repeatable investment process, which has delivered strong returns to shareholders over the last 19 years. The investment process adheres to the abrdn Smaller Companies' Quality, Growth and Momentum led philosophy. The Investment Manager aims to select lower risk smaller companies in growing markets where business momentum is positive, predictable and improving. The Investment Manager has a long-term investment horizon, aiming to maximise returns by running winners in the long-term and cutting losers. The investment process embeds abrdn's Environmental, Social and Governance principles.

The Matrix

In managing the Company's investment portfolio, the Quality, Growth and Momentum philosophy is enhanced by using abrdn's proprietary screening tool, 'The Matrix', to focus research efforts and the stock selection process. The Matrix is a quantitative screening tool assessing potential and current investments on 12 separate proven indicators of financial performance. It is a powerful tool in helping the Investment Manager identify a shortlist of investable stocks for further analysis and monitoring the performance and prospects of the portfolio. Stocks that are identified in this way are then subjected to further analysis and may be selected for the portfolio following discussions with company management.

Investment Process

Continued

When building a portfolio of smaller companies, the Investment Manager screens stocks using the Matrix and also considers a number of qualitative factors to help identify the best investment opportunities.

1. Sustainable growth

Companies in the portfolio will often produce niche products or services where demand is forecast to rise as these characteristics are the most predictive of future earnings and dividend growth.

2. Quality

The strength of each company's relationships with its customers or clients, the existence and importance of long-term contracts and the degree to which the company has any element of pricing power is important as it allows the company to pass on any cost increases and thereby maintain margins. The Investment Manager will typically avoid companies with high or unsustainable levels of debt.

3. Buy for the long-term

Identify the great companies of tomorrow and then hold them for the long-term. This reduces the financial drag of high trading volumes.

4. Concentrate the effort

The Matrix helps identify the likely candidates for inclusion in the portfolio and reduces the risk that effort is spent on stocks that will not fulfil the criteria for inclusion within the portfolio.

5. Management longevity

Founders retaining positions of authority within the companies after flotation, along with longevity of tenure by CEOs are a positive signal.

6. Valuation is secondary

Invest in companies which demonstrate positive earnings momentum as the team believes that it is a reliable predictor of future performance.

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

ESG Factors

The Investment Manager considers ESG risks and opportunities for all of its investments and thus, ESG considerations are inextricably embedded into the investment process in order to achieve a successful and sustainable performance for the longer term. There is a broad understanding within abrdn and the Smaller Companies Team that a full and thorough assessment of ESG factors allows better investment decisions to be made that lead to better outcomes for clients; with ESG aspects considered alongside other financial and fundamental factors in order to make the best possible investment decisions at a stock picking and at a portfolio construction level.

ESG analysis is a core constituent in the "Quality" analysis of the team's fundamental research. Especially for smaller companies, both risks and opportunities matter, and thus the research approach and analysis reviews this accordingly. All of the team's equity analysts are required to carry out an ESG quality assessment which will be reflected in the research note provided for each of the companies under coverage.

The Smaller Companies Team has a very close relationship with the ESG specialists within abrdn, while at the same time having an on-desk ESG analyst to assist in the research process and ESG engagements with companies. Through the utilisation of third party provided research such as MSCI and, more recently abrdn's in-house ESG rating tools, the team is able to identify, where appropriate, leaders and laggards, areas of weakness and areas of strength. Ratings processes for smaller companies can be less accurate given data availability and coverage, and therefore the engagement and fundamental research the Investment Manager and ESG equity analyst do with the investee companies is critical in adding value and ensuring the most important ESG risks and opportunities are well identified. Given the importance of ESG matters, these factors are reviewed on an ongoing basis in addition to monitoring companies' actions to assess the need for further engagement and/or changes to the internal investment view. Finally, as part of broader stewardship activities, the team participates actively in the voting process of the holdings, in line with best practice.

Portfolio

Investments in the Food Producers sector include Hilton Food and Cranswick.

The Investment Manager aims to select lower risk smaller companies in growing markets where business momentum is positive, predictable and improving. The Investment Manager has a long-term investment horizon, aiming to maximise returns by running winners in the long-term and cutting losers.

Ten Largest Investments

As at 30 June 2022

Safestore
Safestore is a self-storage business operating in the UK and France.

Kainos
Kainos is a digital services company offering information technology products and services to clients in a range of markets, including government, healthcare and financial services.

Telecom Plus
Telecom Plus is a multi-utility provider to UK consumers, operating through a direct sales channel.

Alpha Financial Markets
Alpha Financial Markets is a founder-led consultancy firm, with a focus on asset management and insurance industries. It is UK and US focused and is growing through organic growth and complementary accretive bolt on acquisitions.

Hilton Food
Hilton Food is a founder-run beef and fish packer. It works closely with food retailers across Europe and Australasia.

Cranswick
Cranswick is a high quality vertically integrated pork and chicken products company operating in the UK.

Focusrite
Focusrite provides software and hardware for audio content creation and is a global leader in its market.

Mortgage Advice Bureau
Mortgage Advice Bureau is a leading mortgage network as well as the UK's most recognised intermediary network of advisers.

Future
Future publishes special-interest consumer magazines, applications and websites.

Ergomed
Ergomed provides specialised services to the pharma industry, around clinical research and regulatory demands.

Investment Portfolio

As at 30 June 2022

Company	Sector	Valuation 2022 £'000	Total portfolio %	Valuation 2021 £'000
Safestore	Real Estate Investment Trusts	**21,795**	4.2	19,471
Kainos	Software and Computer Services	**21,199**	4.0	30,624
Telecom Plus	Telecommunications Service Providers	**20,999**	4.0	9,706
Alpha Financial Markets	Industrial Support Services	**20,033**	3.8	18,451
Hilton Food	Food Producers	**18,858**	3.6	20,313
Cranswick	Food Producers	**14,181**	2.7	19,659
Focusrite	Leisure Goods	**14,143**	2.7	16,344
Mortgage Advice Bureau	Finance and Credit Services	**13,733**	2.6	16,634
Future	Media	**13,377**	2.6	37,256
Ergomed	Pharmaceuticals and Biotechnology	**13,189**	2.5	13,338
Top ten investments		**171,507**	32.7	
XP Power	Electronic and Electrical Equipment	**13,121**	2.5	26,674
Diploma	Industrial Support Services	**13,064**	2.5	18,621
Bytes Technology	Software and Computer Services	**12,934**	2.5	17,141
Marshalls	Construction and Materials	**12,567**	2.4	16,733
Next 15 Communications	Media	**12,477**	2.4	14,722
JTC	Investment Banking and Brokerage Services	**12,196**	2.3	11,861
Watches of Switzerland	Personal Goods	**12,018**	2.3	12,992
Sirius Real Estate	Real Estate Investment and Services	**11,855**	2.3	13,427
discoverIE Group	Technology Hardware and Equipment	**11,662**	2.2	17,266
Gamma Communications	Telecommunications Service Providers	**11,110**	2.1	31,807
Top twenty investments		**294,511**	56.2	
Morgan Sindall	Construction and Materials	**10,896**	2.1	12,900
Hill & Smith	Industrial Metals and Mining	**10,841**	2.1	14,011
Auction Technology	Software and Computer Services	**10,204**	1.9	15,414
Midwich	Industrial Support Services	**10,012**	1.9	10,082
GlobalData	Media	**9,593**	1.8	15,479
Treatt	Chemicals	**8,921**	1.7	12,769
CVS	Consumer Services	**8,715**	1.7	7,145
Big Technologies	Software and Computer Services	**8,701**	1.7	–
GB Group	Software and Computer Services	**8,570**	1.6	16,628
Impax Asset Management	Investment Banking and Brokerage Services	**8,451**	1.6	22,322
Top thirty investments		**389,415**	74.3	

Investment Portfolio

Continued

As at 30 June 2022

Company	Sector	Valuation 2022 £'000	Total portfolio %	Valuation 2021 £'000
Robert Walters	Industrial Support Services	**8,363**	1.6	7,302
4imprint	Media	**8,336**	1.6	8,155
Big Yellow	Real Estate Investment Trusts	**8,036**	1.5	8,005
Henry Boot	Real Estate Investment and Services	**7,942**	1.5	7,011
Hollywood Bowl	Travel and Leisure	**7,923**	1.5	3,554
Games Workshop	Leisure Goods	**7,770**	1.5	18,736
Intermediate Capital	Investment Banking and Brokerage Services	**7,370**	1.4	13,682
Team 17	Leisure Goods	**7,264**	1.4	17,502
Mattioli Woods	Investment Banking and Brokerage Services	**6,118**	1.2	6,380
Marlowe	Industrial Support Services	**5,861**	1.1	–
Top forty investments		**464,398**	88.6	
Liontrust Asset Management	Investment Banking and Brokerage Services	**5,769**	1.1	14,567
Jet2	Travel and Leisure	**5,731**	1.1	7,482
Hotel Chocolat	Food Producers	**5,513**	1.0	4,327
Moonpig	Retailers	**4,685**	0.9	4,900
AJ Bell	Investment Banking and Brokerage Services	**4,663**	0.9	14,052
Inspecs	Personal Goods	**3,703**	0.7	5,481
Gooch & Housego	Technology Hardware and Equipment	**3,649**	0.7	5,982
Motorpoint	Retailers	**3,640**	0.7	6,701
Serica Energy	Oil, Gas and Coal	**3,483**	0.7	–
LBG Media	Media	**3,451**	0.7	–
Top fifty investments		**508,685**	97.1	
Watkin Jones	Household Goods and Home Construction	**2,900**	0.5	–
Tatton Asset Management	Investment Banking and Brokerage Services	**2,555**	0.5	–
Volution	Construction and Materials	**2,458**	0.5	–
YouGov	Media	**2,265**	0.4	–
Molten Ventures (previously known as Draper Esprit)	Investment Banking and Brokerage Services	**2,211**	0.4	–
Alliance Pharma	Pharmaceuticals and Biotechnology	**1,819**	0.4	–
Gear4Music	Leisure Goods	**1,244**	0.2	9,321
Total portfolio		**524,137**	100.0	

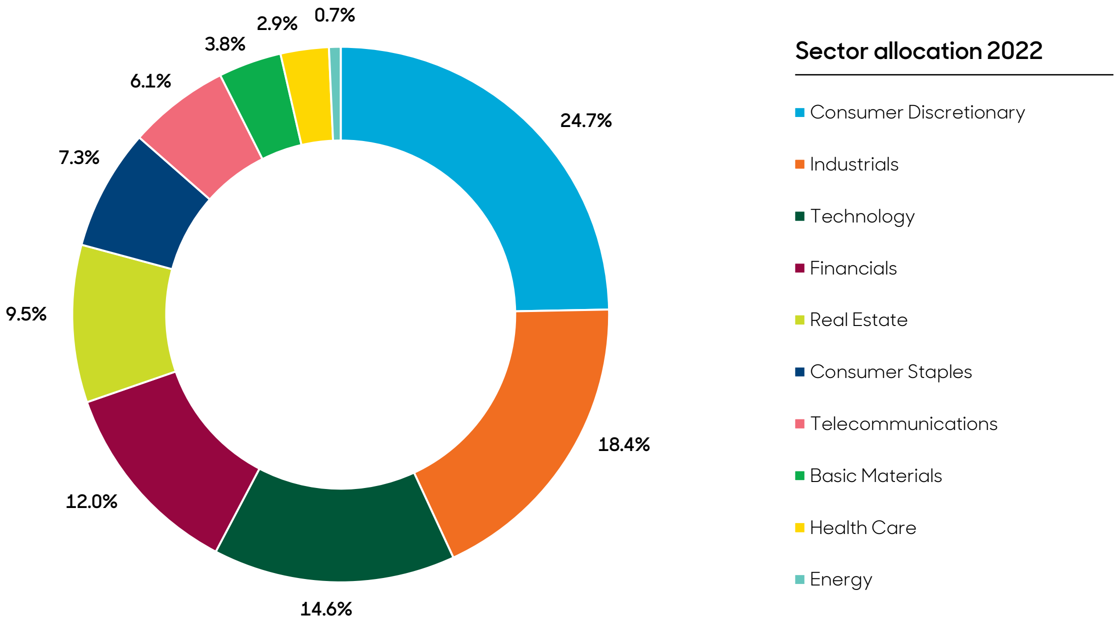
All investments are equity investments.

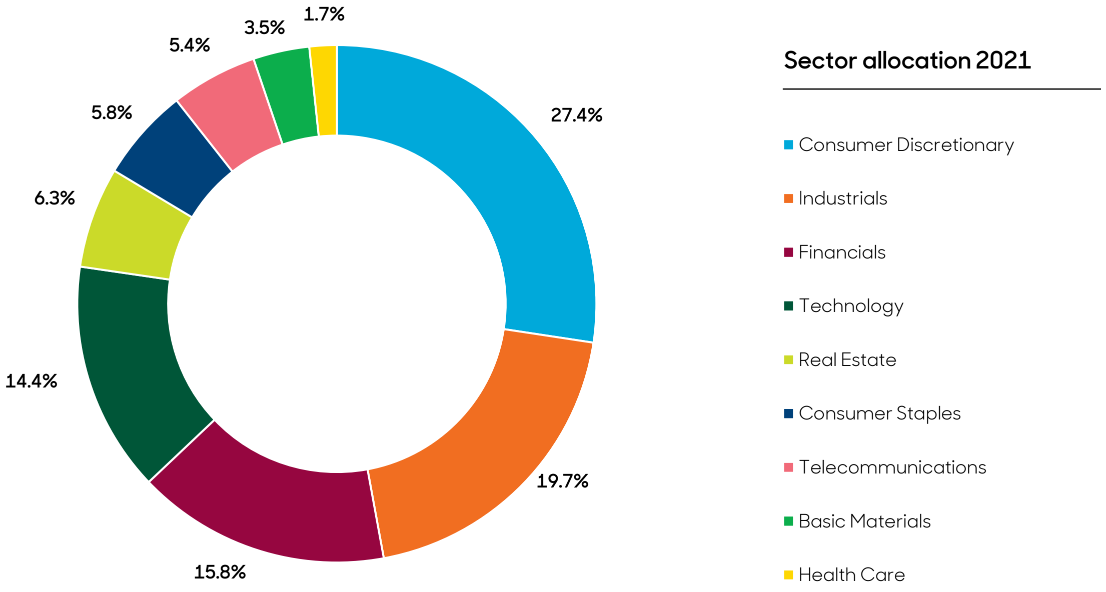
Sector Distribution of Investments

As at 30 June 2022

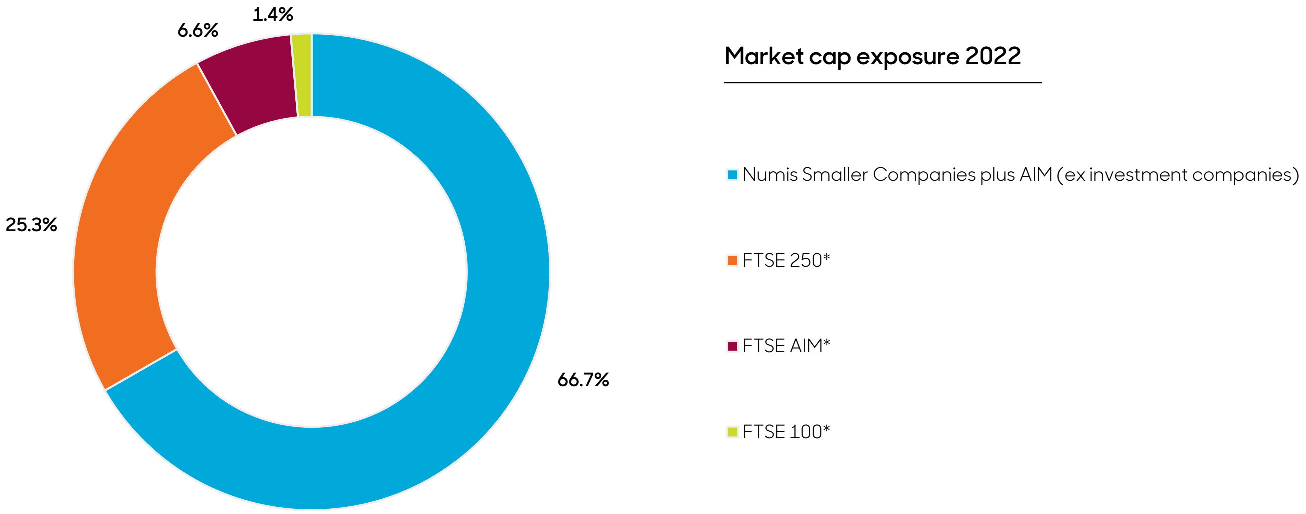
	Portfolio weighting	
	2022 %	2021 %
Basic Materials	**3.8**	3.5
Chemicals	**1.7**	1.7
Industrial Metals and Mining	**2.1**	1.8
Consumer Discretionary	**24.7**	27.4
Consumer Services	**1.7**	0.9
Household Goods and Home Construction	**0.5**	–
Leisure Goods	**5.8**	9.2
Media	**9.5**	9.8
Personal Goods	**3.0**	2.4
Retailers	**1.6**	3.6
Travel and Leisure	**2.6**	1.5
Consumer Staples	**7.3**	5.8
Food Producers	**7.3**	5.8
Energy	**0.7**	–
Oil, Gas and Coal	**0.7**	–
Financials	**12.0**	15.8
Finance and Credit Services	**2.6**	2.2
Investment Banking and Brokerage Services	**9.4**	13.6
Health Care	**2.9**	1.7
Pharmaceuticals and Biotechnology	**2.9**	1.7
Industrials	**18.4**	19.7
Aerospace and Defence	**–**	0.8
Construction and Materials	**5.0**	3.9
Electronic and Electrical Equipment	**2.5**	3.5
Industrial Engineering	**–**	0.3
Industrial Support Services	**10.9**	11.0
Industrial Transportation	**–**	0.2
Real Estate	**9.5**	6.3
Real Estate Investment and Services	**3.8**	2.7
Real Estate Investment Trusts	**5.7**	3.6
Technology	**14.6**	14.4
Software and Computer Services	**11.7**	11.4
Technology Hardware and Equipment	**2.9**	3.0
Telecommunications	**6.1**	5.4
Telecommunications Service Providers	**6.1**	5.4
Total	**100.0**	100.0

Investment Portfolio by Sector

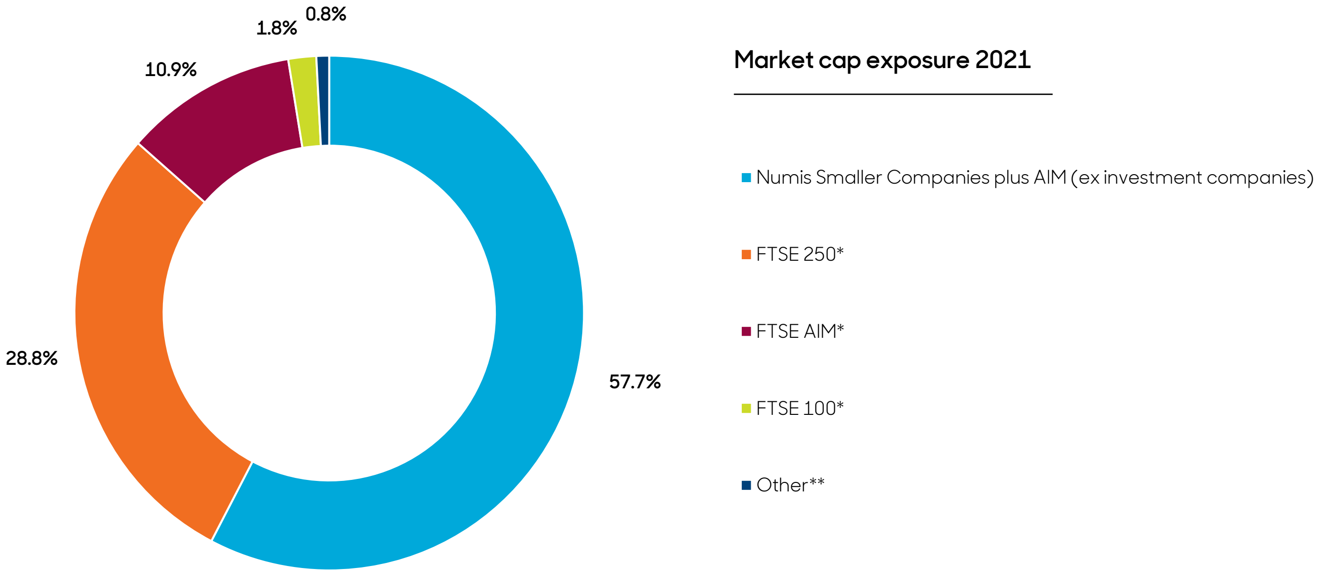




Market Cap Exposure



Market cap exposure 2022



Market cap exposure 2021

* Consists of holdings which are not constituents of the Numis Smaller Companies plus AIM (ex investment companies) Index.
** Companies which have come to the market since the last rebalancing of the above indices

Investment Case Studies

Telecom Plus

As the UK's only fully integrated multi-service provider, Telecom Plus derives significant ongoing operating efficiencies by spreading a single set of overheads across multiple revenue streams it receives from its customers. The business has a unique route to market that uses a highly motivated network of around 48,000 self-employed partners and word of mouth to drive customer numbers.

Trading under the brand name 'Utility Warehouse', the customer proposition is compelling. The company bundles together customers' home services – energy, broadband, mobile and insurance – into one, great value, monthly bill, saving customers time and money by providing all their home services in one. The company has a unique buying contract with npower that works on the basis of a circa 15% discount to the price cap, so effectively moves with the cap. This means the company's profit increases as the price increases. We are obviously in unprecedented times and so account will need to be taken of any government decisions to protect households from price increases, but the Investment Manager believes that the outcome should be broadly unchanged for Telecom Plus.

General public perception of utility markets and providers is changing, and switching suppliers to achieve short-term savings has become just one factor to be considered, alongside the stability and continuity of supply (especially in relation to broadband). The energy supply market has also gone through fundamental change, with half of the suppliers ceasing to trade last year and Ofgem recognising that a reset is required. Now, Ofgem will no longer allow businesses to be funded by customer deposits. There will be far greater regulatory scrutiny of new market entrants – a marked contrast to the previous 'free-for-all' regime. Telcom Plus's business model should be ideally placed to succeed in these market conditions.

Against this backdrop, the Investment Manager believes that the business is at the start of a material upgrade cycle. Telecom Plus has a 2.5% share of UK households, so there is considerable space for growth. Market share gains are likely to be organic and achieved by leveraging the partner network.

As a sizeable supplier of electricity and gas to households throughout the UK, the company has a significant role to play in the transition to net zero. Recognising the challenge ahead, management is fully committed to playing an active part in reducing the company's impact on the climate. Management's ambitions and commitments align with the UN Sustainable Development Goals.

Watches of Switzerland

The market for luxury brands is largely immune from the vagaries of economic cycles and so offers investors a source of steady and reliable returns. Close relationships with its high-quality brand suppliers, an ambitious management team and clear ESG commitments combine to ensure that Watches of Switzerland ("WOS") continues to operate impressively.

WOS operates in a relatively stable market where demand far outstrips supply. The average waiting list for the Rolex, Patek Philippe, Cartier and Breitling masterpieces it sells is often measured in years. Luxury watches never go out of fashion and, despite their hefty price tags, demand is largely immune from dips in economic prosperity.

The success of UK-based WOS has been built by the management team as painstakingly as Swiss watchmakers craft the timepieces that the company sells. WOS nurtures very close relationships with leading watch brands and demonstrates its commitment to these relationships through the outstanding customer service it offers to watch owners. In fact, WOS is an authorised dealer for more Swiss brands than any other retailer in the UK. Its 2,000-strong workforce is based at stores, warehouses and offices in the UK and US. The company is now expanding further into Europe and into selling branded jewellery.

The Investment Manager added the holding to the portfolio at the beginning of 2021, impressed by the quality of the management team and clear evidence of its leadership succession planning. Management has displayed both operational talent and strong investor communications, enabling the Investment Manager to regularly discuss with the team the challenges it faces, such as the evolution of smartwatches and how it plans to continue building the business.

The company scrutinises its supply chain to ensure there is sustainability and transparency. Luxury goods such as expensive watches fit the circular economy model well, and the pre-owned market for them is buoyant. As a result, coveted and long-lasting timepieces avoid the 'make, use, dispose' pattern familiar across much of the retail sector. Instead, each watch's extended lifespan reduces the need to constantly replenish product ranges. This eases the depletion of the planet's raw-material sources and cuts down the 'carbon miles' required for their production and distribution.

Governance

Investments in the Construction and Materials sector include Marshalls and Morgan Sindall.

The Company is committed to high standards of corporate governance and applies the principles identified in the UK Corporate Governance Code and the AIC Code of Corporate Governance.

All Directors are considered by the Board to be independent of the Company and the Manager and free of any material relationship with the Manager.

Board of Directors

Liz Airey

Independent Non-Executive Chairman

Experience:

Liz Airey was, until March 2020, non-executive Chairman of Jupiter Fund Management plc. She is a non-executive director of BlackRock Frontiers Investment Trust plc and Kirk Lovegrove & Company Limited, an advisory board member of Ownership Capital BV, a member of the Investments Committee of the Institute of Chartered Accountants in England and Wales, and Chair of Trustees of the Rolls-Royce UK Pension Fund. She has previously been a non-executive director of Tate & Lyle plc, Dunedin Enterprise Investment Trust plc, JP Morgan European Smaller Companies Trust plc, Zetex plc and AMEC plc. In her executive career, Liz was Finance Director of Monument Oil and Gas plc, a post she held from 1990 until the sale of the company to Lasmo plc in 1999.

Length of service:

3 years, appointed a Director on 21 August 2019 and Chairman on 31 March 2020

Committee membership:

Management Engagement Committee and Nomination Committee (Chairman)

Contribution:

The Board has reviewed the contribution of Liz Airey in light of her proposed re-election at the AGM and has concluded that she has chaired the Company expertly since her appointment as Chairman on 31 March 2020, fostering a collaborative spirit between the Board and Manager whilst ensuring that meetings remain focused on the key areas of stakeholder relevance. In addition, she has provided significant insight to the Board through her financial and corporate experience and knowledge of the investment management sector.

Ashton Bradbury

Independent Non-Executive Director

Experience:

Ashton Bradbury has previously held roles at Charterhouse Tilney, Hill Samuel Investment Management and HSBC Asset Management Europe and was, until 2014, a fund manager with Old Mutual Global Investors Limited, where he established its Small and Mid-Cap equities team. Ashton is currently a non-executive director of British Golf Association Limited and is non-executive Chairman of Golf Union of Wales Limited. Ashton holds a BSc in Banking and Finance from Loughborough University of Technology.

Length of service:

4 years, appointed a Director on 2 July 2018

Committee membership:

Audit Committee, Management Engagement Committee and Nomination Committee

Contribution:

The Board has reviewed the contribution of Ashton Bradbury in light of his proposed re-election at the AGM and has concluded that he continues to provide significant investment insight to the Board and knowledge of the investment management sector.

Alexa Henderson

Independent Non-Executive Director

Experience:

Alexa Henderson has over 30 years' experience in finance, accounting and audit having worked with KPMG, Arthur Andersen and Deutsche Bank (WM Company). She is currently a non-executive director of CT Property Trust Limited and Chairman of JP Morgan Japan Smaller Companies Trust PLC. In addition, Alexa is a director of Bravura Solutions Limited, a company incorporated in Australia. Previous directorships include Dunedin Smaller Companies Investment Trust PLC, Scottish Building Society (which she chaired for four years) and Adam & Company Group PLC. Alexa Henderson holds a BSc in Economics and Accounting from Edinburgh University and is a Chartered Accountant.

Length of service:

4 years, appointed a Director on 8 October 2018

Committee membership:

Audit Committee, Management Engagement Committee and Nomination Committee

Contribution:

The Board has reviewed the contribution of Alexa Henderson in light of her proposed re-election at the AGM and has concluded that she continues to provide significant financial and corporate insight to the Board and knowledge of the investment trust sector.

Caroline Ramsay

Independent Non-Executive Director and Chairman of the Audit Committee

Experience:

Caroline Ramsay is a member of the Supervisory Board of Aegon NV and was previously a non-executive director of Aegon UK PLC, Scottish Equitable plc, Scottish Equitable Holdings Limited and Cofunds Limited. She is also a non-executive director of Tesco Underwriting Limited, Brit Syndicates Limited and Ardonagh Speciality Holdings Limited, and is a member of the Financial Conduct Authority's Regulatory Decisions Committee. Until June 2015, Caroline was the Group Chief Auditor for RSA plc having held previous senior positions at RSA plc, including UK Chief Financial Officer. After qualifying and practising as a chartered accountant with KPMG, she held various roles within Aviva Plc.

Length of service:

6 years, appointed a Director on 22 August 2016

Committee membership:

Audit Committee (Chairman), Management Engagement Committee and Nomination Committee

Contribution:

The Board has reviewed the contribution of Caroline Ramsay in light of her proposed re-election at the AGM and has concluded that she has chaired the Audit Committee expertly throughout the year and continues to provide significant financial insight to the Board.

Board of Directors

Continued

Tim Scholefield

Senior Independent Non-Executive Director and Chairman of the Management Engagement Committee

Experience:

Tim Scholefield previously held roles at Royal Sun Alliance Investments and Scottish Widows Investment Partnership. He was, until 2014, Head of Equities at Baring Asset Management. Tim is currently Chairman of Invesco Bond Income Plus Limited and a non-executive director of CT UK Capital and Income Investment Trust PLC and Allianz Technology Trust PLC. In addition, he is a non-executive director of Jupiter Unit Trust Managers Limited and a consultant to Gresham House Asset Management.

Length of service:

5 years, appointed a Director on 20 February 2017

Committee membership:

Audit Committee, Management Engagement Committee (Chairman) and Nomination Committee

Contribution:

The Board has reviewed the contribution of Tim Scholefield in light of his proposed re-election at the AGM and has concluded that he has continued to chair the Management Engagement Committee expertly throughout the year as well as acting as the Senior Independent Director. He continues to provide significant investment insight to the Board and knowledge of the investment management and investment trust sectors

Directors' Report

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

Results and Dividends

The financial statements for the year ended 30 June 2022 are contained on pages 77 to 98. An interim dividend of 2.70p per Ordinary share was paid on 8 April 2022 and the Directors recommend a final dividend of 5.40p per Ordinary share, payable on 28 October 2022 to shareholders on the register on 7 October 2022. The ex-dividend date is 6 October 2022.

Principal Activity and Status

The Company is registered as a public limited company in Scotland under company number SC145455, is an investment company within the meaning of Section 833 of the Companies Act 2006 and carries on business as an investment trust.

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 July 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 June 2022 consisted of 94,012,047 (2021: 98,682,566) Ordinary shares of 25 pence each and there were 10,152,375 (2021: 5,481,856) Ordinary shares held in treasury, representing 10.8% of the issued share capital as at that date (excluding treasury shares).

During the year, 4,670,519 Ordinary shares were bought back into treasury.

Since the year end, the Company has bought back a further 988,429 Ordinary shares into treasury. Accordingly, as at the date of this Report, the Company's issued share capital consisted of 93,023,618 Ordinary shares of 25 pence each and 11,140,804 Ordinary shares held in treasury.

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 ("aFML") (previously Aberdeen Standard Fund Managers Limited, prior to a change of name of that Company on 1 August 2022), 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 (the "Investment Manager") by way of a group delegation agreement in place between it and aFML. In addition, aFML has sub-delegated administrative and secretarial services to Aberdeen Asset Management PLC and promotional activities to Aberdeen Asset Managers Limited.

The management fee is calculated quarterly in arrears as 0.85% per annum applying to the first £250 million of the Company's net assets, 0.65% per annum applying to net assets above this threshold until £550 million, and 0.55% applying to net assets above this threshold.

In addition, the Manager receives a secretarial and administration fee of £75,000 plus VAT per annum with effect from 1 January 2021. Prior to this date, the secretarial and administration fee was £110,000 per annum, as uprated by movements in RPI. A fee of 0.02% of the net asset value of the Company in excess of £70 million was also payable and the fee was capped at £150,000 plus VAT in total per annum.

The Manager also receives a separate fee for the provision of promotional activities to the Company. This fee amounted to £246,000 plus VAT for the year (2021: £150,000 plus VAT).

Further details of the fees payable to the Manager are shown in notes 4 and 5 to the financial statements.

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

Company Name

Following approval by shareholders at the Annual General Meeting held on 21 October 2021, the Company's name changed from Standard Life UK Smaller Companies Trust plc to abrdn UK Smaller Companies Growth Trust plc.

Directors

Biographies of the Directors of the Company are shown on pages 46 to 48. Liz Airey is the Chairman and Tim Scholefield is the Senior Independent Director.

All of the Directors will retire and, being eligible, will offer themselves for re-election at the Annual General Meeting.

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

	Board Meetings	Audit Committee Meetings	Management Engagement Committee Meetings	Nomination Committee Meetings
Liz Airey	5 (5)	- (-)	1 (1)	1 (1)
Ashton Bradbury	5 (5)	2 (2)	1 (1)	1 (1)
Alexa Henderson	5 (5)	2 (2)	1 (1)	1 (1)
Caroline Ramsay	5 (5)	2 (2)	1 (1)	1 (1)
Tim Scholefield	5 (5)	2 (2)	1 (1)	1 (1)

The Board meets more frequently when business needs require. During the year ended 30 June 2022 this included two Board meetings to discuss share buy backs and the implications for the Company of the Manager's rebranding. In addition, there were two Board Committee meetings to approve the annual and half yearly financial statements. All Directors attended the Annual General Meeting held on 21 October 2021.

The Board believes that all the Directors seeking 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 46 to 48, 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 each Director has the requisite high level and range of business, investment and financial experience which enables the Board to provide clear and effective leadership 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. In addition, all Directors have demonstrated that they have sufficient time to fulfil their directorial roles with the Company. The Board therefore recommends the re-election of each of the Directors at the Annual General Meeting.

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 cash monitoring, the custody and safeguarding of the Company's financial instruments and monitoring the Company's compliance with investment limits and leverage requirements) 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.

Board Diversity

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, and will give due regard to, the principle of diversity in its recruitment of new Board members. The Board will not display any bias for age, gender, race, sexual orientation, socio-economic background, religion, ethnic or national origins or disability in considering the appointment of Directors. In view of its size, the Board will continue to ensure that all appointments are made on the basis of merit against the specification prepared for each appointment. In doing so, the Board will seek to meet the targets set out in the FCA's Listing Rule 9.8.6R (9)(a), which are set out below.

Although the Company is not required to report against these targets until the 2023 Annual Report, the Board has resolved to do so on a voluntary basis for the year ended 30 June 2022. In accordance with the LR 9.8.6R (9), (10) and (11) the Board has provided the following information in relation to its diversity.

Board Gender as at 30 June 2022

	Number of Board members	Percentage of the Board	Number of senior positions on the Board	Number in executive management	Percentage of executive management
Men	2	40%	1 [B]	n/a	n/a
Women	3	60% [A]	2 [CD]	n/a	n/a

[A] exceeds target of 40% as set out in LR 9.8.6R (9)(a)(i)
[B] the position of Senior Independent Director is held by a man
[C] the positions of Chairman of the Board and Chairman of the Audit Committee are held by women
[D] exceeds target of 1 as set out in LR 9.8.6R (9)(a)(ii)

Board Ethnic Background as at 30 June 2022

	Number of Board members	Percentage of the Board	Number of senior positions on the Board	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	5	100%	3	n/a	n/a
Minority ethnic	0 [A]	0%	0	n/a	n/a

[A] is less than the target of 1 as asset out in LR 9.8.6R (9)(a)(iii)

As shown in the above table, the Company has not as yet met the target set out in LR 9.8.6R (9)(a)(iii), which formally comes into effect for the financial year ending 30 June 2023, in relation to the ethnic background of the Board. As set out in the biographical details of the Directors on pages 46 to 48, the most recent Board appointment was in August 2019. It is the Board's intention that the target as set out in LR 9.8.6R (9)(a)(iii) will be taken into account at the time of the next appointment.

The information included above in relation to the gender and ethnic background of the Board has been obtained following confirmation from the individual Directors.

There have been no changes since the year end that have affected the Company's ability to meet the targets set in LR 9.8.6R (9)(a).

Directors' Report

Continued

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.

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

The Role of the Chairman and Senior Independent Director

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

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

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.

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 financial year at the expense of the Company.

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);
- previous experience of the chairman of a remuneration committee (provision 32); and
- executive directors' remuneration (provisions 33 and 36 to 41).

The Board considers that these provisions 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.

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

Matters Reserved for the Board

The Board sets the Company's objectives and ensures that its obligations to its shareholders are met. It has formally adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues.

These matters include:

- the maintenance of clear investment objectives and risk management policies;
- the monitoring of the business activities of the Company ranging from analysis of investment performance through to review of quarterly management accounts;
- monitoring requirements such as approval of the Half-Yearly Report and Annual Report and financial statements and approval and recommendation of any dividends;
- setting the range of gearing in which the Manager may operate;
- major changes relating to the Company's structure including share buy-backs and share issuance;
- Board appointments and removals and the related terms;
- authorisation of Directors' conflicts or possible conflicts of interest;
- terms of reference and membership of Board Committees;
- appointment and removal of the Manager and the terms and conditions of the Management Agreement relating thereto; and
- London Stock Exchange/Financial Conduct Authority – responsibility for approval of all circulars, listing particulars and other releases concerning matters decided by the Board.

Full and timely information is provided to the Board to enable it to function effectively and to allow the Directors to discharge their responsibilities.

Board Committees

The Board has appointed a number of 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 64 to 67.

Management Engagement Committee

The Management Engagement Committee comprises the full Board and is chaired by Tim Scholefield. The main responsibilities of the Management Engagement 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; and
- reviewing the performance and remuneration of the other key service providers to the Company.

The Management Engagement Committee met once during the year to 30 June 2022.

During the year, through the work of the Management Engagement Committee, the Board engaged an independent external firm, Lintstock Limited, to facilitate a review of the Manager. The process involved the completion of questionnaires by each Director and the production of a report to the Board by Lintstock Limited summarising the findings of the review. The review covered all services provided by the Manager, including investment management, compliance, internal audit, marketing, company secretarial and administration services, and also gave consideration to the appropriateness of the management fee arrangements.

Following the review process, the Management Engagement Committee recommended to the Board that the continuing appointment of the Manager was in the best interests of the shareholders and the Company as a whole. In reaching this decision, the Management Engagement Committee considered the Company's long-term performance record and concluded that it remained satisfied with the capability of the abrdn Group to deliver satisfactory investment performance, that its investment screening processes are thorough and robust and that it employs a well-resourced team of skilled and experienced fund managers. In addition, the Management Engagement Committee is satisfied that the abrdn Group has the appropriate compliance, secretarial, administrative and promotional skills required for the effective operation and administration of the Company.

Nomination Committee

The Nomination Committee comprises the full Board and is chaired by Liz Airey. The main responsibilities of the Nomination Committee include:

- regularly reviewing the structure, size and composition (including the skills, knowledge, experience, diversity and gender) of the Board;
- undertaking succession planning, taking into account the challenges and opportunities facing the Company and identifying candidates to fill vacancies;
- recruiting new Directors, undertaking open advertising or engaging external advisers to facilitate the search, as appropriate, with a view to considering candidates from a wide range of backgrounds, on merit, and with due regard for the benefits of diversity on the Board, taking care to ensure
- that appointees have enough time available to devote to the position;
- ensuring that new appointees receive a formal letter of appointment and suitable induction and ongoing training;
- arranging for annual Board performance evaluations to ensure that Directors are able to commit the time required to properly discharge their duties;
- making recommendations to the Board as to the positions of Chairman, Senior Independent Director and Chairmen of the Nomination, Audit and Management Engagement Committees;
- assessing, on an annual basis, the independence of each Director;

- approving the re-election of any Director, subject to the UK Code, the AIC Code, or the Articles of Association, at the Annual General Meeting, having due regard to their performance, ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the Board; and determining the Directors' remuneration policy and level of remuneration, including for the Chairman.

During the year, through the work of the Nomination Committee, the Board engaged an independent external firm, Lintstock Limited, to facilitate a review of the Board, its Committees and the performance of individual Directors. The process involved the completion of questionnaires by each Director and the production of a report to the Board by Lintstock Limited summarising the findings of the review. The results of the process were discussed by the Board following its completion, with appropriate action points made. The main action points were for the Board to:

- develop a deeper understanding of marketing activities undertaken by the Manager on behalf of the Company;
- improve engagement with retail shareholders;
- arrange additional training for Directors in the form of a legal/regulatory update;
- give due consideration to Board succession planning, including in relation to the diversity of the Board; and
- consider length and presentation of Board papers.

Consideration of these matters is already in progress and will be addressed in more detail by the Board during the current financial year.

As part of the process, the Chairman met with each of the Directors to discuss their individual performance reviews. The review of the Chairman was overseen by the Senior Independent Director.

Following the evaluation process, Lintstock Limited concluded that the Board operates well and effectively and is focussing on the right issues in its work to promote the success of the Company and that each Director makes a significant contribution to the Board.

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 June 2022.

Shareholder	**Number of Ordinary shares**	**% held**
Hargreaves Lansdown	10,441,080	11.1
Interactive Investor	9,439,853	10.0
Brewin Dolphin	8,513,959	9.1
abrdn Retail Plans	6,673,821	7.1
1607 Capital Partners	5,975,394	6.4
AJ Bell	4,336,875	4.6
Rathbones	4,277,148	4.6
City of London Investment Management	2,839,946	3.0
Investec Wealth & Investment	2,822,892	3.0

The Company has not been notified of any changes to the above holdings since the end of the year.

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. The Board has also performed stress testing and liquidity analysis.

As at 30 June 2022, the Company had a £65 million unsecured loan facility agreement with The Royal Bank of Scotland International Limited which matures on 31 October 2022. This consists of a five year, fixed-rate term loan facility of £25 million and a revolving credit facility of £40 million. The Board has reviewed its options and a range of proposals and is expecting to refinance the facility when it expires. However, in the event that the facility is not refinanced, there is considered to be sufficient portfolio liquidity to enable borrowings to be repaid.

The Directors are mindful of the Principal Risks and Uncertainties disclosed in the Strategic Report on pages 14 to 16 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. The Directors have also reviewed the revenue and ongoing expenses forecasts for the coming year and considered the Company's Statement of Financial Position as at 30 June 2022 which shows net current liabilities of £25.5 million at that date. Taking all of this into account, 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 Independent Auditor in connection with the financial statements appear on pages 70 and 71 to 76.

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Independent Auditor was unaware, and that each Director has taken all the steps that they might reasonably be expected to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Independent Auditor was aware of that information.

Independent Auditor

Shareholders approved the re-appointment of KPMG LLP as the Company's Independent Auditor at the AGM on 21 October 2021 and resolutions to approve its re-appointment for the year to 30 June 2023 and to authorise the Directors to determine its remuneration will be proposed at the Annual General Meeting.

Financial Instruments

The financial risk management objectives and policies arising from financial instruments and the exposure of the Company to risk are disclosed in note 17 to the financial statements.

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 Addresses).

Aberdeen Asset Management PLC ("AAM") has been appointed Company Secretary to the Company. Whilst AAM is a wholly owned subsidiary of the abrdn Group, there is a clear separation of roles between the Manager and Company Secretary with different board compositions and different reporting lines in place. The Board notes that, in accordance with Market Abuse Regulations, procedures are in place to control the dissemination of information within the abrdn plc group of companies when necessary. Where correspondence addressed to the Board is received there is full disclosure to the Board. This is kept confidential if the subject matter of the correspondence requires confidentiality.

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.

The Company's Annual General Meeting provides a forum for communication primarily with private shareholders and is attended by the Board. The Manager makes a presentation to the meeting and all shareholders have the opportunity to put questions to both the Board and the Manager at the meeting. The Board also hosts a regular 'Meet the Manager' session at which the Investment Manager and members of the Board are present and to which all shareholders are invited, last held on 20 May 2022.

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, or voting rights attaching to, Ordinary shares in 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 60 to 63. 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 49, 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 ("AGM"), which will be held at 12 noon on Thursday, 20 October 2022, and related notes, may be found on pages 116 to 120.

Resolutions including the following business will be proposed.

Issue of Ordinary Shares

Resolution 11, which is an ordinary resolution, will, if passed, renew the Directors' authority to allot new Ordinary shares up to 10% of the issued share capital of the Company (excluding treasury shares) as at the date of this Report.

Resolution 12, 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 make limited allotments or sell shares from treasury of up to 10% of the total ordinary issued share capital (excluding treasury shares) as at the date of this Report.

The authority to issue shares on a non pre-emptive basis includes shares held in treasury (if any) which the Company sells or transfers, including pursuant to the authority conferred by resolution 11.

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

The authorities being sought under resolutions 11 and 12 shall expire at the conclusion of the Company's next AGM in 2023 or, if earlier, on the expiry of 15 months from the date of the passing of the resolutions, unless such authorities are renewed 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.

Directors' Report

Continued

Purchase of the Company's Ordinary Shares

Resolution 13, 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. 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 2023 or, if earlier, on the expiry of 15 months from the date of the passing of the resolution unless such authority is renewed prior to such time.

The Company bought back 4,670,519 Ordinary shares during the year ended 30 June 2022, representing 4.7% of the issued share capital. These buy backs were conducted in accordance with the Company's discount control policy which is included on page 17. It is the view of the Board that this policy is in the best interests of shareholders as a whole. The use of the share buy back authority during the year is set out in the Chairman's Statement on page 9.

Tender Offers

In addition to the authority that is being sought by the Company under resolution 13 to purchase its own Ordinary shares of 25 pence each, resolution 14, which is a special resolution, grants the Board the authority to implement one or more tender offers and to repurchase up to a maximum of 10% of the Company's issued share capital in the financial year prior to the conclusion of the next AGM. If resolution 14 is passed, the tender offers will be structured by way of an on-market offer by a market-maker and the price will be an amount equal to the realisation value of the assets attributable to the shares tendered, as at the latest practicable date before such tender, less an exit charge of 2%. The shares will subsequently be bought back by the Company from the market-maker at the same price and cancelled or held in treasury.

If resolution 14 is passed, such authority will expire at the conclusion of the Company's AGM in 2023 or, if earlier, on the expiry of 15 months from the date of the passing of the resolution unless renewed prior to that date.

Any future tender offers will be conducted at the Board's discretion in circumstances where the Board believes that share buy-backs are not sufficient to maintain the discount at an appropriate level. Any tender offers will be conducted in accordance with the FCA's Listing Rules and the rules of the London Stock Exchange. If the Board decides to implement a tender offer, shareholders will be notified prior to each tender offer of the full terms and conditions of the tender offer and the procedure for tendering shares.

Notice of Meeting

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 2023.

Recommendation

The Board considers that the resolutions to be proposed at the AGM are in the best interests of the Company 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 64,900 Ordinary shares, representing 0.07% of the issued share capital.

By order of the Board
Aberdeen Asset Management PLC
Company Secretary
1 George Street
Edinburgh EH2 2LL
7 September 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 21 October 2020;
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 Independent Auditor to audit certain of the disclosures provided in the Directors' Remuneration Report. Where disclosures have been audited, they are indicated as such. The Independent Auditor's report is included on pages 71 to 76.

As the Company has no employees, and the Board is comprised wholly of non-executive Directors, and given the size and nature of the Company, the Board has not established a separate Remuneration Committee. The Director's Remuneration Policy and level of Directors' remuneration are determined by the Nomination Committee, which is chaired by Liz Airey 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 (approved by shareholders at the Annual General Meeting on 21 October 2020) 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 monthly 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 £200,000 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, increased accordingly.

	30 June 2022 **£**	**30 June 2021** **£**
Chairman	**37,400**	35,000
Chairman of the Audit Committee	**29,700**	27,800
Chairman of the Management Engagement Committee	**27,000**	25,200
Director	**25,300**	23,700

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, if appropriate, 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, including travel expenses.

- 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 nor are there any proposals for changes in the foreseeable future. The Remuneration Policy is reviewed by the Nomination 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 June 2023.

Statement of Voting at General Meeting

At the Annual General Meeting held on 21 October 2020, shareholders approved the Directors' Remuneration Policy. 99.3% of proxy votes were in favour of the resolution, 0.6% were against and 0.1% abstained.

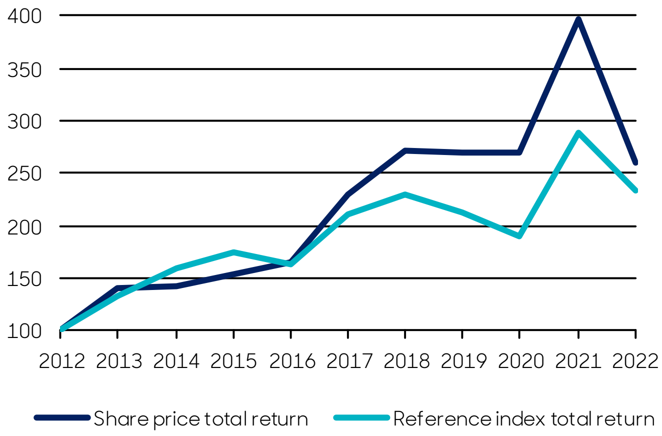
Implementation Report

Review of Directors' Fees

The Nomination 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. Following this review, the Nomination Committee concluded that fees would be increased with effect from 1 July 2022 to £38,500 for the Chairman, £31,000 for the Chairman of the Audit Committee, £27,750 for the Chairman of the Management Engagement Committee and £26,000 for the other Directors. The Nomination 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 total return (assuming all dividends are reinvested) to Ordinary shareholders compared to the total return from the Numis Smaller Companies plus AIM (ex investment companies) Index for the ten year period to 30 June 2022 (rebased to 100 at 30 June 2012). This index was chosen for comparison purposes as it is the reference index used for investment performance measurement purposes.



Statement of Voting at General Meeting

At the Company's last Annual General Meeting, held on 21 October 2021, shareholders approved the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) in respect of the year ended 30 June 2021. 98.9% of proxy votes were in favour of the resolution, 0.7% were against and 0.4% abstained.

A resolution to approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) in respect of the year ended 30 June 2022 will be proposed at the Annual General Meeting.

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. The total fees paid to Directors are shown below.

Directors' Remuneration Report

Continued

Audited Information

Directors' Remuneration

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

	Year ended 30 June 2022			Year ended 30 June 2021		
	Fees £	Taxable Expenses £	Total £	Fees £	Taxable Expenses £	Total £
Liz Airey	**37,400**	**-**	**37,400**	35,000	118	35,118
Ashton Bradbury	**25,300**	**203**	**25,503**	23,700	-	23,700
Alexa Henderson	**25,300**	**-**	**25,300**	23,700	-	23,700
Caroline Ramsay	**29,700**	**151**	**29,851**	27,800	-	27,800
Tim Scholefield	**27,000**	**172**	**27,172**	25,200	-	25,200
Total	**144,700**	**526**	**145,226**	135,400	118	135,518

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. There are no further fees to disclose as the Company has no employees, chief executive or executive directors.

Annual Percentage Change in Directors' Remuneration

The table below sets out the annual percentage change in Directors' fees for the past three years.

	Year ended 30 June 2022	Year ended 30 June 2021	Year ended 30 June 2020
	Fees %	Fees %	Fees %
Liz Airey[A]	**6.9**	50.4	n/a
Ashton Bradbury	**6.8**	-	3.0
Alexa Henderson[B]	**6.8**	-	40.9
Caroline Ramsay	**6.8**	-	3.0
Tim Scholefield	**7.1**	-	2.9

[A] Appointed a Director on 21 August 2019 and Chairman on 31 March 2020

[B] Appointed a Director on 8 October 2018

Directors' Interests in the Company

The Directors are not required to have a shareholding in the Company. The Directors (including their connected persons) at 30 June 2022 and 30 June 2021 had no interest in the share capital of the Company other than those interests, all of which are beneficial, shown in the following table.

	30 June 2022 Ordinary shares	30 June 2021 Ordinary shares
Liz Airey	**40,000**	40,000
Ashton Bradbury	**10,000**	10,000
Alexa Henderson	**4,391**	4,391
Caroline Ramsay	**4,545**	4,545
Tim Scholefield	**5,964**	5,964

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

Annual Statement

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

On behalf of the Board
Liz Airey
Chairman
7 September 2022

Audit Committee's Report

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

Committee Composition

The Audit Committee comprises all of the non-executive Directors other than the Chairman of the Board. The Audit Committee is chaired by Caroline Ramsay who is a Chartered Accountant and has recent and relevant financial experience. The Board is satisfied that the Audit 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 Audit 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 on which the Company is reliant and internal audit and compliance reports relating thereto (including review of non-financial risks) (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, and 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 Independent Auditor to review the proposed audit programme of work and the findings of the Independent Auditor. The Audit 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 Independent Auditor to supply non-audit services. 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. There were no non-audit fees paid to the Independent Auditor during the year under review or during the previous year;
- to obtain and review a statement from the abrdn Group detailing the arrangements in place within the group 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 Independent Auditor and to approve the remuneration and terms of engagement of the Independent 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 reviewed and updated the Company's risk matrix, with particular consideration given to new and emerging risks. At these meetings the Committee also considered in detail the Annual Report and the Half-Yearly Financial Report. Representatives of the abrdn Group's internal audit, risk and compliance departments reported to the Audit 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 escalated to the Board.

The Audit Committee also considered the implications for the Company as a result of the spread of the Covid-19 virus, including the resilience of the reporting and control systems in place for both the Manager and other service providers.

Internal Controls and Risk Management

The Audit Committee 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 June 2022 and up to the date of approval of the Annual Report, which is regularly reviewed by the Audit Committee 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 summarised in the Strategic Report on pages 14 to 16. The Audit Committee 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 Audit Committee 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 Audit Committee has had regard to the activities of the abrdn Group, including its internal audit and compliance functions, and the Independent Auditor.

The Audit Committee has reviewed the abrdn Group'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 Audit Committee has also reviewed the effectiveness of the abrdn Group's system of internal control as it relates to the Company, 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 Organization". Any weaknesses identified that may be relevant to the Company 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:

- 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;
- 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 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 abrdn Group'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 abrdn Group, including the internal audit and compliance functions and reports to the Board on its conclusions; and
- the Audit Committee reviews internal control reports provided by the Depositary.

The Audit Committee 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 the abrdn Group which has its own compliance and internal control systems and internal audit department which provides reports to the Audit Committee for discussion. The Audit Committee 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 Matters

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

Valuation, Existence and Ownership of Investments

How the matter 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 Audit Committee also considered the Independent Auditor's work and conclusions in this area.

The valuation of investments is undertaken in accordance with the accounting policies disclosed in note 2 (b) to the financial statements.

The Audit 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 matter was addressed - the recognition of dividend income is undertaken in accordance with accounting policy note 2 (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 Audit Committee also considered the Independent Auditor's work and conclusions in this area.

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

Review of Financial Reporting

The Audit Committee, when considering the draft Annual Report and financial statements for the year ended 30 June 2022, concluded that, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and that a recommendation could be made to the Board for it to reach this conclusion. As part of its considerations, the Audit Committee assumed that the reader of the Annual Report and financial statements would have a reasonable knowledge of the investment industry in general and of investment trusts in particular.

Review of Independent Auditor

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

- Independence - the Independent Auditor discusses with the Audit Committee, at least annually, the steps it takes to ensure its independence and objectivity and makes the Audit 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 Independent Auditor has a constructive working relationship with the Manager).

- Quality of people – 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 audit partner).
- Quality of service – as represented by points arising from the FRC's annual audit quality inspection.
- Fees – including current and proposed fees for future years.

The Independent Auditor's report is included on pages 71 to 76. Details of the amounts paid to KPMG during the year for audit services are set out in note 5 to the financial statements.

Tenure of the Independent Auditor

KPMG was initially appointed as the Company's Independent Auditor at the Annual General Meeting on 26 October 2017. In accordance with present professional guidelines the audit partner is rotated after no more than five years and the year ended 30 June 2022 is the fifth year for which the present audit partner, Philip Merchant, has served. A new audit director has been introduced to the Audit Committee.

In compliance with the appropriate regulations, the next audit tender of the Company is due to take place by 2027.

The Audit Committee is satisfied with the quality of the work and service carried out by KPMG and with the level of fees. The Audit 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
Caroline Ramsay
Chair of the Audit Committee
7 September 2022

Financial Statements

Investments in the Leisure Goods sector include Focusrite.

For the year ended 30 June 2022, the Company's Net Asset Value ("NAV") total return was -27.3% and the share price total return was -34.3%. These returns compare to the total return of the Company's reference index, the Numis Smaller Companies plus AIM (ex investment companies) Index, of -19.0%.

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

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 they have elected 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 judgments 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 of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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.

Responsibility Statement of the Directors in Respect of the Annual Financial Report

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

On behalf of the Board
Liz Airey
Chairman
7 September 2022

Independent Auditor's Report to the Members of abrdn UK Smaller Companies Growth Trust plc

1. Our Opinion is Unmodified

We have audited the financial statements of abrdn UK Smaller Companies Growth Trust plc (the "Company") for the year ended 30 June 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

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

Basis for Opinion

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

We were first appointed as auditor by the shareholders on 26 October 2017. The period of total uninterrupted engagement is for the five financial years ended 30 June 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.

Overview		
Materiality: financial statements as a whole		£5.4 million (2021: £7.9 million) 1% (2021: 1%) of Total Assets
Key audit matters		**vs 2021**
Recurring risks	Carrying amount of quoted investments	◄►

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.

Independent Auditor's Report to the Members of abrdn UK Smaller Companies Growth Trust plc

Continued

	The risk	Our response
Carrying amount of quoted investments (£524.1 million; 2021: £770.0 million) *Refer to page 66 (Audit Committee Report), pages 81 to 82 (accounting policy) and page 88 (financial disclosures).*	**Low risk, high value** The Company's portfolio of quoted investments makes up 97% (2021: 97%) 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:** Agreed the valuation of 100% of quoted investments in the portfolio to externally quoted prices; and **Enquiry of Custodian:** Agreed 100% of investment holdings in the portfolio to independently received third party confirmation from the Custodian. **Our results:** We found the carrying amount of quoted investments to be acceptable (2021: acceptable).

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 £5.4 million (2021: £7.9 million), determined with reference to a benchmark of total assets, of which it represents 1% (2021: 1%).

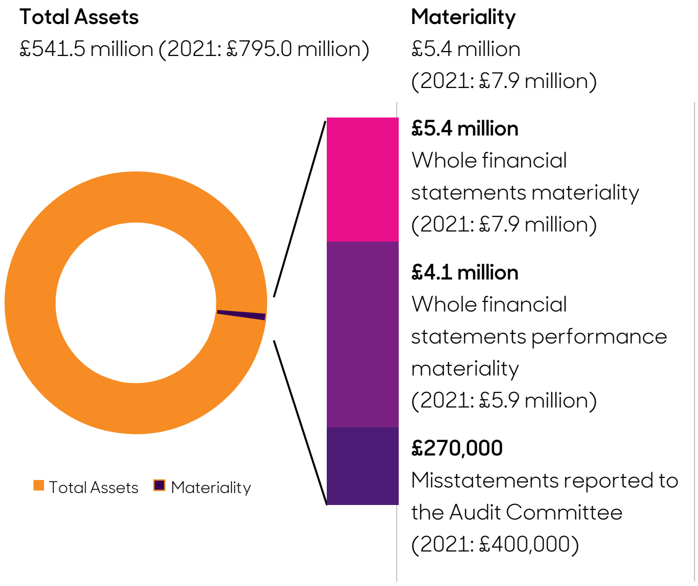
In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material 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 £4.1 million (2021: £5.9 million). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £270,000 (2021: £400,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality and performance materiality levels 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 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 or covenant compliance in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Company's current and projected cash and liquid investment position (and the results of a reverse stress test).

We considered whether the going concern disclosure in note 2 (a) 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 2 (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 2 (a) to be acceptable; and
- the related statement under the Listing Rules set out on page 56 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:

- Enquiring 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 Investment Manager; and
- Reading Board and Audit Committee minutes.

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

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Company management may be in a position to make inappropriate accounting entries. We evaluated the design and implementation of the 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, Investment Manager 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. 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.

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

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

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

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

Context of the Ability of the Audit to Detect Fraud or Breaches of Law or Regulation

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

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

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

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

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

Strategic Report and Directors' Report

Based solely on our work on the other information:

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

Directors' Remuneration Report

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

Disclosures of Emerging and Principal Risks and Longer-Term Viability

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

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

- the Directors' confirmation within the viability statement on pages 17 and 18 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 pages 17 and 18 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 70, 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.

Philip Merchant (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG
7 September 2022

Statement of Comprehensive Income

		Year ended 30 June 2022			Year ended 30 June 2021		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net (losses)/gains on investments held at fair value	10	**-**	**(196,773)**	**(196,773)**	-	213,905	213,905
Income	3	**11,123**	**-**	**11,123**	8,573	-	8,573
Investment management fee	4	**(1,190)**	**(3,569)**	**(4,759)**	(1,149)	(3,449)	(4,598)
Other administrative expenses	5	**(889)**	**-**	**(889)**	(828)	-	(828)
Net return before finance costs and taxation		**9,044**	**(200,342)**	**(191,298)**	6,596	210,456	217,052
Finance costs	6	**(278)**	**(833)**	**(1,111)**	(204)	(612)	(816)
Return before taxation		**8,766**	**(201,175)**	**(192,409)**	6,392	209,844	216,236
Taxation	7	**-**	**-**	**-**	-	-	-
Return after taxation		**8,766**	**(201,175)**	**(192,409)**	6,392	209,844	216,236
Return per Ordinary share (pence)	9	**9.07**	**(208.10)**	**(199.03)**	6.43	211.01	217.44

The total column of this statement represents the profit and loss account of the Company. The 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies.

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

The accompanying notes are an integral part of the Financial Statements.

Statement of Financial Position

	Notes	As at 30 June 2022 £'000	As at 30 June 2021 £'000
Non-current assets			
Investments held at fair value through profit or loss	10	**524,137**	770,003
Current assets			
Debtors	11	**2,413**	2,238
Investments in AAA-rated money market funds		**14,414**	22,636
Cash and short term deposits		**582**	95
		17,409	24,969
Current liabilities			
Creditors: other amounts falling due within one year	12	**(2,947)**	(1,775)
Bank loan	12	**(39,988)**	(40,000)
		(42,935)	(41,775)
Net current liabilities		**(25,526)**	(16,806)
Total assets less current liabilities		**498,611**	753,197
Creditors: amounts falling due after more than one year			
Bank loan	13	**–**	(24,951)
Net assets		**498,611**	728,246
Capital and reserves			
Called-up share capital	14	**26,041**	26,041
Share premium account		**170,146**	170,146
Special reserve		**–**	20,132
Capital reserve	15	**293,616**	504,395
Revenue reserve		**8,808**	7,532
Equity shareholders' funds		**498,611**	728,246
Net asset value per Ordinary share (pence)	16	**530.37**	737.97

The financial statements on pages 77 to 98 were approved by the Board of Directors on 7 September 2022 and were signed on its behalf by:

Liz Airey
Chairman

The accompanying notes are an integral part of the Financial Statements.

Statement of Changes in Equity

For the year ended 30 June 2022

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2021	26,041	170,146	20,132	504,395	7,532	728,246
Return after taxation	–	–	–	(201,175)	8,766	(192,409)
Buyback of Ordinary shares into Treasury (see note 14)	–	–	(20,132)	(9,604)	–	(29,736)
Dividends paid (see note 8)	–	–	–	–	(7,490)	(7,490)
Balance at 30 June 2022	26,041	170,146	–	293,616	8,808	498,611

For the year ended 30 June 2021

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2020	26,041	170,146	28,534	294,551	8,804	528,076
Return after taxation	–	–	–	209,844	6,392	216,236
Buyback of Ordinary shares into Treasury (see note 14)	–	–	(8,402)	–	–	(8,402)
Dividends paid (see note 8)	–	–	–	–	(7,664)	(7,664)
Balance at 30 June 2021	26,041	170,146	20,132	504,395	7,532	728,246

The capital reserve at 30 June 2022 is split between realised of £198,874,000 and unrealised of £94,742,000 (30 June 2021 – realised £179,141,000 and unrealised £325,254,000).

The Company's reserves available to be distributed by way of dividends or buybacks which includes the revenue reserve and the realised element of the capital reserve amount to £207,682,000 (30 June 2021 – £186,673,000). The special reserve at 30 June 2022 is £nil (30 June 2021 – the special reserve of £20,132,000 was available to fund share buy backs but could not be used to pay dividends).

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

Statement of Cash Flows

	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
Operating activities		
Net return before taxation	**(192,409)**	216,236
Adjustment for:		
Losses/(gains) on investments	**196,773**	(213,905)
Increase in accrued dividend income	**(792)**	(994)
Decrease in accrued interest income	**-**	7
Finance costs	**1,111**	816
Increase in other debtors	**(2)**	(3)
Increase in other creditors	**920**	281
Net cash inflow from operating activities	**5,601**	2,438
Investing activities		
Purchases of investments	**(94,258)**	(188,635)
Sales of investments	**144,236**	159,116
Purchases of AAA-rated money market funds	**(137,040)**	(150,977)
Sales of AAA-rated money market funds	**145,262**	154,806
Net cash inflow/(outflow) from investing activities	**58,200**	(25,690)
Financing activities		
Bank and loan interest paid	**(1,088)**	(756)
Repurchase of Ordinary shares into Treasury	**(29,736)**	(8,282)
Drawdown of loan	**-**	40,000
Repayment of loan	**(25,000)**	-
Equity dividends paid	**(7,490)**	(7,664)
Net cash (outflow)/inflow from financing activities	**(63,314)**	23,298
Increase in cash	**487**	46
Analysis of changes in cash during the year		
Opening balance	**95**	49
Increase in cash as above	**487**	46
Closing balance	**582**	95

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

Notes to the Financial Statements

For the year ended 30 June 2022

1. Principal activity

The Company is a closed-end investment company, registered in Scotland No SC145455, with its Ordinary shares being listed on the London Stock Exchange.

2. 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 April 2021. They have also been prepared on the assumption that approval as an investment trust will continue to be granted.

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. The Board has also performed stress testing and liquidity analysis.

As at 30 June 2022, the Company had a £65 million unsecured loan facility agreement with The Royal Bank of Scotland International Limited which matures on 31 October 2022. This consists of a five year, fixed-rate term loan facility of £25 million and a revolving credit facility of £40 million. The Board has reviewed its options and a range of proposals and is expecting to refinance the facility when it expires. However, in the event that the facility is not refinanced, there is considered to be sufficient portfolio liquidity to enable borrowings to be repaid.

The Directors are mindful of the Principal Risks and Uncertainties disclosed in the Strategic Report on pages 14 to 16 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. The Directors have also reviewed the revenue and ongoing expenses forecasts for the coming year and considered the Company's Statement of Financial Position as at 30 June 2022 which shows net current liabilities of £25.5 million at that date. Taking all of this into account, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

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

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

d) **Income**. Income from equity investments (other than special dividends), 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 in the Statement of Comprehensive Income, according to the circumstances of the underlying payment. Foreign income is converted at the exchange rate applicable at the time of receipt. Interest receivable on short-term deposits and money market funds is accounted for on an accruals basis.

e) **Expenses and interest payable**. Expenses are accounted for on an accruals basis. Expenses are charged to the capital column of the Statement of Comprehensive Income 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 25% to revenue and 75% to the capital columns of the Statement of Comprehensive Income 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 4 and 6).

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**. Dividends are recognised in the period in which they are paid.

g) **Nature and purpose of reserves**

Called-up share capital. The Ordinary share capital on the Statement of Financial Position relates to the number of shares in issue and in treasury. Only when the shares are cancelled, either from treasury or directly, is a transfer made to the capital redemption reserve. This reserve is not distributable.

Share premium account. The balance classified as share premium includes the premium above nominal value from the proceeds on issue of any equity share capital comprising Ordinary shares of 25p. This reserve is not distributable.

Special reserve. The special reserve arose following court approval for the cancellation of the share premium account balance at 24 June 1999 and on 13 October 2009. Court of Session approval was granted for the cancellation of the Company's entire share premium account and capital redemption reserve and subsequent creation of a special distributable capital reserve. The special reserve is used to fund share purchases of its own Ordinary shares by the Company. During the year the balance of the special reserve was utlised in full.

Capital reserve. Gains or losses on disposal of investments and changes in fair values of investments are transferred to 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 share buybacks and dividends.

Revenue reserve. Income and expenses which are recognised in the revenue column of the Statement of Comprehensive Income are transferred to the revenue reserve. The revenue reserve is available for distribution including by way of dividend.

h) **Taxation**. Tax expense represents the sum of tax currently payable and deferred tax. Any tax payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the Statement of Comprehensive Income because it excludes items of income or expenses 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 year end date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the year end 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 year end 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 Financial Statements which are capable of reversal in one or more subsequent periods.

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) **Foreign currency.** Non-monetary assets and liabilities denominated in foreign currency carried at fair value through profit or loss are converted into Sterling at the rate of exchange ruling at the year end date. Transactions during the year involving foreign currencies are converted at the rate of exchange ruling at the transaction date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the Statement of Comprehensive Income.

j) **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.

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

l) **Bank borrowing.** 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 straight line 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.

m) **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 special reserve. During the year the special reserve was utlised in full with subsequent costs being 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.

3. Income

	2022 £'000	2021 £'000
Income from investments		
UK dividend income	**9,139**	6,394
Property income distributions	**734**	867
Overseas dividend income	**1,034**	1,054
Special dividends	**166**	232
	11,073	8,547

Other income		
Interest from AAA-rated money market funds	**50**	26
Total income	**11,123**	8,573

4. Investment management fee

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	**1,190**	**3,569**	**4,759**	1,149	3,449	4,598

The balance due to abrdn Fund Managers Limited ("aFML") at the year end was £2,083,000 (2021 – £1,264,000). For further details see note 21 on page 98.

5. Administrative expenses (inclusive of VAT)

	2022 £'000	2021 £'000
Secretarial fees[A]	**90**	135
Promotional activities[A]	**295**	180
Directors' fees	**145**	135
Auditor's remuneration:		
– fees payable to the Company's Independent Auditor for the audit of the annual accounts (excluding VAT)	**40**	33
– VAT on audit fees	**8**	6
Registrar's fees	**27**	26
Professional fees	**12**	45
Custody fees	**32**	29
Depositary fees	**79**	92
Other expenses	**161**	147
	889	828

[A] The Company has an agreement with aFML for the provision of secretarial services and promotional activities. Secretarial fees payable during the year, inclusive of VAT, were £90,000 (2021 – £135,000) and the amount due to aFML at the year end was £45,000 (2021 – £68,000). Costs relating to promotional activities during the year, inclusive of VAT, were £295,000 (2021 – £180,000) and the amount due to aFML at the year end was £115,000 (2021 – £60,000).

6. Finance costs

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Bank loan interest	**258**	**774**	**1,032**	177	532	709
Non-utilisation fees	**11**	**31**	**42**	18	52	70
Amortisation of loan arrangement expenses	**9**	**28**	**37**	9	28	37
	278	**833**	**1,111**	204	612	816

Notes to the Financial Statements

Continued

7. Taxation

(a) Analysis of charge for year

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Tax charge	**–**	**–**	**–**	–	–	–

(b) **Provision for deferred taxation**. At 30 June 2022, the Company had unutilised management expenses and loan relationship losses of £75,537,000 (2021 – £69,571,000). A deferred tax asset has not been recognised on the unutilised management expenses and loan relationship losses as it is unlikely there will be suitable future taxable profits against which these tax losses could be deducted. Therefore, it is unlikely that the Company will generate future taxable revenue that would enable the existing tax losses to be utilised.

(c) **Factors affecting the tax charge for the year**. The UK corporation tax rate is 19% (2021 – 19%). The tax charge for the year is lower (2021 – lower) than the standard rate of corporation tax in the UK of 19% (2021 – 19%). The differences are explained in the following table.

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return before taxation	**8,766**	**(201,175)**	**(192,409)**	6,392	209,844	216,236
Corporation tax at a rate of 19% (2021 – 19%)	**1,666**	**(38,223)**	**(36,557)**	1,215	39,870	41,085
Effects of:						
Non-taxable UK dividend income	**(1,768)**	**–**	**(1,768)**	(1,259)	–	(1,259)
Non-taxable overseas dividend income	**(196)**	**–**	**(196)**	(200)	–	(200)
Management expenses and loan relationship losses not utilised	**298**	**836**	**1,134**	244	771	1,015
Non-taxable losses/(gains) on investments	**–**	**37,387**	**37,387**	–	(40,641)	(40,641)
Total tax charge	**–**	**–**	**–**	–	–	–

8. Dividends

	2022 £'000	2021 £'000
Amounts recognised as distributions to equity holders in the period:		
2021 final dividend of 5.00p per share (2020 – 5.00p) paid on 29 October 2021	**4,885**	4,986
2022 interim dividend of 2.70p per share (2021 – 2.70p) paid on 8 April 2022	**2,605**	2,678
	7,490	7,664

The proposed 2022 final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these Financial Statements.

Set out below are the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Section 1158–1159 of the Corporation Taxes Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £8,766,000 (2021 – £6,392,000).

	2022 £'000	2021 £'000
Interim dividend 2022 of 2.70p per share (2021 – 2.70p) paid on 8 April 2022	**2,605**	2,678
Proposed final dividend 2022 of 5.40p per share (2021 – 5.00p) payable on 28 October 2022	**5,023**	4,894
	7,628	7,572

The amount payable for the proposed final dividend is based on the Ordinary shares in issue as the date of approval of this Report, 7 September 2022, which satisfies the requirement of Section 1159 of the Corporation Tax Act 2010.

9. Return per Ordinary share

	2022		2021	
	p	£000	p	£000
Basic				
Revenue return	**9.07**	**8,766**	6.43	6,392
Capital return	**(208.10)**	**(201,175)**	211.01	209,844
Total return	**(199.03)**	**(192,409)**	217.44	216,236

Weighted average number of Ordinary shares in issue	**96,670,077**	99,447,493

10. Investments held at fair value through profit or loss

	2022 £'000	2021 £'000
Opening book cost	**444,749**	372,312
Opening investment holdings gains	**325,254**	154,728
Opening fair value	**770,003**	527,040
Additions at cost	**94,523**	188,543
Disposals – proceeds	**(143,616)**	(159,485)
(Losses)/gains on investments	**(196,773)**	213,905
Closing fair value	**524,137**	770,003

	2022 £'000	2021 £'000
Closing book cost	**429,395**	444,749
Closing investment holding gains	**94,742**	325,254
Closing fair value	**524,137**	770,003

All investments are in equity shares listed on the London Stock Exchange.

The Company received £143,616,000 (2021 – £159,485,000) from investments sold in the period. The book cost of these investments when they were purchased was £109,878,000 (2021 – £116,107,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

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

	2022 £'000	2021 £'000
Purchases	**259**	600
Sales	**110**	98
	369	698

11. Debtors

	2022 £'000	2021 £'000
Amounts due from brokers	**11**	631
Dividends receivable	**2,380**	1,587
Other debtors	**22**	20
	2,413	2,238

12. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Amounts payable to brokers	**385**	120
Interest payable	**108**	121
Investment management fee payable	**2,083**	1,264
Sundry creditors	**371**	270
	2,947	1,775

Bank loan	2022 £'000	2021 £'000
Bank loan	40,000	40,000
Unamortised loan arrangement expenses	(12)	–
	39,988	**40,000**

On 1 November 2017 the Company entered into a £45 million unsecured loan facility agreement arranged with The Royal Bank of Scotland International Limited, which was increased to £65 million effective 10 May 2021. The facilities consist of a five year fixed-rate term loan facility of £25,000,000 (the "Term Loan") and a five year revolving credit facility of £40,000,000 (the "RCF"). The Term Loan has a maturity date of 31 October 2022.

The Company had drawn down £25 million of the Term Loan at the year end, at an interest rate of 2.349% (2021 – 2.349%) and £15 million of the RCF, at an interest rate of 2.090% (2021 – 1.201%), with a maturity date of 15 July 2022. Subsequent to the year end, the loan was rolled over and £15 million was drawn down at the date of this Report at an approximate interest rate of 2.7402% until 1 November 2022.

The terms of the unsecured loan facility agreement ("the agreement") contain covenants that the Consolidated Net Tangible Assets as defined in the agreement must not be less than £200 million, the percentage of borrowings against the Adjusted Portfolio Value as defined in the agreement shall not exceed 30%, and the portfolio contains a minimum of thirty eligible investments (investments made in accordance with the Company's investment policy). The Company complied with all covenants throughout the year.

Notes to the Financial Statements

Continued

13. Creditors: amounts falling due after more than one year

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

14. Called-up share capital

	2022		2021	
	Number	£'000	Number	£'000
Authorised	**150,000,000**	**37,500**	150,000,000	37,500
Issued and fully paid:				
Ordinary shares of 25p each	**94,012,047**	**23,503**	98,682,566	24,671
Held in treasury:	**10,152,375**	**2,538**	5,481,856	1,370
	104,164,422	**26,041**	104,164,422	26,041

	Ordinary shares Number	Treasury shares Number	Total Number
Opening balance	98,682,566	5,481,856	104,164,422
Share buybacks	(4,670,519)	4,670,519	–
Closing balance	94,012,047	10,152,375	104,164,422

During the year the Company repurchased 4,670,519 (2021 – 1,382,632) Ordinary shares to treasury at a cost of £29,736,000 (2021 – £8,402,000). Subsequent to the year end, a further 988,429 Ordinary shares were repurchased to treasury at a cost of £4,993,000.

15. Capital reserve

	2022 £'000	2021 £'000
Opening balance	**504,395**	294,551
Unrealised (losses)/gains on investment holdings	**(230,512)**	170,527
Gains on realisation of investments at fair value	**33,739**	43,378
Management fee charged to capital	**(3,569)**	(3,449)
Finance costs charged to capital	**(833)**	(612)
Buyback of Ordinary shares into treasury	**(9,604)**	–
Closing balance	**293,616**	504,395

The capital reserve includes investment holding gains/(losses) amounting to £94,742,000 (2021 – gains of £325,254,000) as disclosed in note 10 on page 88.

16. Net asset value per share

Total shareholders' funds have been calculated in accordance with the provisions of applicable accounting standards. The analysis of total shareholders' funds on the face of the Statement of Financial Position reflects the rights, under the Articles of Association, of the Ordinary shareholders on a return of assets.

	2022	2021
Net assets attributable (£'000)	**498,611**	728,246
Number of Ordinary shares in issue at year end[A]	**94,012,047**	98,682,566
Net asset value per share	**530.37p**	737.97p

[A] Excluding shares held in treasury.

17. Financial instruments

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. No such transactions took place during the year.

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. There was no material currency risk to the Company for the period given its investing and financing activities are in the UK.

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 price 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 and money market funds;
- 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 – in the value of the portfolio.

As at 30 June 2022, the Company had drawn down £40 million (2021 – £65 million) of the £65 million (2021 – £65 million) unsecured loan facility agreement arranged with The Royal Bank of Scotland International Limited. The facilities consist of a five year fixed-rate term loan facility of £25 million and a five year revolving credit facility of £40 million.

Interest risk profile. The interest rate risk profile of the portfolio of financial assets and liabilities at the year end date was as follows:

As at 30 June 2022	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
Assets				
Investments in AAA-rated money market funds	–	1.17	–	14,414
Cash deposits	–	–	–	582
Total assets	–	–	–	14,996
Liabilities				
Bank loan	0.33	2.35	25,000	–
Bank loan	0.08	2.09	15,000	–
Total liabilities	–	–	40,000	–

As at 30 June 2021	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
Assets				
Investments in AAA-rated money market funds	–	0.08	–	22,636
Cash deposits	–	–	–	95
Total assets	–	–	–	22,731
Liabilities				
Bank loan	1.33	2.35	25,000	–
Bank loan	0.08	1.20	40,000	–
Total liabilities	–	–	65,000	–

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

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

All financial liabilities are measured at amortised cost.

Interest rate sensitivity. The sensitivity analyses below have been determined based on the exposure to interest rates at the year end 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 June 2022 and net assets would increase/decrease by £150,000 (2021 – increase/decrease by £227,000). This is mainly attributable to the Company's exposure to interest rates on its floating rate cash balances and money market funds.

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 allocation of assets and the stock selection process, as detailed on pages 31 to 33, both act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The investments held by the Company are mainly listed on the London Stock Exchange.

Other price risk sensitivity. If market prices at the year end date had been 10% higher or lower while all other variables remained constant, the return attributable to Ordinary Shareholders for the year ended 30 June 2022 would have increased/decreased by £52,414,000 (2021 – increase/decrease of £77,000,000). 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 and AAA-rated money market funds, which can be sold to meet funding commitments if necessary. The maturity of the Company's existing borrowings is set out in the credit risk profile section of this note.

As at 30 June 2022	Expected cash flows £'000	Due within 3 months £'000	Due between 3 months and 1 year £'000	Due after 1 year £'000
Bank loan	**40,318**	**15,170**	**25,148**	**–**

As at 30 June 2021	Expected cash flows £'000	Due within 3 months £'000	Due between 3 months and 1 year £'000	Due after 1 year £'000
Bank loan	65,825	40,190	439	25,196

iii) **Credit risk.** This is failure of the counter party 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:

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

– the risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the review of failed trade reports on a monthly basis. In addition, both stock and cash reconciliations to the Custodians' records are performed on a daily basis to ensure discrepancies are investigated on a timely basis.

– cash is held only with reputable banks with high quality external credit enhancements.

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

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

	2022		2021	
Current assets	Statement of Financial Position £'000	Maximum exposure £'000	Statement of Financial Position £'000	Maximum exposure £'000
Debtors	**11**	**11**	631	631
Investments in AAA-rated money markets funds	**14,414**	**14,414**	22,636	22,636
Cash and short term deposits	**582**	**582**	95	95
	15,007	**15,007**	23,362	23,362

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

18. Analysis of changes in net debt

	At 30 June 2021 £'000	Cash flows £'000	Non-cash movements £'000	At 30 June 2022 £'000
Cash and cash equivalents	95	487	-	582
Investments in AAA-rated money market funds	22,636	(8,222)	-	14,414
Debt due in less than one year	(40,000)	25,000	(24,988)	(39,988)
Debt due after more than one year	(24,951)	-	24,951	-
	(42,220)	17,265	(37)	(24,992)

Notes to the Financial Statements

Continued

	At 30 June 2020 £'000	Cash flows £'000	Non-cash movements £'000	At 30 June 2021 £'000
Cash and cash equivalents	49	46	-	95
Investments in AAA-rated money market funds	26,465	(3,829)	-	22,636
Debt due in less than one year	-	(40,000)	-	(40,000)
Debt due after more than one year	(24,914)	-	(37)	(24,951)
	1,600	(43,783)	(37)	(42,220)

A statement reconciling the movement in net funds to the net cash flow has not been presented as there are no differences from the above analysis.

19. Capital management

The investment objective of the Company is to achieve long term capital growth by investment in UK quoted smaller companies.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to Shareholders through the optimisation of the debt and equity balance.

The Company's capital comprises the following:

	2022 £'000	2021 £'000
Equity		
Equity share capital	**26,041**	26,041
Reserves	**472,570**	702,205
Liabilities		
Bank loan	**39,988**	64,951
	538,599	793,197

The Company's net gearing comprises the following:

	2022 £'000	2021 £'000
Bank loans	**(39,988)**	(64,951)
Cash and investments in AAA-rated money market funds	**14,996**	22,731
Amounts due from brokers	**11**	631
Amounts payable to brokers	**(385)**	(120)
Net gearing	**(25,366)**	(41,709)
Net assets	**498,611**	728,246
Net gearing (%)	**5.1**	5.7

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing which takes account of the Investment Manager's views on the market;
- the level of equity shares;
- 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.

The Company does not have any externally imposed capital requirements.

20. Fair value hierarchy

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

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

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

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

All of the Company's investments are in quoted equities (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 – £524,137,000; 2021 – £770,003,000) have therefore been deemed as Level 1.

The investment in AAA rated money market funds of £14,414,000 (2021 – £22,636,000) is considered to be Level 2 under the fair value hierarchy of FRS 102 due to not trading in an active market.

The fair value of the £25 million Term Loan as at the 30 June 2022 is £25,000,000, due to it now being short-term in nature, (2021 – £25,742,000) with a par value per Statement of Financial Position of £24,988,000 (2021 – £24,951,000) using the interest rate swap valuation technique. The £15 million revolving credit facility loan has a fair value of £15,000,000 due to it being short-term in nature. Under the fair value hierarchy in accordance with FRS 102, these borrowings can be classified at Level 2.

21. Transactions with the Manager

The Company has an agreement with abrdn Fund Managers Limited for the provision of management services. The management fee is calculated and payable quarterly in arrears at a rate of 0.85% per annum on the first £250 million of net assets, 0.65% per annum on net assets between £250 million and £550 million and 0.55% on net assets above £550 million. The contract is terminable by either party on six months notice. Details of fees payable during the year and fees outstanding at the year end are disclosed in note 4 on page 84.

The Manager also receives a separate fee for the provision of secretarial services and promotional activities as disclosed in note 5 on page 85.

22. Related party transactions

The Directors of the Company received fees for their services. Further details are provided in the Directors' Remuneration Report on page 62. The Directors' shareholdings are detailed on page 63.

Alternative Performance Measures

Alternative performance measures ("APMs") 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-end 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

A discount is the percentage by which the market price is lower than the Net Asset Value ("NAV") per share.

	30 June 2022	30 June 2021
Share price	**453.00p**	698.00p
Net Asset Value per share	**530.37p**	737.97p
Discount	**14.6%**	5.4%

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 June 2022 £'000	30 June 2021 £'000
Total borrowings ^{A}	**(39,988)**	(64,951)
Cash and short term deposits	**582**	95
Investments in AAA-rated money market funds	**14,414**	22,636
Amounts due from brokers	**11**	631
Amounts payable to brokers	**(385)**	(120)
Total cash and cash equivalents ^{B}	**14,622**	23,242
Net gearing (borrowings less cash & cash equivalents) $^{C=A+B}$	**(25,366)**	(41,709)
Shareholders' funds ^{D}	**498,611**	728,246
Net gearing $^{C/D}$	**5.1%**	5.7%

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 of published daily net asset values throughout the year.

	30 June 2022 £'000	30 June 2021 £'000
Investment management fee[A]	**4,759**	4,598
Administrative expenses[B]	**889**	828
Less: non-recurring charges[C]	**(6)**	(8)
Ongoing charges	**5,642**	5,418
Average daily net assets	**696,750**	624,000
Ongoing charges ratio (excluding look-through costs)	**0.81%**	0.87%
Look-through costs[D]	**0.01%**	0.01%
Ongoing charges ratio (including look-through costs)	**0.82%**	0.88%

[A] See note 4 on page 84.
[B] See note 5 on page 85.
[C] Comprises professional fees not expected to recur.
[D] 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 differs from the other ongoing costs figure reported in the Company's Key Information Document calculated in line with the PRIIPs regulations, which includes the ongoing charges ratio and the financing and transaction costs.

Total return

NAV and share price total returns show how the NAV and share price have performed over a period of time in percentage terms, taking into account both capital returns and dividends paid to shareholders. NAV total return assumes reinvesting the net dividend paid by the Company back into the NAV of the Company with debt at fair value on the date on which that dividend goes ex-dividend. Share price total return assumes reinvesting the net dividend back into the share price of the Company on the date on which that dividend goes ex-dividend.

NAV total return **Year ended 30 June 2022**	2022	2021
Opening NAV	**737.97p**	527.73p
Closing NAV	**530.37p**	737.97p
(Decrease)/increase in NAV	**-207.60p**	210.24p
% (Decrease)/increase in NAV	**-28.1%**	39.8%
Uplift from reinvestment of dividends[A]	**0.8%**	2.1%
NAV total return (decrease)/increase	**-27.3%**	41.9%

[A] The uplift from reinvestment of dividends assumes that the dividends of 5.0p in October 2021 and 2.7p in April 2022 (5.0p and 2.7p in 2020/21) paid by the Company were reinvested in the NAV of the Company on the ex-dividend date.

Share price total return **Year ended 30 June 2022**	**2022**	**2021**
Opening share price	**698.00p**	482.00p
Closing share price	**453.00p**	698.00p
(Decrease)/increase in share price	**-245.00p**	216.00p
% (Decrease)/increase in share price	**-35.1%**	44.8%
Uplift from reinvestment of dividends[A]	**0.8%**	2.1%
Share price total return (decrease)/increase	**-34.3%**	46.9%

[A] The uplift from reinvestment of dividends assumes that the dividends of 5.0p in October 2021 and 2.7p in April 2022 (5.0p and 2.7p in 2020/21) paid by the Company were reinvested in the shares of the Company on the ex-dividend date.

Corporate Information

The Company was incorporated in 1993 and has been managed by abrdn since August 2003.

Investments in the Telecommunications sector include Telecom Plus and Gamma Communications.

Information about the Investment Manager

abrdn

The Company's Investment Manager is abrdn Investment Management Limited which is a wholly-owned subsidiary of abrdn plc. The group's assets under management and administration were £508 billion as at 30 June 2022, managed for a range of clients including 22 UK-listed closed end investment companies.

The Investment Team Senior Managers

Harry Nimmo

Investment Leader, Smaller Companies
Co-manager of the Company

Harry Nimmo is Investment Leader within the Smaller Companies Team at abrdn. In addition to abrdn UK Smaller Companies Growth Trust plc, Harry is co-manager of the abrdn UK Smaller Companies Fund (OEIC).

Harry joined abrdn in 1985 and has held various investment analyst and manager roles covering US equity funds and larger UK quoted company funds. In February 2020 he stepped down from being Head of the Smaller Companies Team after 27 years in that role.

Harry has an MA (Hons) degree in Geography from the University of Dundee, an MBA from the University of Edinburgh, and a Diploma in Surveying from the University of Glasgow.

Abby Glennie

Deputy Head, Smaller Companies
Co-manager of the Company

Abby Glennie is Deputy Head of the Smaller Companies Team at abrdn having been appointed to this role in March 2020. She is lead manager of the UK mid-cap strategies and co-manager of all the UK small-cap strategies. She is co-manager of abrdn Smaller Companies Income Trust plc.

Abby joined abrdn in February 2013 as a member of the UK Equity Team, before transferring to the Smaller Companies Team in January 2016. Prior to this she worked at Kames Capital (previously Aegon Asset Management) as a Graduate Trainee Investment Manager.

Abby has an MA (First Class Hons) degree in Economics and Finance from the University of Aberdeen and is a CFA.

Amanda Yeaman

Investment Director, Smaller Companies

Amanda Yeaman is an Investment Director in the Smaller Companies Team at abrdn, providing research support, predominantly for the UK Smaller Companies strategy within abrdn, but also to the wider Smaller Companies Team. She is co-manager of abrdn Smaller Companies Income Trust plc.

Amanda joined abrdn in 2019 from Investec, where she was a small and mid-cap equity sales specialist.

Amanda has an MA (Hons) degree in Economics and Accountancy from the University of Edinburgh and has the IMC.

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: **abrdnuksmallercompaniesgrowthtrust.co.uk.** The periodic disclosures required to be made by the AIFM under the AIFMD are set out on page 114.

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 Contact Addresses). Changes of address must be notified to the Registrars in writing.

Any general queries about the Company 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 Stocks and Shares ISA, or through the many stockbroker platforms which offer the opportunity to acquire shares in investment companies.

abrdn Investment Plan for Children

abrdn operates 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 (subject to the eligibility criteria as stated within the terms and conditions), including parents, grandparents and family friends. 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 only pay Government Stamp Duty (currently 0.5%) on purchase where applicable. 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.

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 purchase 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 Stocks and Shares ISA

abrdn operates an Investment Trust Stocks and Shares 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, on some occasions, 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

All investments in the abrdn Investment Plan for Children, Investment Trust Share Plan and Investment Trust Stocks and Shares ISA are held in nominee accounts and investors are provided with the equivalent of 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.

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.

Investor Information

Continued

Keeping You Informed

Further information about the Company may be found on its dedicated website:
abrdnuksmallercompaniesgrowthtrust.co.uk.

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.

The Company's Ordinary share price appears under the heading 'Investment Companies' in the Financial Times.

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's 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 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 who are seeking long-term capital growth by investment in UK-quoted smaller companies, and who understand and are willing to accept the risks of exposure to equities.

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 at: **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 trust shares purchased will immediately be reduced by the difference between the buying and selling prices of the shares, known as 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 104 to 107 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 Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Glossary of Terms

abrdn Group or abrdn

The abrdn plc group of companies.

AIC

The Association of Investment Companies.

AIFMD

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

Alternative Performance Measures or APMs

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

Blue Sky Company

A company without a proven business track record as defined by revenues and profitability, where the value of the company is based on an idea without a tangible operating model to back it up. Most often these are found in the technology, biotech or resources sectors.

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. During the year the Depositary was BNP Paribas Securities Services, London Branch. The depositary agreement was novated to BNP Paribas Trust Corporation UK Limited on 30 June 2022.

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

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

Dividend Yield

The annual Dividend per Share 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 the sum of the Revenue EPS and Capital EPS.

FCA

Financial Conduct Authority.

Gearing or Net Gearing

Net 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 Manager

abrdn Investment Management Limited is a subsidiary of abrdn plc and acts as the Company's investment manager. It is authorised and regulated by the FCA.

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 UK version of the Packaged Retail and Insurance-based Investment Products ("PRIIPS") Regulation (as it forms part of UK law following the UK's departure from the EU) 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.

Manager, AIFM or aFML

abrdn Fund Managers Limited (previously Aberdeen Standard Fund Managers Limited, prior to a change of name of that company on 1 August 2022) is a subsidiary of abrdn plc and acts as the Alternative Investment Fund Manager for the Company. It is authorised and regulated by the FCA.

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 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.

Prior Charges

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

Record Date

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

Glossary of Terms

Continued

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.

Total Assets

Total assets less current liabilities (before deducting Prior Charges 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.

Your Company's Share Capital History

Issued Share Capital at 30 June 2022

94,012,047 Ordinary shares of 25p (104,164,422 including treasury shares)

Treasury Shares at 30 June 2022

10,152,375 Ordinary shares

Share Capital History

Year ended 30 June 1994	The Company's authorised share capital on incorporation was £15,000,000, divided into 60,000,000 Ordinary shares of 25p each. On 19 August 1993, 50,000,000 Ordinary shares (with one Warrant attached for every five Ordinary shares) were issued at £1 each. On 25 March 1994, the authorised share capital of the Company was increased to £75,000,000 by the creation of 50,000,000 limited Conversion ("C") shares of £1 each and 40,000,000 Ordinary shares of 25p each. On 28 March 1994, a further 21,428,000 'C' shares were issued at £1 each, at par. On 7 June 1994, the C shares of £1 each were converted into Ordinary shares, resulting in the issue of 19,436,770 Ordinary shares (with one Warrant for every five Ordinary shares).
Year ended 30 June 2007	32,629,217 Ordinary shares purchased for cancellation and 117,791 Warrants cancelled following the tender offer which was approved by shareholders on 9 November 2006. 2,194,000 Ordinary shares purchased for cancellation.
Year ended 30 June 2008	559,175 Ordinary shares purchased to hold in treasury.
Year ended 30 June 2009	On 4 February 2009, as part of the merger with Gartmore Smaller Companies Trust plc ("Gartmore"), 31,189,825 Conversion ("C") shares issued to former Gartmore shareholders. On 14 April 2009, 27,545,948 of the C shares were converted into 26,273,612 Ordinary shares. On 11 June 2009, the remaining 3,643,877 C shares were converted into 3,687,639 Ordinary shares. 1,164,545 Warrants exercised as a result of the last exercise date of 30 September 2008, which resulted in the issue of the same number of new Ordinary shares. 1,732,965 Warrants lapsed without value.
Year ended 30 June 2011	3,670,243 Ordinary shares purchased to hold in treasury, 4,229,418 Ordinary shares sold from treasury and 825,000 new Ordinary shares issued. £25 million nominal of 3.5% Convertible Unsecured Loan Stock 2018 ("CULS") issued.
Year ended 30 June 2012	425,000 new Ordinary shares issued. 22,003 new Ordinary shares issued as a result of the first conversion of CULS as at 30 September 2011. 5,346 new Ordinary shares issued as a result of the second conversion of CULS as at 31 March 2012.
Year ended 30 June 2013	1,650,000 new Ordinary shares issued. 4,679 new Ordinary shares issued as a result of the third conversion of CULS as at 30 September 2012. 11,404 new Ordinary shares issued as a result of the fourth conversion of CULS as at 31 March 2013.
Year ended 30 June 2014	2,900,000 new Ordinary shares issued. 1,038,382 new Ordinary shares issued as a result of the fifth conversion of CULS as at 30 September 2013. 779,216 new Ordinary shares issued as a result of the sixth conversion of CULS as at 31 March 2014.
Year ended 30 June 2015	2,307,155 Ordinary shares purchased to hold in treasury. 243,589 new Ordinary shares issued as a result of the seventh conversion of CULS as at 30 September 2014. 98,580 Ordinary shares issued from treasury as a result of the eighth conversion of CULS as at 31 March 2015.

Your Company’s Share Capital History

Continued

Year ended 30 June 2016	3,470,930 Ordinary shares purchased to hold in treasury following the tender offer which completed on 28 July 2015. 669,513 Ordinary shares issued from treasury as a result of the ninth conversion of CULS as at 30 September 2015. 803,871 Ordinary shares issued from treasury as a result of the tenth conversion of CULS as at 31 March 2016.
Year ended 30 June 2017	443,818 Ordinary shares purchased to hold in treasury. 378,514 Ordinary shares issued from treasury as a result of the eleventh conversion of CULS as at 30 September 2016. 895,583 Ordinary shares issued from treasury as a result of the twelfth conversion of CULS as at 31 March 2017.
Year ended 30 June 2018	927,892 Ordinary shares issued from treasury as a result of the thirteenth conversion of CULS as at 30 September 2017. 4,658,405 new Ordinary Shares issued as a result of the final conversion of CULS as at 31 March 2018.
Year ended 30 June 2019	27,878,842 new Ordinary shares issued as a result of the merger with Dunedin Smaller Companies Investment Trust PLC which completed on 8 October 2018. 1,131,061 Ordinary shares purchased to hold in treasury.
Year ended 30 June 2020	520,213 Ordinary shares purchased to hold in treasury.
Year ended 30 June 2021	1,382,632 Ordinary shares purchased to hold in treasury.
Year ended 30 June 2022	4,670,519 Ordinary shares purchased to hold in treasury.

Share Capital History

Year ended 30 June	Ordinary shares bought back for cancellation	Ordinary shares bought back into treasury	Ordinary shares issued from treasury	Ordinary shares issued	Ordinary shares in issue (excluding treasury shares)	Convertible Unsecured Loan Stock issued (£)	Convertible Unsecured Loan Stock exercised (£)	Convertible Unsecured Loan Stock total (£)	Warrants exercised	Warrants bought back	Warrants lapsed	Total Warrants In issue
1994	–	–	–	–	69,436,770	–	–	–	–	–	–	13,886,996
1995	–	–	–	–	69,525,796	–	–	–	89,026	–	–	13,797,970
1996	–	–	–	–	69,527,676	–	–	–	1,880	–	–	13,796,090
1997	–	–	–	–	69,528,656	–	–	–	980	1,592,201	–	12,202,909
1998	–	–	–	–	69,529,717	–	–	–	1,061	6,075,144	–	6,126,704
1999	–	–	–	–	69,530,267	–	–	–	550	1,350,000	–	4,776,154
2000	–	–	–	–	69,543,990	–	–	–	13,723	1,671,143	–	3,091,288
2001	–	–	–	–	69,601,685	–	–	–	57,695	–	–	3,033,593
2002	2,200,000	–	–	–	67,403,646	–	–	–	1,961	–	–	3,031,632
2003	–	–	–	–	67,403,646	–	–	–	–	–	–	3,031,632
2004	–	–	–	–	67,403,646	–	–	–	–	–	–	3,031,632
2005	–	–	–	–	67,404,646	–	–	–	1,000	–	–	3,030,632
2006	–	–	–	–	67,404,746	–	–	–	100	–	–	3,030,532
2007	34,823,217	–	–	–	32,583,790	–	–	–	2,261	117,791	–	2,910,480
2008	–	559,175	–	–	32,037,585	–	–	–	12,970	–	–	2,897,510
2009	–	–	–	29,961,251	63,163,381	–	–	–	1,164,545	–	1,732,965	–
2010	–	–	–	–	63,163,381	–	–	–	–	–	–	–
2011	–	3,670,243	4,229,418	825,000	64,547,556	25,000,000	–	25,000,000	–	–	–	–
2012	–	–	–	452,349	64,999,905	–	64,929	24,935,071	–	–	–	–
2013	–	–	–	1,666,083	66,665,988	–	38,184	24,896,887	–	–	–	–
2014	–	–	–	4,717,598	71,383,586	–	4,312,437	20,584,450	–	–	–	–
2015	–	2,307,155	98,580	243,589	69,418,600	–	811,868	19,772,582	–	–	–	–
2016	–	3,470,930	1,473,384	–	67,421,054	–	3,495,770	16,276,812	–	–	–	–
2017	–	443,818	1,274,097	–	68,251,333	–	3,022,923	13,253,889	–	–	–	–
2018	–	–	927,892	4,658,405	73,837,630	–	13,253,889	–	–	–	–	–
2019	–	1,131,061	–	27,878,842	100,585,411	–	–	–	–	–	–	–
2020	–	520,213	–	–	100,065,198	–	–	–	–	–	–	–
2021	–	1,382,632	–	–	98,682,566	–	–	–	–	–	–	–
2022	–	4,670,519	–	–	94,012,047	–	–	–	–	–	–	–

AIFMD Disclosures (Unaudited)

abrdn Fund Managers Limited 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 October 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 17 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, Aberdeen Asset Management PLC, 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:

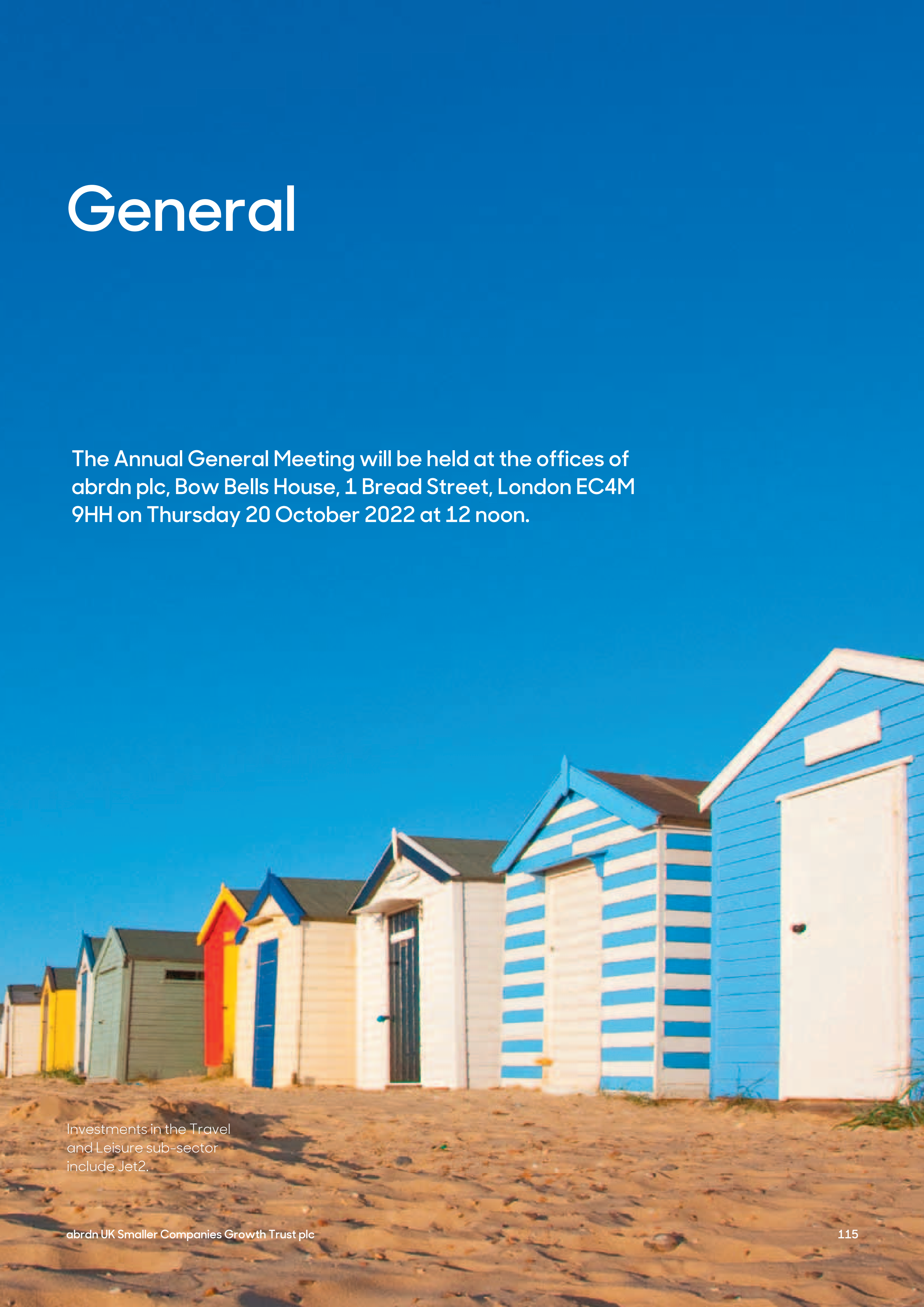
	Gross Method	Commitment Method
Maximum level of leverage	3.00:1	2.00:1
Actual level at 30 June 2022	1.13:1	1.16:1

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 will be held at the offices of abrdn plc, Bow Bells House, 1 Bread Street, London EC4M 9HH on Thursday 20 October 2022 at 12 noon.



Investments in the Travel and Leisure sub-sector include Jet2.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of abrdn UK Smaller Companies Growth Trust plc will be held at the offices of abrdn plc, Bow Bells House, 1 Bread Street, London EC4M 9HH on Thursday 20 October 2022 at 12 noon for the following purposes:

Ordinary Business

As ordinary business, to consider and, if thought fit, pass the following resolutions, in the case of numbers 1 to 11 inclusive, as ordinary resolutions and, in the case of numbers 12 and 13, as special resolutions:

1. To receive and adopt the Directors' Report and financial statements for the year ended 30 June 2022, together with the Independent Auditor's report thereon.
2. To receive and approve the Directors' Remuneration Report for the year ended 30 June 2022.
3. To approve a final dividend for the year ended 30 June 2022 of 5.40 pence per Ordinary share.
4. To re-elect Ashton Bradbury as a Director of the Company.
5. To re-elect Alexa Henderson as a Director of the Company.
6. To re-elect Caroline Ramsay as a Director of the Company.
7. To re-elect Tim Scholefield as a Director of the Company.
8. To re-elect Liz Airey as a Director of the Company.
9. 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.
10. To authorise the Directors to fix the remuneration of the Independent Auditor for the year to 30 June 2023.
11. Authority to allot shares
    That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, 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 ("Rights") 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 £2,325,590 (representing 10% of the Company's total issued share capital (excluding treasury shares) as at 7 September 2022), such authority to 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 date of 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 shares to be allotted or Rights to be granted after the expiry of such authority and the Directors shall be entitled to allot shares or grant Rights in pursuance of such an offer or agreement as if such authority had not expired.

12. Disapplication of pre-emption rights
That, subject to the passing of resolution 11 set out above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date hereof, the Directors of the Company be and they are hereby generally empowered (i), pursuant to Section 570 of the Companies Act 2006 (the "Act"), to allot equity securities (as defined in Section 560 of the Act), including the grant of rights to subscribe for, or to convert securities into Ordinary shares for cash pursuant to the authority given by resolution 11 set out above and (ii), pursuant to Section 573 of the Act to sell equity securities for cash out of treasury as if Section 561(1) of the Act did not apply to any such allotment, or sale out of treasury, of equity securities, provided that this power:

   a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the date of 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 with an aggregate nominal value of up to £2,325,590 (representing 10% of the Company's total issued share capital (excluding treasury shares) as at 7 September 2022).

   This power shall apply in relation to the sale of equity securities for cash out of treasury as if in the opening paragraph of this resolution the words "subject to the passing of resolution 11 set out above, and" were omitted.

13. Authority to make market purchases of shares
That 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 cancellation or for retention as treasury shares for future reissue, resale or transfer:

   Provided always that:

   a) the maximum aggregate number of Shares hereby authorised to be purchased is 13,944,240, or, if less, the number representing 14.99% of the issued ordinary share capital of the Company (excluding treasury shares) as 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 on 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 date of 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.

Notice of Annual General Meeting

Continued

Special Business

As special business, to consider and, if thought fit, pass resolutions 14 and 15 as special resolutions:

14. Tender offers

    That, in addition to the authority given to the Company to purchase its own Ordinary shares of 25p each (the "Shares") pursuant to resolution 13 set out above and in accordance with the terms and conditions of the tender offer(s) which may be set out in the circular to be sent electronically or, if requested in hard copy form to shareholders, the Company be and is hereby authorised for the purpose of Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693(4) of the Act) of its issued Shares either for cancellation or for retention as treasury shares for future reissue, resale or transfer provided that:

    a) the maximum number of Shares hereby authorised to be purchased pursuant to one or more tender offer(s) is 9,302,361, or, if less, the number representing 10% of the issued ordinary share capital of the Company (excluding treasury shares) as at the date of the passing of this resolution;

    b) the price which shall be paid for a Share pursuant to any such tender offer made by the Company under the authority conferred hereby shall be an amount equal to 98% of realisation value of all the assets attributable to the Shares tendered as at the latest practicable time before such tender offer; and

    c) 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 date of 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, prior to such expiry, enter into a contract to purchase Shares which will or may 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. Notice of General Meeting

    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
Aberdeen Asset Management PLC
Company Secretary
1 George Street
Edinburgh EH2 2LL
7 September 2022

Registered Office
1 George Street
Edinburgh EH2 2LL

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. The 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 chairman 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 889 4076. 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 6ZY 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 18 October 2022 (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 chairman 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 12 noon on 18 October 2022 (or, if the meeting is adjourned, 48 hours (excluding non-working days) before the time fixed for the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

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

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

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

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

xi. Shareholders are advised that, unless otherwise stated, any telephone number, website or email address which may be set out in this notice of Annual General Meeting or in any related documents (including the proxy form 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: **abrdnuksmallercompaniesgrowthtrust.co.uk**

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 Independent 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 6.00pm on 7 September 2022 (being the last practicable date prior to publication of this notice) the Company's issued share capital comprised 93,023,618 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 7 September 2022 was 93,023,618.

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: **abrdnuksmallercompaniesgrowthtrust.co.uk**

Contact Addresses

Directors
Liz Airey (Chairman)
Ashton Bradbury
Alexa Henderson
Caroline Ramsay
Tim Scholefield

Registered Office and Company Secretary
Aberdeen Asset Management PLC
1 George Street
Edinburgh EH2 2LL

Email: **CEF.CoSec@abrdn.com**

Alternative Investment Fund Manager
abrdn Fund Managers Limited
1 George Street
Edinburgh EH2 2LL

Investment Manager
abrdn Investment Management Limited
1 George Street
Edinburgh EH2 2LL

abrdn Customer Services Department, Investment Plan for Children, Share Plan and ISA enquiries
abrdn Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB

Freephone: **0808 500 0040**
(open Monday to Friday, 9.00 a.m. to 5.00 p.m.,
excluding public holidays in England and Wales)

Email: **inv.trusts@abrdn.com**

Company Registration Number
SC145455 (Scotland)

Website
abrdnuksmallercompaniesgrowthtrust.co.uk

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Telephone: **0370 889 4076**
Fax: **0370 703 6101**

Website: **investorcentre.co.uk**

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Stockbroker
Winterflood Investment Trusts
The Atrium Building
Cannon Bridge
25 Dowgate Hill
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16 Charlotte Square
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Independent Auditor
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319 St. Vincent Street
Glasgow G2 5AS

Legal Entity Identifier ("LEI")
213800UUKA68SHSJBE37

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