Aberforth Smaller Companies Trust plc

Annual Report and Financial Statements

31 December 2024

Contents

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Investor Disclosure Document

The Alternative Investment Fund Managers Directive ("AIFMD") requires certain information to be made available to investors prior to their investment in the shares of the Company. The Company's Investor Disclosure Document, which is available for viewing at www.aberforth.co.uk, contains details of the Company's investment objective, policy and strategy, together with leverage and risk policies.

Strategic Report

The Board presents the Strategic Report on pages 1 to 26 which incorporates the Chairman's Statement and Managers' Report.

The Company

Aberforth Smaller Companies Trust plc ("the Company" or "ASCoT") is an investment trust. Its ordinary shares are listed on the Official List of the Financial Conduct Authority and traded on the London Stock Exchange.

The Company has appointed Aberforth Partners LLP as the investment managers ("the Managers"). The Managers adhere to a value investment philosophy in managing the Company's investments in small UK quoted companies as described on page 22.

Investment Objective

The investment objective of the Company is to achieve a net asset value total return (with dividends reinvested) greater than that of the Deutsche Numis Smaller Companies Index (excluding Investment Companies) ("DNSCI (XIC)" or "benchmark") over the long term.

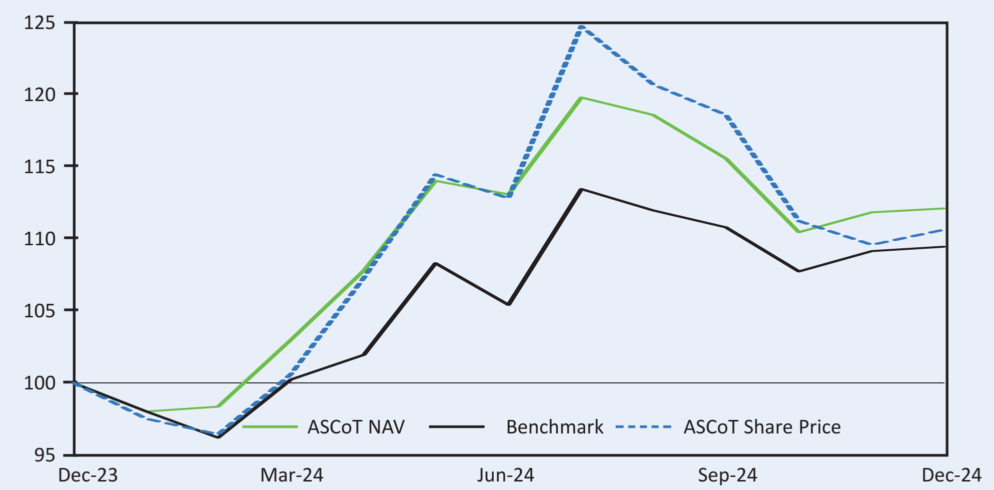
Financial Highlights over the Year

	31 December 2024	31 December 2023	% Change
Total Returns for the year			
Net Asset Value per Ordinary Share[2]	**12.1%**	8.2%	n/a
DNSCI (XIC)	**9.5%**	10.1%	n/a
Ordinary Share Price[2]	**10.7%**	8.0%	n/a
Asset Values at 31 December			
Shareholders' Funds[1]	**£1,397m**	£1,297m	7.7
Net Asset Value per Ordinary Share[1]	**1,666.95p**	1,536.73p	8.5
Share Price at 31 December			
Market Capitalisation[2]	**£1,232m**	£1,163m	5.9
Ordinary Share Price[2]	**1,470.00p**	1,378.00p	6.7
Ordinary Share Discount[2]	**11.8%**	10.3%	n/a
Returns and Dividends for the year			
Revenue Return per Ordinary Share[1]	**56.59p**	59.79p	-5.4
Dividends per Ordinary Share (excluding special dividends) [1]	**43.60p**	41.50p	5.1
Dividends per Ordinary Share (including special dividends) [1]	**49.60p**	50.50p	-1.8
Total Return per Ordinary Share[1]	**180.09p**	116.84p	n/a
Gearing[2]	**7.2%**	5.1%	n/a
Ongoing Charges[2]	**0.78%**	0.79%	n/a
Portfolio Turnover[2]	**19.6%**	19.6%	n/a

[1] UK GAAP Measure [2] Alternative Performance Measure (refer to glossary on page 66)

Source: Aberforth Partners LLP

Cumulative Performance over past year
(figures are total returns and have been rebased to 100 at 31 December 2023)



Chairman's Statement

Review of performance

I am pleased to present ASCoT's annual report and accounts for 2024. The year brought renewed interest in the UK stockmarket and, importantly, a higher share price for the Company as it continued its record of dividend growth.

ASCoT's net asset value total return in the twelve months to 31 December 2024 was +12.1%. The share price total return was +10.7%. The difference between the two numbers reflects a widening of the discount from 10.3% to 11.8% over the year.

ASCoT's small company benchmark is the Deutsche Numis Smaller Companies Index (excluding investment companies), which is abbreviated throughout this report as DNSCI (XIC). Its total return in 2024 was +9.5%. A broader perspective is given by the FTSE All-Share, which is representative of larger British companies. Its total return was also +9.5%.

It was a good year for UK equities. This cannot easily be explained by the global investment backdrop since macro economic and geopolitical uncertainty remained elevated. Most major economies, with the notable exception of America's, were in the doldrums. Meanwhile, elections in several countries brought results that will require further elections in the new year to resolve. The Presidential Election in America did produce a clear winner, but the world now waits to see the substance of Donald Trump's policies including the much vaunted trade tariffs.

Amid this, the UK's economic performance was unspectacular as it emerged from the recession in the second half of 2023. However, interest rates started to decline and there have been encouraging signs that activity has started to recover. On the political front, Labour's decisive victory heralded some political stability, though October's Budget was unconvincing and undeniably bad for businesses. Nevertheless, the impression developed through 2024 that the UK is less of an outlier in both political and economic terms than it seemed just over a year ago. This was enough to stimulate interest in UK equities given how depressed sentiment had been. Further impetus came from the persistently high level of M&A activity in the UK stockmarket. Takeovers contributed significantly to ASCoT's performance in 2024, which the Managers' Report examines in detail.

Dividends

The recession in the second half of 2023 meant that we entered 2024 with some apprehension about ASCoT's dividend receipts from its investee companies. In the event, the dividend experience was good. The Revenue Return per Ordinary Share of 56.59p was above the Managers' estimates at the start of the year. The 56.59p was also the second highest in ASCoT's history, bettered only by the 59.79p earned in 2023. Excluding special dividends received in both years, the Revenue Return per Ordinary Share rose by 1% in 2024 compared with 2023.

The Board is pleased to be able to meet its ambition of growing ASCoT's full year ordinary dividend above the year-on-year rate of CPI inflation, which was 2.5% in December 2024. The dividend experience also makes it possible to add to ASCoT's robust revenue reserves. The Board has used these extensively in the past to keep the dividend moving ahead even in difficult circumstances such as the pandemic. Strong revenue reserves also give the Managers investment flexibility, allowing them to deploy ASCoT's capital where they see the best long term total returns.

The Board proposes a final dividend of 30.00p per Ordinary Share, which would represent growth of 5.1% on the previous year's 28.55p. Together with the interim dividend of 13.60p, the full year dividend would be 43.60p. Growth for the full year would also be 5.1%, which would be comfortably above the rate of inflation. On top of the ordinary dividend, we propose a special dividend of 6.00p, which ensures that ASCoT complies with HMRC's minimum retention test for investment trusts. After paying these dividends, ASCoT would be able to retain 6.99p of revenue per Ordinary share. This would increase revenue reserves to 87.89p per Ordinary share to keep the ordinary dividend covered a healthy two times.

Gearing

ASCoT has a credit facility with The Royal Bank of Scotland International Limited. This £130m facility runs to June 2026, which is aligned with the three yearly continuation vote.

The Board's gearing policy has been consistent throughout ASCoT's life: gearing is deployed tactically with the aim of taking advantage of periods of stress in equity markets. ASCoT has been geared on four occasions in its 34 years. The current phase started amid the pandemic in early 2020 and has since enhanced ASCoT's net asset value performance. The Board and Managers regularly review the appropriateness of gearing and judge that current stockmarket valuations merit its continued deployment. At the year end, £104m of the facility was deployed and the gearing ratio, which is defined in the glossary on page 66, was 7%.

Beyond the potential to enhance investment returns, the credit facility provides other benefits. It provides the flexibility to conduct share buy-backs and allows the Managers to react nimbly to new opportunities without disturbing existing investments. This is particularly important in what can be a volatile and relatively illiquid asset class.

Share buy-back

The Board believes that buy-backs provide an increase in liquidity at the margin for those Shareholders looking to crystallise their investment and, at the same time, deliver an economic uplift for those Shareholders wishing to remain invested in the Company.

Chairman's Statement

In the year to 31 December 2024, 590,000 shares were bought back and cancelled. The total value of these repurchases was £8.4m, on an average discount of 11.7%. Since 2008, ASCoT's share buy-backs have totalled £166m and added £25m of value to shareholders.

The Company seeks authority to buy back up to 14.99% of its Ordinary Shares at the Annual General Meeting. The authority was renewed in March 2024 and the Board will seek to renew the authority at the Annual General Meeting on 6 March 2025.

Stewardship

The Board is responsible for the effective stewardship of the Company's affairs. These include oversight of the Managers' activities in relation to Environmental, Social and Governance (ESG) matters, which for 2024 are covered on pages 14 to 16. They also address the Managers' ESG policies and practices, along with their voting approach and activity during the year. The Board endorses the Managers' stewardship policy, which is set out in their submission as a signatory to the UK Stewardship Code. This, together with examples relating to voting and engagement with investee companies, can be found in the "About Aberforth" section of the Managers' website at www.aberforth.co.uk.

Annual General Meeting (AGM)

The AGM will be held at 14 Melville Street, Edinburgh EH3 7NS at 10.30 am on 6 March 2025. Details of the resolutions to be considered by Shareholders are set out in the Notice of the Meeting on page 62. Shareholders are encouraged to submit their vote by proxy in advance of the meeting. In accordance with normal practice, the results of the AGM will be issued in a regulatory news announcement and posted on Aberforth's website. An update on performance and the portfolio will also be available on the website following the meeting.

Conclusion

When writing last year's statement, I was struck by the pessimism surrounding the UK's economy, its politics and its stockmarket. This was clear in the valuations that the market was then placing on the stocks held by ASCoT. But there was hope in the gloom. Stockmarkets crave a theme but have a habit of overdoing it when they find one. The unusually low valuations in October 2023 were themselves the seeds of improved investment returns. All that appeared to be lacking was a catalyst. This was duly forthcoming with a better economic performance, some political clarity and M&A activity.

This does not mean that it is now plain sailing for the UK. I would note that companies and the gilt market are wrestling with the consequences of what was an unconvincing Budget. However, a useful indication that there remains too much pessimism about small UK quoted companies is the frequency of takeovers – the acquirers clearly see value even as stockmarket investors remain sceptical. ASCoT has consistently benefited from M&A over the years and the Board supports the Managers' purposeful and discreet engagement in bid situations, and elsewhere, to improve investment returns.

In contrast to the gloom surrounding the UK, there is exuberance today about the prospects for the American economy and its stockmarket. Donald Trump's victory and the broad enthusiasm for artificial intelligence have together driven US equities to new heights. The US market would appear extended on several measures, including the cyclically adjusted price earnings ratio and stockmarket concentration. There is therefore a lot resting on what policies the new president does implement. It is not clear to me that the consequences of some of his mooted initiatives would be entirely good for stockmarket valuations, even in America itself. What happens across the Atlantic will likely be an important influence on ASCoT's investment returns in the coming year. Interest rates in America affect monetary policy in other countries. Many of ASCoT's investee companies do business in the US. The stockmarket leadership of the "Magnificent Seven" has rekindled an investment style environment that is more helpful for the growth investor.

Amid today's top-down uncertainties, it is important not to lose sight of the opportunities that come with change. Small companies are well placed to take advantage by virtue of their scale and flexibility. Additionally, their records of coping with the likes of the pandemic and their strong balance sheets give confidence in their resilience. Nevertheless, risks continue to influence valuations of small companies more than do the opportunities.

The Board believes that the Managers' value investment philosophy can take advantage of this situation and sees further upside from these valuations over the medium term. A further re-rating would enhance the return from the companies' underlying progress, which can be gauged over time by the dividend growth consistently delivered by ASCoT to its shareholders. Finally, the Board believes that tactical gearing and share buy-backs can enhance investment returns from ASCoT, particularly when stockmarket valuations are as attractive as they are at present.

My fellow Directors and I always welcome the views of Shareholders. Please contact me at my e-mail address, which is noted below.

Richard Davidson
Chairman
30 January 2025
richard.davidson@aberforth.co.uk

Key Performance Indicators

The Board assesses the Company's performance in meeting its objective against the following key performance indicators (also referred to as Alternative Performance Measures): net asset value total return with dividends reinvested; share price total return with dividends reinvested; performance relative to the DNSCI (XIC); dividend growth; and any share price discount to net asset value. Information on the Company's performance is provided in the Chairman's Statement and Managers' Report and a record of these measures is shown below and in the Historical Information on page 6. A glossary of Alternative Performance Measures can be found on page 66 and the Company's objective is on page 1.

Cumulative Performance (Total Returns)

Periods to 31 December 2024	1 Year	3 Years	5 Years	10 Years	Since inception (10 December 1990)
Net Asset Value per Ordinary Share[1]	12.1%	8.7%	21.9%	86.3%	4,344.9%
DNSCI (XIC)	9.5%	-1.0%	15.6%	79.8%	2,212.5%
Ordinary Share Price[1]	10.7%	10.9%	11.4%	83.7%	3,988.2%

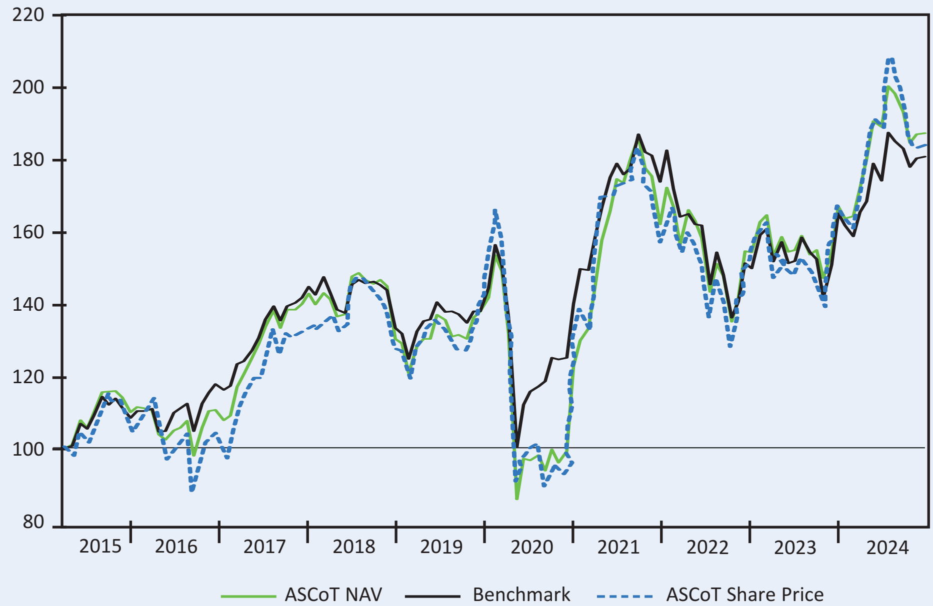
Annualised Performance (Total Returns)

Periods to 31 December 2024	1 Year	3 Years	5 Years	10 Years	Since inception (10 December 1990)
Net Asset Value per Ordinary Share[1]	12.1%	2.8%	4.0%	6.4%	11.8%
DNSCI (XIC)	9.5%	-0.3%	2.9%	6.0%	9.7%
Ordinary Share Price[1]	10.7%	3.5%	2.2%	6.3%	11.5%

[1] Alternative Performance Measure (refer to glossary on page 66)

Source: Aberforth Partners LLP

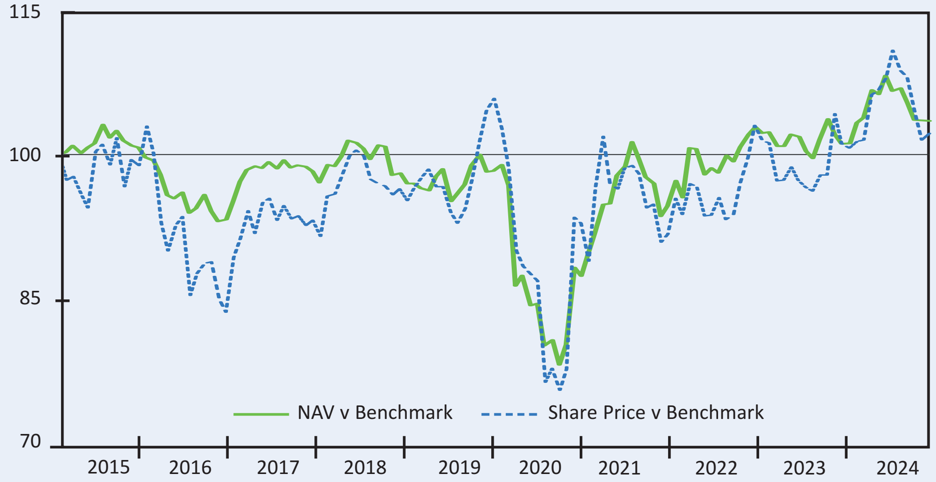
Cumulative Performance over 10 years
(figures are total returns and have been rebased to 100 at 31 December 2014)



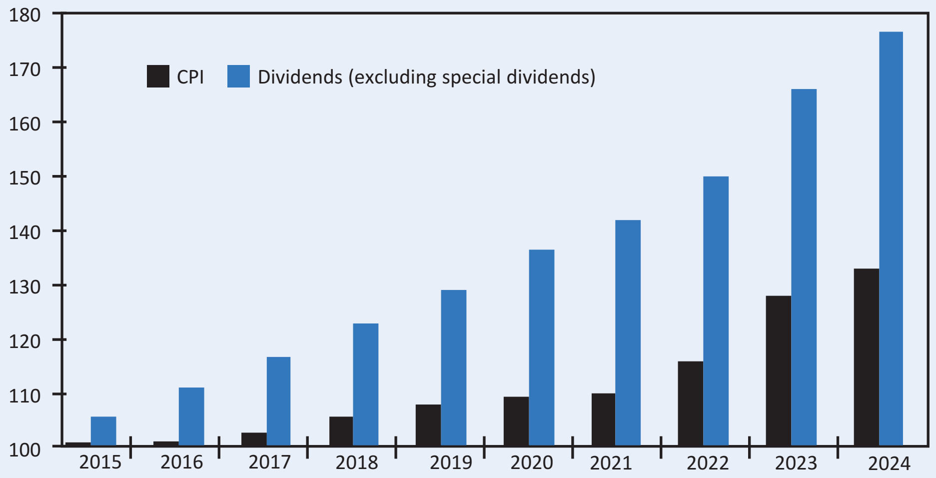
Key Performance Indicators (continued)

Ten Year Summary

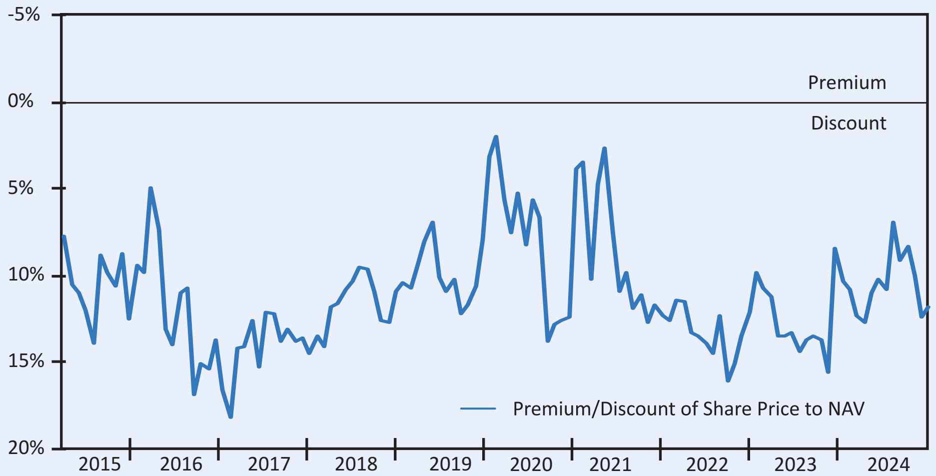
Relative Performance (figures are total returns and have been rebased to 100 at 31 December 2014)



Dividends and CPI Cumulative Growth (figures have been rebased to 100 at 31 December 2014)



Premium/Discount (being the difference between Share Price and NAV)



Historical Information

Total Returns

Period	Discrete Annual Returns (%) ASCoT NAV	Index	ASCoT Share Price
1 year to 31 December 2024	**12.1**	**9.5**	**10.7**
1 year to 31 December 2023	8.2	10.1	8.0
1 year to 31 December 2022	-10.4	-17.9	-7.3
1 year to 31 December 2021	32.5	21.9	20.3
1 year to 31 December 2020	-15.4	-4.3	-16.5
1 year to 31 December 2019	26.9	25.2	39.8
1 year to 31 December 2018	-15.4	-15.3	-11.8
1 year to 31 December 2017	22.1	19.5	22.6
1 year to 31 December 2016	5.8	11.1	-4.2
1 year to 31 December 2015	10.2	10.6	13.9

Periods to 31 December 2024	Annualised Returns (%)			Cumulative Returns (%)		
	ASCoT NAV	Index	ASCoT Share Price	ASCoT NAV	Index	ASCoT Share Price
2 years from 31 December 2022	10.2	9.8	9.3	21.4	20.6	19.6
3 years from 31 December 2021	2.8	-0.3	3.5	8.7	-1.0	10.9
4 years from 31 December 2020	9.6	4.8	7.5	44.1	20.7	33.4
5 years from 31 December 2019	4.0	2.9	2.2	21.9	15.6	11.4
6 years from 31 December 2018	7.5	6.3	7.7	54.8	44.6	55.7
7 years from 31 December 2017	3.9	2.9	4.6	30.9	22.4	37.4
8 years from 31 December 2016	6.0	4.9	6.7	59.8	46.3	68.5
9 years from 31 December 2015	6.0	5.5	5.5	69.0	62.5	61.3
10 years from 31 December 2014	6.4	6.0	6.3	86.3	79.8	83.7
15 years from 31 December 2009	9.8	9.0	10.2	307.3	266.6	329.0
20 years from 31 December 2004	8.4	8.6	8.4	401.7	422.8	401.3
34.1 years from inception on 10 December 1990	11.8	9.7	11.5	4,344.9	2,212.5	3,988.2

Ten Year Summary (ASCoT)

As at 31 December	Net Asset Value per Share p	Share Price p	Discount %	Revenue per Ordinary Share p	Dividends per Ordinary Share p	Ongoing Charges %	Gearing %
2024	**1,667.0**	**1,470.0**	**11.8**	**56.59**	**49.60**	**0.78**	**7.2**
2023	1,536.7	1,378.0	10.3	59.79	50.50	0.79	5.1
2022	1,465.7	1,322.0	9.8	55.64	47.30	0.80	5.7
2021	1,674.4	1,464.0	12.6	36.76	35.20	0.75	5.6
2020	1,292.4	1,248.0	3.4	13.28	33.30	0.81	6.1
2019	1,570.2	1,540.0	1.9	42.26	36.00	0.77	0.8
2018	1,273.7	1,138.0	10.7	45.30	38.00	0.79	1.3
2017	1,543.7	1,326.0	14.1	41.59	35.50	0.76	0.3
2016	1,292.6	1,109.0	14.2	36.93	30.10	0.80	2.7
2015	1,254.3	1,193.0	4.9	35.03	28.75	0.79	0.3
2014	1,161.4	1,072.0	7.7	27.24	24.75	0.82	2.8

The Historical Information above includes Alternative Performance Measures (refer to glossary on page 66).

Managers' Report

Introduction

As they did in 2023, UK equities made progress in the year to 31 December 2024. ASCoT's net asset value total return in the period was +12.1%. The DNSCI (XIC), which is ASCoT's benchmark, recorded a total return of 9.5%, while that of large companies, in the form of the FTSE All-Share, was also 9.5%.

Investment background

The top-down backdrop for stockmarkets was inauspicious in 2024. The war in Ukraine rumbled on, as did the conflict between Israel and Hamas. The risk of escalation buffeted oil prices and equity valuations. Political uncertainty was an additional challenge. The results of the elections in the UK and the US were broadly as expected, though the markets are now digesting the implications of policy change under the new regimes. Politics are more unclear elsewhere. An election looms in Japan, while South Korea has seen its president attempt to impose martial law. In Europe, June's election for the European parliament was the catalyst for a snap election in France, where a stable government has yet to be established. Meanwhile, Germany is also facing elections early in 2025 following the collapse of the ruling coalition.

On the economic front, the UK pulled out of the recession in the second half of 2023. The recovery has been tentative so far, but prospects for wage growth above the rate of inflation, lower mortgage rates and high household savings offer encouragement for the coming year. In Europe, Germany continues to struggle to escape recessionary conditions. Its export reliant industrial economy is contending with Chinese and Japanese competition, while demand for its products from China and elsewhere is depressed. The bright spot has remained the US, though even here recent macro-economic data have been patchy and hint at slowing growth.

Despite these challenges, equities performed well in 2024, even stripping out the boost to the US market from the "Magnificent Seven" and artificial intelligence. The main reason for the broader performance was optimism about the interest rate cycle – for equity markets, the promise of a lower cost of money can overcome a host of other issues. The prospect of lower rates was fuelled by that lacklustre growth environment described above and by improving inflation data, as the pace continued to subside from the very high rates of 2022. Interest rate cuts were duly forthcoming, with the European Central Bank cutting in June, the Bank of England in July and the Federal Reserve in September. Stockmarkets' great hope is that the Federal Reserve can achieve the historically elusive "soft landing" – taming inflation without tipping the US economy into recession.

However, towards the end of the year, politics intruded to unsettle the narrative of disinflation and lower interest rates. The Republican clean sweep in America's Presidential and Congressional elections increased the likelihood of potentially inflationary policies, such as trade tariffs, lower immigration and tax cuts. It remains to be seen whether tariffs are implemented in full force or are more of a negotiation tactic. And it is still unclear whether the new Department of Government Efficiency can mitigate the impact of tax cuts on budget deficits. Therefore, the assumption of a swift return to the lower inflation and interest rate environment of the pre-pandemic era has been undermined. It is notable that US bond yields have risen and that the market now expects a slower pace of interest rate cuts than it did before the elections.

In the UK, there have been similar developments. Labour's first Budget in nearly 15 years has clouded the outlook for monetary policy and the economy. It seems likely that changes to the National Living Wage and employers' national insurance contributions will be inflationary, as businesses seek to pass on their cost increases. At the same time, higher government spending and borrowing threatens to crowd out the private sector, which must also contemplate further tax increases if the government's growth ambitions do not transpire as intended. Again, fiscal action jeopardises the outlook for monetary policy: expectations today are now for less significant interest rate cuts than was the case before the Budget. As in the US, the point here is not to judge the merits of government policies. Rather, it is to highlight the unintended consequences of governments' plans for what buoyed stockmarket valuations through 2024, namely expectations of lower interest rates.

Turning to the UK stockmarket, its relevance has been widely questioned in recent years against a backdrop of outflows from equity funds and a dearth of IPO activity. The angst has been shared by regulators and successive governments. Several changes have followed, notably to the listing rules, and more are to come with the new prospectus regime in 2025. Other initiatives may follow, but the new Chancellor's commentary thus far has been rather vague and, as the short-lived flirtation with the UK ISA shows, policy change can be abrupt.

Indeed, reliance on government diktat, with all its unintended consequences, is seldom comfortable. Therefore, other signs of life in the UK stockmarket are more encouraging. Valuations were at a particularly low ebb towards the end of 2023, when the UK's economic and political situation appeared particularly uncertain in comparison with those of other countries. A year on, the UK looks less of an outlier. This has helped to bring tension back into the valuation of UK equities and to elicit a welcome re-rating of small and large companies. At the same time, the identity of the marginal buyers of small UK quoted companies is now clear: larger companies and overseas companies through M&A, overseas asset managers, the companies themselves through buy-backs, and, of course, ASCoT.

Managers' Report

Analysis of performance and portfolio characteristics

Over the twelve months to 31 December 2024, ASCoT's net asset value total return was +12.1%. The DNSCI (XIC)'s was +9.5%. The table below is an analysis of the difference between the two numbers. The most important influence on ASCoT's return was the total return performance of the companies that make up its portfolio of investments.

For the twelve months ended 31 December 2024	Basis points
Attributable to the portfolio of investments, based on mid prices	
(after transaction costs of 15 basis points)	**355**
Movement in mid to bid price spread	3
Cash/gearing	(17)
Purchase of ordinary shares	9
Management fee	(76)
Other expenses	(7)
Total attribution based on bid prices	**267**

Note: 100 basis points = 1%. Total Attribution is the difference between the total return of the NAV and the Benchmark Index (i.e. NAV = 12.15%; Benchmark Index = 9.48%; difference is 2.67% being 267 basis points).

The next table sets out a series of characteristics of both the portfolio and the DNSCI (XIC). The paragraphs that follow provide context and explanation for these characteristics and for ASCoT's performance in 2024.

	31 December 2024		31 December 2023	
Portfolio characteristics	**ASCoT**	**DNSCI (XIC)**	ASCoT	DNSCI (XIC)
Number of companies	**79**	**350**	78	353
Weighted average market capitalisation	**£649m**	**£1,019m**	£591m	£957m
Weighting in "smaller small" companies*	**55%**	**21%**	61%	28%
Portfolio turnover	**20%**	**N/A**	20%	N/A
Active share	**78%**	**N/A**	75%	N/A
Price earnings (PE) ratio (historical)	**9.6x**	**13.0x**	7.9x	12.8x
Dividend yield (historical)	**4.0%**	**3.4%**	4.2%	3.3%
Dividend cover (historical)	**2.6x**	**2.2x**	3.0x	2.3x

*"Smaller small" companies are members of the DNSCI (XIC) that are not also members of the FTSE 250

Style

The Managers invest in accordance with their value investment philosophy. For existing and potential investments, they calculate target valuations. These are influenced by fundamental analysis, judgement informed by experience, and reference to other relevant valuations in equity markets or corporate activity. Growth of profits is an important component of a target valuation, but the Managers find that stockmarket valuations are often too generous in their assumptions of the sustainability and pace of growth.

The value investment philosophy means that ASCoT's returns are influenced by the stockmarket's preference in any period for more expensively priced growth stocks or more modestly rated value stocks. In respect of 2024, analysis by London Business School of the DNSCI (XIC) suggests that the value style performed in line with the growth style, with the latter buoyed in sympathy with America's large technology companies. Style was not, therefore, a significant influence on ASCoT's performance in 2024. Over recent years, however, style has been beneficial. Value stocks have out-performed since the recovery from the pandemic started towards the end of 2020. A further boost came as inflation soared in 2022 and drove bond yields higher. While the rate of inflation has declined, its future path is uncertain. This should help maintain interest in the value style.

Size

The DNSCI (XIC) includes all main listed stocks in the UK with market capitalisations below c.£1.9bn. It therefore includes many mid cap companies. For much of the period since the global financial crisis in 2008, the Managers have found more attractive valuations down the market capitalisation scale. ASCoT has therefore had a relatively high exposure to what might be termed the "smaller small" companies. Since late 2020, as the pandemic recovery commenced, the share prices of "smaller small" companies have performed better than those of the mid caps within the DNSCI (XIC). This was again the case in 2024. ASCoT's returns therefore benefited from its size positioning over the past twelve months. Notwithstanding this improved performance from the "smaller smalls", they continue to exhibit more attractive valuation characteristics, as the section on Valuations below demonstrates.

Managers' Report

Geography

Where a company earns its profits – whether in the domestic UK economy or overseas – can be influential on its share price performance. The EU referendum in 2016 weakened sterling, which helped profits earned in strong currencies overseas. This ushered in a period of share price out-performance for overseas facing companies. Domestic earners took a further hit in 2020 since they were disproportionately affected by lockdown. These events gave the Managers the opportunity to increase ASCoT's weighting to domestic facing companies whose share prices had been disproportionately affected. At the start of 2024, domestic companies accounted for 56% of the portfolio against 50% of the DNSCI (XIC).

Something changed in 2024. The share prices of domestic facing companies out-performed those of the overseas earners by a significant margin. This helped ASCoT's investment return. There were several reasons for the change in sentiment. First, there was growing optimism that interest rates cuts will boost the profitability of domestic businesses, allowing their earnings to recover from the 2023 recession. Second, prospects for overseas facing companies were clouded by subdued demand conditions in much of the world and by the risk of US trade tariffs. Additionally, sterling's recent strength against the euro was negative for profits, reversing some of the advantage gained by overseas earners in the wake of the referendum. Towards the year end, the effects of the Budget were felt on the share prices of domestic businesses and the Managers are seeing investment opportunities in both groups of companies.

Despite their recent challenges, ASCoT's overseas earners remain strong businesses. The engineering sector is a good example of the resilience. Most engineers listed on the UK stockmarket today, including those owned by ASCoT, are truly international businesses. They have grown geographically over the years in response to shifting global demand, locating plants close to those of their customers. Therefore, if the US does impose stringent tariffs on the likes of Mexico, it is probable that these businesses will adapt again, moving capacity from Mexico to their US facilities. Some transitional costs could be incurred to achieve this, but the underlying viability and relevance of the businesses would likely be unaffected.

Balance sheets

The following table sets out the balance sheet profile of ASCoT's portfolio and of the Managers' Tracked Universe. This subset of the DNSCI (XIC) represents 98% by value of the index as a whole and is made up of the 234 companies that the Managers follow closely.

Weight in companies with:	Net cash	Net debt/EBITDA <2x	Net debt/EBITDA >2x	Other*
Portfolio 2024	30%	45%	20%	5%
Tracked universe 2024	30%	41%	23%	7%

*Includes loss-makers and lenders

The profile is familiar. Balance sheets are robust both within the portfolio and among small caps in general. Around one third of both the portfolio and index by value is represented by companies with net cash on their balance sheets. The more highly leveraged companies tend to be those with asset backing, such as pub businesses and property companies. It has been argued that small companies are less securely funded than large companies and that they therefore merit lower valuations. Some also claim that value stocks are less securely funded than growth stocks. Neither of these contentions hold true today, which underscores the attractiveness of ASCoT's current investment opportunity.

The strength of balance sheets naturally makes the question of capital deployment more urgent. The Managers frequently engage on this issue with the boards of ASCoT's investee companies. The highest priority should be organic investment to maintain the viability of a business and allow it to grow. Thereafter, a coherent and appropriate dividend policy is essential, optimally one that allows ordinary dividends to grow in real terms through economic cycles. After that, acquisitions may be considered, but these should be assessed against the benchmark of lower risk special dividends or share buy-backs. It is notable that numerous small companies bought back shares in 2024, which points to the value that boards of directors see in their companies. Within the portfolio, buy-backs were undertaken by 17 companies. At around one fifth of the portfolio, this is the highest rate in ASCoT's 34 year history.

Income

The table below categorises ASCoT's 79 holdings at 31 December 2024 according to each company's most recent dividend action.

Nil Payer	Cutter	Unchanged Payer	Increased Payer	New/Returner
16	12	15	32	4

The message from the analysis is good, with the most populated category being those companies that most recently increased their dividends. There was further benefit from the four companies recommencing dividends or making payments for the first time. ASCoT also received two special dividends during the year. Less positively, twelve companies cut their dividends. Seven of these were businesses operating in the domestic economy, usually close to the housing market. Their dividend decisions in 2024 were influenced by the impact of the recession towards the end of 2023. Nevertheless, ASCoT's income experience in 2024 was on balance strong. Total income earned in the year was slightly less than in 2023, mainly reflecting fewer special dividends received, but it should be noted that 2023 was ASCoT's best ever year in income terms. The dividend experience of these last two years is a clear illustration of the resilience of small UK quoted companies in the face of often testing trading conditions.

Managers' Report

The historical dividend yield of ASCoT's holdings at 31 December 2024 was 4.0%, which was 26% higher than the average over ASCoT's 34 year history. Dividend cover was 2.6x, below the long term average of 2.8x. This reflects a weak earnings performance from small companies through 2024, consistent with the recession impact, along with the resilience of dividends previously described. As profits continue their recovery from the downturn, it is likely that dividend cover will return to its long term average.

Corporate activity

Stockmarket valuations in the UK remain attractive and so M&A activity continues apace. If UK institutions and retail investors are willing sellers of domestic equities, larger overseas companies and private equity are willing buyers. In 2024, the takeovers of 15 companies within the DNSCI (XIC) were completed. As the year ended, there were offers outstanding for three and approaches had been made for another two. Of these 20 deals, the buyers were evenly split between private equity and other companies. Most of the acquirers were overseas based, with domestic buyers in six of the situations. Turning to ASCoT's experience, it had investments in eight of the 20 takeover targets. Over the years, the Managers' value investment style has meant that ASCoT has been a disproportionate beneficiary of M&A activity.

There is nothing wrong with takeovers being the catalyst for the closing of value gaps, but the low valuations that still prevail in the UK stockmarket mean that the risk is high of some takeovers being done on unattractive terms. The risk is exacerbated by boards and other shareholders yielding too quickly to takeover interest, no doubt succumbing to the gloomy sentiment towards the UK. The Managers' approach in such situations is purposeful engagement, as described in the section on Engagement below.

As the attractive valuations of small UK quoted companies draw takeover interest, the corollary is a subdued IPO market. Just two IPOs of a reasonable size and eligible for the DNSCI (XIC) were completed in 2024. The Managers view this dearth of activity as a temporary phenomenon and a function of prevailing valuations. The UK's new listing rules and the imminent changes to the prospectus regime are likely to encourage IPOs once the valuation basis of the UK market recovers.

Engagement

Since ASCoT's inception in 1990, an integral part of Aberforth's investment process has been engagement with the boards of the investee companies. The approach to engagement is intended to be purposeful, discreet and constructive. Its purpose is to improve investment outcomes for Aberforth's clients and investors. The Managers engage on any topic that they perceive to be affecting the valuation of a company. The most common issue addressed is capital allocation, though M&A terms were an important topic in 2024.

Engagement includes regular updates with executive directors and also encompasses meetings with non executives. There is a particular focus on the chair, which is the most important role in the UK's system of corporate governance. The Managers are prepared to be taken inside for extended periods, which indicates their commitment to responsible stewardship and which can be helpful to investee companies. The Managers' influence is enhanced by their ability to take significant stakes of up to 25% of issued share capital across their client base. At 31 December 2024, ASCoT had five holdings in which Aberforth's clients had a stake of more than 20% in an investee companies and 26 holdings in which the stake exceeded 10%.

The currently high rate of M&A activity within the UK stockmarket makes engagement particularly relevant and explains the recent focus given to it in these reports. The terms of some of the takeovers have been frustrating. Large control premiums have distracted from uninspiring exit valuations and from boards too willing to present faits accomplis to their shareholders. Aberforth has therefore reinforced, in both writing and in meetings, the importance of boards consulting shareholders when they are considering a takeover offer or a significant capital allocation decision. In 2024, there were numerous consultations by companies about M&A. These often involved the Managers going inside. In some cases, the Managers supported the boards in question to reject a takeover approach. In others, they worked with the boards to improve the initial terms offered. This sort of activity can be difficult and time-consuming, but it is important particularly when UK valuations remain at such attractive levels. The Managers are confident that their purposeful, discreet and constructive engagement has enhanced ASCoT's returns over time and will continue to do so.

ASCoT's gearing

ASCoT employs gearing tactically to take advantage of periods of stress in economies and financial markets. It is currently geared for the fourth time in its history, having drawn on its borrowing facility amid the pandemic in early 2020. Since then, gearing has enhanced ASCoT's returns. Since UK equity valuations continue to be attractive, the Managers believe that it is appropriate that ASCoT remains geared. At 31 December 2024, the gearing ratio was 7%. The ratio varied through the year with moves in the share prices of the investee companies and as proceeds from holdings subject to takeover have been realised.

Active share

Active share is a measure of how different a portfolio is from an index. The ratio is calculated as half of the sum of the absolute differences between each stock's weighting in the index and its weighting in the portfolio. The higher a portfolio's active share, the higher its chance of performing differently from the index, for better or worse. The Managers target an active share ratio of at least 70% for ASCoT's portfolio compared with the DNSCI (XIC). At 31 December 2024, it stood at 78%.

Managers' Report

Value roll and portfolio turnover

The main influence on ASCoT's portfolio turnover in any period is usually the stockmarket's appetite for small UK quoted companies. If prices and valuations are rising, the upsides to the Managers' target prices are likely to be narrowing. All else being equal, this would encourage the rotation of ASCoT's capital from companies with lower upsides to those with higher upsides. The Managers' term this dynamic the "value roll" and it has played an important role in ASCoT's capital and income returns over the years. It follows that periods of higher portfolio turnover are often associated with strong returns for ASCoT.

Portfolio turnover is defined as the lower of purchases and sales divided by the average portfolio value. In 2024, turnover was 20%. This is below the long term average of 33%. Notwithstanding ASCoT's positive return in the year, this suggests that there was less opportunity for "value roll" than usual. This is symptomatic of the deep under-valuation of small UK quoted companies – if the stockmarket does not reflect their true value, there is no incentive to reduce the position.

Environmental, social and governance (ESG)

In their analysis and assessment of companies, the Managers consider any issue that affects valuation. This includes matters that come under the umbrella term of ESG. If the Managers determine that a company's valuation can be enhanced by addressing such an issue, they engage with the board in question. In practice, the majority of such engagements remain concerned with governance. This reflects the Managers' firm belief that good governance is a pre-requisite for a good performance in environmental and social terms.

The ESG module in the Managers' investment database is now firmly embedded. It is clear that investee companies are coping well with the ESG expectations of investors and the ESG requirements of regulators. For another year, disclosure has improved and there are demonstrable actions under way to meet net zero commitments. This effort is not costless and the burden on some businesses is considerable. However, once again, the resilience and flexibility of smaller companies is very much in evidence. This extends to the identification of commercial opportunities that can arise from the ESG issues. The products and services of several of ASCoT's industrial holdings bring savings to customers in both monetary and carbon terms. By quantifying avoided emissions, these companies can emphasise their relevance both to the stockmarket and to the real economy.

Examples are provided in the Stewardship & ESG section of the Managers' website at www.aberforth.co.uk. Further details of the Managers' approach to ESG are set out on pages 14 to 16 of this annual report.

Valuations

Last year's Managers' Report described an unusual triple valuation discount from which ASCoT benefited. This is summarised in the following table.

Price earnings (PE) ratio:	34 year average	At 31 December 2023	At 31 December 2024
World equities*	15.9x	16.0x	17.7x
FTSE All-Share	15.3x	10.3x	14.6x
Smaller companies**	13.6x	10.3x	11.9x
ASCoT's portfolio	12.0x	7.9x	9.6x

* Source: Bloomberg; Panmure Liberum

** DNSCI (XIC) to 2013 then Tracked Universe

Twelve months on, the triple discount remains in place: (1) UK equities have a lower PE than global equities, (2) small UK quoted companies have a lower PE than the UK market as a whole, and (3) ASCoT's portfolio has a lower PE than smaller companies. The table also demonstrates the valuation opportunity in another way. At present, UK equities, smaller companies and the portfolio are each rated on a lower PE than the average over ASCoT's 34 years. Therefore, ASCoT benefits from attractive valuations in comparison both with its own history and with broader equity indices.

The table also reveals some change through 2024: the PEs of all four groups have risen. In the case of world equities, this was principally due to the further share price gains of the "Magnificent Seven" and their ilk. Less appreciated have been the partial re-ratings of the UK equity market, smaller companies and ASCoT's portfolio. A broad re-rating of this sort is welcome but unsurprising given how unusually low PEs were towards the end of 2023. The uncertainty a year ago was when the improvement would come and what would prompt it. In the event, there have been three influences: the improved economic backdrop, a degree of political stability (at least in relative terms), and the continued buying pressure in the form of M&A.

It is worth dwelling on the components of the re-rating. Focusing on smaller companies, the historical PE rose from 10.3x at the end of 2023 to 11.9x at the end of 2024. That is a 16% rise over a period in which the return from the DNSCI (XIC) was 9.5%. From these two numbers it may be inferred that small company profits fell in aggregate, by around 6%. This decline in reported profitability is not news – last year's Managers' Report described the likelihood of such an outturn given the impact of the recession in the second half of 2023. While lower profits are unwelcome, it is clear that they were not inconsistent with positive equity returns as the stockmarket discounted a probable recovery in profits.

Managers' Report

There are parallels here with the early 1990s recession, which was caused by inflation and the tighter monetary policy required to address it. The table below gives the macro economic context for the early 1990s downturn, along with how small UK quoted companies performed in the period.

	1990	1991	1992	1993	Cumulative 1991-3
UK economic context					
GDP YoY	+0.6%	-1.4%	+0.2%	+2.3%	+1.1%
CPI YoY	+7.0%	+8.5%	+4.2%	+2.5%	+15.9%
Year end base rates	13.9%	10.4%	6.9%	5.4%	–
DNSCI (XIC) experience*					
Year end PE ratio	8.2x	11.3x	13.9x	18.6x	–
Implied earnings growth	+1.8%	-13.7%	-13.1%	+6.2%	-20.3%
Total return	-23.5%	+18.3%	+6.4%	+41.6%	+78.2%

*Taken or calculated from London Business School data

The table shows the positive total returns generated by smaller companies in 1991 and 1992 even as the recession hit and profits declined. These returns drove the PE ratio up to 13.9x by the end of 1992. This was, though, only a partial re-rating since the actual recovery in earnings, which started in 1993, prompted a very strong performance from the asset class. Notwithstanding the similarities with today's situation, it would be wrong to anticipate that the market plays out in precisely this way. However, it is clear that the higher PEs seen in 2024 are not in and of themselves a barrier to further gains.

The following table turns to forward valuations. It uses the Managers' favoured valuation metric, EV/EBITA (enterprise value to earnings before interest, tax and amortisation). Ratios are set out for the portfolio, the Tracked Universe and certain subdivisions of the Tracked Universe. The profits underlying the ratios are based on the Managers' forecasts for each company that they track. The bullet points following the table summarise its main messages.

EV/EBITA	2024	2025	2026
ASCoT's portfolio	7.9x	7.0x	6.1x
Tracked universe (234 stocks)	10.0x	9.0x	7.8x
– 38 growth stocks	15.9x	14.7x	12.7x
– 196 other stocks	9.3x	8.3x	7.2x
– 102 stocks > £600m market cap	10.5x	9.5x	8.3x
– 132 stocks < £600m market cap	8.8x	7.6x	6.6x

- The ratios are lower in 2025 than in 2024. This reflects the Managers' anticipation of profit growth in 2025, as lower interest rates and real wage growth drive a recovery in the profitability of domestic facing companies.
- The average EV/EBITA multiples of the portfolio are lower than those of the Tracked Universe. This has been a consistent feature over ASCoT's history and is consistent with the Managers' value investment style.
- The portfolio's 7.9x EV/EBITA ratio for 2024 is considerably lower than the average multiple of 13.6x at which takeover offers were made in 2024.
- Each year, the Managers identify a cohort of growth stocks within the DNSCI (XIC). These stocks are on much higher multiples than both the portfolio and the rest of the Tracked Universe.
- Picking up on the size commentary above, the "smaller small" companies within the DNSCI (XIC) remain more attractively valued than do the "larger smalls", despite the former grouping's better share price performance in the year.

Managers' Report

Outlook and conclusion

The investment outlook for 2025 is clouded by geopolitics. The war in Ukraine continues, while the situation in the Middle East has recently become more complicated with the overthrow of the Assad regime in Syria. Meanwhile, there are unstable governments or imminent elections in France, Germany, Japan, South Korea and Canada. Despite the conclusive Republican victory in the US, uncertainty lingers. Donald Trump's statements about tariffs and reindustrialisation seem part of a world view that tends to isolationism, though it is unclear how much of this is his well-practised tactics to achieve a deal. To complicate matters, his fiscal actions will affect monetary policy. This in turn will influence the US economy, whose resilience has been welcome as other countries struggle, and the valuation basis of equities and bonds around the world.

Political risk remains elevated too in the UK, despite – or perhaps because of – Labour's decisive election victory. The Budget was uninspiring and impinges upon private sector growth, whatever the government's rhetoric about employers' national insurance contributions. Businesses and consumers can be forgiven for worrying about what might come next should economic growth not pick up as the Chancellor predicts. Some of that scepticism seems shared by bond investors, with gilt yields having risen sharply since the Budget.

However, it is important to put today's big picture concerns and risks in perspective. Macro economic and geopolitical issues are a fact of life. They have beset equity investors over ASCoT's 34 years, and indeed throughout the history of financial markets. Indeed, an element of the superior return achieved by equities over the long term is the reward for taking on those very risks. In their investment discussions, the Managers aim to take into account top down influences but try not to be distracted by them.

What is more certain is the resilience and valuations of the companies in which ASCoT invests. It is worth returning to the way in which small UK quoted companies have dealt so well with recent challenges such as Brexit, the pandemic and supply chain disruption. Even in 2024, when companies reported results affected by recession, many grew their dividends and many were able to enhance shareholder returns with buy-backs. In this, they have been helped by their strong balance sheets and experienced boards of directors. Given their demonstrable flexibility, resilience and adaptability, it is reasonable to expect them to cope well with further change.

It is clear, however, that the stockmarket continues to overlook the resilience and progress of small UK quoted companies. Valuations recovered in 2024 but remain low in comparison with history and with other equity markets. While the US market is priced for perfection, small UK quoted companies are priced for irrelevance. But this tunnel vision on the part of equity markets is part of the present opportunity for investors in ASCoT's asset class. What makes the valuation discrepancies particularly thought-provoking is that there are rational investors – other companies and private equity – who are prepared to pay substantial premiums over stockmarket prices to own small UK quoted companies.

This takeover activity helped to shine a light on ASCoT's investment opportunity in 2024 by raising general awareness of the attractiveness of valuations. Encouragingly, the Managers' valuation framework suggests further upside from the re-rating of the asset class. While it is not guaranteed that this will come in a prompt and smooth manner, investee companies are likely to continue to make underlying progress and build value for their shareholders. ASCoT is positioned to benefit from this with its diversified portfolio of resilient businesses, which has been constructed through the Managers' consistent investment process and value investment philosophy.

Aberforth Partners LLP
Managers

30 January 2025

Stewardship and Environmental, Social and Governance (ESG)

Board oversight and activities

At the heart of the Board's approach to stewardship is promoting the success of the Company for the benefit of Shareholders as a whole. The main gauge of success is achievement of the Company's investment objective in a manner consistent with its investment policy and strategy. The Board also considers its corporate governance obligations, regulation, risk and market integrity. Both these and the investment objective are affected by environmental, social and governance matters.

In discharging these stewardship responsibilities, the Board benefits from a group of directors with deep and diverse expertise. Their main role is one of oversight, since the Company's day-to-day activities are undertaken by external firms. Monitoring is primarily based on quarterly updates from the Managers and Secretaries. During the year, the Board reviewed the Managers' stewardship and ESG related activity. This included the following.

- Continued enhancements and updates to the Managers' stewardship and ESG policies and practices.
- Updates to the Managers' ESG integration framework – their methodology used for assessing investee companies.
- Continued development of Aberforth's proprietary methodology for assessing investee companies' ESG issues and for tracking related engagement objectives and activity.
- Updating and publication of the Managers' Engagement and Voting framework.
- Publication of Aberforth's fourth *Governance and Corporate Responsibility* statement, which describes Aberforth's own approach to ESG matters.

Since the Company has no employees and the Board has engaged external firms to undertake the Company's activities, the Company has no greenhouse gas emissions to report from its operations and does not have responsibility for any other emissions-producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. The Board considered the applicability to the Company of the Streamlined Energy & Carbon Reporting Statement ('SECR') and determined that the Managers' voluntary detailed disclosures under SECR are most relevant.

The Managers, to whom the Board has delegated investment management responsibilities and discretion to exercise voting rights, play a crucial role in how the Company's approach to stewardship is put into practice. Their investment decisions, engagement with companies and voting are conducted in a manner consistent with their own stewardship policy. This is designed to deliver the Company's investment objective, while taking into account broader responsibilities to the economy, environment and society. The Board has reviewed, and endorses, the Managers' Stewardship approach and Policy, the details of which are set out below.

Managers' Activities

Philosophy, policies and practices

The Managers' approach to Stewardship and ESG is available on the Aberforth website (www.aberforth.co.uk) in the "About Aberforth" section. The policy framework is set out in the following documents.

- *About Aberforth:* the firm's background and founding principles, its strategic philosophy and nature of the business.
- *Investment Philosophy:* the Managers' approach to investing as adopted for the Company.
- *Stewardship Policy:* Aberforth's approach to stewardship of clients' capital, set out in the format of the Financial Reporting Council's (FRC) UK Stewardship Code.
- *ESG Integration Framework*: how Aberforth's integrated ESG framework operates in practice.
- *Engagement and Voting Framework:* how Aberforth engages and votes, and what it expects of investee companies.
- *Examples of Engagement and Voting:* examples of how the Engagement and Voting framework is put into action.
- *Governance and Corporate Responsibility:* Aberforth Partners LLP's approach to its own stewardship, governance and ESG matters.

The Managers' approach to Stewardship and ESG is overseen by their Stewardship Committee, which is a sub-committee of the partnership committee, Aberforth's ultimate governance body.

Stewardship and Environmental, Social and Governance (ESG)

The investment cases for many of the Company's holdings are influenced by environmental, social and governance matters, particularly as the increased profile of such issues affects the stockmarket's valuations of companies. The Managers do not exclude investments from the portfolio based on ESG considerations alone. Rather, analysis of ESG matters is integrated into the investment process and is considered alongside other factors in forming an investment case.

Engagement

Where ESG or other matters impinge upon the investment case, the Managers engage with the investee company's board. This engagement is purposeful, discreet and always occurs with the objective of improving investment outcomes. The Managers are well placed to undertake this activity. Engagement has always been a fully integrated element of their investment process and their influence is supported by meaningful stakes in the investee companies. The Managers believe that their willingness to engage constructively with the boards of investee companies has benefited investment performance over time and is therefore important to the long term success of the Company.

Proprietary Aberforth database

To support the investment process, Aberforth continues to enhance a module within its proprietary investment database that tracks and analyses important ESG data and issues. The database captures relevant metrics, such as greenhouse gas emissions, Task Force for Climate-related Financial Disclosures (TCFD) compliance, and net zero and science-based targets. It also evaluates investee companies on the basis of several ESG subfactors. The methodology starts with a sector-driven risk assessment, which is determined by Aberforth's Stewardship Committee and is influenced by inputs from several third parties such as the Sustainability Accounting Standards Boards (SASB). From there, each investee company is evaluated taking into account the risk materiality, mitigating practices, targets for improvement and opportunities. This methodology allows the portfolio's ESG profile to be snapshotted and to be tracked through time, as well as helping to identify risks to investment cases and to focus engagement efforts. The methodology is described in greater detail in Aberforth's ESG Integration Framework document.

Voting Policy and Activity

The Board has given discretion to the Managers to exercise voting rights on behalf of the Company. The Managers consider and vote on every resolution that is put to shareholders of the companies in which ASCoT is invested. The Board endorses the Managers' voting philosophy, which treats clients as part owners of the underlying companies. These voting principles are set out in the Managers 'Engagement and Voting Framework' document. The Managers vote against resolutions that they believe may damage shareholders' rights or economic interests, which includes consideration of environmental and social matters.

The Board receives quarterly reports from the Managers on governance and voting issues pertaining to investee companies. The annual voting activity for the Company is noted in the table below.

ASCoT's voting activity, 12 months to 31 December 2024	
Shareholder meetings at which ASCoT's shares were voted	89
Shareholder meetings at which ASCoT's shares voted against or abstained	13
Number of resolutions voted	1,379
Number of resolutions voted against	6
Number of resolutions abstained	15

Voting is often the conclusion of engagement, which is undertaken directly and over time with the boards of investee companies. In normal circumstances, concerns would have been raised and discussed with an investee company's directors before the vote. Such engagement improves understanding of issues underlying controversial resolutions and can result in change that allows the Managers to vote in favour of the relevant resolutions.

Among small UK quoted companies, there remain few general meeting resolutions directly relevant to environmental and social issues, so much of the voting is focused on governance. During 2024, the Managers did not vote in favour of resolutions for the re-election of non-independent directors who could risk board independence. Votes against were also prompted by concerns about directors' effectiveness in M&A transactions and capital allocation decisions.

Stewardship and Environmental, Social and Governance (ESG)

The Managers' submission to the UK Stewardship Code

The UK Stewardship Code, issued by the FRC, sets out the principles of effective stewardship by institutional investors. The Managers are committed to effective stewardship and were early adopters of the UK Stewardship Code. They were again recognised as an approved signatory of the code in July 2024. The Managers publish their submission on their website, along with supporting documentation.

UN Principles For Responsible Investment ('UNPRI')

The Managers are a signatory to, and participate in, the UNPRI assessment. The results are available within the "About Aberforth" section of the Managers' website.

Aberforth Partners LLP's governance and corporate responsibility

The Managers' approach for their business to Stewardship and ESG is governed by the Stewardship Committee. Details are set out in their "Governance and Corporate Responsibility" statement. This includes their policies and practices covering their approach to governance, risk and control, company culture, human resources and environmental matters. The document also sets out Aberforth's approach to emissions disclosures, along with its Scope 1, 2 and 3 emissions. These voluntary disclosures are reported under the Streamlined Energy & Carbon Reporting Statement ('SECR').

Thirty Largest Investments

As at 31 December 2024

No.	Company	Value £'000	% of Total Net Assets	% of Company Held[1]	Business Activity
1	Wilmington Group	47,354	3.4	13.8	Business information & training
2	Just Group	45,021	3.2	2.7	Annuity provider
3	Morgan Advanced Materials	40,525	2.9	5.3	Manufacture of carbon & ceramic materials
4	Vesuvius	38,332	2.7	3.5	Metal flow engineering
5	TI Fluid Systems	37,879	2.7	4.0	Automotive parts manufacturer
6	Galliford Try Holdings	37,316	2.7	9.4	Building & infrastructure contractor
7	Bakkavor Group	34,500	2.5	4.1	Food manufacturer
8	Quilter	34,022	2.4	1.6	Wealth management
9	Zegona Communications	32,603	2.3	1.0	Telecommunications
10	ZIGUP	31,143	2.2	4.3	Van rental
	Top Ten Investments	**378,695**	**27.0**		
11	NCC Group	30,880	2.2	6.5	IT security
12	CMC Markets	30,202	2.2	4.4	Financial derivatives trading platform
13	Senior	29,356	2.1	4.4	Aerospace & automotive engineering
14	Rathbones Group	29,085	2.1	1.9	Wealth management
15	Marstons	28,117	2.0	10.1	Pub operator
16	Rank Group	28,085	2.0	7.0	Multi-channel gaming operator
17	Jupiter Fund Management	27,861	2.0	5.9	Investment manager
18	C&C Group	27,815	2.0	5.0	Brewer and drinks distributor
19	Dowlais Group	27,791	2.0	3.0	Automotive parts manufacturer
20	Avon Technologies	27,300	2.0	6.1	Military protection products
	Top Twenty Investments	**665,187**	**47.6**		
21	XP Power	26,675	1.9	8.7	Power controls
22	Conduit Holdings	26,538	1.9	3.4	Bermuda based (re)insurer
23	Mitchells & Butlers	25,481	1.8	1.7	Operator of restaurants, pubs & bars
24	International Personal Finance	25,239	1.8	8.9	Home credit provider
25	Card Factory	24,687	1.8	7.3	Retailing - greetings cards
26	Foxtons	24,514	1.8	11.7	Estate Agent
27	FirstGroup	23,558	1.7	2.4	Bus & rail operator
28	Reach	23,397	1.7	8.8	UK newspaper publisher
29	Eurocell	23,233	1.7	13.3	Manufacture of UPVC building products
30	Hilton Food Group	22,488	1.6	2.8	Food manufacturer
	Top Thirty Investments	**910,997**	**65.3**		
	Other Investments (49)[1]	586,307	41.9		
	Total Investments	**1,497,304**	**107.2**		
	Net Current Assets/(Creditors)	(99,987)	(7.2)		
	Total Net Assets	**1,397,317**	**100.0**		

Investments are in Ordinary Shares unless otherwise stated.

[1] In addition to the 23 portfolio holdings of 3% or more of the investee company's share capital disclosed in the top thirty table above, which were valued at £699m, the Company's other investments included 38 other portfolio holdings of 3% or more, which were valued at £462m.

Investment Portfolio

As at 31 December 2024

Security	Value £'000	% of Total Net Assets	% of DNSCI (XIC)[1]
Software and Computer Services	**53,343**	**3.8**	**5.3**
MONY Group	22,463	1.6	
NCC Group	30,880	2.2	
Technology Hardware and Equipment	**10,646**	**0.8**	**1.4**
TT Electronics	10,646	0.8	
Telecommunications Equipment	**–**	**–**	**0.7**
Telecommunications Service Providers	**32,603**	**2.3**	**0.6**
Zegona Communications	32,603	2.3	
Health Care Providers	**–**	**–**	**0.6**
Medical Equipment and Services	**–**	**–**	**0.1**
Pharmaceuticals and Biotechnology	**–**	**–**	**2.8**
Banks	**11,189**	**0.8**	**1.8**
Close Brothers Group	11,189	0.8	
Finance and Credit Services	**25,239**	**1.8**	**2.7**
International Personal Finance	25,239	1.8	
Investment Banking and Brokerage Services	**144,390**	**10.3**	**9.9**
Ashmore Group	11,315	0.8	
City of London Investment Group	11,905	0.8	
CMC Markets	30,202	2.2	
Jupiter Fund Management	27,861	2.0	
Quilter	34,022	2.4	
Rathbones Group	29,085	2.1	
Life Insurance	**50,080**	**3.6**	**1.4**
Hansard Global	5,059	0.4	
Just Group	45,021	3.2	
Non-life Insurance	**46,218**	**3.3**	**1.8**
Conduit Holdings	26,538	1.9	
Sabre Insurance Group	19,680	1.4	
Real Estate Investment and Services	**24,514**	**1.8**	**4.1**
Foxtons	24,514	1.8	
Real Estate Investment Trusts	**41,860**	**3.0**	**6.6**
Empiric Student Property	5,068	0.3	
Helical	16,078	1.2	
Workspace Group	20,714	1.5	
Automobiles and Parts	**65,670**	**4.7**	**1.8**
Dowlais Group	27,791	2.0	
TI Fluid Systems	37,879	2.7	
Consumer Services	**12,393**	**0.9**	**0.1**
RM	12,393	0.9	
Household Goods and Home Construction	**46,400**	**3.3**	**1.8**
Crest Nicholson	21,389	1.5	
Headlam Group	14,084	1.0	
MJ Gleeson	10,927	0.8	
Leisure Goods	**14,163**	**1.0**	**0.6**
Videndum	14,163	1.0	
Personal Goods	**–**	**–**	**1.3**
Media	**97,153**	**7.0**	**2.6**
Centaur Media	3,863	0.3	
National World	10,155	0.7	
Reach	23,397	1.7	
S4 Capital	6,665	0.5	
STV Group	5,719	0.4	
Wilmington Group	47,354	3.4	

Investment Portfolio (continued)

As at 31 December 2024

Security	Value £'000	% of Total Net Assets	% of DNSCI (XIC)[1]
Retailers	**64,300**	**4.6**	**4.5**
Card Factory	24,687	1.8	
DFS Furniture	15,640	1.1	
Halfords Group	15,095	1.1	
Topps Tiles	8,878	0.6	
Travel and Leisure	**114,709**	**8.2**	**6.6**
Hostelworld Group	13,770	1.0	
Marstons	28,117	2.0	
Mitchells & Butlers	25,481	1.8	
Mobico Group	14,805	1.1	
On The Beach Group	4,451	0.3	
Rank Group	28,085	2.0	
Beverages	**27,815**	**2.0**	**0.8**
C&C Group	27,815	2.0	
Food Producers	**56,988**	**4.1**	**3.2**
Bakkavor Group	34,500	2.5	
Hilton Food Group	22,488	1.6	
Personal Care, Drug and Grocery Stores	**4,985**	**0.4**	**0.8**
McBride	4,985	0.4	
Construction and Materials	**92,710**	**6.6**	**6.7**
Eurocell	23,233	1.7	
Forterra	7,302	0.5	
Galliford Try Holdings	37,316	2.7	
Ricardo	18,615	1.3	
Severfield	6,244	0.4	
Aerospace and Defense	**56,656**	**4.1**	**1.3**
Avon Technologies	27,300	2.0	
Senior	29,356	2.1	
Electronic and Electrical Equipment	**73,428**	**5.3**	**2.4**
Dialight	6,228	0.5	
Morgan Advanced Materials	40,525	2.9	
XP Power	26,675	1.9	
General Industrials	**8,907**	**0.6**	**1.5**
Macfarlane Group	8,907	0.6	
Industrial Engineering	**71,846**	**5.1**	**1.6**
Bodycote	15,188	1.1	
Castings	13,195	0.9	
Vesuvius	38,332	2.7	
XAAR	5,131	0.4	
Industrial Support Services	**112,662**	**8.1**	**8.2**
De La Rue	19,605	1.4	
PageGroup	15,190	1.1	
Paypoint	11,369	0.8	
Robert Walters	20,642	1.5	
SIG	12,198	0.9	
Smiths News	22,086	1.6	
Speedy Hire	11,572	0.8	
Industrial Transportation	**70,106**	**5.0**	**2.6**
FirstGroup	23,558	1.7	
Fisher (James) & Sons	9,237	0.7	
VP	6,168	0.4	
ZIGUP	31,143	2.2	
Industrial Materials	**–**	**–**	**0.1**

Investment Portfolio (continued)

As at 31 December 2024

Security	Value £'000	% of Total Net Assets	% of DNSCI (XIC)[1]
Industrial Metals and Mining	**38,612**	**2.8**	**2.4**
Capital	15,247	1.1	
Ecora Resources	10,906	0.8	
Kenmare Resources	12,459	0.9	
Precious Metals and Mining	**1,673**	**0.1**	**0.8**
Gem Diamonds	1,673	0.1	
Chemicals	**–**	**–**	**2.5**
Oil, Gas and Coal	**26,046**	**1.9**	**3.3**
EnQuest	17,684	1.3	
Pharos Energy	8,362	0.6	
Alternative Energy	**–**	**–**	**0.2**
Electricity	**–**	**–**	**0.9**
Gas, Water and Multi-utilities	**–**	**–**	**1.1**
Waste and Disposal Services	**–**	**–**	**0.5**
Portfolio Total	**1,497,304**	**107.2**	**100.0**
Net Current Assets/(Creditors)	(99,987)	(7.2)	
Total Net Assets	**1,397,317**	**100.0**	**100.0**

[1] Reflects the rebalanced index as at 1 January 2025

Portfolio Information

Summary of Material Investment Transactions for the year ended 31 December 2024

Purchases	Cost £'000	Sales	Proceeds £'000
Dowlais Group	29,434	Wincanton	72,293
MONY Group	24,192	Centamin	45,641
Hilton Food Group	22,218	XPS Pensions Group	25,322
Halfords Group	17,632	Redrow	23,231
XP Power	14,662	CMC Markets	12,433
Ashmore Group	13,209	Bodycote	12,273
Mobico Group	12,161	Avon Technologies	11,053
Jupiter Fund Management	11,607	Just Group	10,662
Rathbones Group	9,430	International Personal Finance	10,601
S4 Capital	9,392	Keller	10,023
Forterra	8,539	FirstGroup	9,241
Vesuvius	7,693	Spirent Communications	9,079
Senior	7,360	Hostelworld Group	8,602
Morgan Advanced Materials	7,040	Zegona Communications	6,837
Close Brothers Group	6,983	McBride	6,029
Crest Nicholson	6,391	Bakkavor Group	3,391
Helical	5,486	Galliford Try Holdings	2,938
Quilter	5,461	Senior	2,363
Bodycote	5,295	Mitchells & Butlers	1,902
Headlam Group	5,118	STV Group	1,722
Other Purchases	78,432	Other Sales	2,960
Total Purchases (incl. transaction costs)	**307,735**	**Total Sale Proceeds (incl. transaction costs)**	**288,596**

FTSE Industry Classification Exposure Analysis

Sector	31 December 2023 Portfolio Weight %	31 December 2023 Portfolio Valuation £'000	Net Purchases/ (Sales)[1] £'000	Net Appreciation/ (Depreciation) £'000	**31 December 2024 Portfolio Valuation £'000**	**31 December 2024 Portfolio Weight %**	**DNSCI (XIC)[2] Weight %**
Technology	3	41,762	27,221	(4,994)	**63,989**	**4**	**7**
Telecommunications	2	24,038	(15,916)	24,481	**32,603**	**2**	**1**
Health care	–	–	–	–	**–**	**–**	**3**
Financials	17	226,596	1,754	48,767	**277,117**	**19**	**18**
Real Estate	4	58,703	7,425	246	**66,374**	**4**	**11**
Consumer Discretionary	24	321,803	65,572	27,411	**414,786**	**28**	**19**
Consumer Staples	4	53,719	18,332	17,738	**89,789**	**6**	**5**
Industrials	39	532,460	(43,395)	(2,750)	**486,315**	**32**	**24**
Basic Materials	5	76,476	(42,021)	5,830	**40,285**	**3**	**6**
Energy	2	28,423	167	(2,544)	**26,046**	**2**	**4**
Utilities	–	–	–	–	**–**	**–**	**2**
	100	1,363,980	**19,139**	**114,185**	**1,497,304**	**100**	**100**

FTSE Index Classification Exposure Analysis

Index Classification	31 December 2023 No. of Companies	31 December 2023 Portfolio Valuation £'000	31 December 2023 Weight %	31 December 2023 DNSCI (XIC) Weight %	**31 December 2024 No. of Companies**	**31 December 2024 Portfolio Valuation £'000**	**31 December 2024 Weight %**	**DNSCI (XIC)[2] Weight %**
FTSE 100	–	–	–	–	**–**	**–**	**–**	**–**
FTSE 250	24	534,111	39	72	**26**	**673,440**	**45**	**79**
FTSE SmallCap	39	649,518	48	19	**42**	**658,138**	**44**	**15**
FTSE Fledgling	7	38,876	3	1	**5**	**29,216**	**2**	**–**
Other	8	141,475	10	8	**6**	**136,510**	**9**	**6**
Total	78	1,363,980	100	100	**79**	**1,497,304**	**100**	**100**

[1] Includes transaction costs and effect of sector reclassification. [2] Reflects the rebalanced index as at 1 January 2025.

Business Model and Company Matters

Company Status

The Company is a closed-ended investment trust listed on the London Stock Exchange and an Alternative Investment Fund under the Alternative Investment Fund Managers (AIFM) Directive. The Company has been approved by HM Revenue & Customs as an investment trust for accounting periods commencing on or after 1 January 2013 subject to the Company continuing to meet the eligibility conditions. The Company will continue to conduct its affairs as an investment trust. Furthermore, the Company is an investment company as defined within the meaning of Section 833 of the Companies Act 2006.

Investment Policy

The Company aims to achieve its objective by investing in small UK quoted companies. These are companies with a market capitalisation, at time of purchase, equal to or lower than that of the largest company in the bottom 10% of the main UK equity market or companies in the DNSCI (XIC). At 1 January 2025 (the date of the last annual index rebalancing), the index included 350 companies, with an aggregate market capitalisation of £153 billion. Its upper market capitalisation limit was £1.9 billion, although this limit changes owing to movements in the stockmarket. If any holding no longer falls within this definition of a small company, its securities become candidates for sale.

Portfolio risk is spread by diversification of holdings in individual companies: the portfolio will usually have holdings in around 80 small UK quoted companies. The Company may, at time of purchase, invest up to 15% of its assets in any one security. However, in practice, each investment will typically be substantially less and, at market value, represent less than 5% of the portfolio on an on-going basis.

The Company's policy towards companies quoted on the Alternative Investment Market ("AIM") generally precludes investment, except either where an investee company moves from the "Main Market" to AIM (so as to avoid being a forced seller) or where a company quoted on AIM has committed to move from AIM to the "Main Market" (so as to enable investment before a full listing is obtained) or where an AIM quoted company has acquired an existing holding in the Company's portfolio with part of the consideration being shares of the acquiring company (so as to avoid being a forced seller). The Company does not invest in any unquoted companies. Neither does the Company invest in securities issued by other UK listed closed-ended investment funds except where they are eligible to be included in the DNSCI (XIC). In any event, the Company invests no more than 15% of total assets in other listed closed-ended investment funds.

The Managers aim to keep the Company near fully invested in equities at all times and there is normally no attempt to engage in market timing by holding high levels of liquidity. The Company may employ gearing. The Board, in conjunction with the Managers, is responsible for determining the parameters for gearing. When considered appropriate, gearing is used tactically in order to enhance returns.

The Board believes that small UK quoted companies continue to provide opportunities for positive total returns over the long term. Any material changes to the Company's investment objective and policy will be subject to Shareholder approval.

Investment Strategy

The Managers adhere to a value investment philosophy. In practice, this approach utilises several valuation metrics, recognising that flexibility is required when assessing businesses in different industries and that buyers of these businesses may include other corporates as well as stockmarket investors. As a result of this philosophy, the Company's holdings are usually on more attractive valuations than the average for the DNSCI (XIC). While there is good evidence that a value approach within small UK quoted companies results in superior returns over the long term, there can be extended periods when the value style is out of favour.

The Managers select companies for the portfolio on the basis of fundamental or "bottom-up" analysis. Analysis involves scrutiny of businesses' financial statements and assessment of their market positions. An important part of the process is regular engagement with board members of prospective and existing investments. Holdings are sold typically when their valuations reach targets determined by the Managers.

In order to improve the odds of achieving the investment objective, the Managers believe that the portfolio must be adequately differentiated from the benchmark index. Therefore, within the diversification parameters described in Investment Policy, the Managers regularly review the level of differentiation, with the aim of sustaining an active share ratio for the portfolio of at least 70%.

Dividend Policy

The Board confirms its ambition to grow dividends in real terms on an annual basis. In addition, in order to qualify as an investment trust, the Company must not retain more than 15% of its income from any financial year. The Company pays an interim dividend in August each year based on the forecast net revenue position for the current financial year. A final dividend, subject to shareholder approval, is then paid in March each year based on the actual net income for the financial year just ended and the future earnings forecasts.

Directors’ Duty to Promote the Success of the Company

The Directors have a duty to promote the success of the Company for the benefit of Shareholders as a whole and to describe how they have performed this duty having regard to section 172(1) of the Companies Act 2006. The Directors have fulfilled this duty and taken decisions during the year in relation to the matters described below, having considered the likely consequences of their actions over the long term and on other stakeholders.

Stakeholders – As an externally managed investment company, the Company does not have employees. Its main stakeholders therefore comprise its Shareholders, who are also its customers, and a small number of suppliers. These suppliers are external firms engaged by the Board to provide, amongst others, investment management, secretarial, depositary, custodial and banking services. The principal relationship is with the Managers and page 28 contains further information. Their investment management services are fundamental to the long term success of the Company through the pursuit of the investment objective. The Board regularly monitors the Company’s investment performance in relation to its objective and also to its investment policy and strategy. It seeks to maintain a constructive working relationship with the Managers and on an annual basis reviews their continuing appointment to ensure it is in the best long term interests of Shareholders. The Board receives and reviews detailed presentations and reports from the Managers and other suppliers to enable the Directors to exercise effective oversight of the Company’s activities. Further information on the Board’s review process is set out in the Corporate Governance Report. The Managers seek to maintain constructive relationships with other suppliers on behalf of the Company, typically through regular communications, provision of relevant information and update meetings.

Shareholder communications and engagement – To help the Board in its aim to act fairly as between the Company’s members, the Board encourages communications with all Shareholders. The Annual and Interim reports are issued to Shareholders and are available on the Managers’ website together with other relevant information including monthly factsheets. The Managers offer to meet the larger Shareholders twice a year to provide detailed reports on the progress of the Company and receive feedback, which is provided to the Board. Directors are also available to meet Shareholders during the year and at the AGM. Shareholders’ views are considered as part of the Board’s regular strategy reviews. Shareholders have the opportunity to validate the Board's strategy through a triennial vote on the continuation of the Company and the Board encourages Shareholders to participate in this vote. The continuation vote was last put to Shareholders at the 2023 Annual General Meeting and was resoundingly supported.

Enhancing value – In seeking to enhance value for Shareholders over the long term, the Board has also established guidelines to allow the Managers to deploy gearing on a tactical basis when opportunities arise and to implement share buy-backs. The Company has a borrowing facility and in 2023 the Directors decided on the refinancing of the facility for a further three years to June 2026. As described in the Chairman's Statement, part of it has been drawn down to take advantage of attractive investment valuations. During the year, 590,000 shares were bought back and cancelled at a total cost of £8.4m, adding value for Shareholders remaining invested in the Company. In addition, the Board remains committed to a progressive dividend policy, as reflected in the dividends it decided upon and announced for the year.

Corporate Governance – As described in more detail within the Corporate Governance Report, the Board is committed to maintaining and demonstrating high standards of corporate governance in relation to the Company’s business conduct.

Stewardship – The Board also expects good standards at the companies in which the Company is invested. In this regard, it is satisfied that the Managers’ investment process incorporates regular consideration of investee companies’ governance structures and procedures. It is also encouraged that the Managers engage with the boards of investee companies on governance and other matters that are material to the investment case. These activities are ultimately important to the long term success of the Company. Further information on Stewardship matters is provided on pages 14 to 16.

Summary – In summary, the Board’s primary focus in promoting the long term success of the Company for the benefit of its Shareholders as a whole is to direct the Company with a view to achieving the investment objective in a manner consistent with its stated investment policy and strategy. In doing so, and as described above, it has due regard to the impact of its actions on other stakeholders and the wider community.

Principal Risks

The Board carefully considers the risks faced by the Company and seeks to manage these risks through continual review, evaluation, mitigating controls and action as necessary. A risk matrix for the Company is maintained. It groups risks into the following categories: portfolio management; investor relations; regulatory and legal; and financial reporting. Further information regarding the Board's governance oversight of risk and the context for risks can be found in the Corporate Governance Report on page 35. The Audit Committee Report (pages 36 to 38) details the Committee's review process, matters considered, and actions taken on internal controls and risks during the year.

The Company outsources all the main operational activities to recognised, well-established firms and the Board receives internal control reports from these firms, where available, to review the effectiveness of their control frameworks including cyber security. This review is also recorded in the Company's risk documentation.

Emerging risks are those that are still evolving, and are not fully understood, but that could have a future impact on the Company. The Board regularly reviews them and, during the year, it added to the risk matrix the potential risks arising from changes to legal rulings adversely affecting the business models of investee companies and the risk of artificial intelligence affecting investment or operational performance. The Board monitors these risks and how the Managers integrate them into their investment decision making.

Principal risks are those risks in the matrix that have the highest ratings based on likelihood and impact. They tend to be relatively consistent from year to year given the nature of the Company and its business. The principal risks faced by the Company, together with the approach taken by the Board towards them, are summarised below. To indicate the extent to which the principal risks change during the year and the level of monitoring required, each principal risk has been categorised as either dynamic risk, requiring detailed monitoring as it can change regularly, or stable risk.

Market risk	
Risk–this is a portfolio management risk	**Mitigation**
Investment performance is affected by external market risk factors, including those creating uncertainty about future price movements of investments, geo-political stability and economic conditions. The Board delegates consideration of market risk to the Managers to be carried out as part of the investment process.	The Managers regularly assess the exposure to market risk when making investment decisions and the Board monitors the results via the Managers' quarterly and other reporting. The Board and Managers closely monitor significant economic and political developments including the potential effects of climate change (see pages 14 to 16). This remained a dynamic risk during the year, in which the Managers reported on market risks including economic and geopolitical issues as addressed in the Managers' Report.

Investment strategy/performance risk	
Risk–this is a portfolio management risk	**Mitigation**
The Company's investment policy and strategy exposes the portfolio to share price movements. The performance of the investment portfolio typically differs from the performance of the benchmark and is influenced by investment strategy and policy, investment style, stock selection, liquidity and market risk (see Market risk above and Note 19 for further details). Investment in small companies is generally perceived to carry more risk than investment in large companies. While this is reasonable when comparing individual companies, it is much less so when comparing the risks inherent in diversified portfolios of small and large companies.	The Board monitors performance against the investment objective over the long term by ensuring the investment portfolio is managed appropriately, in accordance with the investment policy and strategy. The Board has outsourced portfolio management to experienced investment managers with a clearly defined investment philosophy and investment process. The Board receives regular and detailed reports on investment performance including detailed portfolio analysis, risk profile and attribution analysis. Senior representatives of Aberforth Partners attend each Board meeting. Peer group performance is also regularly monitored by the Board. This remains a dynamic risk, with detailed consideration during the year. The Managers' Report contains information on portfolio investment performance and risk.

Principal Risks

Share price discount	
Risk–this is an investor relations risk	**Mitigation**
Investment trust shares tend to trade at discounts to their underlying net asset values, but a significant share price discount, related volatility, or a discount significantly beyond peers', could reduce shareholder returns and confidence.	The Board and the Managers monitor the discount daily, both in absolute terms and relative to ASCoT's peers. In this context, the Board intends to continue to use the buy-back authority as described in the Directors' Report. This is considered a dynamic risk as the discount moves daily.

Gearing risk	
Risk–this is a portfolio management risk	**Mitigation**
Tactical gearing can negatively affect investment performance. In rising markets, gearing enhances returns, but in falling markets it reduces returns to shareholders.	The Board and the Managers have specifically considered the gearing strategy and associated risks during the year. At present this is a dynamic risk as the Company's tactical gearing facility is partially deployed.

Reputational risk	
Risk–this is an investor relations risk	**Mitigation**
The risk of an event damaging the Company's reputation and Shareholder demand. The reputation of the Company is important in maintaining the confidence of shareholders.	The Board and the Managers regularly monitor factors that may affect the reputation of the Company and/or of its main service providers and take action if appropriate. The Board reviews relevant internal control reporting for critical outsourced service providers. This has been monitored as a stable risk.

Regulatory risk	
Risk–this is a regulatory and legal risk	**Mitigation**
Failure to comply with applicable legal, tax and regulatory requirements could lead to suspension of the Company's share price listing, financial penalties or a qualified audit report. A breach of Section 1158 of the Corporation Tax Act 2010 could lead to the Company losing investment trust status and, as a consequence, any capital gains would then be subject to capital gains tax.	The Board receives quarterly compliance reports from the Secretaries to evidence compliance with rules and regulations, together with information on future developments. This is a stable risk.

Viability Statement

The Directors have assessed the viability of the Company over the five years to December 2029, taking account of the Company’s position, its investment strategy, and the potential impact of the principal risks detailed on pages 24 and 25. Based on this assessment, the Directors have a reasonable expectation that the Company will meet its liabilities as they fall due and be able to continue in operation, notwithstanding that the Company's shareholders vote on the continuation of the Company every three years with the next vote at the AGM in 2026.

In making this assessment, the Directors took comfort from the results of a series of stress tests, which considered the impact of severe market downturn scenarios on the Company’s financial position and, in particular, its ability to settle projected liabilities of the Company as they fall due and to adhere to borrowing covenants (see note 13 on page 57). Portfolio liquidity modelling was conducted to identify values that could be liquidated within different time periods. The Company invests in companies listed and actively traded on the London Stock Exchange and, whilst less liquid than larger quoted companies, the portfolio is well diversified by both number of holdings and industry sector. The triennial continuation vote was considered including the outcome of the last vote in 2023, which was passed overwhelmingly. The Directors determined that the five years to December 2029 is an appropriate period for which to provide this statement given the Company’s long term investment objective, the simplicity of the business model, the resilience demonstrated by the stress testing, and the relatively low working capital requirements.

Other Information

Board Diversity

The Board’s diversity policy and information on Board diversity, including in relation to FCA Listing Rules and targets, is set out on page 34.

Environmental, Human Rights, Employee, Social and Community Issues

The requirement to detail information about environmental matters, human rights, social and community issues does not apply to the Company as it has no employees, all Directors are non-executive and it has outsourced its functions to third party service providers. The Company’s and the Managers’ approaches to environmental, social and governance matters is set out on pages 14 to 16.

Strategic Report

The Strategic Report, contained on pages 1 to 26, has been prepared by the Directors in accordance with Section 414 of the Companies Act 2006 and has been approved by the Board of Directors on 30 January 2025 and signed on its behalf by:

Richard Davidson,
Chairman

Governance Report

Board of Directors

Richard Davidson, Chairman

Appointed: 26 January 2019
Shareholding in the Company: 37,000 Ordinary Shares

Richard is also Chair of MIGO Opportunities Trust plc. Formerly, he was a Partner and Manager of the Macro Fund at Lansdowne Partners. Prior to to that, he was a Managing Director and No.1 ranked investment strategist at Morgan Stanley. In more recent years, Richard was also the Chair of Foresight Sustainable Forestry Company plc and of the University of Edinburgh's Investment Committee. Since 2003, Richard has also been heavily involved in forestry investment and management.

Jaz Bains

Appointed: 10 October 2022
Shareholding in the Company: 1,030 Ordinary Shares and is a member of the Audit Committee

Jaz has worked in the energy sector for over 30 years. In 2013 he helped set up and launch The Renewables Infrastructure Group ('TRIG'), a FTSE 250 listed investment company, and until January 2024 he was responsible for leading the Operations Manager function of TRIG. He is also a non-executive director and senior independent director for the Jupiter Green Investment Trust Plc.

Patricia Dimond, Senior Independent Director

Appointed: 3 March 2022
Shareholding in the Company: 10,008 Ordinary Shares and chairs the Audit Committee

Patricia is a non-executive director and chair of audit of Hilton Food Group plc and of Foresight VCT Plc. She is a trustee of the Booker Prize Foundation, English National Opera and the National Academy for Social Prescribing. She has had an international career with over 30 years in the consumer, retail and financial sectors. As an industry executive or strategic advisor she has worked with FTSE 100, Private Equity and Founder/owner managed companies with a focus on finance, strategy and corporate governance. She is a McKinsey & Company alumna, CFA charter holder, has an MBA from IMD Switzerland and qualified as a chartered accountant with Deloitte, Haskins & Sells.

Victoria Stewart

Appointed: 1 September 2020
Shareholding in the Company: 4,200 Ordinary Shares and is a member of the Audit Committee

Victoria spent twenty two years as a fund manager, mostly with Royal London Asset Management. She was the sole manager of the Royal London UK Smaller Companies Fund from its inception in 2007, leaving in 2016 and taking up a non-executive director role with Secure Trust Bank PLC where she was chair of the remuneration committee. She stood down as a director of Secure Trust Bank PLC on 31 December 2024. Victoria has considerable experience of managing and investing in various investment vehicles and mid and small-cap listed companies and has a strong working knowledge of performance analysis and corporate governance. Victoria is a non-executive director of JPMorgan Claverhouse Investment Trust plc and until November 2024 was a non-executive director of Artemis Alpha Trust plc.

Martin Warner

Appointed: 1 March 2018
Shareholding in the Company: 10,000 Ordinary Shares and is a member of the Audit Committee

Martin co-founded Michelmersh Brick Holdings plc in 1997 and served as Chief Executive and subsequently, from 2017 until 2024, as non-executive Chairman. Martin is a Fellow of the Royal Institute of Chartered Surveyors and until recently was Chairman of the Brick Development Association.

Directors’ Report

The Directors submit their Annual Report and Financial Statements for the year ended 31 December 2024.

Directors

The Directors of the Company during the financial year are listed on page 40. Further information about the Board can be found in the Corporate Governance Report, which forms part of this Directors’ Report.

It is the responsibility of the Board to ensure that there is effective stewardship of the Company’s affairs. In common with the majority of investment trusts, the Company has neither executive directors nor any employees. However, the Board has engaged external firms to undertake the investment management, secretarial, depositary and custodial activities of the Company.

Objective, Investment Policy, Investment Strategy, Dividend Policy and Risks

These are explained fully in the Strategic Report. A non material change has been made to the investment policy to avoid being a forced seller where an AIM quoted company has acquired an existing holding in the Company's portfolio with part of the consideration being shares of the acquiring company. A non material change to the investment policy has also been made to replace 'over' with 'around' in the section stating that 'the portfolio will usually have holdings in around 80 small UK quoted companies'.

Return and Dividends

The total return attributable to Shareholders for the year ended 31 December 2024 amounted to a profit of £151,591,000 (2023: profit of £99,044,000). The Net Asset Value per Ordinary Share at 31 December 2024 was 1,666.95p (2023: 1,536.73p).

Your Board is pleased to declare a final dividend of 30.00p and a special dividend of 6.00p (total of £30,176,000), which produces total dividends for the year of 49.60p (total of £41,620,000). The final and special dividends, subject to Shareholder approval, will be paid on 10 March 2025 to Shareholders on the register at the close of business on 7 February 2025.

Investment Managers

Aberforth Partners LLP (the firm, Managers or Aberforth) act as Alternative Investment Fund Manager and Secretaries to the Company. The business was established in 1990 to provide institutional and wholesale investors with a high level of resources focused exclusively on small UK quoted companies and deployed in accordance with a value investment philosophy.

At 31 December 2024, funds under management were £2.1 billion, of which 78% was represented by investment trusts, 7% by a unit trust and 15% by segregated charity funds. All these funds are managed in line with the value philosophy applied to the Company’s portfolio. The Managers believe that diseconomies of scale come with managing too much money within an asset class such as small UK quoted companies. Accordingly, they impose a ceiling on funds under management, which in normal circumstances would be equivalent to 1.5% of the total market capitalisation of the DNSCI (XIC) benchmark. Consistent with this, capacity at 31 December 2024 was circa £260 million of funds under management.

The firm is wholly owned by six partners – five Investment Partners and an Operations Partner, who is responsible for the firm’s administration. The investment team comprised the five Investment Partners and one investment manager. Analytical responsibilities are divided by stockmarket sector among the investment team, but investment decisions and portfolio management are undertaken on a collegiate basis by the full team. The investment managers are remunerated on the basis of the success of the firm and its funds as a whole. Alignment with the Company’s Shareholders is further enhanced by the team’s meaningful personal investments in ASCoT's shares.

These investment management services can be terminated by either party at any time by giving six months’ notice of termination. Compensation would be payable in respect of this six month period only if termination were to occur sooner. Aberforth receives an annual management fee, payable quarterly in advance, equal to 0.75% of the net assets up to £1 billion, and 0.65% thereafter. The management fee amounted to £9,888,000 in the year ended 31 December 2024 (2023: £8,933,000).

The secretarial fee amounted to £114,800 (excluding VAT) during 2024 (2023: £110,200). It is adjusted annually in line with the Consumer Price Index and is subject to VAT, which is currently irrecoverable by the Company.

The Board reviews the Company’s investment management and secretarial arrangements on an on-going basis and formally at its October meeting, for which each Director completes a Managers’ Evaluation questionnaire. The Board then considers the results of the questionnaire and discusses the following matters, amongst others, in its review:

- investment performance in relation to the investment objective, policy and strategy;
- the continuity and quality of personnel managing the assets;
- the level of the management fee;
- the quality of reporting to the Board;
- the alignment of interests between the Managers and the Company’s Shareholders;
- the administrative services provided by the Secretaries; and
- the level of satisfaction of major Shareholders with the Managers.

Directors' Report

Following the most recent review, the Board was of the opinion that the continued appointment of Aberforth as investment managers, on the terms agreed, remains in the best interests of Shareholders.

Consumer Duty

The Company is not directly subject to the FCA's Consumer Duty. However, Aberforth, as ASCoT's FCA authorised Alternative Investment Fund Manager, is subject to the Consumer Duty, and in respect of its role with the Company, reports certain data about the Company to product distributors via the European MiFID Template reporting standard.

The Board notes the passing of the Packaged Retail and Insurance-based Investment Products (Retail Disclosure) (Amendment) Regulations 2024, meaning that the PRIIPS regulation does not now apply to shares in a closed-ended investment company that is UK-listed, and the publication of the FCA's Consultation Paper proposing new rules for Consumer Composite Investments (CCI) which are intended to replace the previous rules for consumer facing disclosures.

During the year, Aberforth provided the Board with regular compliance updates, its value assessment report and supporting papers. The Board also assessed the Company's relevant costs and services. The Board considered and is satisfied with Aberforth's value assessment report. Additionally, in its monitoring of consumer outcomes to ensure their consistency with Consumer Duty, the Board is satisfied that the value provided to retail investors is fair and is in line with the Company's stated objectives and investment philosophy.

Depositary

NatWest Trustee & Depositary Services Limited carry out the duties of Depositary as specified in the Alternative Investment Fund Managers (AIFM) Directive in relation to the Company, including:

- holding or controlling all assets of the Company that are entrusted to it for safekeeping;
- cash monitoring and verifying the Company's cash flows; and
- oversight of the Company and the Managers.

In carrying out such duties, the Depositary acts in the best interests of the Shareholders of the Company. The Depositary is contractually liable to the Company for the loss of any securities entrusted to it. The Depositary is also liable to the Company for all other losses suffered as a result of the Depositary's fraud, negligence and/or failure to fulfil its duties properly.

NatWest Trustee & Depositary Services Limited receive an annual fee, payable quarterly in arrears, of 0.0095% (prior to July 2024: 0.0085%) of the net assets of the Company, being £145,000 for the year ended 31 December 2024 (2023: £125,000) and their appointment may be terminated at any time by giving at least six months' notice. A Depositary may only be removed from office when a new Depositary is appointed by the Company.

Capital Structure and Share Buy-Backs

At 31 December 2024, the Company's authorised share capital consisted of 333,299,254 Ordinary Shares of 1p of which 83,824,605 were issued and fully paid. During the year, 590,000 shares (0.7% of the Company's issued share capital with a nominal value of £5,900) were bought back and cancelled at a total cost of £8,371,000. No shares are held in treasury. Share buy-backs may succeed in narrowing the discount between the Company's share price and net asset value per share or in limiting its volatility, but their influence is inevitably subject to broader stockmarket conditions. Irrespective of their effect on the discount, buy-backs at the margin provide an increase in liquidity for those Shareholders seeking to crystallise their investment and at the same time deliver an economic uplift for those Shareholders wishing to remain invested in the Company. Accordingly, it is the intention to continue to use the share purchase facility within guidelines established from time to time by the Board.

Continuation of the Company

The Company has no fixed duration. However, in accordance with the Company's Articles of Association, Shareholders are asked every three years to vote on the continuation of the Company and an ordinary resolution will be proposed at the Annual General Meeting to be held in March 2026. If such resolution is not passed, the Directors will prepare and submit to Shareholders (for approval by special resolution) proposals for the unitisation or appropriate reconstruction of the Company. In putting forward such proposals the Directors will seek, inter alia, to provide Shareholders with a means whereby they can defer any liability to capital gains tax on their investment at that time. If such proposals are not approved, Shareholders will, within 180 days of the relevant Annual General Meeting, have the opportunity of passing an ordinary resolution requiring the Company to be wound up. On a winding-up, after meeting the liabilities of the Company, the surplus assets will be paid to the holders of Ordinary Shares and distributed, pro rata, among such holders.

Going Concern

The Audit Committee has undertaken and documented an assessment of whether the Company is a going concern for the period of at least 12 months from the date of approval of the financial statements. The Committee reported the results of its assessment to the Board.

Directors' Report

The Company's business activities, capital structure and borrowing facilities, together with the factors likely to affect its development and performance, are set out in the Strategic Report. In addition, the Annual Report includes the Company's objectives, policies and processes for managing its capital and financial risk, along with details of its financial instruments and its exposures to credit risk and liquidity risk. The Company's assets comprise mainly readily realisable equity securities and funding flexibility can typically be achieved through the use of the borrowing facilities, which are described in notes 12 and 13 to the financial statements. The Company has adequate financial resources to enable it to meet its day-to-day working capital requirements. The triennial continuation vote was considered including the outcome of the last vote in 2023, which was passed overwhelmingly.

In summary and taking into consideration all available information, the Directors have concluded it is appropriate to continue to prepare the financial statements on a going concern basis.

Voting Rights of Shareholders

At Shareholder meetings and on a show of hands, every Shareholder present in person or by proxy has one vote. On a poll, every Shareholder present in person has one vote for each share he/she holds and a proxy has one vote for every share in respect of which he/she is appointed.

The Board is pleased to offer electronic proxy voting, including CREST voting capabilities. Further details can be found in the Notice of the AGM.

Notifiable Share Interests

The Board has received notifications of the following interests in the voting rights of the Company as at 31 December 2024 and 30 January 2025. The total number of voting rights amounted to 83,824,605 at 31 December 2024. Since 31 December 2024, 520,500 shares have been bought back and cancelled and therefore the total number of voting rights at 30 January 2025 amounted to 83,304,105.

Notified interests	Percentage of Voting Rights Held
Rathbones Investment Management Ltd	12.0%
Brewin Dolphin Limited	10.6%
Evelyn Partners Ltd	5.1%
Allspring Global Investments Holdings, LLC	4.9%
IntegraFin Holdings plc (Transact Nominees)	3.0%

Annual General Meeting

The AGM will be held on 6 March 2025 at 10.30 a.m. at 14 Melville Street, Edinburgh EH3 7NS. Shareholders are encouraged to submit their votes by proxy in advance of the meeting. The Notice of the Meeting and explanatory notes are set out on pages 62 and 63. The following special resolution will be proposed at the AGM.

Purchase of Own Shares (Special Resolution)

The current authority of the Company to make market purchases of up to 14.99% of the issued Ordinary Shares of the Company expires at the end of the AGM. Resolution 11, as set out in the Notice of the AGM, seeks renewal of such authority until the AGM in 2026. The price paid for shares will not be less than the nominal value of 1p per share and the maximum price shall be the higher of (i) 105% of the average of the middle market quotations for the shares for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out. This authority, if conferred, will be used as described on page 29 and only if to do so would be in the best interests of Shareholders generally. Any shares purchased under the authority will be automatically cancelled, rather than being held in treasury, thereby reducing the Company's issued share capital. There are no outstanding options or warrants to subscribe for equity shares in the capital of the Company.

Directors' Recommendation

The Directors consider each resolution being proposed at the AGM to be in the best interests of Shareholders as a whole and they unanimously recommend that all Shareholders vote in favour of them, as they intend to do so in respect of their own beneficial shareholdings.

Directors' Report

Additional information in respect of the Companies Act 2006

The following information is disclosed in accordance with Section 992 of the Companies Act 2006.

- The Company's capital structure and voting rights are summarised on pages 29 and 30.
- Details of the substantial shareholders in the Company are listed above.
- The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and are covered on pages 32 and 33.
- Amendment of the Company's Articles of Association and powers to issue shares on a non pre-emptive basis or buy back the Company's shares requires a special resolution to be passed by shareholders.
- There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements to which the Company is party that might affect its control following a takeover bid.
- There are no agreements between the Company and its Directors concerning compensation for loss of office.

Bribery Act 2010

The Company does not tolerate bribery and is committed to carrying out business fairly, honestly and openly. Aberforth Partners LLP, the Company's Investment Managers, have confirmed that anti-bribery policies and procedures are in place and they do not tolerate bribery.

Modern Slavery Statement

The Company is not within scope of the Modern Slavery Act 2015 and is not, therefore, obliged to make a human trafficking statement. The Company has no employees and its supply chain consists mainly of professional advisers so is considered to be low risk in relation to this matter.

Criminal Finances Act 2017

The Company does not tolerate the criminal facilitation of tax evasion.

Post Balance Sheet Events

Since 31 December 2024, there are no post balance sheet events that would require adjustment of or disclosure in the financial statements.

Independent Auditor

Johnston Carmichael LLP has expressed its willingness to continue in office as auditor and a resolution proposing its re-appointment will be put to the forthcoming Annual General Meeting.

Disclosure of Information to Auditor

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

Future Developments

The future success of the Company is dependent primarily on the performance of its investments. Although the Company invests in companies that are listed or quoted in the United Kingdom, the underlying businesses of those companies are affected by various economic factors, many of an international nature. The Board's intention is that the Company will continue to pursue its investment objective and the stated investment strategy and policy.

Approved and authorised for issue by the Board of Directors
Richard Davidson
Chairman

30 January 2025

Corporate Governance Report

Introduction

The Board is committed to maintaining and demonstrating high standards of corporate governance. The Board has considered the principles and provisions of the Association of Investment Companies Code of Corporate Governance ("the AIC Code"). The AIC Code addresses all the principles and provisions set out in the UK Corporate Governance Code, which applies for the year ended 31 December 2024, as well as setting out additional principles and provisions on issues that are of specific relevance to investment trusts. The Board considers that reporting in accordance with the principles and provisions of the AIC Code provides more relevant and comprehensive information to shareholders. The AIC Code is available on the AIC website at www.theaic.co.uk. This report forms part of the Directors' Report on pages 28 to 31. The 2024 version of the AIC Code has recently been issued and it is applicable for the year ended 31 December 2025.

Compliance

Throughout the year ended 31 December 2024 the Company complied with the recommendations of the AIC Code except, as explained below, where the Company does not believe it appropriate to comply.

The Board, being small in size and composed entirely of independent non-executive Directors, has not appointed a Remuneration or a Nomination Committee. Directors' fees and the appointment of new Directors are considered by the Board as a whole.

The UK Corporate Governance Code includes provisions relating to the role of the chief executive, executive Directors' remuneration and the need for an internal audit function. For reasons set out in the AIC Code, the Board considers these provisions are not relevant to the Company as it is 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.

With effect from 1 February 2024, the Board formalised the appointment of Patricia Dimond as Senior Independent Director and appointed Martin Warner to the Audit Committee.

The Board

The Board is responsible for the effective stewardship of the Company's affairs. Strategic issues and all operational matters of a material nature are considered at its meetings. At 31 December 2024, the Board comprised five non-executive Directors, of whom Richard Davidson is Chairman. A formal schedule of matters reserved for decision by the Board has been adopted. The Board has engaged external firms to provide investment management, secretarial, depositary and custodial services. Contractual arrangements are in place between the Company and these firms.

The Board carefully considers the various guidelines for determining the independence of non-executive Directors, placing particular weight on the view that independence is evidenced by an individual being independent of mind, character and judgement. All Directors are presently considered to be independent. All Directors retire at the AGM each year and, if appropriate and continuing, seek re-election. Each Director has signed a letter of appointment to formalise the terms of their engagement as a non-executive Director, copies of which are available on request and at the AGM.

Meetings

The Board meets at least quarterly to review the overall business of the Company and to consider the matters specifically reserved for it. Detailed information is provided by the Managers and Secretaries for these meetings and additionally at regular intervals to enable the Directors to monitor compliance with the investment objective and the Company's investment performance compared with its benchmark index. The Directors also review several important areas including:

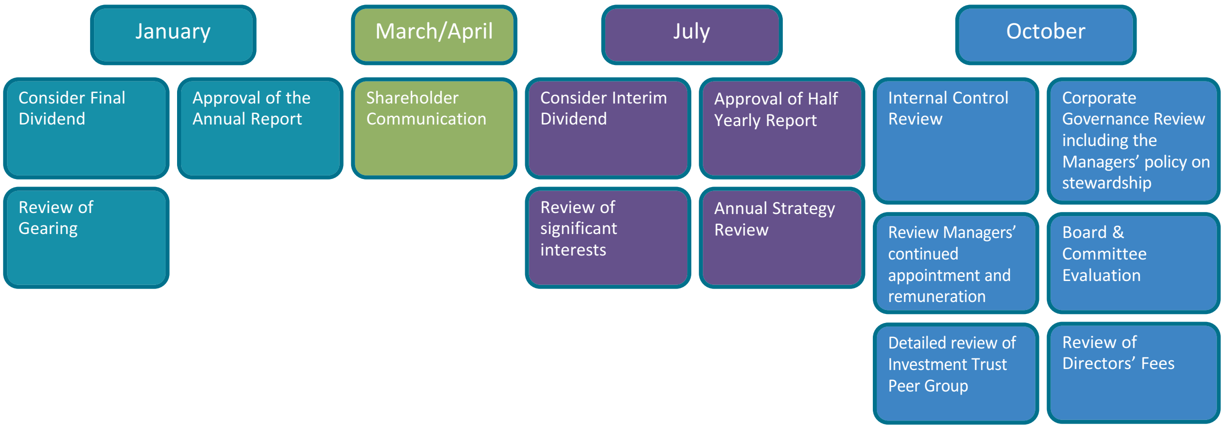
- the stockmarket environment;
- the Company's investment activity over the quarter relative to its investment policy;
- performance in relation to comparable investment trusts and open-ended funds;
- the revenue account, balance sheet and gearing position;
- share price discount (both absolute levels and volatility);
- shareholder register (including significant changes);
- regulatory matters; and
- relevant industry issues.

The Board also holds an annual strategy session to consider, amongst other matters, the Company's objective and investment strategy.

Corporate Governance Report

Annual Plan

The following highlights various additional matters considered by the Board during the past year.



The following table sets out the Directors of the Company during the financial year, together with the number of Board and Committee meetings held and the number of meetings attended by each Director (whilst a Director or Committee member). Directors who are not members of the Audit Committee were invited to be present at meetings of the Audit Committee. Richard Davidson attended each of the three Audit Committee meetings held during the year and Martin Warner attended the Audit Committee meeting held prior to him becoming a member of the Audit Committee.

Director	Board Eligible to attend	Board Attended	Audit Committee Eligible to attend	Audit Committee Attended
Richard Davidson, Chairman	5	5	–	n/a
Jaz Bains	5	5	3	3
Patricia Dimond, Chair of the Audit Committee	5	5	3	3
Victoria Stewart	5	5	3	3
Martin Warner	5	5	2	2

There has been no change to the Directors between 31 December 2024 and 30 January 2025.

Appointments to the Board

The Board regularly reviews its composition, having regard to the Board's structure and to the present and future needs of the Company. The Board takes into account its diversity, the balance of expertise and skills brought by individual Directors, and length of service, where continuity and experience can add significantly to the strength of the Board.

The Board believes in the benefits of having a diverse range of experience, skills, length of service and backgrounds. The Board is also of the view that length of service will not necessarily compromise the independence or contribution of directors of an investment trust company. Continuity and experience can add significantly to the strength of the Board especially in times of market turbulence. Nevertheless, the Board's policy is that in normal circumstances the Chairman and Directors are expected to serve for a nine-year term, though this may be adjusted for reasons of flexibility.

Board Diversity Policy and Information

The Board's policy for the appointment of non-executive directors reflects its belief in the benefits of having a diverse range of experience, skills, length of service and backgrounds. The policy is always to seek to appoint the best person for the job. In pursuing this policy, the Board actively promotes equality and fairness and does not discriminate on the grounds of gender, race, ethnicity, religion, sexual orientation, age, physical ability or socio-economic backgrounds. The overriding aim of the policy is to seek to ensure that the Board and its committees are composed of the best combination of people to promote the success of the Company for Shareholders over the long term. The current Directors have a range of relevant business, financial and asset management skills and experience. Brief biographical details of the members of the Board are shown on page 27.

Corporate Governance Report

The Company meets the diversity targets set out in the FCA's Listing Rules as at 31 December 2024 and there have been no changes since that date that have affected the Company's ability to meet them. In respect of gender representation, the FCA's Listing Rules target that at least 40% of individuals on a board are women and at least one of the senior board positions is held by a woman. The FCA's Listing Rules also target that at least one individual on a board is from a minority ethnic background.

Board Gender as at 31 December 2024	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID, Chair)
Men	3	60.0%	see explanation below
Women	2	40.0%	

Board Ethnic Background as at 31 December 2024	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID, Chair)
White British or other White (including minority White groups)	4	80.0%	see explanation below
Minority Ethnic (see below)	1	20.0%	

The column in the tables above relating to senior positions is inapplicable as the Company is externally managed and does not have executive functions; specifically it does not have a CEO or CFO. The position of chair of the Board is held by a man. However, the Company considers that the chair of the Audit Committee and the Senior Independent Director are senior roles in an investment trust context. The position of chair of the Audit Committee and Senior Independent Director is held by a woman.

As the Company has no executive directors or management, it has not provided diversity information on executive management. Minority Ethnic includes categories for: Asian/Asian British; Black/African/Caribbean/Black British; Mixed/ Multiple Ethnic Groups; and Other Ethnic Groups, including Arab.

The diversity data included above were obtained from individual Directors using a survey tool.

Board performance and re-appointment of Directors

The Board undertakes a formal annual assessment of Directors and their collective performance on a range of issues including the Board's role, processes and interaction with the Managers. This internal review of the Board and the Audit Committee was conducted by way of an evaluation questionnaire, the results of which were discussed by the Directors in October 2024, providing valuable feedback for improving Board effectiveness and highlighting areas for further development. The appraisal of the Chairman of the Board was led by the Senior Independent Director.

The Board has agreed to utilise external facilitators every three years and the last external evaluation was carried out in 2022.

In line with the Board's policy, all continuing Directors offer themselves for re-election at the forthcoming AGM. The Board believes that each Director continues to be effective, bringing a wealth of knowledge and experience to the Board, and the Chairman recommends their re-election to Shareholders.

Directors' and Officers' Liability Insurance

The Company maintains appropriate insurance cover in respect of legal action against its Directors. The Company has also entered into qualifying third party deeds of indemnity with each Director to cover any liabilities that may arise to a third party, other than the Company, for negligence, default or breach of trust or duty. The deeds were in force during the year to 31 December 2024 and up to the date of approval of this report. The Directors are not indemnified in respect of liabilities to the Company or costs incurred in connection with criminal proceedings in which the Director is convicted or required to pay any regulatory or criminal fines.

Training and Advice

New Directors are provided with an induction programme that is tailored to the particular requirements of the appointee. Thereafter regular briefings are provided on changes in regulatory requirements that affect the Company. Directors are also encouraged to attend industry and other seminars. Directors, in the furtherance of their duties, may also seek independent professional advice at the expense of the Company. No individual Director took such advice during the financial year under review.

Corporate Governance Report

All Directors have access to the advice and services of the Company's Secretaries, Aberforth Partners LLP, who are responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretaries are also responsible for advising the Board through the Chairman on all governance matters.

Conflicts of Interest

Company directors have a statutory obligation to avoid a situation in which they (and connected persons) have, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with the interests of the Company. The Board has in place procedures for managing any actual or potential conflicts of interest. No interests conflicting with those of the Company arose during the year under review.

Risk Management and Internal Control

The Board has overall responsibility for the Company's risk management and internal control systems and for reviewing their effectiveness. The Company applies the guidance published by the Financial Reporting Council on internal controls. Internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve the business objective and can provide only reasonable and not absolute assurance against material misstatement or loss. These controls aim to ensure that the assets of the Company are safeguarded, that proper accounting records are maintained and that the Company's financial information is reliable. Further information on risk management and internal control is contained on pages 36 to 38. The Directors have not identified any significant factors or weaknesses in respect of the Company's internal control systems.

Relations with Shareholders

The Board places great importance on communication with Shareholders. Directors of the Company are available to meet any Shareholder on request. The Managers offer to meet the larger Shareholders twice a year to provide them with a detailed report on the progress of the Company and to receive feedback. The Board receives reports from the Managers on these Shareholder meetings. The Shareholder presentation report is published on the Managers' website. Furthermore, following publication of the Annual Report, the Chairman emails the largest Shareholders inviting questions on all aspects concerning the Company. The Directors may be contacted via the Secretaries whose details are shown on the back cover or through the Chairman's email address, richard.davidson@aberforth.co.uk.

All Shareholders have the opportunity to vote at and in normal circumstances attend the AGM where the Directors and Managers are available to discuss important issues affecting the Company. The results of resolutions put to the AGM will be available on the Managers' website shortly thereafter. In addition to the annual and half yearly reports, the Company's performance, daily Net Asset Values, monthly factsheets and other relevant information are published at www.aberforth.co.uk.

By Order of the Board
Richard Davidson
Chairman
30 January 2025

Audit Committee Report

The Audit Committee members are all independent non-executive directors who have been selected by the Board to fulfil the Committee’s duties based upon their range of financial and commercial expertise. The Committee members during the year were Patricia Dimond, Jaz Bains, Victoria Stewart and Martin Warner (appointed 1 February 2024). The current members’ biographies can be found on page 27. Each member of the Committee has recent and relevant financial experience and the Committee as a whole has competence relevant to the sector in which the Company operates.

Principal Objective

The objective of the Committee is to provide assurance to the Board as to the effectiveness of the Company’s internal controls and the integrity of its financial records and externally published results. The Committee operates within terms of reference that have been agreed by the Board. These are reviewed annually and are available upon request.

Principal Responsibilities

The Committee has been given the following responsibilities:

- reviewing the Company’s internal financial controls and risk management systems, identifying principal risks and monitoring the mitigating controls that have been established;
- monitoring compliance with the relevant statutory, regulatory and taxation requirements for a UK based investment trust that is listed on the London Stock Exchange;
- reviewing the Company’s annual and interim financial statements and any formal announcements on the Company’s financial performance, the accounting policies adopted and the main judgemental areas;
- ensuring that the Annual Report, taken as a whole, is fair, balanced and understandable;
- agreeing the external auditor’s terms of appointment and remuneration, determining the independence and objectivity of the auditor, assessing the effectiveness of the audit and conducting audit tenders;
- considering whether it is appropriate for certain non-audit services to be carried out by the auditor and reviewing the need for an internal audit function; and
- assessing the going concern and viability of the Company, including assumptions used.

The Chair reports formally to the Board on the Committee’s proceedings after each meeting. To assist with the various duties of the Committee, a meeting plan has been adopted and is reviewed annually. A summary of the latest version is shown below.

Audit Committee Annual Plan

January	April	July	October
Annual Report including judgemental areas, going concern, viability statement, letter of representation, expense analysis and Annual Report announcement	Meetings to be called if required	Half Yearly Report including judgemental areas, going concern, expense analysis and Half Yearly Report announcement	Corporate Governance Compliance
Key Risks of the Company		Key Risks of the Company	Key Risks of the Company
Provision of non-audit services, including taxation compliance services		Investment Trust Status	Evaluation of the Committee
Custodian’s Controls Report update		Audit Fees	Investment Trust Status
Audit meeting/ evaluation of the audit including auditor independence		Committee’s Terms of Reference	Auditor Plan, together with the Terms of Engagement
Investment Trust Status		Audit Committee Plan	Internal Controls Review including reports from the Managers and other third parties
		Basis of Management Fee allocation (every three years)	Cyber Security Measures (Aberforth Partners)
			Review of new developments and training for the Audit Committee

Risk Management and Internal Control

The Directors have a robust process for identifying, evaluating and managing the significant risks faced by the Company, which are recorded in a risk matrix. As part of its risk process, the Audit Committee seeks to identify emerging risks to ensure that they are effectively managed as they develop and are recorded in the risk matrix. The Audit Committee considers each risk in the matrix as well as reviewing the mitigating controls in place. Each risk is rated for its “likelihood” and “impact” and the resultant numerical rating determines its ranking into High, Medium or Low Risk. The principal risks faced by the Company and the Board’s approach to managing these risks are set out on pages 24 and 25. This process was in operation during the year and continues in place up to the date of this report. It principally involves the Audit Committee receiving and examining regular reports from the main service providers. Further information on risk management and internal control is contained on page 38. The Audit Committee has not identified any significant failures or weaknesses in respect of the Company’s internal control systems.

Audit Committee Report

Meetings

Typically three meetings are held each year as highlighted in the Audit Committee Annual Plan. Representatives of Aberforth Partners LLP, who provide the Company with secretarial services, attend all of the meetings. The external auditor attends the meetings in January and October.

During the year to 31 December 2024 the Committee focused on the areas described below.

Matters Considered and Action taken by the Committee

Financial Reporting

In July 2024, the Committee focused on the preparation and content of the Half Yearly Report, including supporting documentation from the Secretaries. The Half Yearly Report was not audited, as is customary for investment trusts.

In January 2025, the Committee received a report and supporting presentation from the external auditor on its audit of the financial statements for the year to 31 December 2024. In addition, the Secretaries reported on the preparation of the financial results and other relevant matters. The Committee considered these reports in detail and took further comfort from the internal control and risks review covered below. The Chair of the Committee discussed the outcome of the audit process and the Annual Report with the audit partner without representatives of Aberforth Partners being present. As part of its review of the financial statements, the Committee considered the following significant issues.

Significant Issue	*How the issue was addressed*
Ownership and valuation of the investment portfolio as at 31 December 2024	The Committee reviewed the Managers' control framework, which includes controls over valuation and ownership of investments. The appointed Depositary is responsible for holding and controlling all assets of the Company entrusted for safekeeping. Ownership of investments is verified through reconciliations by the Managers to Custodian records. The Committee reviewed internal control reports from the Company's Custodian. The valuation of the portfolio is undertaken in accordance with the accounting policy for investments as stated in Note 1 to the financial statements. The external auditor verifies ownership and valuation of investments as part of its audit.
Revenue recognition including dividend completeness and the accounting treatment of special dividends	The Committee reviewed the Managers' control framework, which includes controls over revenue recognition. The Committee reviewed actual and forecast revenue entitlement at each meeting. The accounting treatment of all special dividends was reviewed by the Committee and the external auditor.
Investment Trust Status	The Committee confirmed the position of the Company in respect of compliance with investment trust status at each meeting with reference to a checklist prepared by the Secretaries. The position is also assessed by the external auditor as part of the audit process.
Calculation of management fees	The Committee reviewed the Managers' control framework, which includes controls over expenses, including management fees. The Committee reviewed management fees payable to the Managers. The external auditor tested the management fees as part of its audit.

The Committee read and discussed this Annual Report and concluded that it is fair, balanced and understandable. It provides the information necessary for Shareholders to assess the Company's performance, objective and strategy. Accordingly, the Committee recommended to the Board that the financial statements be approved for publication.

Going Concern and Viability

The Committee received reports on going concern from the Secretaries in July 2024 and January 2025. The content of the investment portfolio, trading activity, portfolio diversification and the existing borrowing facilities were also discussed. After due consideration, the Committee concluded it was appropriate to prepare the Company's accounts on a going concern basis and made this recommendation to the Board. The main factors that led to this conclusion were the portfolio composition, the relatively low levels of cash required to continue operating the Company and the availability of the borrowing facilities. It was also recognised that the Company's shareholders vote on the continuation of the Company every three years with the next such vote in 2026.

The Committee assessed the viability of the Company and agreed that it was appropriate to provide a Viability Statement for a five year period for the reasons set out in the Statement on page 26. In January 2025, the Committee reviewed a series of stress tests that considered the impact of severe market downturn scenarios on Shareholders' funds, the borrowing facilities and investment income, and also the impact of losing investment trust status. The outcome of this review led the Committee to recommend the Viability Statement to the Board.

Audit Committee Report

Matters Considered and Action taken by the Committee
Internal Control and Risks
The Committee carefully considered a matrix of the Company's principal and emerging risks and the mitigating controls at each meeting. During the year the matrix was reviewed and reassessed to assist in focusing on the main risks for the Company. In October 2024 the risks and controls were addressed in more detail. The Committee enhanced and updated the content of the matrix during the year, including: monitoring economic and political developments in market risks; updating risk ratings where appropriate; adding further content on assurance controls relating to outsource service providers; moving certain risks from emerging to emerged but not principal risks; and reviewing and adding additional emerging risks. The Committee believes the matrix continues to reflect accurately the Company's principal risks. These risks are detailed on pages 24 and 25. In October 2024 the Committee received the Managers' report on internal controls, including the assurance report issued by PricewaterhouseCoopers LLP (PwC) on the nature and effectiveness of the control framework that has been established by the Managers. A representative of PwC attended the meeting. In addition, the Committee received internal control reports from the Custodian, Northern Trust, and from the Registrar, Link Group. The Committee reviewed these reports and concluded that there were no significant control weaknesses or other issues that needed to be brought to the Board's attention. The Committee continues to monitor closely the increasing risk arising from cyber threats, notwithstanding that the Company outsources all of its activities to external parties. In October 2024, the Committee received a report from Aberforth Partners and their external service provider on cyber security, covering the measures that are in place to protect the Managers' systems and the Company information that they contain. The Committee noted the assurances that have been given about the effectiveness of control measures. It concluded that, although cyber-attack represents an increasing threat to companies and public bodies worldwide, the Company has taken all reasonable steps to ensure that appropriate protection measures are in place.
External Auditor, Audit Planning and Audit fees
Johnston Carmichael LLP was appointed as the Company's Auditor on 3 March 2022, following a formal tender process and this appointment has been renewed at each subsequent AGM. The Committee reviews the reappointment of the auditor every year. The rotation of the audit partner is required every five years and Richard Sutherland was first appointed audit partner for the 2023 audit. Johnston Carmichael LLP presented its audit plan to the Committee in October 2024 in advance of the 2024 audit. The plan set out the scope of the audit, the principal risks that would be addressed (as detailed in the Independent Auditor's Report), the timetable and the proposed fees. The fees amounted to £36,000, excluding VAT, for the year (2023: £32,500). There were no non-audit activities carried out by Johnston Carmichael LLP. Regulations require the Company to tender the audit at least every ten years and the next audit tender process will be conducted no later than 2033.
Auditor
Following the completion of the audit in January 2025, the Committee reviewed the auditor's effectiveness. Audit quality was assessed in a framework of various criteria, including planning, challenge and resolution of issues, judgements and findings, and working relationships with the Secretaries. The Committee acknowledged that the audit team comprised staff with appropriate levels of knowledge and experience. The Committee noted positive feedback from the Secretaries on Johnston Carmichael LLP's performance on the audit. Additionally Johnston Carmichael LLP provided confirmation that they have complied with the relevant UK professional and regulatory requirements on independence. Taking these factors into account, the Committee was satisfied that the external audit was carried out effectively.

Committee Evaluation

A review of the Committee's effectiveness, using an internal online evaluation questionnaire, was undertaken during the year. The outcome was positive with no significant concerns expressed. The Committee has agreed to utilise external facilitators every three years and the last external evaluation was carried out in 2022.

Patricia Dimond
Audit Committee Chair
30 January 2025

Directors’ Remuneration Policy

This section provides details of the remuneration policy applying to the Directors of the Company. All Directors are non-executive, appointed under the terms of letters of appointment and none has a service contract. The Board has prepared this report in accordance with the requirements of the Companies Act 2006.

This policy was previously approved by Shareholders at the Annual General Meeting held in 2023. The policy provisions continue to apply until they are next put to Shareholders for approval, which must be at intervals not exceeding three years. This policy, together with the Directors’ letters of appointment, may be inspected at the Company’s registered office.

The Board considers and determines all matters relating to the Directors’ remuneration at the beginning of each financial period. A Remuneration Committee has not been formed as all of the Directors are non-executive and considered independent.

Company’s Policy on Directors’ Remuneration

The Company’s policy is that the remuneration of the Directors should be commensurate with the duties and responsibilities of the role and consistent with the requirement to attract and retain Directors of appropriate quality and experience. No Shareholder has expressed any views to the Company in respect of the Directors’ remuneration policy during the year. The remuneration policy is not subject to employee consultation as the Company has no employees. It is intended that this policy will remain in place for the following financial year and subsequent periods.

The Board, at its discretion, determines Directors’ remuneration subject to the aggregate annual fees not exceeding £250,000 (amended from £200,000 at the 2024 AGM) in accordance with the Company’s Articles of Association. Such remuneration solely comprised Directors’ fees as set out below and Directors are not eligible for any other remuneration.

The table below sets out the Directors’ fees in respect of the year ended 31 December 2024 and year ending 31 December 2025.

	Annual Fees 2025 £	Annual Fees 2024 £
Chairman of the Company	**50,000**	44,250
Director and Chair of the Audit Committee	**42,000**	36,600
Director and Member of the Audit Committee	**34,000**	31,250
Director	**n/a**	29,500

The increase in Directors' fees for 2025 followed an analysis of comparable investment trust companies and reflected the Company's policy on Directors' Remuneration.

Loss of Office

A Director may be removed without notice and no compensation will be due on loss of office.

Expenses

All directors are entitled to the reimbursement of expenses paid by them in order to perform their duties as a Director of the Company.

Review of the Remuneration Policy

The Board has agreed to review the above policy at least annually to ensure that it remains appropriate.

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of the Companies Act 2006. The law requires the Company's auditor to audit certain elements of this report. These elements are described below as "Audited". The auditor's opinion is included in the Independent Auditor's Report on page 43.

Directors' Letters of Appointment

Each Director has entered into a letter of appointment with the Company and is subject to annual re-election by Shareholders. Directors are subject to election by Shareholders at the first Annual General Meeting after their appointment and thereafter at every subsequent Annual General Meeting. The following Directors held office during the year.

Director	Date of Appointment	Date of election/ re-election
Richard Davidson, Chairman	26 January 2019	AGM 2025
Jaz Bains	10 October 2022	AGM 2025
Patricia Dimond, Chair of the Audit Committee	3 March 2022	AGM 2025
Victoria Stewart	1 September 2020	AGM 2025
Martin Warner	1 March 2018	AGM 2025

Directors' Fees (Audited)

The emoluments of the Directors who served during the year were as follows.

Director	**Fees (Total Emoluments) 2024 £**	Fees (Total Emoluments) 2023 £
Richard Davidson, Chairman	**44,250**	41,460
Jaz Bains	**31,250**	28,927
Julia Le Blan (retired 2 March 2023)	**n/a**	5,732
Patricia Dimond, Chair of the Audit Committee	**36,600**	33,361
Victoria Stewart	**31,250**	29,300
Martin Warner	**31,059**	27,640
	174,409	166,420

Directors are remunerated exclusively by fixed fees and do not receive bonuses, share options, pension contributions or other benefits apart from the reimbursement of allowable expenses.

The following table shows the remuneration of the Directors in relation to distributions to Shareholders by way of dividends and share buy-backs.

	2024 £'000	2023 £'000	Absolute change £'000
Total Directors' remuneration	**174**	166	8
Total dividends in respect of that year	**41,620**	42,660	(1,040)
Total share buy-back consideration	**8,371**	11,641	(3,270)

The annual percentage change in Directors' remuneration is provided in the table below.

	2024	2023	2022	2021	2020
Chairman of the Company	6.7%	5.5%	5.0%	0.0%	1.8%
Director and Chair of the Audit Committee	6.7%	5.5%	5.0%	0.0%	1.5%
Director and Member of the Audit Committee	6.7%	5.5%	5.0%	0.0%	1.7%
Director	6.7%	5.5%	5.0%	0.0%	1.8%

The Company does not have any employees and hence no comparisons are given between Directors' and employees' pay increases.

Directors’ Remuneration Report

Statement of Directors’ Shareholdings and Share Interests (Audited)

The Directors who held office at any time during the year ended 31 December 2024 and their interests in the Shares of the Company as at that date and 1 January 2024 were as follows.

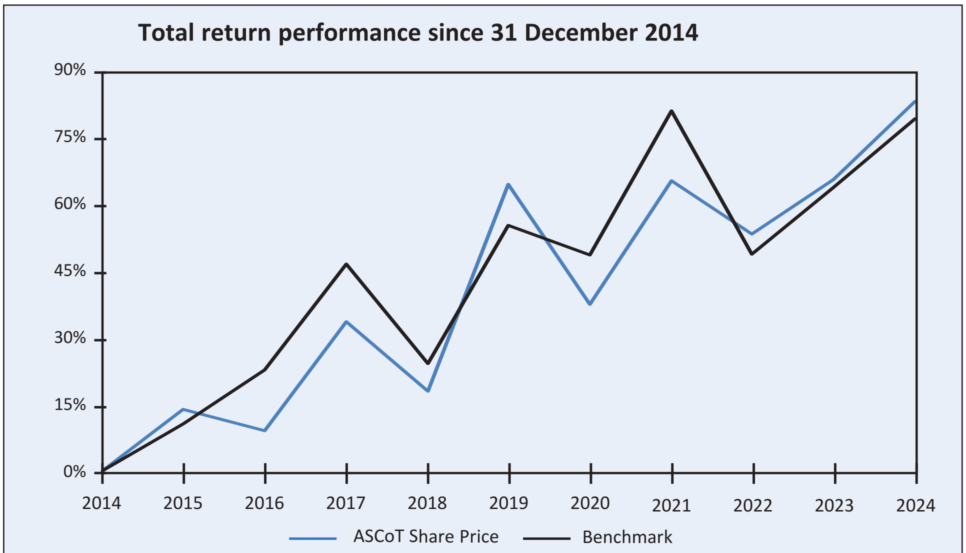
Directors	Nature of Interest	Ordinary Shares **31 December 2024**	 1 January 2024
Richard Davidson, Chairman	Beneficial	37,000	37,000
Jaz Bains	Beneficial	1,030	1,030
Patricia Dimond	Beneficial	10,008	10,008
Victoria Stewart	Beneficial	4,200	4,200
Martin Warner	Beneficial	–	2,000
	Non Beneficial	10,000	5,000

There has been no change in the beneficial or non-beneficial holdings of the Directors between 31 December 2024 and 30 January 2025. The Company has no share options or share schemes. Directors are not required to own shares in the Company.

Consideration of Shareholders’ Views and Statement of Voting

An ordinary resolution to approve the remuneration report is put to members at each Annual General Meeting. During the year no Shareholders have commented in respect of the remuneration report or policy. At the last Annual General Meeting held on 5 March 2024, Shareholders, on a poll, passed the resolution to approve the Directors’ Remuneration Report: of the 53,776,382 proxy votes, 53,726,304 were cast in favour, 22,271 were cast against and 27,807 votes were withheld. At the Annual General Meeting held on 2 March 2023, Shareholders, on a poll, passed the resolution to approve the Directors’ Remuneration Policy: of the proxy votes cast, 53,799,099 votes were cast in favour, 713,699 were cast against and 19,861 votes were withheld.

Share Price Performance



Note: For further information on the above graph, please refer to the Historical Total Returns tables on page 6.

This graph compares the performance of the Company’s share price with the Deutsche Numis Smaller Companies Index (excluding Investment Companies), on a total return basis (assuming all dividends reinvested) since 31 December 2014. This index has been selected for the purposes of comparing the Company’s share price performance as it has been the Company’s benchmark since inception.

The main influences on performance over the year are described in the Managers' 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, I confirm that the above Directors’ Remuneration Report summarises, as appropriate, for the year ended 31 December 2024:

(a) the major decisions on Directors’ remuneration;

(b) any substantial changes relating to Directors’ remuneration made during the year; and

(c) the context in which those changes occurred and decisions were taken.

On behalf of the Board

Richard Davidson

Chairman

30 January 2025

Directors’ Responsibility Statement

The Directors are required by law to prepare financial statements for each financial year in accordance with applicable law and regulations. The Directors are also required to prepare a Strategic Report, Directors’ Report, Directors’ Remuneration Report and Corporate Governance Statement.

The Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (Financial Reporting Standard 102 and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the Company will continue in business.

The Directors are responsible for keeping 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 that enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Annual Report is published on www.aberforth.co.uk, which is the website maintained by the Managers. The work undertaken by the auditor does not involve consideration of the maintenance and integrity of the website and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Declaration

Each of the Directors confirms to the best of their knowledge that:

(a) the financial statements, which have been prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;

(b) the Strategic Report includes 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 it faces; and

(c) the Annual Report, taken as a whole, is fair, balanced and understandable and provides information necessary for Shareholders to assess the Company’s position, performance, business model and strategy.

On behalf of the Board
Richard Davidson
Chairman

30 January 2025

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ABERFORTH SMALLER COMPANIES TRUST PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Aberforth Smaller Companies Trust plc ("the company"), for the year ended 31 December 2024, which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- Give a true and fair view of the state of the company's affairs as at 31 December 2024 and of its return for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our approach to the audit

We planned our audit by first obtaining an understanding of the company and its environment, including its key activities delegated by the Board to relevant approved third-party service providers and the controls over provision of those services.

We conducted our audit using information maintained and provided by Aberforth Partners LLP (the "Investment Manager", the "Company Secretary", and "Administrator"), NatWest Trustee & Depositary Services Limited (the "Depositary"), The Northern Trust Company (the "Custodian") and Link Group (the "Registrar") to whom the Company has delegated the provision of services.

We tailored the scope of our audit to reflect our risk assessment, taking into account such factors as the types of investments within the company, the involvement of the Administrator, the accounting processes and controls, and the industry in which the company operates.

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in the evaluation of the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Independent Auditor's Report

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

We summarise below the key audit matters in arriving at our audit opinion above, together with how our audit addressed these matters and the results of our audit work in relation to these matters.

Key audit matter	How our audit addressed the key audit matter and our conclusions
Valuation of listed investments As per page 37 (Report of the Audit Committee), page 53 (Accounting Policies) and Note 10. The valuation of the portfolio at 31 December 2024 was £1,497m (2023: £1,364m) and comprised entirely of listed equity investments. As this is the largest component of the Company's Statement of Financial Position and a key driver of the Company's net assets and total return, the valuation of the investments has been designated as a key audit matter, being one of the most significant assessed risks of material misstatement due to error. There is a further risk that investments held at fair value may not be actively traded and the quoted prices may not be reflective of their fair value.	We assessed controls reports provided by the custodian and administrator to evaluate the design of the process and implementation of key controls. We compared market prices applied to all investments held at 31 December 2024 to an independent third-party source and recalculated the investment valuations. We obtained average trading volumes from an independent third-party source for all quoted investments held at year end and assessed their liquidity. Where trading volumes indicated lower levels of liquidity we obtained management's active market assessment to ensure the year end fair value was appropriate. From our completion of these procedures, we identified no material misstatements in relation to the valuation of the investments.
Revenue recognition, including allocation of special dividends as revenue or capital returns As per page 37 (Report of the Audit Committee), page 53 (Accounting Policies) and Note 3. Income from investments recognised for the year to 31 December 2024 was £54.5m (2023: £56.4m) consisting solely of dividends received from listed investments. Revenue-based performance metrics are often one of the key performance indicators for stakeholders. The investment income received by the Company during the year directly impacts these metrics and the minimum dividend required to be paid by the Company. There is a risk that revenue is incomplete or inaccurate through failure to recognise income entitlements or failure to appropriately account for their treatment as revenue or capital. It has therefore been designated as a key audit matter being one of the most significant assessed risks of material misstatement due to fraud or error. Additionally, there is a further risk on the allocation of special dividends which require judgement on behalf of the Company and is a manual process. There is a risk that special dividends could be misallocated between capital or revenue given the allocation is dependent on the underlying circumstances of the investee companies' dividend payment.	We assessed controls reports provided by the administrator to evaluate the design of the process and implementation of key controls. We confirmed that income is recognised and disclosed in accordance with the AIC SORP by assessing the accounting policies. We recalculated 100% of dividends due to the Company based on investment holdings throughout the year and announcements made by investee companies. We agreed a sample of dividends received to bank statements. We assessed the completeness of the special dividend population with reference to third party market data. We determined whether special dividends recognised were revenue or capital in nature with reference to the underlying commercial circumstances of the investee companies' dividend payment. From our completion of these procedures, we identified no material misstatements in relation to revenue recognition, including allocation of special dividends as revenue or capital returns.

Independent Auditor's Report

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature and extent of our work and in evaluating the results of that work.

Materiality measure	
Materiality for the financial statements as a whole We have set materiality as 1% of net assets as we believe that net assets is the primary performance measure used by investors and is the key driver of shareholder value. We determined the measurement percentage to be commensurate with the risk and complexity of the audit and the company's listed status.	£13.97m (2023: £12.97m)
Performance materiality Performance materiality represents amounts set by the auditor at less than materiality for the financial statements as a whole, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In setting this we consider the company's overall control environment, our past experience of the audit that indicates a lower risk of material misstatements. Based on our judgement of these factors, we have set performance materiality at 75% of our overall financial statement materiality.	£10.48m (2023: £9.73m)
Specific materiality Recognising that there are transactions and balances of a lesser amount which could influence the understanding of users of the financial statements we calculate a lower level of materiality for testing such areas. Specifically, given the importance of the distinction between revenue and capital for the company, we also applied a separate testing threshold for the revenue column of the Income Statement, set as 5% of the net revenue return on ordinary activities before tax. We have set a specific materiality in respect of related party transactions and Directors' remuneration. We used our judgement in setting these thresholds and considered our past experience of the audit, the history of misstatements and industry benchmarks for specific materiality.	£2.38m (2023: £2.54m)
Audit Committee reporting threshold We agreed with the Audit Committee that we would report to them all differences in excess of 5% of overall materiality in addition to other identified misstatements that warranted reporting on qualitative grounds, in our view. For example, an immaterial misstatement as a result of fraud.	£0.70m (2023: £0.65m)

During the course of the audit, we reassessed initial materiality and found no reason to alter the basis of calculation used at year-end.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating management's method of assessing going concern, including consideration of the continuation vote and macro-economic uncertainties;
- Assessing and challenging the forecast cashflows and associated sensitivity modelling used by management in support of their going concern assessment by reference to supporting documentation, our own understanding of the company and the economic environment in which it operates, and the results of other audit work;
- Assessing the accuracy of management's forecasting by comparing the reliability of past forecasts to actual results;
- Performing arithmetical and consistency checks on management's base forecast;
- Reviewing the adherence to loan covenants in place based on the forecasts and considered the likelihood of these being breached in the future via the sensitivity analyses performed;
- Obtaining and recalculating management's assessment of the company's ongoing maintenance of investment trust status; and
- Assessing the adequacy of the company's going concern disclosures included in the Annual Report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor’s Report

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor’s report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Strategic Report and the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Strategic Report and the Directors’ Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors’ Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the company, 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; or
- A corporate governance statement has not been prepared by the company.

Corporate governance statement

We have reviewed the Directors’ statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the entity’s compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- The Directors’ statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 29 and 30;
- The Directors’ explanation as to its assessment of the company’s prospects, the period this assessment covers and why the period is appropriate set out on page 26;
- The Directors’ statement on fair, balanced and understandable set out on page 42;
- The Directors’ statement on whether it has a reasonable expectation that the company will be able to continue in operation and meets its liabilities set out on page 26;
- The Directors’ confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 24;
- The section of the Annual Report that describes the review of the effectiveness of risk management and internal control systems set out on pages 35 and 36; and
- The section describing the work of the Audit Committee set out on pages 36 to 38.

Independent Auditor’s Report

Responsibilities of Directors

As explained more fully in the Directors’ Responsibilities Statement set out on page 42, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Directors are responsible for assessing the 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 the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and the sector in which it operates, focusing on those provisions that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- Companies Act 2006;
- Financial Conduct Authority (FCA) listing and Disclosure Guidance and Transparency Rules (DTR);
- The principles of the UK Corporate Governance Code applied by the AIC Code of Corporate Governance (the “AIC Code”);
- Industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts (“the SORP”) issued in July 2022;
- The Company’s qualification as an Investment Trust under section 1158 of the Corporation Tax Act 2010; and
- Financial Reporting Standard 102.

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk. We identified a heightened fraud risk in relation to:

- Management override of controls
- The allocation of special dividends as revenue or capital returns.

Audit procedures performed in response to the risks relating to the allocation of special dividends as revenue or capital returns are set out in the section on key audit matters above, and audit procedures performed in response to the risk of management override of controls are included below.

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Performing audit procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, recalculating the investment management fee, evaluating the business rationale of significant transactions outside the normal course of business and assessing judgements made by management in their calculation of accounting estimates for potential management bias;
- Completion of appropriate checklists and use of our experience to assess the company's compliance with the Companies Act 2006 and the Listing Rules; and
- Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board on 3 March 2022 to audit the financial statements for the year ended 31 December 2022 and subsequent financial years. The period of our total uninterrupted engagement is three years, covering the years ended 31 December 2022 to 31 December 2024.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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.

Richard Sutherland (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP
Statutory Auditor
Edinburgh, United Kingdom
30 January 2025

(a) The maintenance and integrity of the Aberforth Partners LLP web site is the responsibility of the partners of Aberforth Partners LLP; the work carried out by the auditor of Aberforth Smaller Companies Trust plc does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income Statement

For the year ended 31 December 2024

	Note	2024 Revenue £'000	2024 Capital £'000	2024 Total £'000	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000
Net gains on investments	10	**–**	**116,364**	**116,364**	–	58,432	58,432
Investment income	3	**54,506**	**–**	**54,506**	56,423	–	56,423
Other income	3	**118**	**–**	**118**	91	–	91
Investment management fee	4	**(3,708)**	**(6,180)**	**(9,888)**	(3,350)	(5,583)	(8,933)
Portfolio transaction costs	5	**–**	**(2,179)**	**(2,179)**	–	(1,855)	(1,855)
Other expenses	5	**(858)**	**–**	**(858)**	(823)	–	(823)
Net return before finance costs and tax		**50,058**	**108,005**	**158,063**	52,341	50,994	103,335
Finance costs	6	**(2,427)**	**(4,045)**	**(6,472)**	(1,578)	(2,631)	(4,209)
Return on ordinary activities before tax		**47,631**	**103,960**	**151,591**	50,763	48,363	99,126
Tax on ordinary activities	7	**–**	**–**	**–**	(82)	–	(82)
Return attributable to equity shareholders		**47,631**	**103,960**	**151,591**	50,681	48,363	99,044
Returns per Ordinary Share	9	**56.59p**	**123.50p**	**180.09p**	59.79p	57.05p	116.84p

The Board declared on 30 January 2025 a final dividend of 30.00p per Ordinary Share and a special dividend of 6.00p per Ordinary Share. The Board declared on 26 July 2024 an interim dividend of 13.60p per Ordinary Share.

The total column of this statement is the profit and loss account of the Company. All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year. A Statement of Comprehensive Income is not required as all gains and losses of the Company have been reflected in the above statement.

The accompanying notes form an integral part of this statement.

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 December 2024

	Note	**Share capital £'000**	**Capital redemption reserve £'000**	**Special reserve £'000**	**Capital reserve £'000**	**Revenue reserve £'000**	**Total £'000**
Balance as at 31 December 2023		844	144	38,840	1,158,046	99,353	1,297,227
Return on ordinary activities after taxation		–	–	–	103,960	47,631	151,591
Equity dividends paid	8	–	–	–	–	(43,130)	(43,130)
Purchase of Ordinary Shares	14	(6)	6	(8,371)	–	–	(8,371)
Balance as at 31 December 2024		**838**	**150**	**30,469**	**1,262,006**	**103,854**	**1,397,317**

For the year ended 31 December 2023

	Note	Share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance as at 31 December 2022		853	135	50,481	1,109,683	89,718	1,250,870
Return on ordinary activities after taxation		–	–	–	48,363	50,681	99,044
Equity dividends paid	8	–	–	–	–	(41,046)	(41,046)
Purchase of Ordinary Shares	14	(9)	9	(11,641)	–	–	(11,641)
Balance as at 31 December 2023		844	144	38,840	1,158,046	99,353	1,297,227

The accompanying notes form an integral part of this statement.

Balance Sheet

As at 31 December 2024

	Note	**2024 £'000**	2023 £'000
Fixed assets			
Investments at fair value through profit or loss	10	**1,497,304**	1,363,980
Current assets			
Debtors	11	**2,874**	2,661
Cash at bank		**1,349**	2,734
		4,223	5,395
Creditors (amounts falling due within one year)	12	**(302)**	(305)
Net current assets		**3,921**	5,090
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,501,225**	1,369,070
Creditors (amounts falling due after more than one year)	13	**(103,908)**	(71,843)
TOTAL NET ASSETS		**1,397,317**	1,297,227
CAPITAL AND RESERVES: EQUITY INTERESTS			
Called up share capital	14	**838**	844
Capital redemption reserve	15	**150**	144
Special reserve	15	**30,469**	38,840
Capital reserve	15	**1,262,006**	1,158,046
Revenue reserve	15	**103,854**	99,353
TOTAL SHAREHOLDERS' FUNDS		**1,397,317**	1,297,227
Net Asset Value per Ordinary Share	16	**1,666.95p**	1,536.73p

Approved and authorised for issue by the Board of Directors on 30 January 2025 and signed on its behalf by:

Richard Davidson,
Chairman

Company Number: SC126524
Registered in Scotland

The accompanying notes form an integral part of this statement.

Cash Flow Statement

For the year ended 31 December 2024

	Note	2024 £'000	2023 £'000
Operating activities			
Net revenue return before finance costs and tax		**50,058**	52,341
Tax withheld from income	7	**–**	(82)
Investment management fee charged to capital	4	**(6,180)**	(5,583)
(Increase) in debtors		**(213)**	(516)
Increase in other creditors		**8**	–
Net cash inflow from operating activities		**43,673**	46,160
Investing activities			
Purchases of investments		**(307,701)**	(255,193)
Sales of investments		**288,596**	270,051
Cash (outflow)/inflow from investing activities		**(19,105)**	14,858
Financing activities			
Purchases of Ordinary Shares	14	**(8,371)**	(11,641)
Equity dividends paid	8	**(43,130)**	(41,046)
Interest and fees paid	17	**(6,452)**	(4,265)
Gross drawdowns of bank debt facilities (before any costs)	18	**79,000**	52,000
Gross repayments of bank debt facilities (before any costs)	18	**(47,000)**	(55,000)
Cash (outflow) from financing activities		**(25,953)**	(59,952)
Change in cash during the period		**(1,385)**	1,066
Cash at the start of the period		**2,734**	1,668
Cash at the end of the period		**1,349**	2,734

The accompanying notes form an integral part of this statement.

Notes to the Financial Statements

1 Significant Accounting Policies

A summary of the principal accounting policies adopted, all of which have been applied consistently throughout the year and the preceding year, is set out below.

(a) Basis of accounting

The financial statements have been presented under Financial Reporting Standard 102 ("FRS 102") and under the AIC's Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" ("SORP"). The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include the revaluation of the Company's investments as described below. The Directors' assessment of the basis of going concern is described on pages 29 and 30. The functional and presentation currency is pounds sterling, which is the currency of the environment in which the Company operates. The Board confirms that no critical accounting judgements or significant sources of estimation uncertainty have been applied to the financial statements and therefore there is not a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(b) Investments

The Company's investments have been categorised as "financial assets at fair value through profit or loss" as the Company's business is to invest in financial assets with a view to profiting from their total return in the form of capital growth and income. Quoted investments are valued at their fair value, which is represented by the closing bid price. Where trading in the securities of an investee company is suspended, the investment is valued at the Board's estimate of its fair value. Purchases and sales of investments are recognised and de-recognised on trade date. Gains and losses arising from changes in fair value are included in the capital return and transaction costs on acquisition or disposal of a security are expensed to the capital reserve.

(c) Income

Dividends receivable on quoted equity shares are accounted for on the ex dividend date as revenue, except where, in the opinion of the Board, the dividend is capital in nature, in which case it is treated as a return of capital. Where the Company has received its dividends in the form of additional shares rather than in cash, an amount equivalent to the cash dividend forgone is recognised as income. Any surplus or deficit in the value of the shares received compared to the cash dividend forgone is recognised as capital. Other income is accounted for on an accruals basis.

(d) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged to revenue except as follows.

- Expenses that are related to the acquisition and disposal of an investment are charged to capital.
- Expenses are charged to capital reserve where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect the investment management fee has been allocated 62.5% to capital reserve and 37.5% to revenue reserve, in line with the Board's expected long-term split of returns, in the form of capital gains and income respectively, from the investment portfolio of the Company.

(e) Bank borrowings and finance costs

The arrangement fee in relation to the £130 million bank debt facility is amortised over the expected life of the facility (with 62.5% allocated to capital reserve and 37.5% to revenue reserve) on a straight line basis. As borrowings carry a market rate of interest, they are recognised in the balance sheet at the outstanding balance advanced, less unamortised transaction costs.

Interest costs are accounted for on an accruals basis. Finance costs of debt, insofar as they relate to the financing of the Company's investments or to financing activities aimed at maintaining or enhancing the value of the Company's investments, are allocated 62.5% to capital reserve and 37.5% to revenue reserve, in line with the Board's expected long-term split of returns, in the form of capital gains and income respectively, from the investment portfolio of the Company.

(f) Capital reserve

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- increases and decreases in the valuation of investments held at the year end;
- gains on the return of capital by way of investee companies paying dividends that are capital in nature; and
- expenses, together with the related taxation effect, charged to this reserve in accordance with the above policies.

The part of this reserve represented by realised capital profits is available for distribution by way of share buy-backs but not by way of dividends.

(g) Special reserve

This reserve may be treated as distributable profits for all purposes, excluding the payment of dividends. The cost of purchasing Ordinary Shares for cancellation is accounted for in this reserve.

(h) Revenue reserve

This reserve represents the only reserve from which dividends can be funded.

(i) Capital Redemption Reserve

The nominal value of shares bought back for cancellation is added to this reserve. This reserve is presently not distributable.

(j) Share Capital

This relates to the number of shares in issue. When shares are bought back for cancellation, the nominal value is transferred to the Capital Redemption Reserve. Share Capital is not distributable.

(k) Taxation

UK corporation tax payable is provided on taxable profits at the current rate and the tax charge includes irrecoverable overseas tax suffered. Deferred tax assets, using substantially enacted tax rates, are only recognised if it is considered more likely than not that there will be suitable taxable profits from which the future reversal of deferred tax assets may be deducted.

Notes to the Financial Statements

2 Alternative Performance Measures

Alternative Performance Measures ("APMs") are measures that are not defined by FRS 102. The Company believes that APMs, referred to as "Key Performance Indicators" on page 4, provide Shareholders with important information on the Company and are appropriate for an investment trust company. These APMs are also a component of reporting to the Board. A glossary of APMs can be found on page 66.

3 Income

	2024 Revenue £'000	**2024 Capital £'000**	**2024 Total £'000**	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000
Income from investments						
UK dividends	**46,924**	**–**	**46,924**	48,250	–	48,250
Overseas dividends	**5,954**	**–**	**5,954**	7,003	–	7,003
Property income distributions	**1,628**	**–**	**1,628**	1,170	–	1,170
	54,506	**–**	**54,506**	56,423	–	56,423
Other income						
Interest income	**118**	**–**	**118**	91	–	91
Total income	**54,624**	**–**	**54,624**	56,514	–	56,514

Overseas dividends relate to investments in companies that are registered overseas. During the year the Company received special dividends amounting to £822,000 (2023: £3,979,000), of which £nil (2023: £nil) were considered a return of capital by the investee company.

4 Investment Management Fee

	2024 Revenue £'000	**2024 Capital £'000**	**2024 Total £'000**	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000
Investment management fee	**3,708**	**6,180**	**9,888**	3,350	5,583	8,933

Details of the investment management contract can be found on page 28.

5 Other Expenses and Portfolio transaction costs

	2024 £'000	2023 £'000
The following expenses (including VAT, where applicable) have been charged to revenue.		
Directors' fees (refer to Directors' Remuneration Report)	**174**	166
Depositary fee	**145**	125
Secretarial services	**138**	132
FCA and LSE listing fees	**112**	92
Custody and other bank charges	**70**	53
Registrar fee	**58**	57
Auditor's fee – audit of the financial statements	**43**	39
– for non-audit services	**–**	–
AIC fee	**22**	21
Directors' and Officers' liability insurance	**14**	15
Legal fees	**6**	31
Other expenses	**76**	92
	858	823

Notes to the Financial Statements

5 Other Expenses and Portfolio transaction costs *(continued)*

Expenses incurred in acquiring or disposing of investments classified at fair value through profit or loss, and charged to capital, are analysed below.

	2024 £'000	2023 £'000
Analysis of total purchases		
Purchase consideration before expenses	**305,859**	253,676
Commissions	**409**	432
Taxes	**1,467**	1,085
Total purchase expenses (a)	**1,876**	1,517
Total purchase consideration	**307,735**	255,193
Analysis of total sales		
Sales consideration before expenses	**288,899**	270,389
Commissions (b)	**(303)**	(338)
Total sale proceeds net of expenses	**288,596**	270,051
Total expenses incurred in acquiring/disposing of investments (a)-(b)	**2,179**	1,855

6 Finance Costs

		2024			2023	
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Interest/non-utilisation costs on bank borrowings	**2,403**	**4,004**	**6,407**	1,554	2,590	4,144
Amortisation of bank debt facility costs	**24**	**41**	**65**	24	41	65
	2,427	**4,045**	**6,472**	1,578	2,631	4,209

7 Taxation

Analysis of tax charged on return on ordinary activities		**2024**			2023	
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
UK corporation tax charge for the year (see below)	**–**	**–**	**–**	–	–	–

Factors affecting current tax charge for the year

The tax assessed for the period is lower than the standard rate of corporation tax in the UK for a large company. The differences are explained below.

Total returns on ordinary activities before tax	**47,631**	**103,960**	**151,591**	50,763	48,363	99,126
Corporation tax at 25% (2023: 25%)	**11,908**	**25,990**	**37,898**	12,691	12,091	24,782
Adjusted for the effects of:						
Non-taxable UK dividend income	**(11,731)**	**–**	**(11,731)**	(12,063)	–	(12,063)
Non-taxable overseas dividend income	**(1,489)**	**–**	**(1,489)**	(1,751)	–	(1,751)
Expenses not deductible for tax purposes	**–**	**545**	**545**	–	464	464
Excess expenses for which no relief has been taken	**1,312**	**2,556**	**3,868**	1,123	2,053	3,176
Non-taxable capital (gains)	**–**	**(29,091)**	**(29,091)**	–	(14,608)	(14,608)
UK corporation tax charge for the year	**–**	**–**	**–**	–	–	–
Irrecoverable overseas taxation suffered	**–**	**–**	**–**	82	–	82
Total tax charge for the year	**–**	**–**	**–**	82	–	82

The Company has not recognised a potential asset for deferred tax of £49,385,000 (2023: £45,507,000) in respect of unutilised management expenses because it is unlikely that there will be suitable taxable profits from which the future reversal of a deferred tax asset may be deducted. The potential deferred tax asset has been calculated using a corporation tax rate of 25% (2023: 25%).

Notes to the Financial Statements

8 Dividends

	2024 £'000	2023 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2023 of 28.55p (2022: 26.95p) paid on 8 March 2024	**24,091**	23,000
Special dividend for the year ended 31 December 2023 of 9.00p (2022: 8.30p) paid on 8 March 2024	**7,595**	7,084
Interim dividend for the year ended 31 December 2024 of 13.60p (2023: 12.95p) paid on 29 August 2024	**11,444**	10,962
	43,130	41,046
Amounts not recognised in the period:		
Final dividend for the year ended 31 December 2024 of 30.00p (2023: 28.55p) payable on 10 March 2025	**25,147**	24,101
Special dividend for the year ended 31 December 2024 of 6.00p (2023: 9.00p) payable on 10 March 2025	**5,029**	7,597
	30,176	31,698

The final and special dividends have not been included as liabilities in the financial statements for 2024 and 2023.

9 Returns per Ordinary Share

The returns per Ordinary Share are based on:

	2024	2023
Returns attributable to Ordinary Shareholders	**£151,591,000**	£99,044,000
Weighted average number of shares in issue during the year	**84,175,009**	84,766,084
Returns per Ordinary Share	**180.09p**	116.84p

There are no dilutive or potentially dilutive shares in issue.

10 Investments

	2024 £'000	2023 £'000
Opening fair value	**1,363,980**	1,322,261
Opening fair value adjustment	**188,097**	186,804
Opening book cost	**1,552,077**	1,509,065
Purchases at cost	**305,859**	253,676
Sale proceeds	**(288,899)**	(270,389)
Realised gains on sales	**114,531**	59,725
Closing book cost	**1,683,568**	1,552,077
Closing fair value adjustment	**(186,264)**	(188,097)
Closing fair value	**1,497,304**	1,363,980

All investments are in ordinary shares listed on the London Stock Exchange unless otherwise stated on pages 18 to 20.

	2024 £'000	2023 £'000
Gains/(losses) on investments:		
Net realised gains on sales	**114,531**	59,725
Movement in fair value adjustment	**1,833**	(1,293)
Net gains on investments	**116,364**	58,432

The company received £288,899,000 (2023: £270,389,000) from investments sold in the year. The book cost of these investments was £174,368,000 (2023: £210,664,000). 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.

Notes to the Financial Statements

10 Investments *(continued)*

In accordance with FRS 102 fair value measurements have been classified using the fair value hierarchy:

Level 1 - using unadjusted quoted prices for identical instruments in an active market;
Level 2 - using inputs, other than quoted prices included within Level 1, that are directly or indirectly observable (based on market data); and
Level 3 - using inputs that are unobservable (for which market data is unavailable).

Investments held at fair value through profit or loss

As at 31 December 2024	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Listed equities	**1,497,304**	**–**	**–**	**1,497,304**
Unlisted equities	**–**	**–**	**–**	**–**
Total financial asset investments	**1,497,304**	**–**	**–**	**1,497,304**

As at 31 December 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	1,363,980	–	–	1,363,980
Unlisted equities	–	–	–	–
Total financial asset investments	1,363,980	–	–	1,363,980

11 Debtors

	2024 £'000	2023 £'000
Investment income receivable	**2,794**	2,593
Taxation recoverable	**47**	40
Other debtors	**33**	28
Total	**2,874**	2,661

12 Creditors: amounts falling due within one year

	2024 £'000	2023 £'000
Interest/non-utilisation costs on bank borrowings	**162**	207
Other creditors	**106**	98
Amounts due to brokers	**34**	–
Total	**302**	305

The Company has an uncommitted overdraft credit facility of £20 million with The Northern Trust Company. The interest rate applying to overdrawn balances is 1.4% over the UK Base Rate. In addition, an annual administration fee of £15,000 is incurred in respect of the facility. No amounts were drawn under this facility at 31 December 2024 or 31 December 2023.

13 Creditors: amounts falling due after more than one year

	2024 £'000	2023 £'000
Bank debt facility	**104,000**	72,000
Less: Unamortised costs on bank debt facility	**(92)**	(157)
Total	**103,908**	71,843

On 19 May 2023, the Company refinanced its existing three year unsecured £130 million Facility Agreement with The Royal Bank of Scotland International Limited. A 0.15% arrangement fee was paid on entering into the agreement and is being amortised over the expected life of the facility. Under the facility, all funds drawn down attract interest at a margin of 1.15% over SONIA equivalent. A non-utilisation fee of 0.5% is also payable on any undrawn element. The facility is due to expire on 15 June 2026.

The main covenant under the facility requires that, every month, total borrowings shall not exceed 25% of the Company's total adjusted gross assets. There were no breaches of the covenants during the year. As at 31 December 2024, total borrowings represented 6.9% (2023: 5.3%) of total adjusted gross assets (as defined by Facility Agreement).

Notes to the Financial Statements

14 Share Capital

	2024 No. of Shares	2024 £'000	2023 No. of Shares	2023 £'000
Authorised:				
Ordinary Shares of 1p	**333,299,254**	**3,333**	333,299,254	3,333
Allotted, issued and fully paid:				
Ordinary Shares of 1p	**83,824,605**	**838**	84,414,605	844

During the year, the Company bought back and cancelled 590,000 shares (2023: 930,000) at a total cost of £8,371,000 (2023: £11,641,000). During the period 1 January to 30 January 2025, 520,500 shares have been bought back for cancellation.

15 Capital and Reserves

	Share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 December 2022	**853**	**135**	**50,481**	**1,109,683**	**89,718**	**1,250,870**
Net gains on sale of investments	–	–	–	59,725	–	59,725
Movement in fair value adjustment	–	–	–	(1,293)	–	(1,293)
Cost of investment transactions	–	–	–	(1,855)	–	(1,855)
Management fees charged to capital	–	–	–	(5,583)	–	(5,583)
Finance costs charged to capital	–	–	–	(2,631)	–	(2,631)
Special dividends taken to capital	–	–	–	–	–	–
Revenue return attributable to equity shareholders	–	–	–	–	50,681	50,681
Equity dividends paid	–	–	–	–	(41,046)	(41,046)
Purchase of Ordinary Shares	(9)	9	(11,641)	–	–	(11,641)
At 31 December 2023	**844**	**144**	**38,840**	**1,158,046**	**99,353**	**1,297,227**
Net gains on sale of investments	–	–	–	114,531	–	114,531
Movement in fair value adjustment	–	–	–	1,833	–	1,833
Cost of investment transactions	–	–	–	(2,179)	–	(2,179)
Management fees charged to capital	–	–	–	(6,180)	–	(6,180)
Finance costs charged to capital	–	–	–	(4,045)	–	(4,045)
Special dividends taken to capital	–	–	–	–	–	–
Revenue return attributable to equity shareholders	–	–	–	–	47,631	47,631
Equity dividends paid	–	–	–	–	(43,130)	(43,130)
Purchase of Ordinary Shares	(6)	6	(8,371)	–	–	(8,371)
At 31 December 2024	**838**	**150**	**30,469**	**1,262,006**	**103,854**	**1,397,317**

The capital reserve includes a closing fair value adjustment, representing unrealised gains/(losses) on investments of £(186,264,000) (2023: £(188,097,000)).

16 Net Asset Value per Share

The Net Asset Value per Share and the net assets attributable to the Ordinary Shares at the year end are calculated in accordance with their entitlements in the Articles of Association and were as follows.

	2024	2023
Net assets attributable	**£1,397,317,000**	£1,297,227,000
Ordinary Shares in issue at the end of year	**83,824,605**	84,414,605
Net Asset Value per Ordinary Share	**1,666.95p**	1,536.73p
Dividend reinvestment factor (defined in glossary) as an alternative performance measure	**1.033876**	1.032024
Net Asset Value Total Return basis (defined in the glossary as an alternative performance measure)	**1,723.42p**	1,585.94p

The net asset value total return for the year ended 31 December 2024 is the percentage movement from the net asset value as at 31 December 2023 of 1,536.73p (31 December 2022: 1,465.67p) to the net asset value, on a total return basis, at 31 December 2024 of 1,723.42p (31 December 2023: 1,585.94p), which is 12.1% (2023: 8.2%).

17 Interest and Finance Costs Paid

	2024 £'000	2023 £'000
Interest/non-utilisation costs on bank debt facility	**6,452**	4,070
Bank debt facility fee	**–**	195
Total	**6,452**	4,265

18 Analysis of changes in net debt

	Net debt at 1 January 2024 £'000	Cash flow £'000	Other non-cash movements £'000	Net debt at 31 December 2024 £'000
Cash at bank	2,734	(1,385)	–	1,349
Bank debt facility	(72,000)	(32,000)	–	(104,000)
Bank debt facility fee (see note 13)	157	–	(65)	92
Total	(69,109)	(33,385)	(65)	(102,559)

19 Financial instruments and risk management

The Company's financial instruments comprise its investment portfolio (see pages 18 to 20), cash balances, bank debt facilities, debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement, and accrued income. Bank debt facilities are utilised when the Board and Managers believe it is in the interest of the Company to gear the portfolio. Note 1 sets out the significant accounting policies, including the basis of measurement applied for significant financial instruments, principally investments, excluding cash at bank, which is carried at fair value. Note 1 also includes the basis on which income and expenses arising from financial assets and liabilities are recognised and measured.

The main risks that the Company faces arising from its financial instruments are as follows.

(i) *Interest rate risk* is the risk that the interest receivable/payable and the market value of investment holdings may fluctuate because of changes in market interest rates. The Company's investment portfolio is not directly exposed to interest rate risk.

(ii) *Liquidity risk* is the risk that the Company will encounter difficulty raising funds to meet its cash commitments as they fall due. Liquidity risk may result from either the inability to sell financial instruments quickly at their fair values or from the inability to generate cash inflows as required.

(iii) *Credit risk* is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company.

(iv) *Market price risk* is the risk that the market value of investment holdings will fluctuate as a result of fluctuations in market prices caused by factors other than interest rate or currency rate movement.

The Company's financial instruments are all denominated in sterling and therefore the Company is not directly exposed to significant currency risk. However, it is recognised that most investee companies, whilst listed in the UK, are exposed to global economic conditions and currency fluctuations.

(i) Interest rate risk

The Company's policy is to hold cash in variable rate bank accounts and not usually to invest in fixed rate securities. Cash deposit balances are held on variable rate bank accounts yielding 0.18% as at 31 December 2024 (2023: 0.28%).

The Company has a bank debt facility of £130,000,000 of which £104,000,000 was drawn down as at 31 December 2024 (2023: debt facility of £130,000,000, of which £72,000,000 was drawn down). Further details of this facility can be found in Note 13.

If SONIA equivalent and the bank base rate had been 1% point higher at 31 December 2024, the impact on the profit or loss and therefore Shareholders' funds would have been negative £1,040,000 per annum (2023: negative £720,000). If SONIA equivalent and the bank base rate had been 1% point lower at 31 December 2024, the impact on the profit or loss and therefore Shareholders' funds would have been a positive £1,040,000 per annum (2023: positive £720,000). There would be no direct impact on the portfolio valuation. The calculations are based on the bank facility drawn down and cash balances as at the respective balance sheet dates and are not representative of the year as a whole and assume all other variables remain constant. The level of change is considered to be a reasonable illustration based on current market conditions.

Notes to the Financial Statements

19 Financial instruments and risk management *(continued)*

(ii) Liquidity risk

The Company's assets comprise mainly readily realisable equity securities, which are typically all Level 1 assets and actively traded. Whilst less liquid than larger quoted companies, the portfolio is well diversified by both number of holdings and industry sector. Short term funding flexibility can be achieved through the use of bank debt facilities. The Company's current liabilities all have a remaining contractual maturity of less than three months with the exception of the bank debt facility.

(iii) Credit risk

The Company invests in UK equities traded on the London Stock Exchange. Investment transactions are carried out with a number of FCA regulated brokers, with trades typically undertaken on a delivery versus payment basis and on a short settlement period.

The investment portfolio assets of the Company, which at 31 December 2024 amounted to £1,497,304,000 (2023: £1,363,980,000), are held by The Northern Trust Company, the Company's custodian, in a segregated account. In the event of the bankruptcy or insolvency of Northern Trust the Company's rights with respect to the securities held by the custodian may be delayed or limited. The Secretaries and the Depositary monitor the Company's risk by reviewing Northern Trust's credit ratings and their internal control report. Cash at bank is held with reputable banks with acceptable external credit ratings. Outstanding investment income is reconciled to receipts on payment date.

The exposure to credit risk, other than as described above in respect of investment portfolio assets, at the year-end comprises the following.

	2024 **£'000**	2023 £'000
Investment income receivable	**2,794**	2,593
Taxation recoverable	**47**	40
Cash at bank	**1,349**	2,734
Total	**4,190**	5,367

(iv) Market price risk

The Company's investment portfolio is exposed to market price fluctuations, which are monitored by the Managers in pursuance of the investment objective. Further information on the investment portfolio is set out in the Managers' Report on pages 7 to 13. It is not the Managers' policy to use derivatives or hedging instruments to manage market price risk.

If the investment portfolio valuation fell by 10% at 31 December 2024, the impact on the profit or loss and therefore Shareholders' funds would have been negative £149.7m (2023: negative £136.4m). If the investment portfolio valuation rose by 10% at 31 December 2024, the impact on the profit or loss and therefore Shareholders' funds would have been positive £149.7m (2023: positive £136.4m). The calculations are based on the portfolio valuation as at the respective balance sheet dates, are not representative of the year as a whole and assume all other variables remain constant. The level of change is considered to be a reasonable illustration based on historical stockmarket volatility.

As at 31 December 2024, the investment portfolio consisted of investments valued at their bid price, which represents fair value. Any cash balances, which are held in variable rate bank accounts, can be withdrawn on demand with no penalty.

Maturity profile of the Company's financial liabilities
As at 31 December 2024

(All in £'000)	Due or due no later than 1 month	Due between 1 and 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Liabilities:						
Bank debt facility and unamortised costs	**162**	**–**	**–**	**103,908**	**–**	**104,070**
Amount due to brokers	**34**	**–**	**–**	**–**	**–**	**34**
Other creditors	**–**	**106**	**–**	**–**	**–**	**106**
Total liabilities	**196**	**106**	**–**	**103,908**	**–**	**104,210**

Notes to the Financial Statements

19 Financial instruments *(continued)*

As at 31 December 2023

(All in £'000)	Due or due no later than 1 month	Due between 1 and 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Liabilities:						
Bank debt facility and unamortised costs	207	–	–	71,843	–	72,050
Other creditors	–	98	–	–	–	98
Total liabilities	207	98	–	71,843	–	72,148

Cash flows payable under financial liabilities by remaining contractual maturities

As at 31 December 2024

(All in £'000)	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Bank debt facility	**–**	**1,534**	**4,689**	**106,830**	**–**	**113,053**
Amount due to brokers	**–**	**34**	**–**	**–**	**–**	**34**
Interest/non-utilisation costs on bank borrowings	**–**	**162**	**–**	**–**	**–**	**162**
Other creditors	**–**	**106**	**–**	**–**	**–**	**106**
Total	**–**	**1,836**	**4,689**	**106,830**	**–**	**113,355**

As at 31 December 2023

(All in £'000)	On demand	Due within 3 months	Due between 3 and 12 months	Due between 1 and 5 years	Due after 5 years	Total
Bank debt facility	–	1,208	3,652	72,000	–	76,860
Interest/non-utilisation costs on bank borrowings	–	207	–	–	–	207
Other creditors	–	98	–	–	–	98
Total	–	1,513	3,652	72,000	–	77,165

Capital Management

The Company's capital management objectives are to support the Company's investment objective and to ensure that the Company will be able to continue as a going concern.

This is achieved through the appropriate balance of equity capital and borrowings. The capital of the Company is its share capital and reserves as set out in notes 14 and 15 together with its borrowings (see note 13). Borrowing parameters are set by the Board in conjunction with the Managers and the bank debt facility is used tactically in order to enhance returns. The Company has the authority to buy back its own shares and activity during the year is detailed in note 14. The Company does not have any externally imposed capital requirements other than the covenants on its bank debt facility as set out in note 13.

20 Related Party Transactions

The Directors have been identified as related parties and their fees and shareholdings are detailed in the Directors' Remuneration Report on pages 40 and 41. During the year no Director was interested in any contract or other matter requiring disclosure under section 412 of the Companies Act 2006.

21 Contingencies, guarantees, financial commitments and contingent assets

The Company had no contingencies, guarantees or financial commitments as at 31 December 2024 (2023: nil).

22 Company information

Aberforth Smaller Companies Trust plc is a closed-ended investment company, registered in Scotland No SC126524, with its Ordinary Shares listed on the London Stock Exchange. The address of the registered office is 14 Melville Street, Edinburgh, EH3 7NS.

Notice of the Annual General Meeting

Notice is hereby given that the thirty-fourth Annual General Meeting of Aberforth Smaller Companies Trust plc will be held at 14 Melville Street, Edinburgh on 6 March 2025 at 10.30 a.m. for the following purposes.

To consider and, if thought fit, pass the following Ordinary Resolution.

1. That the Report and Financial Statements for the year ended 31 December 2024 be adopted.
2. That the Directors' Remuneration Report for the year ended 31 December 2024 be approved.
3. That a final dividend of 30.00p per share and a special dividend of 6.00p per share be approved.
4. That Richard Davidson be re-elected as a Director.
5. That Jaz Bains be re-elected as a Director.
6. That Patricia Dimond be re-elected as a Director.
7. That Victoria Stewart be re-elected as a Director.
8. That Martin Warner be re-elected as a Director.
9. That Johnston Carmichael LLP be re-appointed as Independent Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which the Financial Statements are laid before the Company.
10. That the Audit Committee be authorised to determine the remuneration of the Independent Auditor for the year to 31 December 2025.

To consider and, if thought fit, pass the following Special Resolution.

11. That pursuant to and in accordance with its Articles of Association and in substitution for any existing authority, the Company be and is hereby 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 1p each in the capital of the Company ("Shares"), provided that:
    - (a) the maximum number of Shares hereby authorised to be purchased shall be 12,487,285 (or, if less, 14.99% of the issued share capital of the Company on the date on which this resolution is passed);
    - (b) the minimum price which may be paid for a Share shall be 1p being the nominal value of a Share;
    - (c) the maximum price (exclusive of expenses) which may be paid for a Share shall be the higher of (i) 5% above the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for the Shares for the five business days immediately preceding the date of purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out; and
    - (d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 31 July 2026 or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2026, save that the Company may, prior to such expiry, enter into a contract to purchase Shares under such authority which will or might be executed wholly or partly after the expiry of such authority and may make a purchase of Shares pursuant to any such contract.

By Order of the Board

Aberforth Partners LLP, *Secretaries*
30 January 2025

Notice of the Annual General Meeting

1. Attending the Annual General Meeting in Person and Voting

A member who is entitled to vote at this meeting is entitled to appoint one or more proxies to attend, speak and vote on their behalf. Such a proxy need not also be a member of the Company. Shareholders are encouraged to submit their votes by proxy in advance of the meeting.

To be entitled to vote at the Annual General Meeting (and for the purpose of determining the votes they may cast), members must be registered in the Company's register of members at close of business on 4 March 2025 (or, if the Annual General Meeting is adjourned, at close of business on the day two days (excluding non-working days) prior to the adjourned meeting). Changes to the register of members after the relevant deadline will be disregarded in determining the rights of any person to vote at the Annual General Meeting.

2. Appointment of Proxy

A Form of Proxy for use by Shareholders is enclosed. Shareholders are strongly encouraged to appoint the Chairman of the meeting as their proxy to vote on their behalf. Completed Forms of Proxy should be returned to the Registrar, MUFG Corporate Markets (formerly named Link Group), PXS 1, Central Square, 29 Wellington Street, Leeds, LS1 4DL. To register a vote electronically, log on to the Registrar's website at www.signalshares.com and follow the instructions on screen.

A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. To appoint more than one proxy, please contact the Registrar of the Company. If a member submits more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

To be valid the proxy form must be completed and lodged, together with the power of attorney or authority (if any) under which it is signed, or a notarially certified copy of such power of authority, with the Registrar of the Company no later than 48 hours (excluding non-working days) before the time set for the meeting, or any adjourned meeting.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on 6 March 2025 and any adjournment(s) thereof by using the procedures described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent, MUFG Corporate Markets (formerly named Link Group) (CREST Participant ID: RA10), no later than 48 hours before the time appointed for the meeting. Unless otherwise indicated on the Form of Proxy, CREST or any other electronic voting instruction, the proxy will vote as they think fit or, at their discretion, withhold from voting.

3. Questions and Answers

The Board continues to welcome questions from Shareholders in respect of the AGM. However, it asks Shareholders to submit any questions to the Board by email, to the following address enquiries@aberforth.co.uk before close of business on 4 March 2025. In the event the AGM proceeds in its usual format as currently anticipated, pursuant to section 319A of the Companies Act 2006, the Company must provide an answer to any question that is put by a member attending the AGM relating to the business being considered, except if a response would not be in the interest of the Company or for the good order of the meeting or if to do so would involve the disclosure of confidential information. The Company may, however, elect to provide an answer to a question within a reasonable period of days after the conclusion of the Annual General Meeting.

4. Total Voting Rights

As at 30 January 2025, the latest practicable date prior to publication of this document, the Company had 83,304,105 Ordinary Shares in issue with a total of 83,304,105 voting rights.

5. Information on the Company's Website

In accordance with section 311A of the Companies Act 2006, this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the Annual General Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Managers' website www.aberforth.co.uk.

6. Nominated Persons

Any 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 such person and the Shareholder nominating such person, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise such right, the Nominated Person may, under any such agreement, have a right to give instructions to the registered Shareholder as to the exercise of voting rights.

7. Audit concerns

The members of the Company may require the Company (without payment) to publish, on the website, a statement, which is also to be passed to the auditor, setting out any matter relating to the audit of the Company's accounts, including the auditor's report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5% of the total voting rights of the Company or 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 registered address of the Company.

Shareholder Information

Introduction
Aberforth Smaller Companies Trust plc is an Investment Trust whose shares are traded on the London Stock Exchange.

Shareholder Register Enquiries
All administrative enquiries relating to shareholders such as queries concerning holdings, dividend payments, notification of change of address, loss of certificate or requests to be placed on a mailing list should be addressed to the Company's Registrar. Contact details are shown on the inside back cover.

Payment of Dividends
To ensure that dividends are received as quickly as possible the Company's Registrar may be instructed to pay them directly into a bank account; tax vouchers are then mailed to shareholders separately. This method also avoids the risk of dividend cheques being delayed or lost in the post. The Company also operates a Dividend Re-investment Plan to allow shareholders to use their cash dividends to buy shares easily and at a low cost via the Company's Registrar from whom the necessary forms are available.

Electronic Communications
Shareholders can choose to receive communications (including the Annual and Interim reports) from the Company in electronic form. This method may be more convenient and secure for many Shareholders, reduces costs and has environmental benefits. To use this service, Shareholders can register and provide their email address on the Registrar's share portal at www.signalshares.com. Thereafter, Shareholders will receive an email providing the website address link to the relevant document(s). After registering, Shareholders will be able to request paper copies in the future.

Sources of Further Information
Shareholders can find up-to-date information about the Company on the Managers' website at www.aberforth.co.uk. This includes items such as the latest net asset value, share price and stock exchange announcements, as well as information relating to the portfolio, management fee and dividend history. Other websites containing useful information on the Company include www.trustnet.com, www.theaic.co.uk and www.ft.com. The price of the Ordinary shares is also quoted daily in the Financial Times newspaper.

How to Invest
The Company's Ordinary Shares are traded on the London Stock Exchange. They can be bought or sold by placing an order with a stockbroker, by asking a professional adviser to do so, or through most banks. The Company's Managers, Aberforth Partners LLP, do not offer any packaged products such as ISAs, Savings Schemes or Pension Plans.

Security Codes (Ordinary Shares)

SEDOL	Bloomberg	Reuters	GIIN	Legal Entity Identifier
0006655	ASL LN	ASL.L	U6SSZS.99999.SL.826	213800GZ9WC73A92Q326

Continuation Vote
The Company has no fixed duration. However, in accordance with the Articles of Association, an ordinary resolution will be proposed at the Annual General Meeting to be held in 2026 (and at every third subsequent Annual General Meeting) that the Company continues to manage its affairs as an investment trust.

Retail Distribution/NMPI Status
The Company's shares are intended for UK investors including retail investors, professionally advised private clients and institutional investors who are seeking exposure to smaller companies in the United Kingdom, and who understand and are willing to accept the risks of exposure to equities.

The Company currently conducts its affairs, and intends to continue to conduct its affairs, so that its Ordinary Shares can be recommended by Independent Financial Advisers ("IFAs") to ordinary retail investors in accordance with the rules of the Financial Conduct Authority ("FCA") in relation to non-mainstream pooled investment ("NMPI") products. The Company's Ordinary Shares are excluded from the FCA's restrictions that apply to NMPI products because they are shares in an investment trust.

Please note that past performance is not a guide to the future. Your investment may be at risk as the value of investments may go down as well as up and is not guaranteed. Therefore you may not get back the amount originally invested.

Individual Savings Accounts (ISA) Status
The Company's Ordinary Shares are eligible for inclusion in the "Stocks and Shares" component of an ISA.

AIC
The Company is a member of The Association of Investment Companies, which produces detailed monthly information on the majority of investment trusts. This can be obtained by contacting The Association of Investment Companies, 9th Floor, 24 Chiswell Street, London EC1Y 4YY; website: www.theaic.co.uk; tel: 020 7282-5555.

Shareholder Information

Financial Calendar

Dividends in respect of the year ended 31 December 2024

	Interim	Special	Final
Rate per Share:	13.60p	6.00p	30.00p
Ex Dividend:	8 August 2024	6 February 2025	6 February 2025
Record date:	9 August 2024	7 February 2025	7 February 2025
Pay date:	29 August 2024	10 March 2025	10 March 2025

Half Yearly Report	Published late July/early August
Annual Report and Financial Statements	Published late January/early February
Annual General Meeting	6 March 2025
Publication of Net Asset Values	Daily (via the Managers' website)

Alternative Investment Fund Managers Directive ("AIFMD")

The Company has appointed Aberforth Partners LLP as its alternative investment fund manager ("AIFM"). In accordance with the AIFMD, information in relation to the Company's leverage is required to be made available to Shareholders. The Company's maximum and actual leverage levels as at 31 December 2024 are shown below. There have been no changes to, or breaches of, the maximum level of leverage employed by the Company.

	2024		2023	
Leverage Exposure (refer to the Glossary)	**Commitment Method**	**Gross Method**	Commitment Method	Gross Method
Maximum limit	**2.00:1**	**2.00:1**	2.00:1	2.00:1
Actual	**1.07:1**	**1.07:1**	1.05:1	1.05:1

Furthermore, in accordance with the Directive, the AIFM's remuneration policy and the numerical disclosures in respect of the AIFM's relevant reporting period (year ended 30 April 2024) are available on request from Aberforth Partners.

Automatic Exchange of Information

The OECD Common Reporting Standard for Automatic Exchange of Financial Account information ('Common Reporting Standard') requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. Accordingly Aberforth Smaller Companies Trust plc provides information annually to the local tax authority on the tax residencies of a number of non-UK based certificated Shareholders and corporate entities.

All new Shareholders, excluding those whose shares are held in CREST, who come on to the share register will be sent a certification form for the purposes of collecting this information.

For further information, please see HMRC's *Quick Guide: Automatic Exchange of Information – information for account holders* https://www.gov.uk/government/publications/exchange-of-information-account-holders.

Beware of Share Fraud

Investment scams are designed to look like genuine investment opportunities. You might have been contacted by fraudsters if you have been contacted out of the blue, promised tempting returns and told the investment is safe, called repeatedly or told the offer is only available for a limited time. Shareholders may receive unsolicited phone calls or correspondence concerning investment matters that imply a connection to the Company. These may be from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares. Shareholders may also be advised that there is an imminent offer for the Company, and the caller may offer to buy shares at significantly above the market price if an administration fee is paid. Shareholders should treat all such approaches with caution.

You can find more information about investment scams at the Financial Conduct Authority (FCA) website:
www.fca.org.uk/consumers/protect-yourself-scams. You can also call the FCA Consumer Helpline on 0800 111 6768.

Shareholder Information

Glossary of UK GAAP Measures

Net Asset Value, also described as Shareholders' Funds, is the value of total assets less all liabilities. The Net Asset Value, or NAV, per Ordinary Share is calculated by dividing this amount by the total number of Ordinary Shares in issue.

Glossary of Alternative Performance Measures

Benchmark Total Return is the return on the benchmark, on a closing market price basis, assuming that all dividends received were reinvested into the shares of the underlying companies at the time their shares were quoted ex dividend. Further information on the Company's benchmark, the Deutsche Numis Smaller Companies Index (excluding Investment Companies), can be found on page 22.

Discount is the amount by which the stockmarket price per Ordinary Share is lower than the Net Asset Value, or NAV, per Ordinary Share. The discount is normally expressed as a percentage of the NAV per Ordinary Share. The opposite of a discount is a premium.

Gearing represents the amount by which total investments exceed Shareholders' Funds, expressed as a percentage of Shareholders' Funds. If stockmarkets rise, gearing can increase the Company's returns, but, if they fall, losses will be greater. If the amount calculated is a negative percentage then total investments are less than Shareholders' Funds.

Net Asset Value Total Return represents the theoretical return on NAV per Ordinary Share, assuming that dividends paid to shareholders were reinvested at the NAV per Ordinary Share at the close of business on the day the shares were quoted ex dividend (see note 16 on page 58 for details of the calculation).

Ongoing Charges represent the total cost of investment management fees and other expenses of £10,746,000 (2023: £9,756,000), as disclosed in the Income Statement, as a percentage of the average published net asset value of £1,380,735,000 (2023: £1,230,925,000) over the period, and are calculated in accordance with the guidelines issued by the AIC.

Portfolio Turnover is calculated by summing the lesser of purchases and sales over a one year period divided by the average portfolio value for that period.

Share Price Total Return represents the theoretical return to a Shareholder, on a closing market price basis, assuming that all dividends received were reinvested, without transaction costs, into the Ordinary Shares of the Company at the close of business on the day the shares were quoted ex dividend. The share price as at 31 December 2024 was 1,470.00p (2023: 1,378.00p) and dividends, which went ex dividend during the year (see note 8 on page 56) were 51.15p (2023: 48.20p). The dividend reinvestment factor was 1.037541 (2023: 1.036373). The share price total return was therefore 10.7% (2023: 8.0%), being the percentage derived from the closing share price, adjusted by the dividend reinvestment factor, divided by the closing share price at the previous year end.

Other Glossary Terms

Active share ratio is calculated by summing the absolute differences between a portfolio's weight in a stock and an index's weight in a stock for all the stocks in the portfolio or index. The total is then divided by two to give a ratio between 0% and 100%. Active Share is addressed in "How Active Is Your Fund Manager?" (Antti Petajisto and Martijn Cremers, Yale School of Management, 2009).

Dividend Reinvestment Factor is calculated on the assumption that dividends paid by the Company were reinvested into Ordinary Shares of the Company at the NAV per Ordinary Share or share price, as appropriate, on the day the Ordinary Shares were quoted ex dividend.

Leverage, for the purposes of the AIFM Directive, is any method that increases the Company's exposure to stockmarkets whether through borrowings, derivatives or any other means. It is expressed as a ratio of the Company's exposure to its NAV. In summary, the gross method measures the Company's exposure before applying hedging or netting arrangements. The commitment method allows certain hedging or netting arrangements to be offset. The Company has no hedging or netting arrangements.

Corporate Information

Directors
Richard Davidson (Chairman)
Jaz Bains
Patricia Dimond
Victoria Stewart
Martin Warner

Managers and Secretaries
Aberforth Partners LLP
14 Melville Street
Edinburgh EH3 7NS
Tel: 0131 220 0733
enquiries@aberforth.co.uk
www.aberforth.co.uk

Registered Office and Company Number
14 Melville Street
Edinburgh EH3 7NS
Registered in Scotland No. SC 126524

Registrar
MUFG Corporate Markets
(formerly named Link Group)
Central Square
29 Wellington Street
Leeds LS1 4DL

Shareholder enquiries:
Tel: 0371 664 0300
(Calls are charged at the standard geographical rate and will vary by provider)
Email: shareholderenquiries@cm.mpms.mufg.com
Website: eu.mpms.mufg.com

Share Portal:
www.signalshares.com

Solicitors and Sponsors
Dickson Minto LLP
16 Charlotte Square
Edinburgh EH2 4DF

Bankers
The Royal Bank of Scotland International Limited
Level 3
440 Strand
London WC2R 0QS

Custodian
The Northern Trust Company
50 Bank Street
Canary Wharf
London E14 5NT

Independent Auditor
Johnston Carmichael LLP
7-11 Melville Street
Edinburgh
EH3 7PE

Depositary
NatWest Trustee & Depositary Services Limited
House A, Floor 0
Gogarburn
175 Glasgow Road
Edinburgh
EH12 1HQ

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