Aberdeen Diversified Income and Growth Trust plc

(formerly BlackRock Income Strategies Trust plc)

The diversified multi-asset investment trust

Annual Report
30 September 2017

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Financial Highlights

Aberdeen Diversified Income and Growth Trust plc (the "Company") is an investment trust with its Ordinary shares listed on the premium segment of the London Stock Exchange. The Company targets a total portfolio return of LIBOR (London Interbank Offered Rate) plus 5.5% per annum (net of fees) over rolling five-year periods.

The Company is governed by a board of directors, all of whom are independent, and has no employees. Like most other investment companies, the Company outsources its investment management and administration to an investment management group, the Aberdeen Group, and other third party providers. The Company does not have a fixed life.

Net asset value total return[A,B]

+7.6%

2016 –0.4%

Share price total return[A]

+14.6%

2016 –10.2%

Revenue return per share

5.31p

2016 7.56p

Dividend per share

5.89p

2016 6.54p

Ongoing charges[C]

0.58%

2016 0.62%

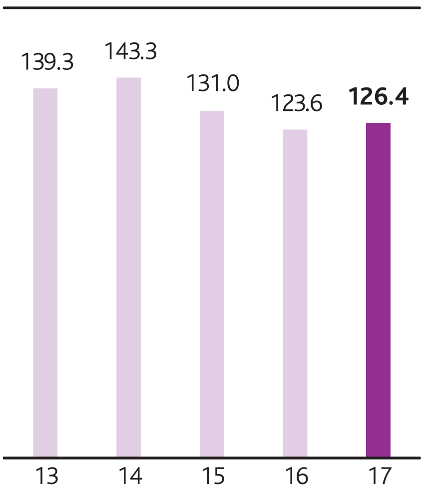
Discount to net asset value (capital basis)[A,B]

3.1%

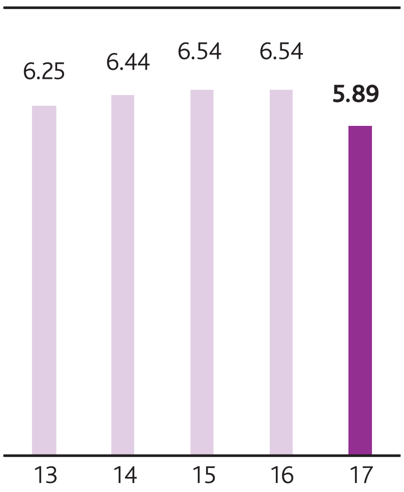
2016 6.9%

[A] Alternative Performance Measures (see note 16 on page 73, note 22 on page 83 and Glossary on page 90 for more information).
[B] Debt at fair value.
[C] Lower than would normally be expected due to management fee waiver in place during the year (see note 4 on page 67 and note 19 on page 81 for details).

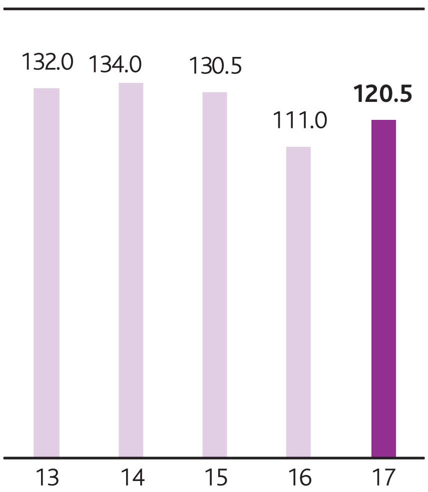
Net Asset Value per Ordinary share with debt at fair value
At 30 September – pence



Dividend per Ordinary Share
At 30 September - pence



Ordinary Share price
At 30 September - pence



Financial Calendar

26 January 2018	Fourth interim dividend payable for year ended 30 September 2017
2 March 2018	Annual General Meeting in London (11.30am)
29 March 2018	Expected payment date of first interim dividend
31 March 2018	Half year end
June 2018	Expected announcement of half yearly results for six months ending 31 March 2018
27 July 2018	Expected payment date of second interim dividend
30 September 2018	Year end
12 October 2018	Expected payment date of third interim dividend
25 January 2019	Expected payment date of fourth interim dividend

Chairman's Statement

James M Long, TD
Chairman

A Year of Significant Change

On 11 February 2017, Aberdeen Fund Managers Limited was appointed Manager in place of BlackRock and the Company was renamed Aberdeen Diversified Income and Growth Trust plc. A discount control policy was announced on 13 February 2017 and shareholders approved a new investment objective and policy at the General Meeting held on 30 March 2017. In early April 2017, a 20% tender offer and merger with Aberdeen UK Tracker Trust plc resulted in an enlargement of your company with a 24% net increase in shareholders' funds and changes to the Board of Directors.

It is still early days and, whilst our performance should be judged over the rolling five year cycles of our new investment objective, it is nevertheless heartening to report an encouraging set of performance outcomes, further details of which are covered in the sections below:

- Our net asset value ("NAV"), calculated with debt at fair value, is up by 7.6% over the year ended 30 September 2017 (the "Year") on a total return basis
- Our discount, calculated using an NAV with debt at fair value and excluding income, improved from 6.9% to 3.1% over the Year, and had narrowed further to 2.3% at the time of writing
- Our dividend, at an annualised rate based on the fourth interim dividend, would have equated to a dividend yield of 4.3% based on the year end share price
- Our total shareholder return was 14.6% for the Year

Net Asset Value and Shareholder Return

Over the year ended 30 September 2017, the Company's NAV per share, with debt at fair value, rose 7.6% on a total return basis. The Company's share price ended the year at 120.50p, compared to 111.0p at 30 September 2016, resulting in a total return to shareholders over the year of 14.6%, which compares to a total return of -10.2% for the previous year. The Company's performance during the year is split into two periods, before and after the appointment of Aberdeen Fund Managers Limited, and further information may be found in the Investment Manager's Report on pages 17 to 23.

Earnings and Dividends

The Company's revenue return for the year ended 30 September 2017 was 5.31 pence per share, compared to 7.56 pence per share for the prior year.

First and second quarterly dividends of 1.635 pence per share were paid to shareholders on 24 March 2017 and 28 April 2017. A third interim dividend of 1.31 pence per share was paid to shareholders on 6 October 2017. This lower dividend was consistent with what was set out in the circular to shareholders published in March 2017 (the "Circular") which described the need to rebase the dividend to a more sustainable level and hence to declare quarterly dividends equivalent to an annualised rate of at least 5.2 pence per share (as compared to an annualised rate of 6.54 pence per share in the previous financial year).

On 19 December 2017, the Board declared a fourth interim dividend of 1.31 pence per share to be payable on 26 January 2018 to shareholders on the register on 29 December 2017. The ex dividend date was 28 December 2017. At an annualised rate, the fourth interim dividend would have equated to a dividend yield of 4.3%, based on a year end share price of 120.5 pence.

As in previous years, the Board intends to put to shareholders at the next Annual General Meeting ("AGM") in March 2018, a resolution in respect of its current policy to declare four interim dividends each year.

Discount Management Policy

The Board announced on 13 February 2017 that, in normal market conditions and subject to the prevailing gearing level and the composition of the Company's portfolio, it would implement a discount control policy to maintain the Company's share price discount to net asset value, calculated excluding income and with debt at fair value, at no wider than 5%. Over the period from 13 February 2017 to 30 September 2017, the average discount with debt at fair value and excluding income was 5.7%. The discount, calculated with debt at fair value and excluding income, narrowed from 6.9% to 3.1% over the year ended 30 September 2017. It is pleasing to note that the discount had narrowed further to 2.3% at the time of writing.

Other than in connection with the tender offer referred to below, 3,125,000 shares were bought back by the Company during the year ended 30 September 2017. This resulted in 329,066,705 shares in issue with voting rights and an additional 36,344,169 shares held in treasury at the year end. The Board continues to monitor closely the Company's discount and will undertake buybacks where it is in shareholders' interests to do so.

Tender Offer and Merger with Aberdeen UK Tracker Trust plc ("AUKT")

Following shareholder approval obtained at the General Meeting held on 30 March 2017, and further to the Circular, the Company announced on 6 April 2017 the repurchase of 53.4m shares, representing 20% of the Company's issued share capital. The Company also announced on 6 April 2017 the issue of 118.6m shares to those shareholders of AUKT electing to roll-over their shares, further to shareholder approval of the merger with AUKT. In aggregate, this equated to an increase in the Company's assets of £146m.

Appointment of Aberdeen Fund Managers Limited and New Investment Objective and Investment Policy

On 11 February 2017, the Company appointed Aberdeen Fund Managers Limited as Manager and changed its name to Aberdeen Diversified Income and Growth Trust plc.

As described in the Circular, the Manager contributed £849,000 to the Company in relation to the costs incurred in merging with AUKT. In addition, the Manager agreed to waive any entitlement to a management fee from the date of their appointment until 6 October 2017.

Following shareholder approval of the new investment objective and investment policy at the General Meeting on 30 March 2017, the Manager completed the realignment of the Company's investment portfolio during the second six months of the financial year. For up to date information on the portfolio, I would encourage shareholders to visit the Company's website (aberdeendiversified.co.uk) which includes a Manager's monthly factsheet containing commentary on the portfolio and performance.

Aberdeen Asset Management

The merger on 14 August 2017 between Aberdeen Asset Management PLC and Standard Life plc has resulted in a new investment division under the banner of Aberdeen Standard Investments. The Board will continue to monitor developments closely to ensure that consistent client service is maintained.

Gearing

The Company's net gearing fell to 12.8% at 30 September 2017, from 21.5% at 30 September 2016, reflecting the overall increase in net assets following the merger with AUKT and the cash outflow from the tender offer.

Board Composition

Lynn Ruddick and Jimmy West retired as Directors on 6 April 2017 following completion of the Company's merger with AUKT. Lynn served as a Director for over 11 years, including as Chairman from 2009 to 2015. The Board wishes to place on record its thanks to Lynn for her unstinting commitment as a Director, including her leadership of the Company. Jimmy retired after 21 years as a Director; the Board benefited from his wide investment company experience and from his steady guidance as Senior Independent Director.

At the same time, following the completion of the merger, I was delighted to welcome from AUKT Kevin Ingram, Tom Challenor and Paul Yates as Directors of the Company; Kevin succeeded Jimmy as the Company's Senior Independent Director.

Savings Planholders

Since April 2017, it has been possible to acquire shares in the Company via Aberdeen's Investment Plan for Children, Investment Trust Share Plan or Investment Trust ISA (the "Aberdeen Products"). Further information may be found under Investor Information on pages 87 to 89 of this Report.

With effect from May 2017, planholders in the BlackRock NISA and Share Plan were no longer permitted to own the Company's shares in BlackRock's wrapper products and were offered the opportunity to transfer to the equivalent Aberdeen Products. I am pleased to report that 10m shares transferred, whose owners maintained their shareholding, with Aberdeen planholders now representing 10% of the Company's share register. The Board is supporting the Manager's promotional activities, as part of the Aberdeen Investment Trust pooled programme, which are designed to attract new and retain current shareholders, with the aim of sustaining demand for the Company's shares among retail investors in particular.

Chairman's Statement continued

AGM

The AGM, which will be held at The Drapers' Hall, Throgmorton Avenue, London EC2N 2DQ from 11.30am on 2 March 2018, provides shareholders with an opportunity to hear a presentation from the Manager and to ask any questions that they may have of both the Board and the Manager. The Notice of AGM may be found on pages 94 to 98 of this Report. I look forward to meeting shareholders and Aberdeen Savings Planholders at the AGM.

Outlook

Against a background of global stock markets trading near-record highs and rising geopolitical tension across the world, there are reasons for caution as 2018 progresses. However, our new Manager has brought a simple and transparent investment process to deliver the new investment objective, which fully utilises the advantages of the closed ended structure. I believe that the Company continues to be well positioned to offer a diversified multi-asset approach which is attractive to current and potential investors.

James M Long
Chairman

16 January 2018

Strategic Report

The Company is an investment trust with a premium listing on the London Stock Exchange. It is classified within the Flexible Investment sector by the Association of Investment Companies.

The Company's investment objective is to target a total portfolio return of LIBOR (London Interbank Offered Rate) plus 5.5% per annum (net of fees) over rolling five-year periods.

The Company invests globally using a flexible multi-asset approach via quoted and unquoted investments. This section of the Annual Report outlines how the Board and the Investment Manager aims to meet the Company's objective.

Triple Point Social Housing REIT, a portfolio company, invests in social housing assets, with a particular focus on supported housing.

Overview of Strategy

Business Model

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

Investment Objective

With effect from 11 February 2017, the Company's investment objective was changed to target a total portfolio return of LIBOR (London Interbank Offered Rate) plus 5.5% per annum (net of fees) over rolling five-year periods.

Up until 10 February 2017, the Company's investment objective was, over the medium term (five to seven years), to aim to preserve capital in real terms and to grow the dividend at least in line with inflation and to target a total portfolio return of UK Consumer Prices Index plus 4% per annum (before ongoing charges) over a five to seven year cycle.

Investment Policy

The Company invests globally using a flexible multi-asset approach via quoted and unquoted investments. The Company has not set maximum or minimum exposures for any geographical regions or sectors and will achieve an appropriate spread of risk by investing in a diversified portfolio of securities and other assets. Further details of the new investment policy may be found on pages 34 and 35.

Risk Diversification

It is the policy of the Company to invest no more than 15% of its gross assets in other listed investment companies and no more than 15% of its gross assets in any one company.

Gearing

The Board is responsible for determining the gearing strategy for the Company, with day-to-day gearing decisions being made by the Manager within the remit set by the Board. The Board has set its gearing limit at a maximum of 20% of the net asset value at the time of draw down. Gearing is used selectively to leverage the Company's portfolio in order to enhance returns where and to the extent considered appropriate.

Management and Delivering the Investment Objective

The Directors are responsible for determining the Company's investment objective and investment policy.

Day-to-day management of the Company's assets has been delegated to Aberdeen Fund Managers Limited ("AFML", the "AIFM" or the "Manager"). In turn, the investment management of the Company has been delegated by AFML to Aberdeen Asset Managers Limited ("AAML" or the "Investment Manager"). Both companies are wholly owned subsidiaries of Aberdeen Asset Management PLC (the "Aberdeen Group") which is itself a subsidiary of Standard Life Aberdeen plc.

Investment Process

The Investment Manager believes that many investors could dramatically improve their long-run returns and / or reduce risk by having a more diversified portfolio. The Investment Manager's aim is to build a genuinely diversified portfolio consisting of a wide range of assets, each with clear, fundamental performance drivers that will deliver an attractive return for the Company's shareholders. The Investment Manager engages all of its research capabilities, including specialist macro and asset class researchers, to identify appropriate investments. The approach, which incorporates a robust risk framework, is not constrained by a benchmark mix of assets. This flexibility ensures that the Investment Manager does not feel compelled to invest shareholders' capital in investments which they believe to be unattractive.

The Company's portfolio consists of investments from the widest range of asset classes. The portfolio may include equity-focussed investments, alternative diversifying assets (including, but not limited to, high yield bonds and loans, emerging market debt, asset backed securities, property, infrastructure, commodities, absolute return investments, insurance linked, farmland, royalty-based investments and aircraft leasing) and low return assets such as gold, investment grade credit, tail risk hedging and government bonds. Detailed investment research (including operational due diligence for unquoted funds managed by third parties) is carried out on each potential opportunity by specialist teams within the Investment Manager (see pages 85 and 86 for further information).

The weighting ascribed to each investment in the portfolio reflects the perceived attractiveness of the investment case, including the contribution to portfolio diversification. The Investment Manager also ensures that the weighting is in keeping with their overall strategic framework for the portfolio based on the return and valuation analysis of the Investment Manager's Economic and Thematic Research team. The fundamental and valuation drivers of each investment are reviewed on an ongoing basis. A schematic of the investment process is included on page 86 of this Report along with a description of the Investment Manager's risk control process.

Key Performance Indicators ("KPIs")

The Board uses a number of financial performance measures to assess the Company's success in achieving its objective and determining its progress in pursuing its investment policy. The primary KPIs are shown in the table below.

KPI	Description
Investment performance	The Board reviews the performance of the portfolio as well as the net asset value and share price for the Company over a range of time periods and compares this to the return on the Company's target of LIBOR plus 5.5% per annum (net of fees) over rolling five-year periods. The Board also reviews NAV and share price performance in comparison to the performance of competitors in the Company's peer group, the Association of Investment Companies' Flexible Investment sector, to assess how the Company's performance compares in the shorter term, given the limited relevance of the target index over shorter periods. The Board also monitors the Company's yield and compares this to the yield generated by competitors in the Company's peer group. The Board reviews the sustainability of the Company's dividend policy and regularly reviews revenue forecasts and analysis provided by the Investment Manager on the sources of portfolio income in order to monitor the extent to which dividends are covered by revenue. The Company's performance returns may be found on page 15.
Premium/discount to net asset value ("NAV")	The Board monitors the level of the Company's premium or discount to NAV and considers strategies for managing this. Up until 12 February 2017 the Board had been implementing a policy whereby share buybacks were pursued in order to maintain the discount to NAV at close to nil. On 13 February 2017, the Company announced a discount control mechanism for the Company which was effective following the implementation of the proposals on 30 March 2017, published on 6 March 2017, for the Company to merge with Aberdeen UK Tracker Trust plc. Subject to normal market conditions, the prevailing gearing level and the composition of the Company's portfolio, the Company has implemented a discount control mechanism to maintain the Company's share price discount to net asset value (ex income, debt at fair value) at no wider than 5%, by repurchasing Ordinary shares in the market. The Board has also resolved to put forward a continuation vote to shareholders at the AGM in 2020 and at every AGM thereafter.
Ongoing charges	The ongoing charges ratio reflects those expenses which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the Company as a collective investment fund, excluding the costs of acquisition or disposal of investments, financing charges and gains or losses arising on investments. The ongoing charges are based on actual costs incurred in the year as being the best estimate of future costs. The Board reviews the ongoing charges and monitors the expenses incurred by the Company. The Company's ongoing charges for the year, and the previous year, are disclosed on page 14, noting that the figure of 0.58% reflects a reduction in net management fees following the Manager's agreement to waive its entitlement to a management fee for part of the year under review.

Principal Risks and Uncertainties

The key risks faced by the Company are set out below. The Board has in place a robust process to assess and monitor the principal risks of the Company. A core element of this is the Company's risk controls self-assessment ("RCSA"), which identifies the risks facing the Company and assesses the likelihood and potential impact of each risk, and the quality of the controls operating to mitigate the risk. A residual risk rating is then calculated for each risk based on the outcome of this assessment and plotted on a risk heat-map. This approach allows the effect of any mitigating procedures to be reflected in the final assessment which is within the risk appetite set by the Board.

Overview of Strategy continued

The RCSA, its method of preparation and the operation of the key controls in the Manager's and third party service providers systems of internal control are reviewed on a regular basis by the Audit Committee. In order to gain a more comprehensive understanding of the Manager's and other third party service providers' risk management processes, and how these apply to the Company's business, the Manager's internal audit department presents to the Audit Committee setting out the results of testing performed in relation to the Manager's internal control processes. The Audit Committee also periodically receives presentations from the Manager's compliance, internal audit and business risk teams, and reviews ISAE3402 reports from the Manager and from the Company's custodian (Bank of New York Mellon (International) Limited). The custodian is appointed by the Company's Depositary and does not have a direct contractual relationship with the Company.

The Board has carried out a robust assessment of these risks, which include those that would threaten its business model, future performance, solvency or liquidity. The Board is confident that the procedures which the Company has in place are sufficient to ensure that the necessary monitoring of risks and controls has been carried out throughout the year ended 30 September 2017.

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

Risk	Mitigating Action
Performance risk The Board is responsible for determining the investment policy to fulfil the Company's objectives and for monitoring the performance of the Company's Investment Manager and the strategy adopted. An inappropriate policy or strategy may lead to poor performance, dissatisfied shareholders and a widening discount. The Company may invest in unlisted alternative investments (such as agricultural land, development property, infrastructure, private equity and trade finance). These types of investments are expected to have a different risk and return profile to the rest of the Company's investment portfolio. They may be relatively illiquid and it may be difficult for the Company to realise these investments over a short time period, which may have a negative impact on performance.	To manage these risks the Board regularly reviews the Company's investment mandate and long term strategy, and has put in place appropriate limits over levels of unlisted alternative assets and gearing. No more than 40% of the Company's total assets, at the time of investment, may be invested in aggregate in unlisted alternative assets. The Investment Manager provides an explanation of significant investment decisions, the rationale for the composition of the investment portfolio and movements in the level of gearing. The Board monitors the maintenance of an adequate spread of investments in order to minimise the risks associated with particular countries or factors specific to particular sectors, based on the diversification requirements inherent in the Company's investment policy.
Portfolio risk Risk analysis for a multi-asset portfolio is more complex due to the need to ensure that correlation of risk is appropriate across the various portfolio strategies.	The Board reviews portfolio risk to ensure that the risks being taken within the portfolio are appropriately diversified and relevant to the Company's portfolio objective and market conditions. The Board also reviews portfolio attribution data to understand the impact on the Company's relative performance of the various components such as asset allocation, stock selection and gearing.
Gearing risk The Company has the authority to borrow money or increase levels of market exposure through the use of derivatives (gearing) and does so when the Investment Manager is confident that market conditions and opportunities exist to enhance investment returns. However, if the investments fall in value, any borrowings will magnify the extent of this loss. In addition, the Company has in place fixed borrowings in the form of a £60 million 6.25% Bond 2031 (the "Bond").	All borrowings require the approval of the Board and gearing levels are reviewed regularly by the Board and the Investment Manager. Borrowings (including the Bond) would not normally be expected to exceed 20% of shareholders' funds. Total gearing, including net derivative exposure, would not normally be expected to result in net economic equity exposure in excess of 120%.

Income/dividend risk

The amount of dividends will depend on the Company's underlying portfolio. Any change in the tax treatment of the dividends or interest received by the Company (including as a result of withholding taxes or exchange controls imposed by jurisdictions in which the Company invests) may reduce the level of dividends received by shareholders.

The Board monitors this risk through the receipt of detailed income forecasts and considers the level of income at each meeting.

Regulatory risk

The Company operates as an investment trust in accordance with Chapter 4 of Part 24 of the Corporation Tax Act 2010. As such, the Company is exempt from capital gains tax on the profits realised from the sale of its investments.

The Investment Manager monitors investment movements, the level and type of forecast income and expenditure and the amount of proposed dividends, if any, to ensure that the provisions of Chapter 4 of Part 24 of the Corporation Tax Act 2010 are not breached and the results are reported to the Board at each meeting. Following authorisation under the Alternative Investment Fund Managers Directive (AIFMD), the Company and its appointed AIFM are subject to the risk that the requirements of this Directive are not correctly complied with. The Board and the AIFM also monitor changes in government policy and legislation which may have an impact on the Company.

Operational risk

In common with most other investment trust companies, the Company has no employees. The Company therefore relies upon the services provided by third parties and is dependent on the control systems of the Manager and BNY Mellon Trust & Depositary (UK) Limited (the Depositary).

The security of the Company's assets, dealing procedures, accounting records and maintenance of regulatory and legal requirements, depend on the effective operation of these systems in place with third parties. These have been regularly tested and monitored throughout the year which is evidenced through their SOC 1 reports to provide assurance regarding the effective operation of internal controls which are reported on by their reporting accountants and give assurance regarding the effective operation of controls. The Board also considers succession arrangements for key employees of the Investment Manager and the business continuity arrangements for the Company's key service providers.

Market risk

Market risk arises from volatility in the prices of the Company's investments. It represents the potential loss the Company might suffer through holding investments in the face of negative market movements. The Company invests in global equities across a range of countries, and changes in general economic and market conditions in certain countries, such as interest rates, exchange rates, rates of inflation, industry conditions, competition, political events and trends, tax laws, national and international conflicts, economic sanctions and other factors can also substantially and adversely affect the securities and, as a consequence, the Company's prospects and share price.

The Board considers the diversification of the portfolio, the portfolio risk and portfolio beta, asset allocation, stock selection, unquoted investments and levels of gearing on a regular basis and has set investment restrictions and guidelines which are monitored and reported on by the Investment Manager. The Board monitors the implementation and results of the investment process with the Investment Manager.

Financial risks

The Company's investment activities expose it to a variety of financial risks which include foreign currency risk and interest rate risk.

Further details are disclosed in note 17 to the financial statements, together with a summary of the policies for managing these risks.

Overview of Strategy continued

Promoting the Company

The Board recognises the importance of promoting the Company to prospective investors both for improving liquidity and enhancing the value and rating of the Company's shares. The Board believes an effective way to achieve this is through subscription to and participation in the promotional programme (the "Programme") run by the Aberdeen Group on behalf of a number of investment trusts under its management. The Company's financial contribution to the Programme is matched by the Aberdeen Group. The Aberdeen Group regularly reports to the Board giving analysis of the promotional activities as well as updates on the shareholder register and any changes in the composition of that register.

The purpose of the Programme is both to communicate effectively with existing shareholders and to gain new shareholders with the aim of improving liquidity and enhancing the value and rating of the Company's shares. Communicating the long-term attractions of the Company is key and therefore the Company also supports the Aberdeen Group's investor relations programme which involves regional roadshows, promotional and public relations campaigns.

Board Diversity

The Board has not set any measurable objectives in relation to its diversity but recognises the benefits, and is supportive, of diversity and the importance of having a range of skilled, experienced individuals with relevant knowledge in order to allow it to fulfill its obligations. In making new appointments, the Board's overriding priority is to appoint the most appropriate candidates, regardless of gender or other forms of diversity. At 30 September 2017, there were seven male Directors following the merger with Aberdeen UK Tracker Trust PLC on 6 April 2017.

Environmental, Social and Human Rights Issues

The Company has no employees as the Board has delegated the day to day management and administrative functions to the Manager. There are therefore no disclosures to be made in respect of employees. The Company's socially responsible investment policy is set out below.

Socially Responsible Investment Policy

The Directors, through the Manager, encourage companies in which investments are made to adhere to best practice in the area of corporate governance and socially responsible investing. They believe that this can best be achieved by entering into a dialogue with company management to encourage them, where necessary, to improve their policies in both areas.

The Manager's ultimate objective, however, is to deliver superior investment returns for its clients. Accordingly, whilst the Manager will seek to favour companies which pursue best practice in these areas, this must not be to the detriment of the return on the investment portfolio.

UK Stewardship Code and Proxy Voting as an Institutional Shareholder

Responsibility for actively monitoring the activities of portfolio companies has been delegated by the Board to the Manager which has sub-delegated that authority to the Investment Manager.

The full text of the Company's response to the Stewardship Code may be found on its website.

Modern Slavery Act

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

Global Greenhouse Gas Emissions

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

Viability Statement

In accordance with the provisions of the UKLA's Listing Rules and the FRC's UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the "Going Concern" provision. The Board conducted this review for the period up to the AGM in 2023, being a five year period from the date that this Annual Report is due to be approved by shareholders. The five year review period was selected because it is aligned with the medium term performance period of five years over which the Company is assessed in its objective of target returns of LIBOR +5.5% per annum (net of fees) over rolling five-year periods. The Board considers that this period reflects a balance between looking out over a long term horizon and the inherent uncertainties of looking out further than five years.

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

- the principal risks and uncertainties detailed on pages 10 and 11 and the steps taken to mitigate these risks;
- the relevance of the Company's investment objective and investment policy, especially in the current low yield environment, which targets a truly diversified multi-asset approach to generate highly attractive long-term income and capital returns;
- the majority of the Company's investment portfolio is invested in securities which are realisable within a short timescale;
- the level of share buy backs carried out in the past have not resulted in significant reductions to the capital of the Company;
- although the Company's stated investment policy contains a gearing limit of 20% of the net asset value at the time of draw down, the Board's policy is to have a relatively modest level of equity gearing and the financial covenants attached to the Company's borrowings provide for significant headroom;
- the continuation vote to be put to shareholders at the AGM in 2020 and at each subsequent AGM;
- the level of demand for the Company's shares.

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

The Board has also considered a number of financial metrics, including:

- the level of current and historic ongoing charges incurred by the Company;
- the share price premium or discount to NAV;
- the level of income generated by the Company;
- future income forecasts; and
- the liquidity of the Company's portfolio.

As an investment Company with a relatively liquid portfolio and largely fixed overheads which comprise a very small percentage of net assets, the Board has concluded that, even in exceptionally stressed operating conditions, the Company would be able to meet its ongoing operating costs as they fall due.

Taking into account the Company's current position and the potential impact of its principal risks and uncertainties, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of five years from the date of this Report, subject to shareholders' approval of the continuation vote at the AGM in 2020, and at each AGM thereafter.

Outlook

The Board's view on the general outlook for the Company can be found in the Chairman's Statement on pages 4 to 6 while the Investment Manager's views on the outlook for the portfolio are included in their report on pages 17 to 22.

On behalf of the Board

James M Long
Chairman

16 January 2018

Results

Financial Highlights

	2017	2016	% change
Total assets less current liabilities (before deducting prior charges)	£496,399,000	£429,211,000	+15.7
Equity shareholders' funds (Net Assets)	£436,767,000	£351,521,000	+24.3
Market capitalisation	£396,525,000	£296,411,000	+33.8
Ordinary share price (mid market)	120.50p	111.00p	+8.6
Net asset value per Ordinary share (debt at par)	132.73p	131.64p	+0.8
Net asset value per Ordinary share (debt at fair value)[A]	126.44p	123.62p	+2.3
Net asset value per Ordinary share (debt at par)(capital basis)[A]	130.59p	127.26p	+2.6
Net asset value per Ordinary share (debt at fair value)(capital basis)[A]	124.30p	119.25p	+4.2
Discount to net asset value on Ordinary shares (debt at par)	9.21%	15.68%	
Discount to net asset value on Ordinary shares (debt at fair value)[A]	4.70%	10.21%	
Discount to net asset value on Ordinary shares (debt at par)(capital basis)[A]	7.72%	12.78%	
Discount to net asset value on Ordinary shares (debt at fair value)(capital basis)[A]	3.06%	6.92%	
Gearing (ratio of borrowings less cash to shareholders' funds)			
Net gearing[B]	12.8%	21.5%	
Dividends and earnings per Ordinary share			
Revenue return per share	5.31p	7.56p	–29.8
Dividends per share[C]	5.89p	6.54p	–9.9
Dividend cover (including proposed fourth interim dividend)	0.90	1.16	
Revenue reserves[D]	£37,424,000	£39,109,000	–4.3
Ongoing charges[E]	0.58%	0.62%	

[A] Considered to be an Alternative Performance Measure. Details of the calculation can be found in note 16 on pages 73 and 74.
[B] Calculated in accordance with AIC guidance "Gearing Disclosures post RDR" (see definition on page 90).
[C] The figure for dividends per share reflects the years to which their declaration relates (see note 8 on pages 69 and 70).
[D] The revenue reserve figure does not take account of the third and fourth interim dividends amounting to £4,317,000 and £4,304,000 respectively (2016 – £4,366,000 and £4,366,000).
[E] Ongoing charges are calculated in accordance with guidance issued by the AIC as the total of the investment management fee and administrative expenses divided by the average cum income net asset value throughout the year. The decrease in the 2017 ongoing charges figure reflects in part the saving from Aberdeen's agreement to waive its entitlement to a management fee during the period which was offset by the inclusion for the first time of any additional charges incurred through holding other investment funds which amounted to 0.21%.

Performance

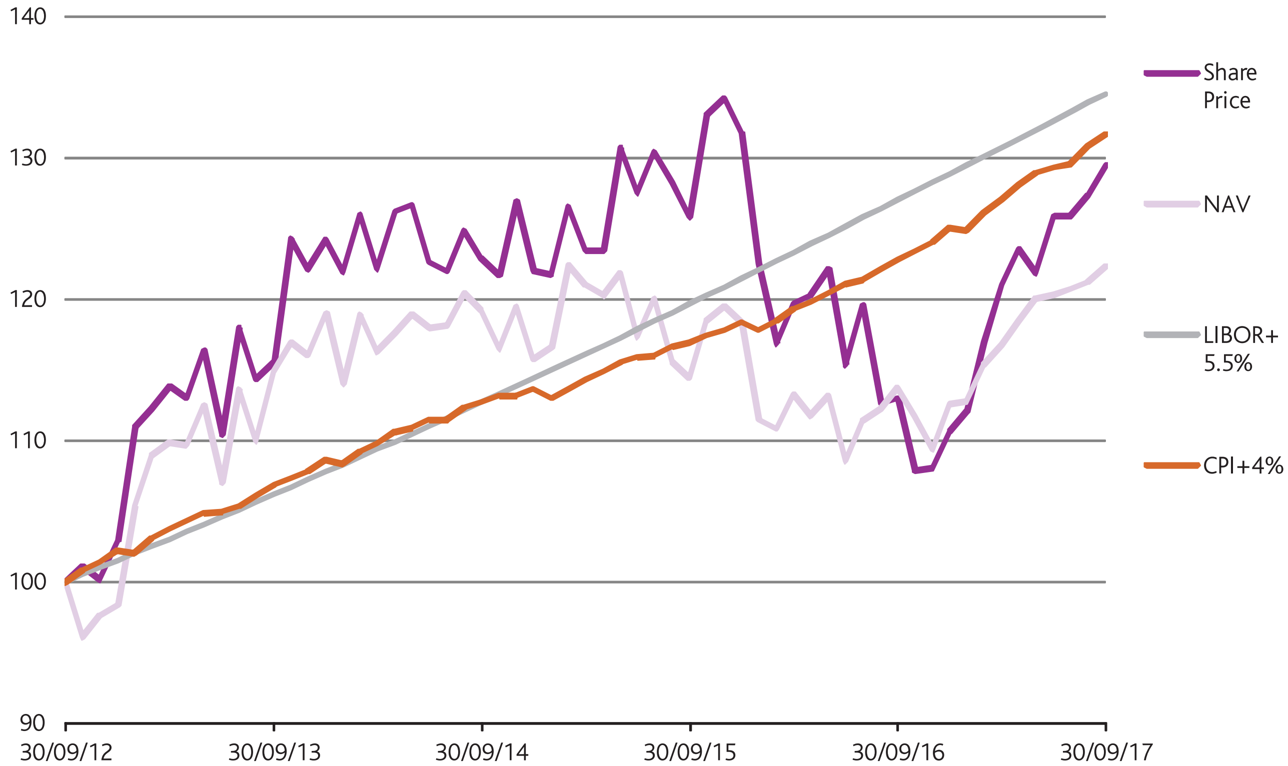
Performance (total return)[A]

	11 February 2017 – 30 September 2017 % return	1 October 2016 – 10 February 2017 % return	1 year % return	3 years % return	5 years % return
Net asset value – debt at par	+5.6	+0.1	+5.7	+3.9	+27.2
Net asset value – debt at fair value	+7.2	+0.4	+7.6	+2.6	+22.3
Share price	+12.8	+1.8	+14.6	+5.4	+29.5

[A]Total return represents the capital return plus dividends reinvested.

Total Return of NAV and Share Price vs LIBOR +5.5% and CPI +4%

Five years ended 30 September 2017 (rebased to 100 at 30 September 2012)



Source: Morningstar, ONS & Lipper

The Company's benchmark changed during the year from targeting a total portfolio return of UK Consumer Price Index ("CPI") plus 4% per annum (before ongoing charges) over a 5 to 7 year cycle to targeting a total portfolio return of LIBOR (London Interbank Offered Rate) plus 5.5% per annum (net of fees) over rolling five-year periods. The above graph shows the total return of the Company's NAV and share price against the current benchmark for the five years to 30 September 2017.

Performance continued

Ten Year Financial Record

Year to 30 September	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total revenue (£'000)	21,414	18,369	17,156	19,166	21,887	22,382	23,608	23,120	23,265	17,961
Per Ordinary share (p)										
Net revenue return	6.2p	5.8p	5.0p	5.7p	6.6p	6.6p	7.0p	7.1p	7.6p	5.3p
Total return	(41.8p)	13.8p	14.0p	(5.8p)	19.6p	19.3p	9.3p	(4.5p)	1.3p	8.0p
Net dividends payable	5.934p	6.112p	6.112p	6.112p	6.112p	6.252p	6.440p	6.540p	6.540p	5.890p
Net asset value per Ordinary share (p)										
Debt at par value	114.0p	121.9p	129.8p	117.9p	131.4p	144.5p	147.5p	136.6p	131.6p	132.7p
Debt at fair value	111.3p	119.0p	127.0p	114.8p	125.1p	139.3p	143.3p	131.0p	123.6p	126.4p
Equity shareholders' funds (£'000)	333,516	354,742	377,793	343,293	382,535	418,345	426,865	374,832	351,521	436,767

Dividends

	Rate	xd date	Record date	Payment date
First interim 2017	1.635p	2 March 2017	3 March 2017	24 March 2017
Second interim 2017	1.635p	6 April 2017	7 April 2017	28 April 2017
Third interim 2017	1.310p	31 August 2017	1 September 2017	6 October 2017
Fourth interim 2017	1.310p	28 December 2017	29 December 2017	26 January 2018
2017	**5.890p**			
First interim 2016	1.635p	10 March 2016	11 March 2016	8 April 2016
Second interim 2016	1.635p	23 June 2016	24 June 2016	22 July 2016
Third interim 2016	1.635p	15 September 2016	16 September 2016	10 October 2016
Fourth interim 2016	1.635p	5 January 2017	6 January 2017	27 January 2017
2016	**6.540p**			

Investment Manager's Report

The end of an investment company's financial year marks a useful point to think about the aims of the Company and also to take stock of the progress it has made over the past twelve months towards meeting its objectives. About a third of the way through this financial year, we were appointed as managers of Aberdeen Diversified Income and Growth Trust plc. In writing this report, we are mindful that most of the Company's shareholders ended the year travelling in a different direction compared to the journey they started on. Other shareholders, including both of us and members of our families, have joined the journey along the way. The Board has set us a clear objective: to target a total portfolio return of LIBOR plus 5.5% per annum (net of fees) over rolling five year periods. This is our direction of travel. Our mode of travel – the Company's investment policy – is to invest globally using a flexible multi-asset approach. The first stage of our journey – the realignment of the portfolio – is complete. In our first Annual Report to shareholders, we review the progress we have made so far and outline the key components and characteristics of your Company's portfolio.

Aberdeen **Diversified** Income and Growth Trust plc

By definition, all investment portfolios are diversified. But, rather like the animals in George Orwell's famous novella, some portfolios are more diversified than others. The Company's new investment policy has been designed to give shareholders access to the widest range of asset classes. This enables us to take full advantage of the benefits of diversification: reduced volatility and potentially enhanced returns compared to a portfolio based on a single asset class. In addition, as a closed ended investment company, the Company can access less liquid asset classes. The portfolio includes several such investments, described below, which are longer term in nature and are not otherwise readily available to private investors.

We draw upon the full resources of the investment teams at Aberdeen Standard Investments to identify specific opportunities for the Company's portfolio. In areas such as equities, corporate loans or emerging market debt, teams manage funds or sub-portfolios on our behalf. In alternative asset classes, other teams, along with our colleagues in the Diversified Assets Team, conduct extensive research on third party fund managers in areas such as property, private equity, real assets, absolute return and structured credit investments. Our process ensures that the Company's shareholders have access to the very best investment talent. At the end of the year, 40% of the portfolio consisted of investments managed by third party managers.

For each investment in the portfolio, we have a clear understanding of its unique return drivers and risk characteristics. We make sure that the portfolio is not over-exposed to particular types of risk. We pay close attention to valuation when determining whether we are being appropriately rewarded for the risks we are bearing. We also take other factors into account, such as balance sheet structure and environmental, social and governance issues. Where appropriate, a specialist team within Aberdeen Standard Investments conducts operational due diligence on the manager of a third party fund.

The strategic framework for the portfolio – in terms of our broad allocations to the major asset classes, such as equities, emerging market debt etc – is based upon our medium term return forecasts for different asset classes. These are regularly updated by our colleagues who specialise in economic and thematic research. Using these insights, our portfolio construction process combines assets which we believe will deliver the most favourable combination of medium term return and risk. We also seek out opportunities to rotate out of expensive assets into cheap ones.

Today, after nearly ten years of monetary easing from the world's central banks after the onset of the global financial crisis, valuations in traditional asset classes such as equities and developed market government bonds are mostly at high levels compared to historic standards. This means that future returns from these asset classes are likely to be significantly lower than investors have been used to. Because we are not constrained by a benchmark mix of assets, we are not compelled to invest shareholders' capital in investments which we believe to be unattractive.

Against this background, over the first few months after our appointment, we sold down the existing positions in UK and global equities, various equity funds, corporate bonds and a property fund. We also sold out of investments in gold, UK gilts and an unlisted investment, MAS Mortgages, which was sold at a premium to the 31st March carrying value. In addition, as part of the portfolio transfer arrangements, the previous investment manager closed out the derivatives positions that were part of its strategy at the time.

We retained a small number of investments in alternatives asset classes which amounted to 11% of the Company's portfolio at the start of the financial year. In the next two sections, we outline how we reinvested the proceeds from the sale of assets and also the injection of £84m of new capital received by way of the merger with Aberdeen UK Tracker Trust plc in April 2017.

Aberdeen Diversified Income and **Growth** Trust plc

Equities usually form a core part of any growth portfolio. We expect our equity exposure to typically account for 20% – 35% of the overall portfolio. We ended the period towards the lower end of that range in reflection of our cautious view on equity valuations, which are generally high with profit margins close to cyclical peaks.

Your portfolio achieves its equity exposure via a fund, **Aberdeen Global Smart Beta Low Volatility Global Equity Income Fund**, which is actively managed by our Quantitative Equities team. The fund aims to outperform the MSCI AC World Index while targeting around 85% of the volatility and 140% of the dividend yield of the index. The portfolio consists of around 200 global equities, with stock selection based on a range of quantitative factors including valuation and financial strength. The portfolio, which currently yields around 2.9%, is regularly rebalanced in favour of those companies which rank highly on the preferred measures. It is well diversified by country, sector and position size. The table on page 19 lists the Company's top 10 holdings and its country and sector allocations as at 30 September 2017.

Two of our property investments have a focus on capital growth rather than income. **Aberdeen European Residential Opportunities Fund** uses our extensive property investment management resources to identify and purchase commercial properties which are suitable for re-development as residential properties. The fund, which aims to deliver a return in excess of 10% per annum, is not open to retail investors. It has a three year initial investment period, followed by a further 3 – 5 years when properties will be developed and sold. Our total commitment to the fund of €15m will be invested progressively as suitable opportunities are identified by the fund managers. So far, initial investments have been made in Frankfurt, Aarhus in Denmark, Henley-on-Thames and Bath.

Similarly, **Aberdeen Property Secondaries Partners II** (APSP II) is managed by our Property Multi-Manager team. They use their wide ranging industry contacts to identify attractive funds managed by third-parties that are trading at sizeable discounts to their fundamental value. We have made a €23m commitment to this fund. An initial investment has been made in a Nordic retail fund. APSP II targets returns in excess of 10% per annum and has an investment period of five years.

Elsewhere, we have made initial investments in two opportunities identified by our private equity team. The first is a co-investment in **TrueNoord**, an aircraft leasing business based in the Netherlands, which focuses on short haul regional aircraft used by airlines such as Air France / KLM's subsidiary, Hop!, Aero Mexico and Tui. We invested via an equity capital-raising which will enable TrueNoord's experienced management team to continue to expand the business. The second is an investment in two private equity funds managed by **Maj Invest**, a Danish investor in small and medium-sized businesses. Fund 4 launched in 2012 and has investments in eight businesses. We have also made a commitment to Fund 5, a more recent vintage (2016) with four investments made so far. Our expectation is that we will reinvest the proceeds received from the sale of maturing businesses in Maj 4 into new businesses in fund 5.

In addition, we hold a stake in a venture capital fund, **Forward Partners I**, which makes early stage investments in technology-led start-up companies in service-related areas. The private equity segment of the portfolio is expected to deliver very attractive returns, well in excess of our target portfolio return, over the next 3-5 years. By their nature, these *equity* investments are held for their growth characteristics; their contribution to portfolio diversification is of secondary importance.

Aberdeen Diversified **Income** and Growth Trust plc

Income is widely acknowledged to be an important component of long term investment returns. For example, over the ten years prior to 30 September 2017, a period which takes in a full market cycle, UK equities, as measured by the FTSE All-Share Index, delivered a total return of +5.8% per annum. Our analysis shows that more than half of the return from UK equities over that period can be attributed to the reinvestment of dividends.

At the end of the Company's financial year, ten year gilts were trading on a gross redemption yield of only 1.2% per annum. For UK investors, this is one measure of the risk-free return. However, compared to the current rate of inflation or the previous ten year period, when the iBoxx 7-10 year gilt index returned +6.3% per annum, it is a return which is likely to satisfy very few.

Compared to gilts and most developed market government bonds, emerging market bonds, in many cases offering yields in excess of 6%, appear compelling to us. We gain exposure via a well-diversified portfolio of local currency bonds with a broad balance of exposures to countries in Africa, Asia, Latin America and Eastern Europe. Colleagues in our emerging markets debt (EMD) team manage this sub-portfolio on our behalf. The team also manage the **Aberdeen Indian Bond Fund** – where we take a particularly positive view of the reforms being enacted by Prime Minister Modi – and the **Aberdeen Frontier Markets Bond Fund** which invests predominantly in US dollar bonds.

Aberdeen Smart Beta Low Volatility Global Equity Income Fund

Top 10 positions	Country	Sector	% of Portfolio at 30 September 2017
Valero Energy Corporation	United States	Energy	0.4%
HP Inc.	United States	Information Technology	0.4%
Itochu Corporation	Japan	Industrials	0.4%
Rio Tinto plc	United Kingdom	Materials	0.4%
Consolidated Edison Inc.	United States	Utilities	0.4%
CVS Health Corporation	United States	Consumer Staples	0.4%
Humana Inc.	United States	Healthcare	0.4%
Anthem Inc.	United States	Healthcare	0.3%
Kla-Tencor Corporation	United States	Information Technology	0.3%
Sumitomo Corporation	Japan	Industrials	0.3%

Top 5 sectors	% of Portfolio at 30 September 2017	Top 5 countries	% of Portfolio at 30 September 2017
Information Technology	3.8%	United States	9.3%
Industrials	3.3%	Japan	3.1%
Consumer Discretionary	3.1%	Hong Kong	1.7%
Financials	2.8%	United Kingdom	1.1%
Utilities	2.3%	Taiwan	1.0%

Emerging Market Local Currency Bonds - Rolling 12-month returns for EM local and equities

2008: EM Local +7%, Global Equities -39%

Source: Aberdeen Asset Management, Bloomberg, Sept 17. EM Local index is JPM GBI-EM Global Diversified. Returns on index are expressed relative to currency funding basket used within DMA portfolios: 40% AUD, 20% EUR, 20% JPY, 20% GBP. Developed bond index is JPM GBI Global Index. Equities represented by MSCI World (hedged to GBP). The JPM GBI-EM Global Diversified index is constrained to a maximum weight of 10% to any one country and comprises 16 countries including Brazil, Colombia, Hungary, Indonesia, Malaysia, Mexico, Poland, Russia, South Africa, Thailand and Turkey. Selected for illustrative purposes only to demonstrate management style and not as an indication of future performance or investment recommendation

Over the year, we have seen a favourable combination of improving growth prospects and benign inflation develop for several emerging markets, with Russia and Brazil being to the fore. It is also worth highlighting that many emerging market countries have much lower debt to GDP ratios than developed countries. Although we do not have an investment there, China is closely watched as a barometer of the economic health of emerging market asset classes (and, indeed, the global economy). Our economists currently forecast a 'soft landing' for China with GDP growth of 6.8% in 2017 falling to around 6% in 2018 and 2019.

Currency returns can have a heavy influence on returns from emerging market investments. We view the currencies as being undervalued and fund our EMD exposure via a basket of major currencies (AUD, EUR, GBP and JPY). The chart on page 19 shows 12 month rolling returns from a widely followed EMD index when expressed in terms of our currency basket. Shareholders may be surprised to see that the returns from EMD are more stable than those from global equities. Strikingly, over the year to Q1 2009, the EMD index actually *rose* by 7% when the MSCI World Index fell by 39%.

Strategic Report

In a range of asset classes, an attractive level of income – often around 5% per annum or more – is a common feature of many of the opportunities that the Aberdeen Standard Investment teams seek out for us. Your capital earns this level of income return by supporting a wide range of economic and commercial activities. A number of these opportunities have opened up since the global financial crisis in areas where governments and banks have pulled back from providing finance because of budget or regulatory capital constraints.

For example, housing associations and other registered providers of social housing have seen their government grants, which funded the development of new properties, cut back. Funds such as **Triple Point Social Housing** have been launched to buy purpose-built developments of residential flats which are being leased to registered providers of social housing on long term leases. The rents, which are inflation-linked, are funded by local authorities. **Residential Secure Income REIT** and **PRS REIT** also provide housing finance in the fields of shared ownership social housing and private rental homes respectively. All three funds target a dividend yield of around 5%.

Similarly, specialist funds have benefited from the reduced availability of bank finance in areas such as small business lending (**Funding Circle SME Income Fund** and **P2P Global**), trade finance (**MRTCP I LP** – a fund with a six year life) and aircraft leasing (**Doric Nimrod Air Two**). We also have investments in funds which specialise in secured loans made to corporate borrowers, both directly – via **Aberdeen Alpha Global Loans** – and via asset-backed securities (**TwentyFour Asset Backed Opportunities, Fair Oaks Income and Blackstone / GSO Loan Financing**). These funds offer a better risk-return trade-off when compared to unsecured corporate high yield bonds.

Two of these investments feature in the top three portfolio positions. **TwentyFour Asset Backed Opportunities** is a dedicated pooled fund managed on our behalf by a specialist manager, TwentyFour Asset Management. It targets a return of LIBOR + 5-8% p.a. after fees with income of around 6% p.a. investing in a diversified portfolio of the medium-risk structured credit products focussing on European mortgages and corporate loans. **Aberdeen Alpha Global Loans Fund** provides diversified exposure to secured loans and similar instruments mainly issued by corporate borrowers. At 30 September, the fund held positions in over 80 loans and fixed rate bonds with an average yield of around 4.4%. The fund, which is managed by our specialist loans team supported by colleagues in global credit research, is a Luxembourg-registered UCITS fund which values on a quarterly basis.

Investments in other areas such as renewable infrastructure (where we added to the portfolio's exposure via **Renewables Infrastructure, Greencoat Renewables** and **BlackRock Renewable Income UK**) and social infrastructure (**International Public Partnerships**) offer particularly attractive income returns which are largely independent of the economic cycle. The same is true of our investments in insurance-linked securities ("ILS") and **BioPharma Credit**, a specialist fund which makes loans to pharmaceutical and biotechnology companies secured against royalties on product sales.

Our investments in ILS – **CATCo Reinsurance Opportunities** and two **Blue Capital** vehicles – are worthy of more detailed comment. Insurance losses resulting from hurricanes Harvey and Irma, which struck Texas and Florida respectively at the end of the summer, caused sharp falls in the net asset values of all three funds. CATCo, for example, suffered a share price decline of 18% over three months to September 2017 but, even after this loss, it has returned +7% per annum to investors, predominantly via income, since it launched in 2010. CATCo has raised additional capital to take advantage of a very sharp increase in the premium rates that will be charged to its clients. This underpins our view that insurance-linked securities offer attractive returns for the long term investor. In addition, being driven by factors unique to the asset class – premium rates and the incidence of major catastrophes – they add considerably to portfolio diversification.

A number of the closed ended funds highlighted above have attractive income characteristics and diversification benefits but, over time, some of these will be sold down in order to fund our preferred investments in longer term, less liquid asset classes. In the property and private equity funds mentioned earlier, initial investments have been established and further capital will be invested by us, up to an agreed limit in each case, as managers identify appropriate opportunities. Similarly, our agricultural fund, **ACM II**, which is managed by a specialist manager in the United States, has made investments in two blueberry farms, a citrus ranch and a fruit packing facility in California. The aim is to deliver very high cash yields after farms are converted into organic production. Importantly, ACM II's investments should show little correlation to other asset classes. At the end of the period, 6% of the portfolio was invested in longer term investments of this kind. Details of the outstanding commitments are listed in note 21 to the financial statements.

The change in investment policy approved by shareholders included a rebasing of the Company's dividend. As we noted in the Half-Yearly Report, timing effects (relating to the accounting treatment of income earned by investments held within funds in the portfolio) required the Company to use a small amount of its revenue reserves in order to pay the dividend in the transitional year under review. We expect the dividend to be fully covered by earnings in the years ahead and, importantly, have constructed the portfolio to ensure that income is generated from the widest range of sources.

Performance and Outlook

As the Chairman has noted in his Statement the year ended 30 September 2017 produced a positive total return for shareholders of +14.6%. The NAV return (including dividend reinvestment) for the period was +7.6%. During this period most asset classes performed well but developed market government bonds were the notable exception as investors anticipated monetary tightening by the major central banks. Global equities were the standout performer – the MSCI World Index returned +15% in sterling terms with the bulk of gains being generated in the first six months – in reaction to the improving outlook for economic growth in most regions. The UK equity market returned +11.9% and, despite marking time over the summer in the face of uncertainties over Westminster politics and Brexit, the FTSE All Share Index ended the period close to an all-time high.

The focus of the remainder of our performance commentary is on the six month period following the change in investment policy at the AGM on 30 March 2017. Over that period, the shares delivered a total return of +7.0% comprising of an NAV increase (including reinvested dividends) of +3.7% and the benefit of an improved rating. (The shares ended the period on a 3.1% discount to NAV, calculated excluding income and with debt at fair value, compared to 6.9% at 30 September 2016.) The main contributors to portfolio performance were low volatility equities (+1.6% contribution to portfolio return), asset backed securities (+0.6%), UK equities (+0.4%) and infrastructure (+0.4%). As noted above, insurance linked securities were the most notable laggard (–0.6%).

Emerging market debt made a small positive contribution to portfolio performance (+0.2%) when measured in terms of our currency funding basket. Similarly, portfolio gearing – via the 2031 debenture – had a positive effect on performance during the period when the impact of the gilt hedge is taken into account. (As we highlighted in the Half-Yearly Report, a position in the UK 10 year gilt future neutralises the impact of movements in gilt yields on the value of the debenture. We also use forward contracts to hedge developed market currency exposures back to sterling. We do this in order to minimise the impact on the Company's NAV of fluctuations caused by interest rate and currency movements.)

Our view on the global economic outlook has not changed to any great extent: global GDP growth of 3.6% is expected in 2017 followed by 3.8% and 3.6% in 2018 and 2019. Our forecasts are closely in line with those recently published by the IMF. We expect global inflation to be around 3% p.a. over the next three years. Employment markets are tight but wage pressures remain low. Taking account of recent changes in guidance from central banks, we anticipate that UK interest rates will hit 1% in 2018 and our forecast is for US interest rates to rise to 2.25% in 2018 and to 3.0% in 2019.

Against this fairly benign background and, with market volatility at historically low levels, our view is that many mainstream asset classes appear expensive. Over the medium term, we see little value in supposedly safe assets such as developed market government bonds or investment grade corporate bonds and so do not currently include these in the portfolio.

Instead, we continue to see attractions in a range of asset classes and, at the year end, we were close to being fully invested. Our allocations to different asset classes, most of which we have described above, are illustrated in the chart on page 29.

The Company's website, aberdeendiversified.co.uk, contains a compilation of comments on each asset class from the factsheets which we post on the site each month (along with the month-end portfolio listing). We have also republished the description of our investment philosophy and process which appeared in the Company's Prospectus published in March 2017 and which expands on the summary given earlier in our report.

Investment Manager's Report continued

In the Half-Yearly Report – also available on the website – we drew shareholders' attention to various clouds on the investment horizon. Six months on, little has changed: Brexit is looming; politics remains a feature with President Donald Trump finding it easier to threaten North Korea than to enact many of his campaign promises; and, many financial market commentators seem to predict stormy weather on almost a daily basis. We do not profess to be financial market meteorologists. Instead, our approach ensures that your Company's investment portfolio is built from a wide range of asset classes to give us the best chance of delivering an attractive return for shareholders *over the medium term* whatever the financial weather.

Mike Brooks
Tony Foster
Aberdeen Asset Managers Limited
Investment Manager

16 January 2018

BlackRock Income Strategies Trust plc: BlackRock Manager's Report for the period from 1 October 2016 to 10 February 2017

Cumulative performance	NAV[A] %	Share price %
October	(0.3)	(4.5)
November	(2.1)	0.2
December	2.9	2.4
January	(1.2)	1.3
1-10 February	2.7	2.5
Total	**2.0**	**1.9**

[A] With debt at par.

The positive performance experienced during this period was driven largely by developed market equity exposure as markets reacted positively to a synchronised improvement in global growth.

The UK equity exposure was particularly profitable where positive stock fundamentals were a key driver of performance. **Elementis** contributed strongly as the new management team continue to drive operational improvements and announced a material acquisition to build scale in their personal care business. **Sky** performed well after receiving a bid in December from 21st Century Fox at a significant premium to the share price. Despite offering a lower dividend yield than the market, we were attracted to Sky's cash generative business and vast customer base, giving the benefits of scale to invest in new content and services, attributes that were clearly undervalued by the market. Our flexibility to invest in international holdings contributed positively, with **Altria** benefitting from a combination of currency and continued positive trends in the underlying business. Elsewhere there were strong performances from holdings in **Intercontinental Hotels**, **Carnival, Wolseley, Aggreko** and **Shire**. On the negative side, **BT** fell after the company quantified that the impact of a known fraud issue in Italy was substantially worse than forecast. In addition, the company highlighted a weaker revenue performance in some of its UK business. Consequently, the cash flow prospects of the telecoms giant were reduced.

Outside of the UK, our more cyclical overseas exposures also helped generate returns particularly across Japanese and European stock markets. Fixed income exposures detracted with emerging market debt reacting negatively to expectations of rate hikes in the United States following the expectation for a change in policy direction leading to higher interest rates. Gold also hurt performance as investor demand for 'safe-haven' assets declined. Within alternatives, the positive performance came from a range of sustainable income and private market exposures.

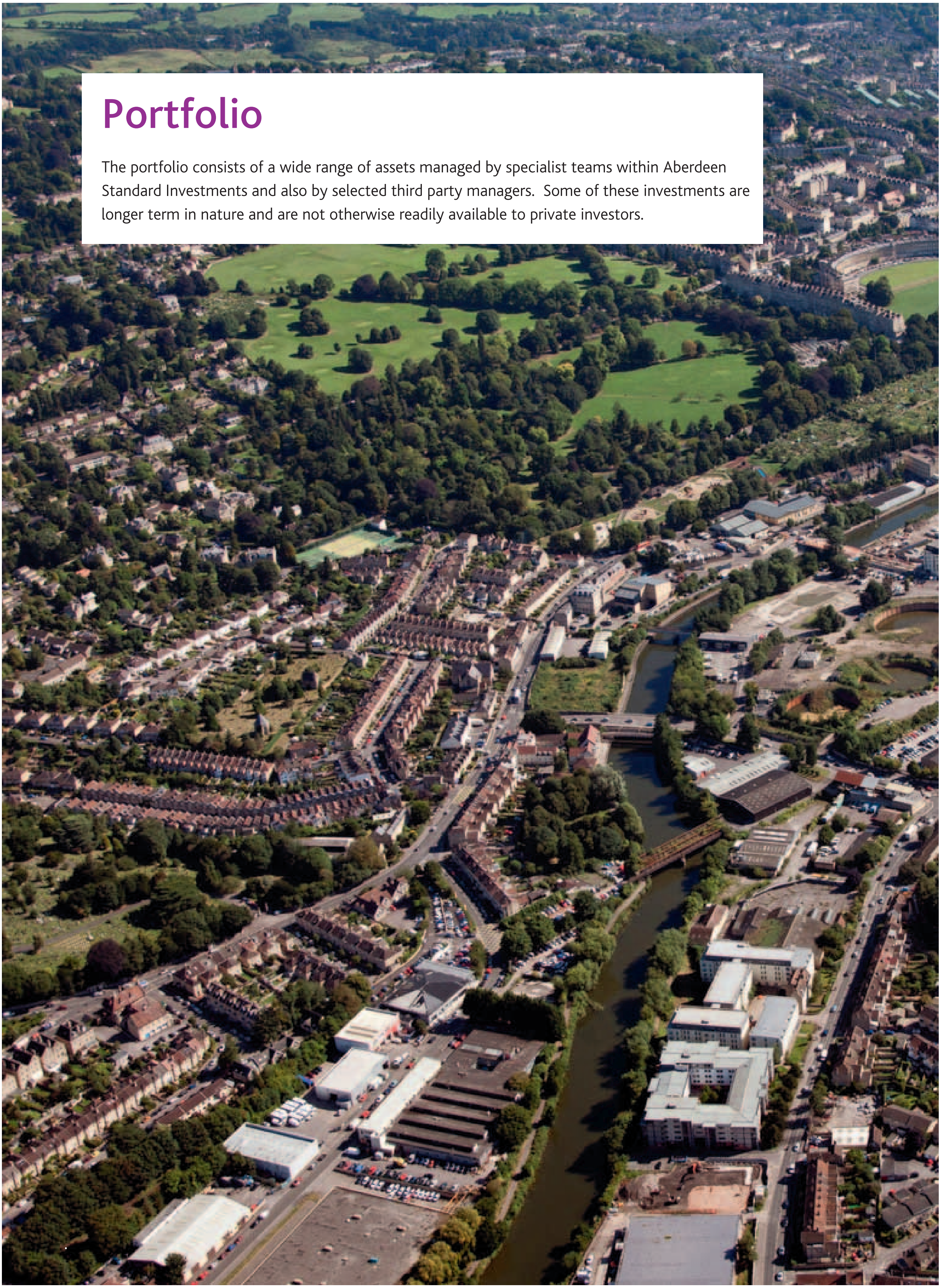
There were few significant changes to the composition of the portfolio during the period as headline asset allocation continued to lean towards developed markets within equities and corporate bonds within our fixed income holdings. After serving well as a diversifying asset throughout 2016, we reduced our gold positions in the expectation of greater uncertainty of the price of precious metals going into 2017.

Adam Ryan
BlackRock Investment Management (UK) Limited

20 June 2017

Portfolio

The portfolio consists of a wide range of assets managed by specialist teams within Aberdeen Standard Investments and also by selected third party managers. Some of these investments are longer term in nature and are not otherwise readily available to private investors.



Aberdeen European Residential Opportunities Fund, a portfolio investment, is building 244 new homes on a large site close to the centre of the City of Bath.

Ten Largest Equity and Alternative Investments

As at 30 September 2017

	At 30 September 2017 %	At 30 September 2016 %
Aberdeen Smart Beta Low Volatility Global Equity Income Fund[A] Diversified equity fund	23.8	–
TwentyFour Asset Backed Opportunities Fund Investments in mortgages, SME loans etc originated in Europe	13.0	–
Aberdeen Alpha Global Loans Fund[A] Portfolio of senior secured loans and corporate bonds	9.1	–
Alternative Risk Premia Fund investing in risk factor indices for a variety of asset classes	2.9	–
Blackstone GSO Loan Financing Diversified exposure to senior secured loans via CLO securities	2.5	2.7
AQR Managed Futures Trend-following investment strategy	2.1	–
Funding Circle SME Income Fund Smaller company lending fund	2.0	2.2
CATCo Reinsurance Opportunities Fund Investments linked to catastrophe reinsurance risks	2.0	–
BlackRock Infrastructure Renewable Income Fund Renewable infrastructure investments – UK wind and solar	1.8	–
P2P Global Investments Range of investments sourced via market-place lending platforms	1.5	–

[A] Denotes Aberdeen managed products.

Largest Fixed Income Investments

As at 30 September 2017

	At 30 September 2017 %	At 30 September 2016 %
Aberdeen Global Indian Bond Fund[A] Diverse portfolio of Indian bonds	4.1	–
Aberdeen Global Frontier Markets Bond Fund[A] Diverse portfolio of bonds issued by companies, governments or other bodies in frontier market countries.	2.1	–

All percentages on this page reflect the value of the holding as a percentage of total investments at 30 September 2017 and 30 September 2016. Together, the ten largest equity and alternative investments represent 60.7% of the Company's portfolio (30 September 2016 – 26.0%).

[A] Denotes Aberdeen managed products.

Portfolio

Equities and Alternatives

As at 30 September 2017

Company	Valuation 2017 £'000	Net assets 2017 %
Low Volatility Income Strategy Equities		
Aberdeen Global Smart Beta Low Volatility Global Equity Income Fund[A]	113,511	26.0
Total Low Volatility Income Strategy Equities	**113,511**	**26.0**
Private Equity		
Forward Partners 1 LP	4,896	1.1
Maj Equity Fund 4	4,792	1.1
TrueNoord Co-Investment II LP	2,236	0.5
Maj Equity Fund V	569	0.1
Total Private Equity	**12,493**	**2.8**
Property		
PRS REIT	4,457	1.0
Triple Point Social Housing	4,159	1.0
Residential Secure Income	3,740	0.9
Aberdeen European Residential Opportunities Fund[A]	3,100	0.7
Aberdeen Property Secondaries Partners II[A]	2,545	0.6
Total Property	**18,001**	**4.2**
Infrastructure		
BlackRock Infrastructure Renewable Income Fund	8,592	2.0
Renewables Infrastructure	6,528	1.5
Foresight Solar Fund	5,985	1.4
International Public Partnerships	5,063	1.1
John Laing	4,086	0.9
Greencoat Renewables	2,681	0.6
Total Infrastructure	**32,935**	**7.5**
Loans		
Aberdeen Alpha Global Loans Fund[A]	43,293	9.9
Total Loans	**43,293**	**9.9**
Asset Backed Securities		
TwentyFour Asset Backed Opportunities Fund	62,110	14.2
Blackstone GSO Loan Financing	12,040	2.8
Fair Oaks Income	3,016	0.7
Total Asset Backed Securities	**77,166**	**17.7**
Insurance-Linked Securities		
CATCo Reinsurance Opportunities Fund	9,343	2.1
Blue Capital Alternative Income	5,378	1.2
Blue Capital Reinsurance Holdings	1,202	0.3
Total Insurance-Linked Securities	**15,923**	**3.6**
Special Opportunities		
Funding Circle SME Income Fund	9,625	2.2
P2P Global Investments	7,221	1.7
Doric Nimrod Air Two	5,135	1.2
BioPharma Credit	4,782	1.1
MRTCP I LP	223	–
Total Special Opportunities	**26,986**	**6.2**
Absolute Return		
Alternative Risk Premia	13,915	3.2
AQR Managed Futures	9,939	2.3
36 South Funds Kohinoor Core Fund	3,255	0.7
Total Absolute Return	**27,109**	**6.2**
Real Assets		
Agriculture Capital ACM Fund II	764	0.2
Total Real Assets	**764**	**0.2**
Total Alternatives	**254,670**	**58.3**

[A] Denotes Aberdeen managed products.

Portfolio

Bonds

As at 30 September 2017

Company	Valuation 2017 £'000	Net assets 2017 %
Emerging Market Bonds		
Aberdeen Global Indian Bond Fund[A]	19,497	4.5
Aberdeen Global Frontier Markets Bond Fund[A]	9,812	2.2
South Africa (Rep of) 10.5% 21/12/26	7,546	1.7
Poland (Rep of) 1.5% 25/04/20	6,633	1.5
Turkey (Rep of) 10.7% 17/02/21	6,346	1.5
Russian Federation 7.05% 19/01/28	6,048	1.4
Brazil (Fed Rep of) 10% 01/01/25	5,660	1.3
Indonesia (Rep of) 9% 15/03/29	5,370	1.2
Brazil (Fed Rep of) 10% 01/01/27	4,774	1.1
Colombia (Rep of) 7% 30/06/32	3,311	0.8
Top ten investments	**74,997**	**17.2**
Malaysian (Govt of) 4.048% 30/09/21	3,139	0.7
Mexico Bonos Desarr Fix Rt 8% 11/06/20	2,722	0.6
Turkey (Rep of) 10.6% 11/02/26	2,159	0.5
Peru (Rep of) 6.95% 12/08/31	1,935	0.4
Petroleos Mexicanos 7.19% 12/09/24	1,726	0.4
Mexico (United Mexican States) 7.75% 13/11/42	1,622	0.4
Mexico (United Mexican States) 6.5% 09/06/22	1,573	0.4
Colombia (Rep of) 7% 04/05/22	1,555	0.4
Indonesia (Rep of) 8.375% 15/03/34	1,439	0.3
Russian Federation 7.5% 27/02/19	1,386	0.3
Top twenty investments	**94,253**	**21.6**
Indonesia (Rep of) 9% 15/09/18	1,365	0.3
Malaysia (Govt of) 4.498% 15/04/30	1,291	0.3
Argentina (Rep of) FRN 21/06/20	1,184	0.3
Mexico Bonos Desarr Fix Rt 10% 05/12/24	1,058	0.2
Indonesia (Rep of) 7.875% 15/04/19	995	0.2
Argentina (Rep of) 16% 17/10/23	819	0.2
Poland (Rep of) 5.75% 25/04/29	818	0.2
Republic Orient Uruguay 8.5% 15/03/28	803	0.2
Uruguay (Rep of) 9.875% 20/06/22	781	0.2
Ghana (Rep of) 24.75% 19/07/21	701	0.2
Top thirty investments	**104,068**	**23.9**
Indonesia (Rep of) 8.25% 15/05/36	662	0.1
Malaysia (Govt of) 4.378% 29/11/19	559	0.1
Poland (Rep of) 2.5% 25/07/26	505	0.1
Peru (Rep of) 6.15% 12/08/32	309	0.1
Malaysia (Govt of) 3.9% 30/11/26	249	0.1
Total Emerging Markets Bonds	**106,352**	**24.4**
High Yield Bonds		
NB Distressed Debt Extended Life	2,431	0.5
Banco Espirito Santo 4.75% 15/01/18	106	–
Banco Espirito Santo 4% 21/01/19	80	–
Total High Yield Bonds	**2,617**	**0.5**
Total Fixed Income	**108,969**	**24.9**

[A] Denotes Aberdeen managed products.

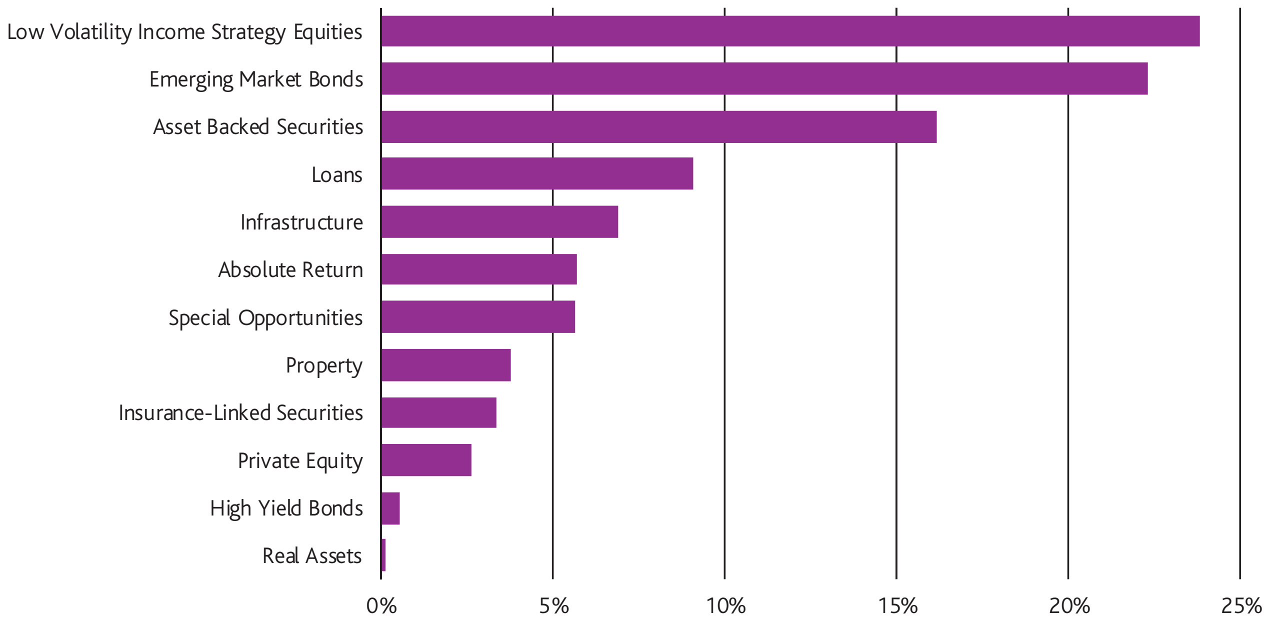
Net Assets Summary and Asset Allocation

As at 30 September 2017

Net Assets Summary

	Valuation 2017 £'000	Net assets 2017 %
Total investments	477,150	109.2
Cash and cash equivalents	3,627	0.8
Forward contracts	13,431	3.1
6.25% Bonds 2031	(59,632)	(13.6)
Other net assets	2,191	0.5
Net assets	**436,767**	**100.0**

Asset Allocation



The chart illustrates each asset class as a percentage of total investments as at 30 September 2017.

Governance

The Company is registered as a public limited company and has been approved by HM Revenue & Customs as an investment trust. The Company is committed to high standards of corporate governance and applies the principles identified in the UK Corporate Governance Code and the AIC Code of Corporate Governance.

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

ACM II, a portfolio investment, is acquiring farms that offer the potential to deliver very high cash yields after being redeveloped and / or converted into organic production. The Investment Manager has made initial investments in two blueberry farms, a citrus ranch and a packing plant in California.

Your Board of Directors

The current Directors' details, all of whom are non-executive and independent of the Manager, are set out below. The Directors supervise the management of the Company and represent the interests of shareholders.

James M Long, TD

Status: Chairman

Length of service: 11 years

Experience: James was formerly Director of Risk and Compliance for AstraZeneca Europe, Corporate Finance Director of Inchcape plc and Managing Director, Asia and Emerging Markets, for the ESAB Group. He was formerly Chairman of JPMorgan Asian Investment Trust plc.

Last re-elected to the Board: 2017

Committee membership: Management Engagement Committee (Chairman) and Nomination Committee (Chairman)

Kevin Ingram

Status: Senior Independent Non-Executive Director

Length of service: 6 months

Experience: Kevin is a Chartered Accountant and was an Audit Partner of PricewaterhouseCoopers LLP heading its UK Investment Funds practice from 2000 to 2007. He is a non-executive director of VPC Specialty Lending Investments plc and former Chairman of Aberdeen UK Tracker Trust plc.

Last re-elected to the Board: n/a

Committee membership: Audit Committee, Management Engagement Committee and Nomination Committee

Ian Russell

Status: Independent Non-Executive Director and Chairman of the Audit Committee

Length of service: 9 years

Experience: Ian was formerly Chief Executive of Scottish Power plc. He is currently a non-executive director of The Mercantile Investment Trust plc and Chairman of HICL Infrastructure Company Limited.

Last re-elected to the Board: 2017

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

Tom Challenor

Status: Independent Non-Executive Director

Length of service: 6 months

Experience: Tom is Senior Independent Director of Euroclear (UK & Ireland) Limited and a former non executive director of Aberdeen UK Tracker Trust plc, Cofunds Limited, Xtrakter Limited and Threadneedle Lux (SICAV). At Threadneedle Asset Management he was Director of Strategy and Risk from 2005 to 2009 and Chief Financial Officer from 1997 to 2005. He is also a non-executive director of Threadneedle India Fund Limited.

Last re-elected to the Board: n/a

Committee membership: Audit Committee, Management Engagement Committee and Nomination Committee

Jim Grover
Status: Independent Non-Executive Director

Length of service: 4 years

Experience: Jim was, until June 2013, Group Strategy Director of Diageo plc and a member of its Executive Committee. He was formerly a Senior Advisor to the Consumer Markets group of KPMG LLP. He is currently a senior adviser to OC&C Strategy Consultants.

Last re-elected to the Board: 2017

Committee membership: Audit Committee, Management Engagement Committee and Nomination Committee

Julian Sinclair
Status: Independent Non-Executive Director

Length of service: 2 years

Experience: Julian is the Chief Investment Officer at Talisman Global Asset Management Limited. Prior to joining Talisman, he was a Senior Portfolio Manager at BlueBay Asset Management plc and a Partner at Altima Partners LLP. He started his career at Gartmore as an analyst and portfolio manager.

Last re-elected to the Board: 2017

Committee membership: Audit Committee, Management Engagement Committee and Nomination Committee

Paul Yates
Status: Independent Non-Executive Director

Length of service: 6 months

Experience: Paul is non-executive chairman at 33 St James's, a firm of management consultants and executive search consultants. He had a long career in investment management, mainly with UBS, where he held a number of global roles. He is also a non-executive director of The Merchants Trust PLC and Fidelity European Values PLC and a former non-executive director of Aberdeen UK Tracker Trust plc.

Last re-elected to the Board: n/a

Committee membership: Audit Committee, Management Engagement Committee and Nomination Committee

Directors' Report

The Directors present their report and the audited financial statements for the year ended 30 September 2017 which was a year of significant change for the Company.

On 11 February 2017, Aberdeen Fund Managers Limited was appointed Manager in place of BlackRock and the Company was renamed Aberdeen Diversified Income and Growth Trust plc. A discount control policy was announced on 13 February 2017 with shareholders approving a new investment objective and policy at the General Meeting held on 30 March 2017. A tender offer and merger with Aberdeen UK Tracker Trust plc ("AUKT") was undertaken on 6 April 2017.

Appointment of Aberdeen Fund Managers Limited and Change of Name of the Company

On 11 February 2017, the Company appointed Aberdeen Fund Managers Limited and changed its name to Aberdeen Diversified Income and Growth Trust plc.

Discount Management Policy and Share Buybacks

The Board announced on 13 February 2017 that, in normal market conditions and subject to the prevailing gearing level and the composition of the Company's portfolio, it would implement a discount control policy to maintain the Company's share price discount to net asset value, calculated excluding income and with debt at fair value, at no wider than 5%. As at 30 September 2017 the Company's discount, with debt at fair value and excluding income, was 3.1%, as compared to 6.9% as at 30 September 2016. Other than in connection with the tender offer referred to below, 3,125,000 shares were bought back by the Company. The Board continues to monitor closely the Company's discount and will undertake buybacks where it is in shareholders' interests to do so. The discount had narrowed further, to 2.3%, as at the date of this Report.

New Investment Objective and Investment Policy

At a General Meeting on 30 March 2017, shareholders approved a new investment objective, as set out on page 8 and a new investment policy, as follows -

The Company invests globally using a flexible multi-asset approach via quoted and unquoted investments. The Company has not set maximum or minimum exposures for any geographical regions or sectors and will achieve an appropriate spread of risk by investing in a diversified portfolio of securities and other assets. This includes, but is not limited to, achieving exposure to the following securities and asset classes:

- equity driven assets, comprising developed equity, emerging market equity and private equity;
- alternative diversifying assets including, but not limited to, high yield bonds and loans, emerging market debt, alternative financing, asset backed securities, property, social, economic, regulated and renewable infrastructure, commodities, absolute return investments, insurance linked, farmland and aircraft leasing; and
- low return assets such as gold, government bonds, investment grade credit and tail risk hedging.

Asset allocation is flexible allowing investment in the most attractive investment opportunities at any point in time whilst always maintaining a diversified portfolio.

The Company complies with the following investment restrictions, at the time of investment:

- no individual quoted company or transferable security exposure in the portfolio may exceed 15% of the Company's total assets, other than in treasuries and gilts;
- no other individual asset in the portfolio (including property, infrastructure, private equity, commodities and other alternative assets) may exceed 5% of the Company's total assets;
- the Company will not normally invest more than 5% of its total assets in the unquoted securities issued by any individual company; and
- no more than 15% of the Company's total assets may be invested in an individual regulated pooled investment fund, with the exception of a global equity UCITS pooled fund which may be no more than 35% of the Company's total assets. In aggregate the largest three investments in regulated pooled funds will not comprise more than 60% of the Company's total assets.

The Company may invest in exchange-traded funds provided they are quoted on a recognised investment exchange. The Company may invest in cash and cash equivalents including money market funds, treasuries and gilts.

No more than 10% of the Company's total assets may be invested in other listed closed-ended investment companies, provided that this restriction does not apply to investments in any such listed closed-ended investment companies which themselves have published investment policies to invest no more than 15% of their total assets in other closed-ended investment companies.

The Company may use derivatives to enhance portfolio returns (of a capital or income nature) and for efficient portfolio management, that is, to reduce, transfer or eliminate risk in its investments, including protection against currency risks, or to gain exposure to a specific market.

The Company may use gearing, in the form of borrowings and derivatives, to enhance income and capital returns over the long term. The borrowings may be in sterling or other currencies. The Company's articles of association contain a borrowing limit equal to the value of its adjusted total of capital and reserves. However, borrowings would not normally be expected to exceed 20% of shareholders' funds. Total gearing, including net derivative exposure, would not normally be expected to result in a net economic equity exposure in excess of 120%.

The Company may invest from time to time in funds managed by the Manager.

Following shareholder approval of the new investment objective and investment policy at the General Meeting on 30 March 2017, the Manager realigned the Company's investment portfolio and further information may be found in the Investment Manager's Report from page 17.

Details of the Company's investment policy prior to 30 March 2017 may be found on page 6 of the Company's Annual Report for the year ended 30 September 2016.

Tender Offer and Merger with Aberdeen UK Tracker Trust plc

Following shareholder approval obtained at the General Meeting held on 30 March 2017, and further to the circular published on 6 March 2017 (the "Circular") which is available from the Company's website, the Company announced on 6 April 2017 the repurchase of 53.4m shares, representing 20% of the Company's issued share capital.

The Company also announced on 6 April 2017 the issue of 118.6m shares to those shareholders of AUKT electing to roll-over their shares, further to shareholder approval of the merger with AUKT. This equated to an increase in the Company's assets of £146m.

Results and Dividends

The financial statements for the year ended 30 September 2017 are contained on pages 59 to 83. The Company's revenue return for the year ended 30 September 2017 was 5.31p per share compared to 7.56p per share in the previous year.

First and second interim dividends, each of 1.635p per Ordinary share, and a third interim dividend of 1.31p per Ordinary share, were paid on 24 March 2017, 28 April 2017 and 6 October 2017 respectively. On 19 December 2017, the Directors declared a fourth interim dividend of 1.31p per Ordinary share payable on 26 January 2018 to shareholders on the register on 29 December 2017. The ex-dividend date is 28 December 2017. The third and fourth interim dividends were reduced by 20% as explained in the Circular. The Company intends to continue to declare and pay four interim dividends each year and, in line with corporate governance best practice, a resolution in respect of this dividend policy will be put to shareholders at each Annual General Meeting.

Investment Trust Status

The Company is registered as a public limited company (registered in Scotland No. SC3721) and is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company has been approved by HM Revenue & Customs as an investment trust subject to it continuing to meet the relevant eligibility conditions of Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements of Part 2 Chapter 3 Statutory Instrument 2011. The Directors are of the opinion that the Company has conducted its affairs for the year ended 30 September 2017 so as to enable it to comply with the ongoing requirements for investment trust status.

Individual Savings Accounts

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

Capital Structure and Voting rights

The issued Ordinary share capital at 30 September 2017 consisted of 329,066,705 Ordinary shares of 25p each and 36,344,169 Ordinary shares held in treasury. An additional 515,000 Ordinary shares were bought back between 1 October 2017 and the date of approval of this Annual Report resulting in 328,551,705 Ordinary shares in issue, with voting rights, and 36,859,169 Ordinary shares in treasury.

Each Ordinary share holds one voting right and shareholders are entitled to vote on all resolutions which are proposed at general meetings of the Company. The Ordinary shares, excluding treasury shares, carry a right to receive dividends. On a winding up or other return of capital, after meeting the liabilities of the Company, the surplus assets will be paid to Ordinary shareholders in proportion to their shareholdings. There are no restrictions on the transfer of Ordinary shares in the Company other than certain restrictions which may from time to time be imposed by law.

Management Agreement

The Company appointed Aberdeen Fund Managers Limited ("AFML"), a wholly owned subsidiary of Aberdeen Asset Management PLC, as its alternative investment fund manager with effect from 11 February 2017, replacing BlackRock.

AFML has been appointed to provide investment management, risk management, administration and company secretarial services as well as promotional activities. The Company's portfolio is managed by Aberdeen Asset Managers Limited ("AAML") by way of a group delegation agreement in place between AFML and AAML. In addition, AFML has sub-delegated administrative and secretarial services to Aberdeen Asset Management PLC and promotional activities to AAML.

The Manager charges a monthly fee at the rate of one-twelfth of 0.50% on the first £300 million of NAV and 0.45% of NAV in excess of £300 million. In calculating the NAV, the 6.25% bonds due 2031 are valued at fair value. The value of any investments in ETFs, unit trusts, open ended and closed ended investment companies and investment trusts of which the Manager, or another company within the Standard Life Aberdeen plc group is the operator, manager or investment adviser, is deducted from net assets. Details of the management fee charged during the year are included in note 4 to the financial statements.

The management agreement is terminable on not less than six months' notice subject to a minimum notice period which expires no earlier than 11 February 2019. In the event of termination by the Company on less than the agreed notice period, compensation is payable to the Manager in lieu of the unexpired notice period.

The Manager agreed to waive any entitlement to management fees from 11 February 2017 until 30 September 2017; additionally, this waiver was in place until 6 October 2017, being the date six months subsequent to the Company's merger with Aberdeen UK Tracker Trust plc. Accordingly, as detailed in note 4 to the financial statements, no investment management fees were charged by the Manager during the year under review.

For the period to 10 February 2017, the investment management fee paid to BlackRock was levied at a rate of 0.4% per annum of the Company's total assets less current liabilities (excluding loans). The Manager also agreed to pay to the Company an amount equal to six months' management fees payable to BlackRock (in line with the notice period clause) calculated at the rate of 0.4% per annum of the gross assets of the Company as at 10 February 2017 (being the date of termination of the BlackRock Investment Management Agreement).

Corporate Governance

The Statement of Corporate Governance, which forms part of the Directors' Report, may be found on pages 40 to 44.

Directors

At the year end the Board comprised seven non-executive Directors. Lynn Ruddick and Jimmy West retired from the Board on 6 April 2017 while Kevin Ingram, Tom Challenor and Paul Yates were appointed non-executive Directors on 6 April 2017. The names and biographies of each of the current Directors are shown on pages 32 and 33 and indicate their range of skills and experience as well as length of service.

Each Director has the requisite high level and range of business and financial experience which enables the Board to provide clear and effective leadership and proper governance of the Company.

Kevin Ingram, Tom Challenor and Paul Yates, as Directors appointed during the year, retire and seek election at the AGM. The Board has adopted a policy, in line with best practice in corporate governance, that all Directors offer themselves for re-election at each AGM and, accordingly, James Long, Ian Russell, Jim Grover and Julian Sinclair retire and, being eligible, each submit themselves for re-election at the AGM. The Board believes that all seven Directors remain independent of the Manager and free from any relationship which could materially interfere with the exercise of their judgement on issues of strategy, performance, resources and standards of conduct. In addition, the Board confirms that, following a formal performance evaluation, the performance of all Directors continues to be effective and demonstrates commitment to the role. The Board therefore recommends to shareholders the individual elections of Kevin Ingram, Tom Challenor and Paul Yates and individual re-elections of James Long, Ian Russell, Jim Grover and Julian Sinclair at the AGM.

The Directors attended scheduled Board, Audit Committee and Nomination Committee meetings during the year ended 30 September 2017 as follows (with their eligibility to attend the relevant meetings in brackets):

Director	Scheduled Board Meetings	Audit Committee Meetings	Nomination Committee Meetings
James Long	5 (5)	-	1 (1)
Kevin Ingram [A]	2 (2)	1 (1)	1 (1)
Ian Russell	4 (5)	2 (2)	1 (1)
Tom Challenor [A]	2 (2)	1 (1)	1 (1)
Jim Grover	5 (5)	2 (2)	1 (1)
Julian Sinclair	4 (5)	2 (2)	1 (1)
Paul Yates [A]	2 (2)	1 (1)	1 (1)
Lynn Ruddick [B]	3 (3)	-	-
Jimmy West [B]	2 (3)	-	-

[A] Appointed a Director on 6 April 2017
[B] Retired as a Director on 6 April 2017

The Directors meet more regularly when business needs require. During the year ended 30 September 2017, in addition to the scheduled meetings, the Board met more frequently in relation to the strategic review, tender offer and merger with Aberdeen UK Tracker Trust plc.

Board Committees

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

Audit Committee

The Audit Committee's Report is contained on pages 48 to 50.

Management Engagement Committee

The Management Engagement Committee consists of all the Directors and was chaired by James Long throughout the year. The terms and conditions of the Manager's appointment, including an evaluation of performance and fees, are reviewed by the Committee on an annual basis. The Committee also keeps the resources of the Aberdeen Group under review, together with its commitment to the Company and its investment trust business. In addition, the Committee conducts an annual review of the performance, terms and conditions of the Company's main third party suppliers. The Management Engagement Committee did not meet formally during the year ended 30 September 2017 as the functions of the Committee, including in particular the strategic review which resulted in the subsequent appointment of Aberdeen Fund Managers Limited as Manager, were undertaken by the Board as a whole.

The Board remains satisfied with the capability of the Aberdeen Group to deliver satisfactory investment performance, that its investment screening processes are thorough and robust and that it employs a well-resourced team of skilled and experienced fund managers. In addition, the Board is satisfied that the Aberdeen Group has the secretarial, administrative and promotional skills required for the effective operation and administration of the Company. Accordingly, the Board believes that the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole.

Nomination Committee

The Nomination Committee consists of all the Directors and was chaired by James Long throughout the year. The Committee reviews the effectiveness of the Board, succession planning, Board appointments, appraisals, training and the remuneration policy. As stated in the Directors' Remuneration Report on pages 45 to 47, the full Board determines the level of Directors' fees and there is no separate Remuneration Committee.

Led by the Chairman, the Committee undertakes an annual appraisal of each Director and the performance of the Board as a whole. An appraisal of the Chairman is led by the Senior Independent Director. The intention is that the evaluation is externally facilitated every three years, the last such review being in 2015/16.

Potential new Directors are identified against the requirements of the Company's business and the need to have a balance of skills, experience, independence, diversity and knowledge of the Company within the Board.

Directors' and Officers' Liability Insurance

The Company maintains insurance in respect of Directors' and Officers' liabilities in relation to their acts on behalf of the Company. Each Director is entitled to be indemnified out of the assets of the Company to the extent permitted by law against any loss or liability incurred by him in the execution of his duties in relation to the affairs of the Company. These rights are included in the Articles of Association of the Company.

Management of Conflicts of Interest

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

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

The Board takes a zero-tolerance approach to bribery and has adopted appropriate procedures designed to prevent bribery. The Manager also takes a zero-tolerance approach and has its own detailed policy and procedures in place to prevent bribery and corruption.

Going Concern

The Financial Statements of the Company have been prepared on a going concern basis. The forecast projections and actual performance are reviewed on a regular basis throughout the period and the Directors believe that this is the appropriate basis and that the Company has adequate resources to continue in operational existence for the foreseeable future (being a period of twelve months from the date that these financial statements were approved) and is financially sound. The Company is able to meet all of its liabilities from its assets including its ongoing charges. The

Company's longer term viability is considered in the viability statement on pages 12 and 13 of the Strategic Report.

Accountability and Audit

The respective responsibilities of the Directors and the auditor in connection with the financial statements appear on page 52 and 57.

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

Substantial Interests

As at 30 September 2017, the following interests in the issued Ordinary share capital of the Company had been disclosed in accordance with the requirements of the FCA's Disclosure Guidance and Transparency Rules:

Shareholder	Number of shares held	% held [B]
Aberdeen Asset Managers Limited Retail Plans [A]	33,228,578	10.1
Aberdeen Standard Investments	29,709,435	9.0
Alliance Trust Savings	20,845,897	6.3
Hargreaves Lansdown [A]	15,308,371	4.7
Charles Stanley	12,487,801	3.8
Investec Wealth & Investment	10,414,455	3.2

[A] Non-beneficial interest

[B] Based on 329,066,705 Ordinary shares in issue as at 30 September 2017

There have been no changes advised to the Company in relation to the above information, as at the date of approval of this Report, other than notification by Schroders plc of a holding of 20,995,284 Ordinary shares, equivalent to 6.4% of the Company's issued share capital.

Relations with Shareholders

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

The Board's policy is to communicate directly with shareholders and their representative bodies without the involvement of the management group (including the Company Secretary or the Manager) in situations where direct communication is required. In addition, the Company Secretary only acts on behalf of the Board, not the Manager, and there is no filtering of communication. At each Board meeting the Board receives full details of any communication from shareholders to which the Chairman responds personally as appropriate.

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

Annual General Meeting

The Annual General Meeting will be held at The Drapers' Hall, Throgmorton Avenue, London EC2N 2DQ on Friday 2 March 2018 at 11.30am. The Notice of the Meeting is included on pages 94 to 98. Resolutions including the following business will be proposed:

Allotment of Shares

Resolution 13 will be proposed as an ordinary resolution to confer an authority on the Directors, in substitution for any existing authority, to allot up to 10% of the issued Ordinary share capital of the Company (excluding treasury shares) as at the date of the passing of the resolution (up to a maximum aggregate nominal amount of £8.2m based on the number of Ordinary shares in issue as at the date of this Report) in accordance with Section 551 of the Companies Act 2006. The authority conferred by this resolution will expire at the next Annual General Meeting of the Company or, if earlier, 31 March 2019 (unless previously revoked, varied or extended by the Company in general meeting).

The Directors consider that the authority proposed to be granted by resolution 13 is necessary to retain flexibility.

Limited Disapplication of Pre-emption Provisions

Resolution 14 will be proposed as a special resolution and seeks to give the Directors power to allot Ordinary shares or to sell Ordinary shares held in treasury (see below) (i) by way of a rights issue (subject to certain exclusions); (ii) by way of an open offer or other offer of securities (not being a rights issue) in favour of existing shareholders in proportion to their shareholdings (subject to certain exclusions); and (iii) to persons other than existing shareholders for cash up to a maximum aggregate nominal amount representing 5% of the Company's issued Ordinary share capital as at the date of the passing of the resolution (up to an aggregate nominal amount of £4.1m based on the number of Ordinary shares in issue as at the date of this Report), without first being required to offer such shares to existing shareholders *pro rata* to their existing shareholding.

This power will expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, 31 March 2019 (unless previously revoked, varied or extended by the Company in general meeting).

The Company may buy back and hold shares in treasury and then sell them at a later date for cash rather than cancelling them. Such sales are required to be on a pre-emptive, pro rata basis to existing shareholders unless shareholders agree by special resolution to disapply such pre-emption rights. Accordingly, in addition to giving the Directors power to allot unissued Ordinary share capital on a non pre-emptive basis, resolution 14 will also give the Directors power to sell Ordinary shares held in treasury on a non pre-emptive basis, subject always in both cases to the limitations noted above. Pursuant to this power, Ordinary shares would only be issued for cash, and treasury shares would only be sold for cash, at a premium to the net asset value per share (calculated after the deduction of prior charges at market value). Treasury shares are explained in more detail under the heading "Market Purchase of the Company's own Ordinary Shares" below.

Market Purchase of the Company's own Ordinary Shares

Resolution 15 will be proposed as a special resolution to authorise the Company to make market purchases of its own Ordinary shares. The Company may do either of the following things in respect of its own Ordinary shares which it buys back and does not immediately cancel but, instead, holds in treasury:

- sell such shares (or any of them) for cash (or its equivalent); or
- ultimately cancel the shares (or any of them).

Treasury shares may be resold quickly and cost effectively. The Directors therefore intend to continue to take advantage of this flexibility as they deem appropriate. Treasury shares also enhance the Directors' ability to manage the Company's capital base.

No dividends will be paid on treasury shares and no voting rights attach to them.

The maximum aggregate number of Ordinary shares which may be purchased pursuant to the authority is 14.99% of the issued Ordinary share capital of the Company as at the date of the passing of the resolution (approximately 49 million Ordinary shares). The minimum price which may be paid for an Ordinary share is 25p (exclusive of expenses). The maximum price (exclusive of expenses) which may be paid for the shares is the higher of a) 5% above the average of the middle market quotations of the Ordinary shares (as derived from the Daily Official List of the London Stock Exchange) for the shares for the five business days immediately preceding the date of purchase; and b) the higher of the price of the last independent trade and the highest current independent bid on the main market for the Ordinary shares.

This authority, if conferred, will expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on 31 March 2019 (unless previously revoked, varied or extended by the Company in general meeting) and will be exercised only if it would result in an increase in net asset value per Ordinary share for the remaining shareholders and if it is in the best interests of shareholders as a whole.

Holding General Meetings on less than 14 days' clear notice

Under the Companies Act 2006, the notice period for all general meetings of the Company is 21 clear days' notice. Annual general meetings will always be held on at least 21 clear days' notice but shareholders can approve a shorter notice period for other general meetings. Resolution 16 seeks the authority from shareholders for the Company to be able to hold general meetings (other than Annual General Meetings) on not less than 14 clear days' notice. The approval will be effective until the Company's next annual general meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Companies Act 2006 (as amended by the Shareholders' Rights Regulations) before it can call a general meeting on 14 days' notice.

The Board believes that it is in the best interests of Shareholders to have the ability to call meetings on no less than 14 clear days' notice should an urgent matter arise. The Directors do not intend to hold a general meeting on less than 21 clear days' notice unless immediate action is required.

Recommendation

The Directors consider that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders and recommend that shareholders vote in favour of the resolutions as they intend to do in respect of their own beneficial shareholdings, amounting to 412,465 Ordinary shares, representing 0.13% of the issued share capital.

By order of the Board
Aberdeen Asset Management PLC
Company Secretary

7th Floor, 40 Princes Street
Edinburgh EH2 2BY

16 January 2018

Statement of Corporate Governance

Aberdeen Diversified Income and Growth Trust PLC (the "Company") is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good governance and, as required by the Listing Rules of the UK Listing Authority, this statement describes how the Company has applied the principles identified in the UK Corporate Governance Code (the "UK Code"), published in April 2016 and effective for financial years commencing on or after 17 June 2016 and first applicable for the Company's year ended 30 September 2017. The UK Code is available on the Financial Reporting Council's website: frc.org.uk.

The Board has also considered the principles and recommendations of the AIC Code of Corporate Governance as published in July 2016 (the "AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues which are of specific relevance to investment trusts. Both the AIC Code and the AIC Guide are available on the AIC's website: theaic.co.uk. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code), provides better information to shareholders.

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

- the role of the chief executive (A.1.2);
- executive directors' remuneration (D.1.1 and D.1.2); and
- the need for an internal audit function (C.3.6).

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers that these provisions are not relevant to the position of the Company, being an externally-managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties and, 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.

The AIC Code consists of 21 principles and the Company's compliance with each principle is set out below.

The Board

1. The Chairman should be independent

James Long has served as a Director since 1 May 2006 and as Chairman since 26 February 2015. In relation to tenure, the Board takes the view that independence is not compromised by length of tenure and that experience can add significantly to the Board's strength. Led by the Senior Independent Director, the other Directors formally review the performance of the Chairman each year and are satisfied that James Long provides appropriate leadership and possesses the relevant skills and experience to fulfil the role of Chairman.

The other Directors have reviewed, and are satisfied, that the Chairman remains capable of devoting sufficient time to the effective running of the Company. There have been no significant changes to the Chairman's other commitments since his appointment as Chairman on 26 February 2015.

The UK Code states that a test of independence applies on the appointment of the Chairman. The other Directors are satisfied that Mr Long was independent on appointment and continues to remain independent, in their view, despite having served on the Board for more than nine years as he stands for annual re-election as a Director at each AGM, and remains free of any relationship, including with the Manager, which could materially interfere with the exercise of his judgement on issues of the Company's strategy, performance, resources and standards of conduct.

2. A majority of the Board should be independent of the Manager

The Board comprised seven non-executive Directors at 30 September 2017. The independence of the Directors is reviewed annually. Under the Listing Rules, a director is not considered independent if he serves on the board of more than one investment trust managed by the same group. The UK Code states that the test of independence also applies on the appointment of the Senior Independent Director. Jimmy West was Senior Independent Director until 6 April 2017 and was succeeded in that position by Kevin Ingram, who was independent on appointment.

The names and biographies of each of the Directors may be found on pages 32 and 33. There is a procedure for Directors to take independent professional advice, if necessary, at the Company's expense.

3. Directors should be submitted for re-election at regular intervals. Nomination for re-election should not be assumed but be based on disclosed procedures and continued satisfactory performance

Under the Company's Articles of Association new Directors stand for election at the first AGM following their appointment and thereafter all Directors are required to submit themselves for re-election at every third AGM. Notwithstanding this, the Board has agreed that all Directors shall retire and, if eligible, stand for re-election at each AGM.

Recommendation for re-election is based on the continuing effectiveness of each Director. There is an annual performance evaluation process.

The Nomination Committee has reviewed each Director's other commitments, as set out in their biography in the Governance section of the Annual Report, and is satisfied that each other Director is capable of devoting sufficient time to the effective running of the Company. The continuing independent and objective judgement of the Directors is assessed and confirmed.

Each Director has the requisite high level and range of business and financial experience which enables the Board to provide clear and effective leadership and proper stewardship of the Company and the other Directors recommend that shareholders support the individual election as Directors of Kevin Ingram, Tom Challenor and Paul Yates and the individual re-election as Directors of each of James Long, Ian Russell, Jim Grover and Julian Sinclair.

4. The Board should have a policy on tenure, which is disclosed in the Annual Report

The Nomination Committee reviews the composition of the Board on an annual basis. As stated above under section 3, each Director is required to submit himself for election at the first AGM after his appointment and for re-election at every third AGM after the AGM at which he was last elected. Notwithstanding this, the Board has agreed that all Directors shall retire and, if eligible, stand for re-election at each AGM.

There is no pre-set criterion for retirement based on length of service as the Board takes the view that independence of individual Directors is not compromised by length of tenure and that experience can add significantly to the Board's strength. The Board believes that recommendation for re-election should be on an individual basis following a rigorous review which assesses the contribution made by the Director concerned.

5. There should be full disclosure of information about the Board

The names and biographies of each of the Directors are shown on pages 32 and 33 of the Annual Report and indicate their range of investment, industrial, commercial and professional experience as well as length of service.

Detailed information on the Audit Committee, chaired throughout the year by Ian Russell and comprising all of the Directors with the exception of James Long, may be found in the Audit Committee's report within the Annual Report.

Brief information on the constitution of the other Committees appointed by the Board (Management Engagement; Nomination) is included within the Directors' Report on page 37 while further details are included in the other sections of this statement, where relevant.

The terms of reference of the Board Committees, which define the responsibilities and duties of each Committee, are available on the Company's website, or upon request from the Company. The terms of reference for each of the Committees are reviewed and re-assessed by the Board for their adequacy on an ongoing basis.

6. The Board should aim to have a balance of skills, experience, length of service and knowledge of the Company

A list of skills and expertise required by the Board has been agreed by the Board and is kept under review. Potential new Directors are identified against the requirements of the Company's business and the need to have a balance of skills, experience, independence, diversity, and knowledge of the Company within the Board. Appointments are made on merit, taking into account the benefits of diversity, including gender. However, the Board's overriding priority is to appoint the most appropriate candidates, regardless of gender or other forms of diversity. The Board has therefore not set any measurable targets in relation to the diversity of the Board. The appointments process is overseen by the Nomination Committee.

7. The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors

The Board undertakes a performance evaluation process by means of an annual questionnaire. The Chairman reviews the responses and addresses any matters arising; an evaluation of the Chairman is led by the Senior Independent Director, in the absence of the Chairman, prior to a meeting where the outcome is discussed.

8. Directors' remuneration should reflect their duties, responsibilities and the value of their time spent

Directors' remuneration is determined by the Board as whole as there is no separate Remuneration Committee.

The Board's policy is that the remuneration of non-executive Directors should be sufficient to attract Directors of the quality required to run the Company successfully. The remuneration should also reflect the nature of the Directors' duties, responsibilities, the value of their time spent and be fair and comparable to that of other investment trusts with a similar size, capital structure and investment objective. Detailed information on the remuneration arrangements for the Directors, including the Remuneration Policy, can be found in the Directors' Remuneration Report on pages 45 to 47. A resolution seeking approval of the Directors' Remuneration Policy was last put to shareholders at the

Statement of Corporate Governance continued

AGM in 2017 and will next be put to shareholders at the AGM in 2020.

9. The independent Directors should take the lead in the appointment of new Directors and the process should be disclosed in the Annual Report

The Nomination Committee, chaired by James Long throughout the year, consists of all the Directors and is responsible for succession planning and Board appointments. The Committee considers the criteria for future Board appointments and the methods of recruitment, selection and appointment, including whether to engage the services of an external recruitment provider.

10. Directors should be offered relevant training and induction

Newly appointed Directors are provided with an induction programme by the Manager. On an ongoing basis, Directors are given key information on the Company's regulatory and statutory requirements as they arise, and every Director is entitled to receive appropriate training as deemed necessary, in consultation with the Chairman.

11. The Chairman (and the Board) should be brought into the process of structuring a new launch at an early stage

This principle does not apply to the Company as it is a long established investment company.

Board meetings and the relationship with the Manager

12. Boards and Managers should operate in a supportive, co-operative and open environment

There were five scheduled Board meetings during the year, when representatives of the Manager formally reported to the Board, and a record of Directors' attendance is included on page 36 in the Directors' Report. The Board meets more frequently when business needs require. Representatives of the Manager and the corporate Company Secretary attend each Board meeting as well as certain committee meetings.

The Board maintains regular contact with the corporate Company Secretary and Manager between meetings. The Directors have access to the advice and services of the corporate Company Secretary through its appointed representatives, who are responsible to the Board:

- for ensuring that Board procedures are complied with;
- under the direction of the Chairman, for ensuring good information flows with the Board and its Committees, as well as facilitating induction and assisting with professional development as required; and
- for advising through the Chairman on all corporate governance matters.

The Chairman encourages open and constructive debate to foster a supportive and co-operative approach for its own meetings and for those with the Manager. There is a clear division of responsibility between the Chairman, the Directors, the Manager and the Company's other third party service providers. No one individual has unfettered powers of decision.

13. The primary focus at regular Board meetings should be a review of investment performance and associated matters, such as gearing, asset allocation, promotional activities/investor relations, peer group information and industry issues

The Chairman is responsible for leading the Board, ensuring its effectiveness on all aspects of its role, and is responsible for ensuring that all Directors receive accurate, timely and clear information to allow them to discharge their responsibilities. Directors are provided with a comprehensive set of papers giving detailed information on the Company's transactions and financial position prior to each meeting.

The Board has a schedule of matters reserved to it for decision, and the requirement for Board approval on these matters is communicated directly to the senior staff of the Manager. These matters include the following:

- the maintenance of clear investment objectives and risk management policies;
- the monitoring of the business activities of the Company, ranging from analysis of investment performance to annual budgeting and quarterly forecasting and variance analysis;
- approval of the half-yearly and annual financial statements, and approval and recommendation of the interim dividends, and any final dividend, respectively;
- setting the range of gearing within which the Manager may operate;
- major changes relating to the Company's structure, including share buy-backs and share issuance;
- Board appointments and removals and the related terms;
- appointment and removal of the Manager and the terms and conditions of the management and other agreements relating thereto;
- terms of reference and membership of Board Committees; and
- Stock Exchange/UK Listing Authority/Financial Conduct Authority – approval of all circulars and listing particulars, and approval of all releases concerning matters decided by the Board.

The Board sets the investment parameters within which the Manager operates. Investment performance and associated matters, such as gearing, asset allocation, investor relations, peer group information and industry issues are agenda items at each Board meeting.

Representatives of the Manager attend Board meetings where performance against the Company's investment objective is reviewed.

14. Boards should give sufficient attention to overall strategy

The Board devotes a separate session each year to a review of the Company's strategy, including the means of achieving the investment objective and investment policy, together with the promotional and shareholder communication strategies implemented by the Manager.

15. The Board should regularly review both the performance of, and contractual arrangements with, the Manager

The Management Engagement Committee, chaired by James Long throughout the year, consists of all the Directors and reviews, on an annual basis, the terms and conditions of the Manager's appointment, including an evaluation of performance and fees. The Committee also keeps the resources of the Manager under review, together with the commitment of the Manager to the Company and its investment trust business. During the year ended 30 September 2017, the responsibilities of the Management Engagement Committee were undertaken by the Board as a whole.

The Management Agreement ("MA") was entered into in February 2017 after full and proper consideration by the Board of the quality and cost of services offered including the financial control systems in operation in so far as they relate to the affairs of the Company.

16. The Board should agree policies with the Manager covering key operational issues

The MA includes investment guidelines and sets policies to cover key operational issues. The Board discusses operational matters regularly with the Manager, including corporate governance and voting in respect of portfolio holdings. The Board has delegated discretion to the Manager to exercise voting powers on its behalf but reviews the Manager's policy in this respect. The Board also reviews the financial statements, performance and revenue budgets.

17. Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it

The share price and NAV per share are published on the London Stock Exchange each business day and monitored on the Board's behalf. The Board considers the discount to NAV of the Company's share price at every Board meeting, and more frequently if circumstances demand. The Board may use share repurchases to help address perceived imbalances in the demand for the Company's shares. The Company has taken powers to issue new shares and repurchase shares so that it may take action where necessary. Any issue or repurchase programme is considered by the Board in consultation with the Manager, taking account of:

- the investment mandate and objective;
- the effectiveness of promotion and shareholder communication strategies; and
- measures of investor sentiment.

18. The Board should monitor and evaluate other service providers

The Management Engagement Committee, chaired throughout the year by James Long, conducts an annual review of the performance, terms and conditions of the Company's main third party suppliers, including the level and structure of fees payable and the length of notice periods, to ensure that they remain competitive and in the best interests of shareholders. The Board assesses their performance based on reports by such third party providers to the Board. The Manager also reports regularly on its evaluation and monitoring of certain third party service providers. The Audit Committee monitors and reviews the auditor's independence, objectivity, effectiveness, resources and qualification.

Shareholder communications

19. The Board should regularly monitor the shareholder profile of the Company and put in place a system for canvassing shareholder views and for communicating the Board's view to shareholders

The Directors place a great deal of importance on communication with shareholders. Regular reports are submitted to the Board by the Manager and the Company's broker. A regular dialogue is maintained with the Company's institutional shareholders and private client asset managers. Representatives of the Board and the Manager meet with shareholders, if requested, to understand their issues and concerns which are then discussed at Board meetings. All shareholders are encouraged to attend the AGM where they are given the opportunity to question the Chairman and the Board.

20. The Board should normally take responsibility for, and have direct involvement in, the content of communications regarding major corporate issues even if the Manager is asked to act as spokesman

The Board's policy is to communicate directly with shareholders and their representative bodies without the involvement of the management group (either the Company Secretary or the Manager) in situations where direct communication is required, and representatives from the Board meet with major shareholders on an annual basis in order to gauge their views.

Statement of Corporate Governance continued

In addition, the Company Secretary only acts on behalf of the Board, not the Manager, and there is no filtering of communication. At each Board Meeting the Board receives details of any communication from shareholders to which the Chairman responds personally as appropriate.

21. The Board should ensure that shareholders are provided with sufficient information for them to understand the risk/ reward balance to which they are exposed by holding the shares

The Company's investment objective and investment policy are published in the Annual Report and on its website.

The Board agrees a budget with the Manager every year for the Company's participation in the Aberdeen investment trust promotional programme.

The Company aims to provide shareholders with a full understanding of the Company's activities and performance by means of informative Annual and Half Yearly reports.

The Company's website, aberdeendiversified.co.uk, provides access to up-to-date information on the Company. It is regularly updated with the Manager's monthly factsheets and enables investors to view the Company's financial reports and London Stock Exchange announcements and other information on portfolio assets and performance. A full list of the Company's investments is available on the Company's website at each month end, subject to a one month delay.

Further details on the Company's principal risks and uncertainties are set out in the Strategic Report on pages 8 to 13 and also included in the Manager's monthly factsheets and in the Company's Pre-Investment Disclosure Document, all of which are available on the Company's website.

Disclosure Guidance and Transparency Rules (DTRs)

The following further information is disclosed in this statement in accordance with the Companies Act 2016 and DTR 7.2.6:

- the Company's capital structure and voting rights are summarised on page 35 of the Directors' Report;
- details of the substantial shareholders in the Company are listed in the "Substantial Interests" section on page 38 of the Directors' Report;
- the rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association which are summarised above under point 3;
- amendment of the Company's Articles of Association and powers to issue or buy back the Company's shares require 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; no agreements which the Company is party to that might affect its control following a takeover bid; and,
- there are no agreements between the Company and its Directors concerning compensation for loss of office.

By order of the Board

James Long
Chairman

16 January 2018

Directors' Remuneration Report

This Directors' Remuneration Report comprises three parts:

(i) a Remuneration Policy which is subject to a binding shareholder vote every three years (or sooner if varied during this interval) – most recently approved by shareholders at the Annual General Meeting on 30 March 2017;

(ii) an Implementation Report which is subject to an advisory vote on the level of remuneration paid during the year; and

(iii) an Annual Statement.

The law requires the Company's auditor to audit certain of the disclosures provided in the Directors' Remuneration Report. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the report on pages 53 to 58.

Remuneration Policy

The Directors' Remuneration Policy takes into consideration the principles of UK Corporate Governance and the AIC's recommendations regarding the application of those principles to investment companies. There were no changes to the Directors' Remuneration Policy during the year nor are there any proposals for changes in the foreseeable future.

No shareholder views were sought in setting the remuneration policy although any comments received from shareholders are considered.

Directors' remuneration is determined by the full Board and a separate Remuneration Committee has not been established.

Directors' fees are set within the limits of the Company's Articles of Association which limit the aggregate fees payable to the Board of Directors per annum. The current limit is £300,000 per annum and may only be increased by shareholder ordinary resolution. The Board's policy is that the remuneration of non-executive Directors should be sufficient to attract and retain the Directors needed to oversee the Company properly and to reflect its specific circumstances. The remuneration should also reflect the nature of the Directors' duties, responsibilities, the value of their time spent and be fair and comparable to that of other investment trusts that are similar in size, and have similar capital structures and similar investment objectives.

The current levels of fees are set out in the table opposite. Fees are reviewed annually and, if considered appropriate, increased accordingly.

	30 September 2017 £	30 September 2016 £
Chairman	41,250	41,250
Chairman of Audit Committee	28,250	28,250
Senior Independent Director	26,250	26,250
Director	24,250	24,250

Appointment

- The Company only intends to appoint non-executive Directors.
- All the Directors are non-executive and are appointed under the terms of Letters of Appointment.
- Directors must retire and be subject to election at the first Annual General Meeting after their appointment, and be subject to re-election at least every three years thereafter. Notwithstanding this, the Board has agreed that all Directors shall retire and, if eligible, stand for re-election at each AGM.
- Any Director newly appointed to the Board will receive the fee applicable to each of the other Directors at the time of appointment together with any other fee then currently payable in respect of a specific role which the new Director is to undertake for the Company.
- No incentive or introductory fees will be paid to encourage a person to become a Director.
- Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.
- Directors are entitled to re-imbursement of out-of-pocket expenses incurred in connection with the performance of their duties, including travel expenses, which are considered to be taxable expenses.
- The Company indemnifies its Directors for all costs, charges, losses, expenses and liabilities which may be incurred in the discharge of duties as a Director of the Company.

Performance, Service Contracts, Compensation and Loss of Office

- The Directors' remuneration is not subject to any performance related fee.
- No Director has a service contract.
- No Director was interested in contracts with the Company during the period or subsequently.
- The terms of appointment provide that a Director may be removed without notice.
- Compensation will not be due upon leaving office.
- No Director is entitled to any other monetary payment or any assets of the Company.

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

Directors' Remuneration Report continued

It is the Board's intention that this Remuneration Policy will apply for the three year period ended 31 March 2020.

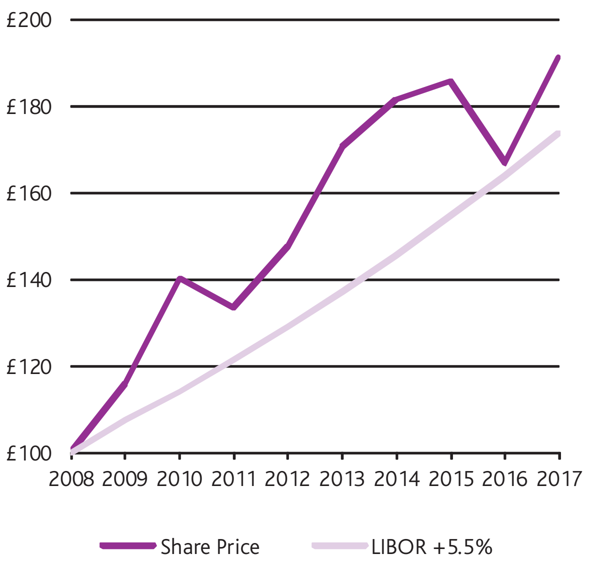
Implementation Report

Review of Directors' Fees

The Board carried out a review of the level of Directors' fees during the year and concluded that there should be no changes.

Company Performance

The graph below shows the share price and NAV total return (assuming all dividends are reinvested) to Ordinary shareholders compared to the total return from LIBOR plus 5.5% over the nine year period ended 30 September 2017 (rebased to 100 at 30 September 2008). This Index was chosen for comparison purposes as it is the benchmark used for investment performance measurement purposes.



Statement of Voting at General Meeting

At the Company's last AGM, held on 30 March 2017, shareholders approved the Directors' Remuneration Report (other than the Directors' Remuneration Policy) in respect of the year ended 30 September 2016 and the Directors' Remuneration Policy. The proxy votes shown opposite were received on the Resolutions.

Resolution	For	Discretionary	Against	Withheld
2. Receive and Adopt Directors' Remuneration Report	53.8m (98.3%)	510,045 (0.9%)	464,300 (0.8%)	412,842
3. Receive and Adopt Directors' Remuneration Policy	53.7m (98.1%)	545,045 (1.0%)	480,317 (0.9%)	448,028

Spend on Pay

As the Company has no employees, the Directors do not consider it meaningful to present a table comparing remuneration paid to employees with distributions to shareholders. The total fees paid to Directors are shown below.

Audited Information

Directors' Interests in the Company

The Directors are not required to have a shareholding in the Company. The Directors (including their connected persons) at 30 September 2017 and 30 September 2016 had no interest in the share capital of the Company other than those interests, all of which are beneficial, shown in the following table.

	30 September 2017 Ordinary shares	30 September 2016 Ordinary shares
James Long	41,135	38,914
Kevin Ingram	54,831	n/a
Ian Russell	27,500	27,500
Tom Challenor	155,491	n/a
Jim Grover	27,500	27,500
Julian Sinclair	36,200	36,200
Paul Yates	70,000	n/a
Lynn Ruddick [A]	175,639	175,639
Jimmy West [A]	63,400	63,400

[A] As at date of retirement on 6 April 2017

There have been no changes to the Directors' interests in the share capital of the Company since the year end up, to the date of approval of this Report, other than the purchase by James Long, Kevin Ingram and Tom Challenor of 436 shares, 339 shares and 135 shares, respectively, under dividend reinvestment schemes. In addition, no Director had an interest in the Company's 6.25% Bonds 2031 during the year under review or up to and including the date of approval of this Report.

Fees Payable

The Directors who served during the year received the following fees, which exclude employers' National Insurance contributions. The increase was amplified by the recruitment of new Directors during the year.

Year ended 30 September 2017			
	Base fee	Taxable benefits	Total
	£	£	£
J Long (Chairman)	41,250	-	41,250
K Ingram [A]	12,760	-	12,760
I Russell	28,250	11,781	40,031
T Challenor [A]	11,788	-	11,788
J Grover	24,250	-	24,250
J Sinclair	24,250	12	24,262
P Yates [A]	11,788	-	11,788
L Ruddick [B]	12,473	8,629	21,102
J West [B]	13,562	1,126	14,688
	180,371	**21,548**	**201,919**

[A] Appointed as a Director on 6 April 2017

[B] Retired as a Director on 6 April 2017

Year ended 30 September 2016			
	Base fee	Taxable benefits	Total
	£	£	£
J Long (Chairman)	41,250	-	41,250
I Russell	28,250	7,177	35,427
J Grover	24,250	-	24,250
J Sinclair	24,250	38	24,288
L Ruddick [B]	24,250	4,532	28,782
J West [B]	26,250	1,380	27,630
	168,500	**13,127**	**181,627**

Fees are pro-rated where a change takes place during a financial year. There were no payments to third parties included in the fees referred to in the table above. Taxable benefits refer to travel costs associated with Directors' attendance at Board and Committee meetings.

Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, it is confirmed that the above Remuneration Report summarises, as applicable, for the year to 30 September 2017:

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

James M Long
Chairman

16 January 2018

Audit Committee's Report

The Audit Committee presents its Report for the year ended 30 September 2017.

Committee Composition

An Audit Committee has been established consisting of the whole Board, other than James Long as Chairman of the Company, which was chaired throughout the year by Ian Russell. Ian Russell is a Chartered Accountant, with recent and relevant financial experience, and the Board is satisfied that the Committee as a whole has competence appropriate for the investment trust sector.

Functions of the Audit Committee

The principal role of the Audit Committee is to assist the Board in relation to the reporting of financial information, the review of financial controls and the management of risk. The Committee has defined terms of reference which are reviewed and re-assessed for their adequacy on at least an annual basis. Copies of the terms of reference are published on the Company's website and are available from the Company on request.

The Committee's main functions are listed below:

- to review and monitor the internal control systems and risk management systems (including review of non-financial risks) on which the Company is reliant (the Directors' statement on the Company's internal controls and risk management is set out below);
- to consider whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the half-yearly and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Manager;
- to review, and report to the Board on, the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, half-yearly financial reports, announcements and related formal statements;
- to review the content of the Annual Report and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- to meet with the auditor to review the proposed audit programme of work and the findings of the auditor. The Committee shall also use this as an opportunity to assess the effectiveness of the audit process;
- to develop and implement policy on the engagement of the auditor to supply non-audit services. Non-audit fees paid to the auditor during the year under review amounted to £15,000 (2016: £7,500), comprising £7,000 (2016: £6,500) for the review of the Half-Yearly Financial Report, £1,000 (2016: £1,000) for the annual review of compliance with the debenture stock covenants and £7,000 (2016: nil) in relation to a review of the transfer of the Company's administration from BlackRock to the Aberdeen Group in February 2017. The Committee will review any future fees in the light of statutory requirements and the need to maintain the auditor's independence;
- to review a statement from the Aberdeen Group detailing the arrangements in place within Aberdeen Group whereby staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters;
- to make recommendations in relation to the appointment of the auditor and to approve the remuneration and terms of engagement of the auditor; and
- to monitor and review the auditor's independence, objectivity, effectiveness, resources and qualification.

Activities During the Year

The Audit Committee met twice during the year when, amongst other matters, it considered the Annual Report and the Half-Yearly Financial Report in detail. Representatives of the Aberdeen Group's internal audit, risk and compliance departments reported to the Committee at both meetings on matters such as internal control systems, risk and the conduct of the business in the context of its regulatory environment.

Internal Control

There is an ongoing process, for identifying, evaluating and managing the Company's significant business and operational risks, that has been in place for the year ended 30 September 2017 and up to the date of approval of the Annual Report, which is regularly reviewed by the Board and complies with the FRC's guidance on internal controls.

The Board has overall responsibility for ensuring that there is a system of internal controls in place and a process for reviewing its effectiveness. Any system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The design, implementation and maintenance of controls and procedures to safeguard the assets of the Company and to manage its affairs properly extends to operational and compliance controls and risk management. The Board, through the Audit Committee, has prepared its own risk controls self-assessment which lists potential risks relating to strategy; shareholders; Board; investment management; promotional activities; company secretarial; depositary; third party service providers and other external factors. The Board considers the potential cause and possible effect of these risks as well as reviewing the controls in place to mitigate these potential risks.

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

The Board has reviewed Aberdeen's process for identifying and evaluating the significant risks faced by the Company and the policies and procedures by which these risks are managed. The Board has also reviewed the effectiveness of the Aberdeen Group's system of internal control including its annual internal controls report prepared in accordance with the International Auditing and Assurance Standards Board's International Standard on Assurances Engagements ("ISAE") 3402, "Assurance Reports on Controls at a Service Organization".

Risks are identified and documented through a risk management framework by each function within the Aberdeen Group's activities. Risk is considered in the context of the FRC's guidance on internal controls and includes financial, regulatory, market, operational and reputational risk. This helps the internal audit risk assessment model identify those functions for review. Any weaknesses identified are reported to the Board and timetables are agreed for implementing improvements to systems. The implementation of any remedial action required is monitored and feedback provided to the Board.

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

- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers;
- the Board and Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board;
- the Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance; the emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception;
- as a matter of course the Aberdeen Group's compliance department continually reviews its operations; and
- at its meeting in November 2017, the Audit Committee carried out an annual assessment of internal controls for the year ended 30 September 2017 by considering documentation from the Aberdeen Group, including the internal audit and compliance functions, and taking account of events since 30 September 2017.

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

Financial Statements and Significant Issues

During its review of the Company's financial statements for the year ended 30 September 2017, the Audit Committee considered, through review of reports and other documentation, the following significant issues, in particular those communicated by the auditor during its planning and reporting of the year end audit:

Valuation and Existence of Investments

How the issue was addressed - The Company's investments have been valued in accordance with the accounting policies, as disclosed in note 2 to the financial statements. Within the FRS 102 Fair Value hierarchy, other than six investments, totaling £13.7m, which are categorised as Level 3, all other investments are categorised as either Level 1 or 2. The portfolio holdings and their pricing is reviewed and verified by the Manager on a regular basis and management accounts, including a full portfolio listing, are prepared for each Board meeting. The Company uses the services of an independent Depositary (BNY Mellon Trust & Depositary (UK) Limited) to hold the assets of the Company. The Depositary checks the consistency of its records with those of the Manager on a monthly basis and reports to the Board on an annual basis.

Recognition of Investment Income

How the issue was addressed - The recognition of investment income is undertaken in accordance with the stated accounting policies. In addition, the Directors review the Company's income forecasts at each Board meeting.

Maintenance of Investment Trust Status

How the issue was addressed - The Company has been approved as an investment trust under Sections 1158 and 1159 of the Corporation Tax Act 2010. Ongoing compliance with the eligibility criteria is monitored on a regular basis by the Manager and reported at each Board meeting.

Audit Committee's Report continued

Review of Auditor

The Audit Committee has reviewed the effectiveness of the auditor, Ernst & Young LLP ("EY") including:

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

In reviewing the auditor, the Committee also took into account the FRC's latest Audit Quality Inspection Report for EY.

Tenure of the Auditor

EY, or its predecessor entities, have held office as auditor for more than 25 years. In accordance with present professional guidelines the audit partner is rotated after no more than five years and the year ended 30 September 2017 is the fourth year for which the present senior statutory auditor has served.

Under legislation which took effect for financial years beginning on or after 17 June 2016, listed companies are required to rotate their auditor every ten years. However, under transitional arrangements for companies that have been audited by the same auditor for over 20 years there is a grace period of six years after the enactment of the legislation in 2014. Accordingly, EY will not be able to audit the Company after the year ended 30 September 2020. The Committee expects to arrange an audit tender no later than 2019.

Ian Russell
Chairman of the Audit Committee

16 January 2018

Financial Statements

Several emerging markets are enjoying a favourable combination of improving economic growth prospects and benign inflation. Emerging market debt investments include a holding in the Aberdeen Indian Bond fund.

Statement of Directors' Responsibilities

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

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

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

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

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

We confirm that to the best of our knowledge:

- the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- in the opinion of the Directors, the Annual Report taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's position and performance, business model and strategy; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

On behalf of the Board

James M Long
Director

16 January 2018

Independent Auditor's Report to the Members of Aberdeen Diversified Income and Growth Trust plc

Our opinion on the financial statements

In our opinion:

- Aberdeen Diversified Income and Growth Trust plc financial statements give a true and fair view of the state of the Company's affairs as at 30 September 2017 and of the Company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), including FRS102 'The Financial Reporting Standards applicable in the UK and the Republic of Ireland ("FRS 102"); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

We have audited the financial statement of Aberdeen Diversified Income and Growth Trust plc which comprise:

Company
Income Statement for the year ended 30 September 2017
Statement of Changes in Equity for the year ended 30 September 2017
Statement of Financial Position as at 30 September 2017
Cash Flow Statement for the year ended 30 September 2017
Related notes 1 to 23 to the financial statements

The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), including FRS 102 as applied in accordance with the provisions 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's responsibilities for the audit of the financial statements section of our report below. 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.

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.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 9 to 11 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on pages 9 and 10 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on pages 37 and 38 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements

Independent Auditor's Report to the Members of Aberdeen Diversified Income and Growth Trust plc continued

- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on pages 12 and13 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or to apply the appropriate accounting treatment for recognition of income.
Audit scope	• We performed an audit of the complete financial statements of Aberdeen Diversified Income and Growth Trust plc in accordance with applicable law and International Standards on Auditing (UK). • All audit work was performed directly by the audit engagement team.
Materiality	• Overall materiality of £4.36m which represents 1% of total equity (2016: £3.61m) as at 30 September 2017.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or to apply the appropriate accounting treatment for recognition of income *Refer to the Audit Committee Report (page 49), the accounting policies (pages 63 and 64) and the notes to the financial statements (page 66).* Revenue for the year is £17,961,000 (2016: £23,265,000). Revenue streams include income from derivatives to the investment portfolio, UK and overseas dividends, stock dividends and fixed interest income. We focused on the recognition of revenue and its presentation in the financial statements given the importance of the total return to shareholders.	• Reviewed the process in place at both the Manager and Administrator in relation to the revenue recognition. • Agreed a sample of dividends received from the underlying financial records to an independent pricing source and agreed to bank statements as supporting documentation. • For this sample, we agreed the exchange rates used to convert the dividend income received in foreign currencies to Sterling. • Performed a review of any material special dividends received during the period and assessed the appropriateness of the accounting treatment adopted. • To test for completeness, we checked a sample of dividends announced to an independent source to confirm	• We have no additional matters to report to the Audit Committee.

	that these were recorded in the correct accounting period. • Reviewed and agreed the classification of option premium income between income and capital and, for a sample of option premium income items agreed these to broker statements and confirmed that the income was amortised over the correct period.	
Incorrect valuation of the investment portfolio, including incorrect application of exchange rate movements or failure to assess stock liquidity *Refer to the Audit Committee Report (page 49), the accounting policies (pages 64 and 65) and the notes to the financial statements (pages 70 and 71).* The valuation of investments at 30 September 2017 is £477,150,000 (2016: £470,128,000). The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and investment return. Incorrect asset pricing or a failure to maintain proper legal title of assets by the Company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.	• Reviewed the process in place at both the Manager and Administrator in relation to recording of security pricing and units held. • Agreed all of the listed investment holding prices at the year end to a relevant independent source. • Agreed the valuation of unquoted investments to valuation workings, challenged any assumptions made by management in the valuation of these investments and considered whether the valuation of these investments was within a reasonable range. We consulted with our specialist valuations team in performing this testing. • Agreed all of the foreign exchange rates used to an independent source. • Agreed the number of shares held for each security to confirmations of legal title received from the Company's custodian, Bank of New York Mellon (International) Limited.	We have no additional matters to report to the Audit Committee.

An overview of the scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determines our audit scope for the Company. Taken together, this enables us to form an opinion on the financial statements. We take into account size, risk profile, changes in the business environment, the organisation of the Company and effectiveness of company-wide controls, and other factors such as recent Service Organisation Control ("SOC") reporting when assessing the level of work to be performed. All audit work performed for the purposes of the audit was undertaken by the audit team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

Independent Auditor's Report to the Members of Aberdeen Diversified Income and Growth Trust plc continued

We determined planning materiality for the Company to be £4.36m (2016: £3.61m), which is 1% of total equity as at 30 September 2017. We derived our materiality calculation from a proportion of total equity as we consider that to be the most important financial metric on which shareholders judge the performance of the Company.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company should be 50% of planning materiality, being £2.18m (2016: £2.71m, being 75% of planning materiality). We have set performance materiality at this percentage due to the change in the overall control environment that occurred during the year as a result of a change in investment manager and administrator.

Reporting threshold

An amount below which identified misstatements are considered to be clearly trivial.

We agreed with the Audit Committee that we would report all audit differences in excess of £218,000 (2016: £175,000) which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual report set out on pages 1 to 50 including the Introduction set out on pages 1 to 6, the Strategic report set out on pages 7 to 23 and the Governance section set out on pages 31 to 50 other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** set out on page 52 – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit committee reporting** set out on pages 48 to 50 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

- **Directors' statement of compliance with the UK Corporate Governance Code** set out on pages 40 to 44 – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R (2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinion 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; and

- 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 Company 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 52, the directors are responsible for the preparation of the financial statements and for being satisfied that give a true and fair view in accordance, 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 management either intends to liquidate the Company or to cease operations, or has 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected

Independent Auditor's Report to the Members of Aberdeen Diversified Income and Growth Trust plc continued

fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and section 1158 of the Corporation Tax Act 2010.
- We understood how Aberdeen Diversified Income and Growth Trust plc is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to the recognition of income. Further details of our approach can be found in the section on key audit maters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

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.

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

Other matters we are required to address

We were appointed as auditors by the Company to audit the financial statement for the year ending 30 September 2000 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is 17 years, covering the years ending 30 September 2000 to 30 September 2017.

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 the audit.

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

Ashley Coups (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

16 January 2018

Notes:
1. The maintenance and integrity of the Aberdeen Diversified Income and Growth Trust plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Comprehensive Income

		Year ended 30 September 2017			Year ended 30 September 2016		
		Revenue	Capital	Total	Revenue	Capital	Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Gains on investments	10	–	6,160	6,160	–	11,623	11,623
Foreign exchange gains/(losses)		–	4,544	4,544	–	(25,019)	(25,019)
Income	3	17,961	–	17,961	23,265	–	23,265
Investment management fees	4	56	104	160	(486)	(902)	(1,388)
Administrative expenses	5	(726)	(281)	(1,007)	(758)	(209)	(967)
Net return before finance costs and taxation		17,291	10,527	27,818	22,021	(14,507)	7,514
Finance costs	6	(1,333)	(2,475)	(3,808)	(1,346)	(2,492)	(3,838)
Net return before taxation		15,958	8,052	24,010	20,675	(16,999)	3,676
Taxation	7	(179)	–	(179)	(73)	–	(73)
Return attributable to equity shareholders		**15,779**	**8,052**	**23,831**	**20,602**	**(16,999)**	**3,603**
Return per Ordinary share (pence)	9	**5.31**	**2.71**	**8.02**	**7.56**	**(6.24)**	**1.32**

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

There has been no other comprehensive income during the year, accordingly, the return attributable to equity shareholders is equivalent to the total comprehensive income for the year.

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

No operations were acquired or discontinued in the year.

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

Statement of Financial Position

	Note	As at 30 September 2017 £'000	As at 30 September 2016 £'000
Non-current assets			
Investments at fair value through profit or loss	10	477,150	420,128
Current assets			
Debtors	11	2,613	6,347
Derivative financial instruments		13,449	2,652
Collateral pledged with brokers		–	11,497
Cash and cash equivalents		3,627	2,203
		19,689	22,699
Creditors: amounts falling due within one year			
Bank overdraft		–	(18,084)
Collateral received from brokers		–	(770)
Derivative financial instruments		(18)	(9,758)
Other creditors	12	(422)	(3,088)
		(440)	(31,700)
Net current assets/(liabilities)		19,249	(9,001)
Total assets less current liabilities		496,399	411,127
Non-current liabilities			
6.25% Bonds 2031	13	(59,632)	(59,606)
Net assets		**436,767**	**351,521**
Capital and reserves			
Called-up share capital	14	91,352	72,778
Share premium account		116,556	–
Capital redemption reserve		26,629	15,563
Capital reserve	15	164,806	224,071
Revenue reserve		37,424	39,109
Equity shareholders' funds		**436,767**	**351,521**
Net asset value per Ordinary share (pence)	16		
Bonds at par value		**132.73**	**131.64**
Bonds at fair value		**126.44**	**123.62**

The financial statements were approved by the Board of Directors and authorised for issue on 16 January 2018 and were signed on its behalf by:

James M Long
Chairman

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

Statement of Changes in Equity

For the year ended 30 September 2017

	Note	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 October 2016		72,778	–	15,563	224,071	39,109	351,521
Return after taxation		–	–	–	8,052	15,779	23,831
Ordinary shares issued	14	29,640	116,556	–	–	–	146,196
Ordinary shares purchased for treasury	15	–	–	–	(3,998)	–	(3,998)
Ordinary shares purchased for cancellation	14, 15	(11,066)	–	11,066	(62,038)	–	(62,038)
Tender offer costs		–	–	–	(1,281)	–	(1,281)
Dividends paid	8	–	–	–	–	(17,464)	(17,464)
Balance at 30 September 2017		**91,352**	**116,556**	**26,629**	**164,806**	**37,424**	**436,767**

For the year ended 30 September 2016

	Note	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 1 October 2015		72,778	–	15,563	249,811	36,680	374,832
Return after taxation		–	–	–	(16,999)	20,602	3,603
Ordinary shares issued from treasury		–	–	–	270	–	270
Ordinary shares purchased for treasury	15	–	–	–	(9,003)	–	(9,003)
Tender offer costs		–	–	–	(8)	–	(8)
Dividends paid	8	–	–	–	–	(18,173)	(18,173)
Balance at 30 September 2016		**72,778**	**–**	**15,563**	**224,071**	**39,109**	**351,521**

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

Statement of Cash Flows

	Note	Year ended 30 September 2017 £'000	Year ended 30 September 2016 as re-presented (note 2a) £'000
Operating activities			
Net return before finance costs and taxation		27,818	7,514
Adjustments for:			
Dividend income		(9,686)	(10,372)
Fixed interest income		(5,941)	(2,871)
Interest income		4	(25)
Other income		(2,338)	(9,997)
Other income received		2,338	9,997
Dividends received		9,246	9,893
Fixed interest income received		5,952	2,871
Interest received		(4)	25
Foreign exchange		(4,544)	(1,860)
Gains on investments		(6,160)	(11,623)
Increase in other debtors		–	(434)
(Decrease)/increase in accruals		(996)	814
Stock dividends included in investment income		(1,058)	(52)
Amortisation of fixed income book cost		659	531
Forward contracts		(13,796)	(1,802)
Net movement in collateral balances		10,727	5,913
Taxation withheld		(222)	(62)
Net cash flow from/(used in) operating activities		11,999	(1,540)
Investing activities[A]			
Purchases of investments		(643,322)	(408,381)
Sales of investments		588,685	408,256
Net cash flow used in investing activities		(54,637)	(125)
Financing activities[B]			
Shares issued		146,196	–
Purchase of own shares to treasury		(3,998)	(9,003)
Shares issued from treasury		–	270
Purchase of own shares for cancellation		(62,038)	–
Interest paid		(3,813)	(3,840)
Tender offer costs		(1,281)	(8)
Equity dividends paid	8	(17,464)	(18,173)
Net cash flow from/(used in) financing activities		57,602	(30,754)
Increase/(decrease) in cash and cash equivalents		**14,964**	**(32,419)**
Analysis of changes in cash and cash equivalents during the year			
Opening balance		(15,881)	14,678
Foreign exchange		4,544	1,860
Increase/(decrease) in cash and cash equivalents as above		14,964	(32,419)
Closing balance		**3,627**	**(15,881)**

[A] In a change to presentation, the purchases and sales of investments are now being classified as investing activities as part of the investment policy of the Company. Previously these had been classified as operating activities.
[B] In another change to presentation, interest paid is now being classified as a financing activity. Previously this had been classified as an operating activity. These reclassifications in the above Statement of Cashflows have no impact on net assets, the Statement of Comprehensive Income or the Statement of Financial Position.

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

Notes to the Financial Statements

1. **Principal activity**

The Company is a closed-end investment company, registered in Scotland No SC003721, with its Ordinary shares being listed on the London Stock Exchange.

2. **Accounting policies**

(a) Basis of preparation

The financial statements have been prepared in accordance with FRS 102 and with the AIC's Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in January 2017. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000. They have also been prepared on a going concern basis and on the assumption that approval as an investment trust will continue to be granted.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is included in the Directors' Report on pages 37 and 38.

The financial statements are presented in sterling, which is the Company's functional and presentation currency. The Company's performance is evaluated and its liquidity is managed in sterling. Therefore sterling is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

The presentation of items in the Statement of Cash Flows for the comparative 2016 period has been changed to comply with best accounting practice FRS 102.

Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires the use of certain significant accounting judgements, estimates and assumptions which requires management to exercise its judgement in the process of applying the accounting policies. The area where estimates and assumptions have the most significant effect on the amounts recognised in the financial statements is the determination of the fair value of unquoted investments, as disclosed in note 2(e).

(b) Income

Dividend income receivable on equity shares is recognised on the ex-dividend date. Dividend income on equity shares where no ex-dividend date is quoted is brought into account when the Company's right to receive payment is established. Where the Company has elected to receive dividends in the form of additional shares rather than in cash the amount of the cash dividend foregone is recognised as income. Special dividends are credited to capital or revenue according to their circumstances. Dividend income is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the Statement of Comprehensive Income.

The fixed returns on debt securities and non-equity shares are recognised using the effective interest rate method.

Interest income is accounted for on an accruals basis.

Underwriting commission is recognised when the issue underwritten closes.

Option premium is recognised as revenue evenly over the life of the option contract and included in the revenue column of the Statement of Comprehensive Income unless the option has been written for the maintenance and enhancement of the Company's investment portfolio and represents an incidental part of a larger capital transaction, in which case any premia arising are allocated to the capital column of the Statement of Comprehensive Income. Where the premium is taken to revenue, an appropriate amount is shown as a capital return such that the total return reflects the overall change in the fair value of the option. When an option is closed out or exercised the gain or loss is accounted for as capital and any unamortised premium is also retained in capital.

CDS premium income is recognised as revenue evenly over the life of the CDS contract and included in the revenue column of the Statement of Comprehensive Income unless the CDS has been written for the maintenance and enhancement of the Company's investment portfolio, in which case any premia arising are allocated to the capital column of the Statement of Comprehensive Income. When a CDS is closed out the gain or loss is accounted for as capital.

Total Return Swaps ("TRS") may be held in the portfolio for generating or protecting capital returns, or potentially for generating or maintaining revenue returns. Where the purpose of the TRS is the generation of income, the premium received is treated as a revenue item. Where the purpose of the TRS is the maintenance of capital, the premium paid is treated as a capital item. The value of the TRS is subsequently marked to market to reflect the fair value of the TRS based on traded prices.

(c) Expenses

All expenses, with the exception of interest expenses, which are recognised using the effective interest method, are accounted for on an accruals basis. Expenses are charged through the revenue column of the Statement of Comprehensive Income except as follows:

- expenses which are incidental to the acquisition or disposal of an investment are treated as capital and separately identified and disclosed in note 10;
- the Company charges 65% of investment management fees and finance costs to capital, in accordance with the Board's expected long term return in the form of capital gains and income respectively from the investment portfolio of the Company.

(d) Taxation

The tax expense represents the sum of tax currently payable and deferred tax. Any tax payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that were applicable at the Statement of Financial Position date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the Statement of Financial Position date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the Statement of Financial Position date.

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

The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue within the Statement of Comprehensive Income on the same basis as the particular item to which it relates using the Company's effective rate of tax for the year. The Company does not apply the marginal method of allocation of tax relief.

(e) Investments

The Company has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments:

Recognition and Measurement (as adopted for use in the EU) and investments have been designated upon initial recognition at fair value through profit or loss. This is done because all investments are considered to form part of a group of financial assets which is evaluated on a fair value basis, in accordance with the Company's documented investment strategy, and information about the grouping is provided internally on that basis.

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

Unquoted investments, including those in Limited Partnerships ("LPs") are valued by the Directors at fair value using International Private Equity and Venture Capital Valuation Guidelines.

The Company's investments in LPs are subject to the terms and conditions of the respective investee's offering documentation. The investments in LPs are valued based on the reported Net Asset Value ("NAV") of such assets as determined by the administrator or General Partner of the LPs and adjusted by the Directors in consultation with the Manager to take account of concerns such as liquidity so as to ensure that investments held at fair value through profit or loss are carried at fair value. The reported NAV is net of applicable fees and expenses including carried interest amounts of the investees and the underlying investments held by each LP are accounted for, as defined in the respective investee's offering documentation. While the underlying fund managers may utilise various model-based approaches to value their investment portfolios, on which the Company's valuations are based, no such models are used directly in the preparation of fair values of the investments. The NAV of LPs reported by the administrators may subsequently be adjusted when such results are subject to audit and audit adjustments may be material to the Company.

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

(f) Borrowings

Borrowings are measured initially at the fair value of the consideration received, net of any issue expenses, and subsequently at amortised cost using the effective interest method. The finance costs of such borrowings are accounted for on an accruals basis using the effective interest rate method and are charged 35% to revenue and 65% to capital in the Statement of Comprehensive Income to reflect the Company's investment policy and prospective income and capital growth.

(g) Nature and purpose of reserves

Called up share capital

The Ordinary share capital on the Statement of Financial Position relates to the number of shares in issue and in treasury. Only when the shares are cancelled, either from treasury or directly, is a transfer made to the capital redemption reserve.

Capital redemption reserve

The capital redemption reserve is used to record the amount equivalent to the nominal value of any of the Company's own shares purchased and cancelled in order to maintain the Company's capital.

Capital reserve

This reserve reflects any gains or losses on investments realised in the period along with any movement in the fair value of investments held that have been recognised in the Statement of Comprehensive Income. These include gains and losses from foreign currency exchange differences. Additionally, expenses, including finance costs, are charged to this reserve in accordance with (c) and (f) above.

Revenue reserve

This reserve reflects all income and costs which are recognised in the revenue column of the Statement of Comprehensive Income. The revenue reserve represents the amount of the Company's reserves distributable by way of dividend.

(h) Valuation of derivative financial instruments

Derivatives are classified as fair value through profit or loss – held for trading. Derivatives are initially accounted and measured at fair value on the date the derivative contract is entered into and subsequently measured at fair value. The gain or loss on re-measurement is taken to the Statement of Comprehensive Income. The sources of the return under the derivative contract are allocated to the revenue and capital column of the Statement of Comprehensive Income in alignment with the nature of the underlying source of income and in accordance with guidance in the AIC SORP.

(i) Dividends payable

Dividends payable to equity shareholders are recognised in the financial statements when they have been approved by Shareholders and become a liability of the Company. Interim dividends are recognised in the financial statements in the period in which they are paid.

(j) Foreign currency

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

(k) Treasury shares

When the Company purchases the Company's equity share capital as treasury shares, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects, and is recognised as a deduction from equity. When these shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus on the transaction is transferred to the share premium account or where a deficit on the transaction then it is transferred from the capital reserve.

(l) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents includes bank overdrafts repayable on demand and short term, highly liquid investments, that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

(m) Segmental reporting

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

3. Income	2017 £'000	2016 £'000
Income from investments		
UK listed dividends	3,031	6,461
Overseas listed dividends	5,597	3,911
Stock dividends	1,058	–
Fixed interest income	5,941	2,871
	15,627	13,243

	2017 £'000	2016 £'000
Other income		
Interest	(4)	25
Derivative income	2,304	9,955
Other income	34	42
	2,334	10,022
Total income	**17,961**	**23,265**

	2017			2016		
	Revenue	Capital	Total	Revenue	Capital	Total
4. Investment management fees	£'000	£'000	£'000	£'000	£'000	£'000
Investment management fee – BlackRock	241	448	689	486	902	1,388
Investment management fee – Aberdeen	(297)	(552)	(849)	–	–	–
	(56)	**(104)**	**(160)**	**486**	**902**	**1,388**

With effect from 11 February 2017, Aberdeen Fund Managers Limited has been appointed as the Company's Alternative Investment Fund Manager in place of BlackRock Fund Managers Limited.

For the period to 10 February 2017 the investment management fee was levied at a rate of 0.4% per annum of the Company's total assets less current liabilities (excluding loans) and was allocated 35% to the revenue column and 65% to the capital column of the Statement of Comprehensive Income.

Following their appointment as Alternative Investment Fund Manager on 11 February 2017 through to the end of the year, Aberdeen agreed to waive any entitlement to management fees. Additionally, this waiver was in place until 6 October 2017, being the date six months subsequent to the Company's merger with Aberdeen UK Tracker Trust plc. The sums shown above for Aberdeen reflect sums paid to and retained by the Company, being the amount equal to six months management fees payable to BlackRock (in line with the notice period clause) calculated at the rate of 0.4% per annum of the Company's total assets less current liabilities (excluding loans) as at 10 February 2017 (being the date of termination of the BlackRock Investment Management Agreement).

Following completion of the waiver period, the investment management fee to be levied by Aberdeen will be at the following tiered levels:

- 0.50% per annum in respect of the first £300 million of the net asset value (with the 6.25% Bonds 2031 at fair value);
- 0.45% per annum in respect of the balance of the net asset value (with the 6.25% Bonds 2031 at fair value).

The Company will also receive rebates in respect of underlying investments in other funds managed by the Manager (where an investment management fee is charged by the Manager on that fund) in the normal course of business to ensure that no double counting occurs. Any investments made in funds managed by the Manager which themselves invest directly into alternative investments including, but not limited to, infrastructure and property will be charged at the Manager's lowest institutional fee rate. To avoid double charging, such investments will be excluded from the overall management fee calculation.

Notes to the Financial Statements continued

5. Administrative expenses	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Directors' remuneration	202	–	202	182	–	182
Custody fees	54	–	54	26	–	26
Depositary fees	57	–	57	50	–	50
Shareholders' services[A]	36	–	36	94	–	94
Registrar's fees	75	–	75	82	–	82
Transaction costs	–	17	17	–	32	32
Auditor's remuneration:						
– statutory audit	35	–	35	44	–	44
– taxation compliance services	6	–	6	6	–	6
– other non-audit services						
• Review of Board compliance certificate	1	–	1	1	–	1
• Review of transition	7	–	7	–	–	–
• Review of Half-yearly Report	7	–	7	7	–	7
Other expenses	246	264	510	266	177	443
	726	**281**	**1,007**	**758**	**209**	**967**

[A] Includes registration, savings scheme and other wrapper administration and promotion expenses, of which £36,000 (2016 – £94,000) was paid to BlackRock to cover promotional activities during the year. There was £nil (2016 – £86,000 due to BlackRock) due to Aberdeen Standard Investments in respect of these promotional activities at the year end.

6. Finance costs	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
6.25% Bonds 2031	1,320	2,450	3,770	1,325	2,461	3,786
Overdraft interest	13	25	38	21	31	52
	1,333	**2,475**	**3,808**	**1,346**	**2,492**	**3,838**

7. Taxation	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
(a) Analysis of charge for the year						
Overseas tax suffered	350	–	350	81	–	81
Overseas tax reclaimable	(171)	–	(171)	(8)	–	(8)
Total tax charge for the year	**179**	–	**179**	**73**	–	**73**

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax of 19.5% (2016 – 20%). The differences are explained as follows:

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Net return before taxation	15,958	8,052	24,010	20,675	(16,999)	3,676
Net return before taxation multiplied by the standard rate of corporation tax of 19.5% (2016 – 20%)	3,112	1,570	4,682	4,135	(3,400)	735
Effects of:						
Non taxable (gains)/losses on investments held at fair value through profit or loss	–	(4,192)	(4,192)	–	(2,325)	(2,325)
Exchange gain not taxable	–	1,809	1,809	–	5,005	5,005
Non taxable UK dividend income	(562)	–	(562)	(1,288)	–	(1,288)
Non taxable overseas dividend income	(1,077)	–	(1,077)	(598)	–	(598)
Disallowable expenses	74	463	537	–	42	42
Irrecoverable overseas tax	350	–	350	81	–	81
Overseas tax recovered	(171)	–	(171)	(8)	–	(8)
Utilisation of excess management expenses brought forward	(1,538)	350	(1,188)	–	(1,571)	(1,571)
Effect of not applying the marginal method of allocation of tax relief	(9)	–	(9)	(2,249)	2,249	–
	179	**–**	**179**	**73**	**–**	**73**

(c) Factors that may affect future tax charges

No provision for deferred tax has been made in the current or prior accounting period.

The Company has not provided for deferred tax on capital gains or losses arising on the revaluation or disposal of investments as it is exempt from tax on these items because of its status as an investment trust company.

At the year end, the Company has, for taxation purposes only, accumulated unrelieved management expenses and loan relationship deficits of £39,507,000 (2016 – £45,830,000). A deferred tax asset in respect of this has not been recognised and these expenses will only be utilised if the Company has profits chargeable to corporation tax in the future. It is considered too uncertain that the Company will generate such profits and therefore no deferred tax asset has been recognised.

8. Ordinary dividends on equity shares	**2017 £'000**	**2016 £'000**
Third interim dividend for 2016 – 1.635p (2015 – 1.67p)	4,366	4,583
Fourth interim dividend for 2016 – 1.635p (2015 – 1.70p)	4,366	4,669
First interim dividend for 2017 – 1.635p (2016 – 1.635p)	4,366	4,478
Second interim dividend for 2017 – 1.635p (2016 – 1.635p)	4,366	4,443
	17,464	**18,173**

Set out below are the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Sections 1158 and 1159 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £15,779,000 (2016 – £20,602,000).

Notes to the Financial Statements continued

	2017 £'000	2016 £'000
First interim dividend for 2017 – 1.635p (2016 – 1.635p)	4,366	4,478
Second interim dividend for 2017 – 1.635p (2016 – 1.635p)	4,366	4,443
Third interim dividend for 2017 – 1.31p (2016 – 1.635p)	4,317	4,366
Fourth interim dividend for 2017 – 1.31p[A] (2016 – 1.635p)	4,304	4,366
	17,353	**17,653**

[A] The amount reflected above for the cost of the fourth interim dividend for 2017 is based on 328,551,705 Ordinary shares, being the number of Ordinary shares in issue, excluding shares held in treasury, as at the date of this Report.

9. Return per Ordinary share	2017 p	2016 p
Revenue return	5.31	7.56
Capital return	2.71	(6.24)
Total return	**8.02**	**1.32**

The figures above are based on the following:

	2017 £'000	2016 £'000
Revenue return	15,779	20,602
Capital return	8,052	(16,999)
Total return	**23,831**	**3,603**
Weighted average number of shares in issue[A]	**297,328,911**	**272,290,493**

[A] Calculated excluding shares held in treasury.

10. Investments	2017 £'000	2016 £'000
Held at fair value through profit or loss:		
Opening valuation	420,128	402,865
Opening investment holdings (gains)/losses	(35,035)	34,785
Opening book cost	385,093	437,650
Movements during the year:		
Purchases at cost	643,106	408,549
Sales – proceeds	(584,479)	(410,015)
Sales – gains/(losses)	39,158	(51,091)
Accretion of fixed income book cost	(659)	–
Closing book cost	482,219	385,093
Closing investment holdings (losses)/gains	(5,069)	35,035
Closing valuation of investments	**477,150**	**420,128**

The portfolio valuation	2017 £'000	2016 £'000
UK equities	131,977	185,758
Overseas equities	179,431	88,321
Fixed interest	108,969	131,680
Loan investments	43,293	–
Liquidity funds	–	1,248
Unquoted holdings	13,480	13,121
	477,150	420,128
Derivative financial instruments[A]	13,431	(7,106)
	490,581	**413,022**

[A] Shown on the Statement of Financial Position under Current assets and Creditors: amounts falling due within one year.

Gains/(losses) on investments	2017 £'000	2016 £'000
Realised gains/(losses) on sales	39,158	(51,091)
Net movement in investment holdings gains	(32,998)	62,714
	6,160	**11,623**

Transaction costs

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

	2017 £'000	2016 £'000
Purchases	187	486
Sales	98	152
	285	**638**

Substantial Holdings

At the year end the Company held more than 3% of a share class in the following investees;

Investee	Class	% of Class
Aberdeen Global Smart Beta Low Volatility Global Equity Income Fund	Z-1	99
Aberdeen Alpha Global Loans Fund	Z-1	100
Aberdeen Global Indian Bond Fund	Z-1	10
Aberdeen Global Frontier Markets Bond Fund	I-1	38
Aberdeen European Residential Opportunities Fund	B	86
Aberdeen Property Secondaries Partners II	A-1	43
TwentyFour Asset Backed Opportunities Fund	I-1	81

Notes to the Financial Statements continued

11. Debtors	2017 £'000	2016 £'000
Amounts due from brokers	109	4,315
Prepayments and accrued income	2,333	1,904
Taxation recoverable	171	128
	2,613	**6,347**

12. Creditors: amounts falling due within one year	2017 £'000	2016 £'000
Amounts due to brokers	–	1,273
Interest on 6.25% Bonds 2031	209	214
Other creditors	213	1,601
	422	**3,088**

13. Creditors: amounts falling due after more than one year	2017 £'000	2016 £'000
6.25% Bonds 2031[A]		
Balance at beginning of year	59,606	59,579
Amortisation of discount and issue expenses	26	27
Balance at end of year	**59,632**	**59,606**

[A] The market value of the 6.25% Bonds using the last available quoted offer price from the London Stock Exchange as at 30 September 2017 was 133.88p, a total of £80,326,000 (2016 – 135.02p, total of £81,010,000).

The Company has in issue £60 million Bonds 2031 which were issued at 99.343%. The bonds have been accounted for in accordance with accounting standards, which require any discount or issue costs to be amortised over the life of the bonds. The bonds are secured by a floating charge over all of the assets of the Company.

Under the covenants relating to the bonds, the Company is to ensure that, at all times, the aggregate principal amount outstanding in respect of monies borrowed by the Company does not exceed an amount equal to its share capital and reserves. All covenants were met during the year and also during the period from the year end to the date of this report.

14. Called up share capital	Ordinary shares (number)	Treasury shares (number)	Total shares (number)	£'000
Allotted, called up and fully paid				
Ordinary shares of 25p each				
At 30 September 2016	267,037,282	24,075,000	291,112,282	72,778
Shares issued	118,561,879	–	118,561,879	29,640
Shares purchased for cancellation	(44,263,287)	–	(44,263,287)	(11,066)
Shares purchased for treasury	(12,269,169)	12,269,169	–	–
At 30 September 2017	**329,066,705**	**36,344,169**	**365,410,874**	**91,352**

Since the year end a further 515,000 Ordinary shares of 25p each have been purchased by the Company at a total cost of £601,000 all of which were held in treasury.

15. Capital reserve

Capital reserve	2017 £'000	2016 £'000
At 1 October	224,071	249,811
Movement in investment holding gains	(32,998)	62,714
Gains/(losses) on realisation of investments at fair value	39,158	(51,091)
Currency losses	(9,279)	(25,019)
Forward currency contracts	13,823	–
Tender offer costs	(1,281)	(8)
Transaction and other costs	(281)	(209)
Finance costs	(2,475)	(2,492)
Shares issued from treasury	–	270
Purchase of own shares to treasury	(3,998)	(9,003)
Purchase of own shares for cancellation	(62,038)	–
Investment management fees	104	(902)
At 30 September	**164,806**	**224,071**

16. Net asset value per share

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

Debt at par	2017	2016
Net asset value attributable (£'000)	436,767	351,521
Number of Ordinary shares in issue excluding treasury (note 14)	329,066,705	267,037,282
Net asset value per share (p)	132.73	131.64

Debt at fair value	£'000	£'000
Net asset value attributable	436,767	351,521
Add: Amortised cost of 6.25% Bonds 2031	59,632	59,606
Less: Market value of 6.25% Bonds 2031	(80,326)	(81,010)
	416,073	**330,117**
Number of Ordinary shares in issue excluding treasury (note 14)	**329,066,705**	**267,037,282**
Net asset value per share (p)	**126.44**	**123.62**

Debt at par (capital basis)	£'000	£'000
Net asset value attributable	436,767	351,521
Less: revenue return for the year	(15,779)	(20,602)
Add: interim dividends paid	8,732	8,921
	429,720	**339,840**
Number of Ordinary shares in issue excluding treasury (note 14)	**329,066,705**	**267,037,282**
Net asset value per share (p)	**130.59**	**127.26**

Debt at fair value (capital basis)	£'000	£'000
Net asset value attributable	436,767	351,521
Add: Amortised cost of 6.25% Bonds 2031	59,632	59,606
Less: Market value of 6.25% Bonds 2031	(80,326)	(81,010)
Less: revenue return for the year	(15,779)	(20,602)
Add: interim dividends paid	8,732	8,921
	409,026	**318,436**
Number of Ordinary shares in issue excluding treasury (note 14)	**329,066,705**	**267,037,282**
Net asset value per share (p)	**124.30**	**119.25**

17. Financial instruments

Risk management

The Company's investment activities expose it to various types of financial risk associated with the financial instruments and markets in which it invests. The Company's financial instruments, other than derivatives, comprise securities and other investments, cash balances, liquid resources, loans and debtors and creditors that arise directly from its operations; for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income. The Company also has the ability to enter into derivative transactions in the form of forward foreign currency contracts, futures and options, subject to Board approval, for the purpose of enhancing portfolio returns and for hedging purposes in a manner consistent with the Company's broader investment policy.

As at 30 September 2017 there were 13 open positions in derivatives transactions (2016 – 103).

Risk management framework

The directors of Aberdeen Fund Managers Limited collectively assume responsibility for AFML's obligations under the AIFMD including reviewing investment performance and monitoring the Company's risk profile during the year.

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

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

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

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

Risk management

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

In order to mitigate risk, the investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined accounting, market and sector analysis. It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular asset class. The Investment Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to consider investment strategy. Current strategy is detailed in the Chairman's Statement on pages 4 to 6 and in the Investment Manager's Report on pages 17 to 22.

The Board has agreed the parameters for net gearing/cash, which was 12.8% of net assets as at 30 September 2017 (2016 – 21.5%). The Manager's policies for managing these risks are summarised below and have been applied throughout the current and previous year. The numerical disclosures in the tables listed below exclude short-term debtors and creditors.

Market risk

The Company's investment portfolio is exposed to market price fluctuations, which are monitored by the Manager in pursuance of the investment objective as set out on page 8. Adherence to investment guidelines and to investment and borrowing powers set out in the management agreement mitigates the risk of exposure to any particular security or issuer. Further information on the investment portfolio is set out in the Investment Manager's Report on pages 17 to 22.

Market price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's operations. It represents the potential loss the Company might suffer through holding market positions as a consequence of price movements. It is the Board's policy to hold equity investments in the portfolio in a broad spread of asset classes in order to reduce the risk arising from factors specific to a particular asset class. An analysis of the portfolio by asset class is on page 29.

Interest rate risk

Interest rate movements may affect:

- the level of income receivable on cash deposits;
- interest payable on the Company's variable rate borrowings; and
- the fair value of any investments in fixed interest rate securities.

Management of the risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment and borrowing decisions. Details of the 6.25% Bonds 2031 and interest rates applicable can be found in note 13 on page 72.

The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis. Interest rate risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates.

Financial assets

The interest rate risk of the portfolio of financial assets at the reporting date was as follows:

Notes to the Financial Statements continued

	2017 Within 1 year £'000	2017 More than 1 year £'000	2017 Total £'000	2016 Within 1 year £'000	2016 More than 1 year £'000	2016 Total £'000
Exposure to fixed interest rates						
Fixed interest investments	1,471	75,764	77,235	30	128,928	128,958
Exposure to floating interest rates						
Fixed interest investments	–	31,734	31,734	–	2,722	2,722
Loan investments	–	43,293	43,293	–	–	–
Cash & cash equivalents	3,627	–	3,627	2,203	–	2,203
Bank overdraft	–	–	–	(18,084)	–	(18,084)
Net collateral pledged with brokers	–	–	–	10,727	–	10,727
BlackRock's Institutional Sterling Liquidity Fund	–	–	–	1,248	–	1,248
	5,098	**150,791**	**155,889**	**(3,876)**	**131,650**	**127,774**

Financial liabilities

The Company has borrowings by way of a bond issue, held at amortised cost of £59,632,000 (2016 – £59,606,000) details of which are in note 13. The fair value of this loan has been calculated at £80,326,000 as at 30 September 2017 (2016 – £81,010,000).

Interest rate sensitivity

A sensitivity analysis demonstrates the sensitivity of the Company's results for the year to a reasonably possible change in interest rates, with all other variables held constant.

The sensitivity of the profit/(loss) for the year is the effect of the assumed change in interest rates on:

- the net interest income for the year, based on the floating rate financial assets held at the Balance Sheet date; and
- changes in fair value of investments for the year, based on revaluing fixed rate financial assets and liabilities at the Statement of Financial Position date.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Company's net interest for the year ended 30 September 2017 would increase/decrease by £18,000 (2016 – decrease/increase £20,000). This is attributable to the Company's exposure to interest rates on its floating rate cash balances and the bank overdraft at 30 September 2016.

If interest rates had been 50 basis points higher and all other variables were held constant, a change in fair value of the Company's fixed rate and loan financial assets at the year ended 30 September 2017 of £152,262,000 (2016 – £131,680,000) would result in a decrease of £2,025,000 (2016 – £1,988,000). If interest rates had been 50 basis points lower and all other variables were held constant, a change in fair value of the Company's fixed rate financial assets at the year ended 30 September 2017 would result in an increase of £2,116,000 (2016 – £1,988,000).

Foreign currency risk

A proportion of the Company's investment portfolio is invested in overseas securities whose values are subject to fluctuation due to changes in foreign exchange rates. In addition, the impact of changes in foreign exchange rates upon the profits of investee companies can result, indirectly, in changes in their valuations. Consequently the Statement of Financial Position can be affected by movements in exchange rates.

Management of the risk

The revenue account is subject to currency fluctuations arising on dividends receivable in foreign currencies and, indirectly, due to the impact of foreign exchange rates upon the profits of investee companies. It is not the Company's policy to hedge this currency risk but the Board keeps under review the currency returns in both capital and income.

Foreign currency risk exposure by currency of denomination excluding other debtors and receivables and other payables falling due within one year:

	30 September 2017 Investments £'000	Net monetary items £'000	Total currency exposure £'000	30 September 2016 Investments £'000	Net monetary items £'000	Total currency exposure £'000
US Dollar	232,657	(140)	232,517	93,723	552	94,275
Euro	20,552	–	20,552	25,997	2,754	28,751
Other	82,405	170	82,575	29,827	–	29,827
	335,614	**30**	**335,644**	**149,547**	**3,306**	**152,853**

Foreign currency sensitivity

The following table details the impact on the Company's net assets to a 10% decrease (in the context of a 10% increase the figures below should all be read as negative) in Sterling against the foreign currencies in which the Company has exposure. The sensitivity analysis includes foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

	2017 £'000	2016 £'000
US Dollar	23,251	9,427
Euro	2,055	2,875
Other	8,258	2,983
	33,564	**15,285**

Foreign exchange contracts

The following forward contracts were outstanding at the Statement of Financial Position date:

Date of contract	Buy Currency	Sell Currency	Settlement date	Amount '000	Contracted rate	Unrealised gain/(loss) 30 September 2017 £'000
30 August 2017	GBP	EUR	6 December 2017	2,360	1.1331	111
31 August 2017	GBP	AUD	6 December 2017	53,220	1.7146	2,361
31 August 2017	GBP	EUR	6 December 2017	57,635	1.1331	2,553
31 August 2017	GBP	JPY	6 December 2017	38,441	150.8571	2,147
31 August 2017	GBP	USD	6 December 2017	80,353	1.3443	3,069
31 August 2017	GBP	USD	6 December 2017	80,274	1.3443	2,991
8 September 2017	GBP	EUR	6 December 2017	6,023	1.1331	212
11 September 2017	USD	GBP	6 December 2017	317	1.3443	(5)
13 September 2017	USD	GBP	6 December 2017	509	1.3443	(6)
18 September 2017	GBP	USD	6 December 2017	694	1.3443	(7)
19 September 2017	USD	GBP	6 December 2017	465	1.3443	3
25 September 2017	USD	GBP	6 December 2017	296	1.3443	2
27 September 2017	USD	GBP	6 December 2017	459	1.3443	–

The fair value of forward exchange contracts is based on forward exchange rates at the Statement of Financial Position date.

Other price risk

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

Management of the risk

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular sector. The allocation of assets to international markets and the stock selection process, as detailed in the section "Investment Process" on pages 85 and 86, both act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy.

Other price risk sensitivity

If market prices at the reporting date had been 10% higher or lower on investments held at fair value while all other variables remained constant, the return attributable to Ordinary shareholders and equity for the year ended 30 September 2017 would have increased/decreased by £47,715,000 (2016 – £42,013,000).

Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

	Within 1 year £'000	Within 1-3 years £'000	Within 3-5 years £'000	More than 5 years £'000	Total £'000
6.25% Bonds 2031	–	–	–	60,000	60,000
Interest cash flows on 6.25% Bonds 2031	3,750	7,500	7,500	33,750	52,500
	3,750	**7,500**	**7,500**	**93,750**	**112,500**

Management of the risk

The Company's assets mostly comprise readily realisable securities which can be sold to meet funding commitments if necessary.

Credit risk

This is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Management of the risk

- where the Manager makes an investment in a bond, corporate or otherwise, the credit ratings of the issuer are taken into account so as to manage the risk to the Company of default;
- investments in quoted bonds are made across a variety of industry sectors and geographic markets so as to avoid concentrations of credit risk;
- transactions involving derivatives are entered into only with investment banks, the credit rating of which is taken into account so as to minimise the risk to the Company of default;
- investment transactions are carried out with a number of brokers, whose credit-standing is reviewed periodically by the Manager, and limits are set on the amount that may be due from any one broker;
- the risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the daily review of failed trade reports. In addition, both stock and cash reconciliations to the custodian's records are performed daily to ensure discrepancies are investigated in a timely manner. The Manager's Compliance department carries out periodic reviews of the custodian's operations and reports its finding to the Manager's Risk Management Committee;
- cash is held only with reputable banks with acceptable credit quality. It is the Manager's policy to trade only with A- and above (Long Term rated) and A-1/P-1 (Short Term rated) counterparties.

Credit risk exposure

In summary, compared to the amounts in the Statement of Financial Position, the maximum exposure to credit risk at 30 September 2017 was as follows:

	2017 Balance Sheet £'000	2017 Maximum exposure £'000	2016 Balance Sheet £'000	2016 Maximum exposure £'000
Non-current assets				
Securities at fair value through profit or loss	477,150	152,262	420,128	131,680
Current assets				
Other debtors	280	280	4,443	4,443
Accrued income	2,333	2,333	1,904	1,904
Derivatives	13,449	13,449	2,652	2,652
Cash and short term deposits	3,627	3,627	2,203	2,203
	496,839	**171,951**	**431,330**	**142,882**

None of the Company's financial assets is secured by collateral or other credit enhancements and none of the Company's financial assets are past due or impaired (2016 – £10,727,000).

18. **Fair value hierarchy**

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

Level 1 – Quoted prices in active markets for identical instruments

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Company does not adjust the quoted price for these instruments.

Level 2 – Valuation techniques using observable inputs

This category includes instruments valued using quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Valuation techniques used for non-standardised financial instruments such as over-the-counter derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity specific inputs.

Level 3 – Valuation techniques using significant unobservable inputs

This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant impact on the instrument's valuation.

This category also includes instruments that are valued based on quoted prices for similar instruments where significant entity determined adjustments or assumptions are required to reflect differences between the instruments and instruments for which there is no active market. The investment manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The financial assets and liabilities measured at fair value in the Statement of Financial Position are grouped into the fair value hierarchy at the reporting date as follows:

As at 30 September 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets/(liabilities) at fair value through profit or loss				
Equity investments	94,441	216,967	13,480	324,888
Loan investments	–	43,293	–	43,293
Fixed interest instruments	–	108,783	186	108,969
Forward currency contracts – financial assets	–	13,449	–	13,449
Forward currency contracts – financial liabilities	–	(18)	–	(18)
Net fair value	**94,441**	**382,474**	**13,666**	**490,581**

As at 30 September 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets/(liabilities) at fair value through profit or loss				
Equity investments	274,079	–	13,121	287,200
Fixed interest instruments	28,895	102,785	–	131,680
Option – financial assets	–	1,398	–	1,398
Option – financial liabilities	–	(3,952)	–	(3,952)
Forward currency contracts – financial assets	–	507	–	507
Forward currency contracts – financial liabilities	–	(875)	–	(875)
Futures – financial liabilities	–	(1,600)	–	(1,600)
Total return swaps – financial assets	–	747	–	747
Total return swaps – financial liabilities	–	(3,145)	–	(3,145)
FX swaps – financial liabilities	–	(96)	–	(96)
Credit default swap	–	–	(90)	(90)
BlackRock's Institutional Cash Series plc – Sterling Liquidity Fund	1,248	–	–	1,248
Net fair value	**304,222**	**95,769**	**13,031**	**413,022**

Level 3 Financial assets at fair value through profit or loss	As at 30 September 2017 £'000	As at 30 September 2016 £'000
Opening fair value	13,031	(321)
Purchases including calls (at cost)	9,340	12,468
Disposals and return of capital	(9,202)	2
Total gains or losses included in gains/(losses) on investments in the Statement of Comprehensive Income:		
– assets disposed of during the year	571	25
– assets held at the end of the year	(74)	857
Closing balance	**13,666**	**13,031**

The fair value of Level 3 financial assets has been determined by reference to primary valuation techniques described in note 2(e) of these financial statements. The Level 3 equity investments comprise the following;

- MRTCP I LP
- Forward Partners 1 LP
- Maj Equity Fund 4
- TrueNoord Co-Investment II LP
- Maj Equity Fund V
- Agriculture Capital ACM Fund II

During the year fixed interest instruments valued at £186,000 (2016 – £133,000) were transferred from Level 2 to Level 3. There were no other transfers between levels for financial assets and financial liabilities during the period recorded at fair value as at 30 September 2017 and 30 September 2016.

For all other assets and liabilities (i.e. those not included in the hierarchy table) carrying value approximates to fair value.

19. Related party disclosures

Directors' fees and interests

Fees payable during the year to the Directors and their interests in shares of the Company are considered to be related party transactions and are disclosed within the Directors' Remuneration Report on page 47. The balance of fees due to Directors at the year end was £nil (2016 – £nil).

Transactions with the Manager

Up to 10 February 2017, BlackRock Fund Managers Limited ('BlackRock') were appointed as the Company's Alternative Investment Fund Manager ("AIFM"). During this period the investment management fee was levied at a rate of 0.4% per annum of the Company's total assets less current liabilities (excluding loans).

With effect from 11 February 2017, Aberdeen Fund Managers Limited ("Aberdeen") was appointed as the Company's AIFM in place of BlackRock.

The investment management fee to be levied by Aberdeen (post waiver) will be at the following tiered levels, payable monthly in arrears:

- 0.50% per annum in respect of the first £300 million of the net asset value (with debt at fair value);
- 0.45% per annum in respect of the balance of the net asset value (with debt at fair value).

The Company will also receive rebates with regards to underlying investments in other funds managed by Aberdeen (where an investment management fee is charged by Aberdeen on that fund) in the normal course of business to ensure that no double counting occurs. Any investments made in funds managed by Aberdeen which themselves invest directly into alternative investments including, but not limited to, infrastructure and property will be charged at Aberdeen's lowest institutional fee rate. To avoid double charging, such investments will be excluded from the overall management fee calculation.

The table below details all investments held at 30 September 2017 that were managed by Aberdeen. For the period to 30 September 2017 no fees were levied in respect of these funds.

	30 September 2017 £'000
Aberdeen Global – Smart Beta Low Volatility Global Equity Income Fund	113,511
Aberdeen Alpha Global Loans Fund	43,293
Aberdeen Global – Indian Bond Fund	19,497
Aberdeen Global – Frontier Markets Bond Fund	9,812
Aberdeen European Residential Opportunities Fund	3,100
Aberdeen Property Secondaries Partners II	2,545
	191,758

As detailed in note 4, no investment management fees were charged by the Manager in the year due to a waiver being in place. The Manager also agreed to pay to the Company an amount equal to six months management fees payable to BlackRock (in line with notice period clause) calculated at the rate of 0.4% per annum of the gross assets of the Company as at 10 February 2017 (being the date of termination of the BlackRock Investment Management Agreement). At the year end, an amount of £nil (2016 – £656,000) was outstanding in respect of management fees.

Subsequent to the year end, on 14 December 2017, the Company acquired an investment in Aberdeen Global Infrastructure Partners II LP from Aberdeen Asset Management PLC. Further details of the transaction can be found in note 23. Aberdeen Asset Management PLC is part of the same group as the Company's investment manager, Aberdeen Fund Managers Limited, and is therefore deemed a related party under the Listing Rules. The acquisition amounts to a smaller related party transaction under Listing Rule 11.1.10R.

20. Capital management policies and procedures

The investment objective of the Company is to target a total portfolio return of LIBOR (London Interbank Offered Rate) plus 5.5% per annum (net of fees) over rolling five-year periods.

The capital of the Company consists of debt, comprising bonds, and equity, comprising issued capital, reserves and retained earnings. The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

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

- the planned level of gearing which takes into account the Investment Manager's views on the market;
- the level of equity shares in issue;
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

At the year end a covenant relating to the bonds issue provide that the Company is to ensure that, at all times, the aggregate principal amount outstanding in respect of monies borrowed by the Company does not exceed an amount equal to its share capital and reserves. As noted in greater detail in note 13 this covenant was met during the year and also during the period from the year end to the date of this report. The Company is not subject to any other externally imposed capital requirements.

21. Commitments and contingent liabilities

At 30 September 2017 the Company had commitments of £90,855,000 of which £63,609,000 remained outstanding (2016 – £18,006,000). Further details are given below. There were no contingent liabilities as at 30 September 2017 (2016 – nil).

	Undrawn commitments 30 September 2017 £'000
MRTCP I LP	19,091
Aberdeen Property Secondaries Partners II	14,712
Aberdeen European Residential Opportunities Fund	10,614
Cheyne Social Housing	8,500
Agriculture Capital ACM Fund II	4,333
Maj Equity Fund V	2,497
TrueNoord Co-Investment II LP	2,325
Maj Equity Fund 4	1,028
Forward Partners 1 LP	509
	63,609

22. Alternative performance measures

The table below provides information relating to the underlying net asset values ("NAV") and share prices of the Company on the dividend reinvestment dates during the years ended 30 September 2017 and 30 September 2016.

2017	Dividend rate p	NAV (debt at par) p	NAV (debt at fair value) p	Share price p
5 January 2017	1.635	129.46	121.92	108.00
2 March 2017	1.635	130.44	122.82	113.88
6 April 2017	1.635	129.56	122.43	114.00
31 August 2017	1.310	132.33	125.33	118.50

2016	Dividend rate p	NAV (debt at par) p	NAV (debt at fair value) p	Share price p
31 December 2015	1.700	138.86	133.88	135.00
10 March 2016	1.635	129.48	123.47	120.50
23 June 2016	1.635	128.80	122.86	118.25
15 September 2016	1.635	128.90	121.37	112.50

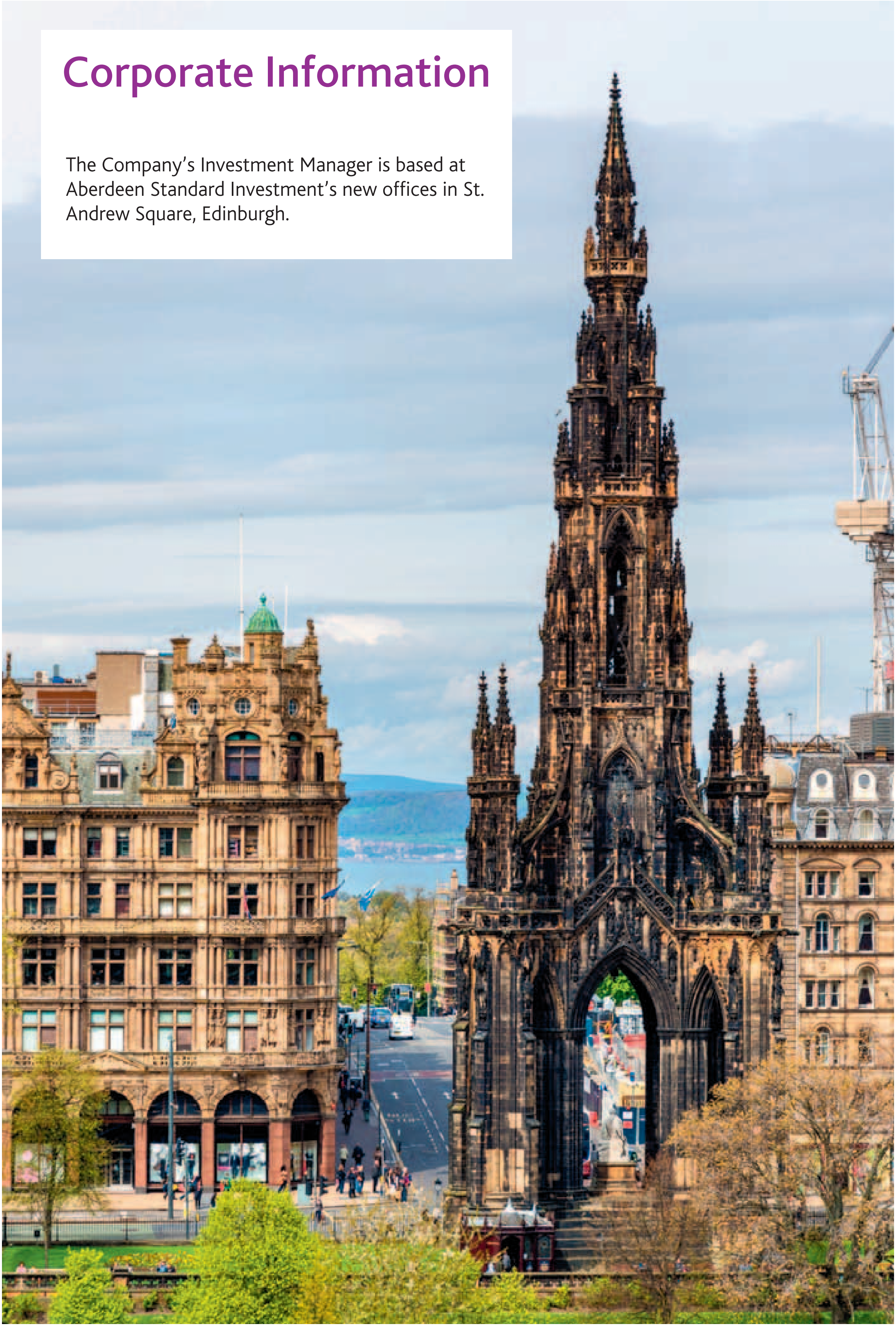
23. Subsequent events

The Company entered into a sale and purchase agreement on 14 December 2017 to acquire in its entirety the interest of Aberdeen Asset Management PLC in Aberdeen Global Infrastructure Partners II LP. This interest is being acquired for A$5.5 million (£3.1million) and includes further capital commitments to the Fund of A$17.3million and US$2.7million (£11.8million).

In addition, on 1 November 2017, the Company made a commitment of US$33,000,000 to Markel CATCo Reinsurance Fund Ltd.

Corporate Information

The Company's Investment Manager is based at Aberdeen Standard Investment's new offices in St. Andrew Square, Edinburgh.



Information about the Investment Manager

Aberdeen Asset Managers Limited

The Company's Investment Manager is Aberdeen Asset Managers Limited, a subsidiary of Aberdeen Asset Management PLC, which is itself a subsidiary of Standard Life Aberdeen plc.

Aberdeen Standard Investments

Worldwide, Aberdeen Standard Investments (see glossary on page 90) manages a combined £570 billion (as at 30 September 2017) in assets for a range of clients, including individuals and institutions, through mutual and segregated funds.

The Investment Team Senior Managers

Mike Brooks

Head of Diversified Multi-Asset

Mike joined Aberdeen in 2015 from Baillie Gifford where he was an investment manager in the Diversified Growth team. He co-founded the Diversified Growth strategy at Baillie Gifford in 2008, playing a leading role in the development of the philosophy and process, in the ongoing management and strong performance of the Diversified Growth Fund and in the successful expansion of the client base to over £5 billion of assets under management. Mike joined Baillie Gifford in 2000 as Head of Investment Risk. Prior to this he was Head of Quantitative Research at Aegon Asset Management. Mike is a qualified actuary.

Tony Foster

Senior Investment Manager

Tony, who joined Aberdeen following the SWIP acquisition in April 2014, was responsible for the £390 million Halifax Fund of Investment Trusts OEIC from 2009 to 2012. He also researches closed end funds for the Aberdeen Diversified Growth Fund and other multi-asset clients. Prior to joining SWIP in 2000, Tony spent nearly 12 years with Baillie Gifford where his investment trust experience included periods managing Pacific Horizon (1992-95) and the UK equity portfolio of Scottish Mortgage (1996-2000). Tony holds a BA (Hons) in Metallurgy, Economics and Management from the University of Oxford and is an Associate of the UK Society of Investment Professionals.

The Investment Process

This is described on page 8 of this Report and, in more detail, on the Company's website (aberdeendiversified.co.uk). The schematic on page 86 illustrates the key elements of the process.

Risk management is embedded in the Investment Manager's process. The approach is based around 4 pillars: Diversification principles, Risk models, Scenario analysis and Peer review. In addition, liquidity risk is also actively monitored, both by the Investment Manager and via regular independent stress tests. We provide more details on each of the pillars below:

- Diversification principles – We believe that diversification is a necessary element of any robust multi-asset portfolio, reducing portfolio volatility in the short term and reducing the reliance on any one asset class over the medium to long-term. Diversification benefits arise from the range of assets that we consider within the Company's portfolio; the longer-term modelling that is used to establish the strategic framework; and they are also actively considered as part of the day to day decision making for the portfolio. We seek to ensure that there is not a disproportionate exposure or contribution to portfolio risk from any one asset class or investment.

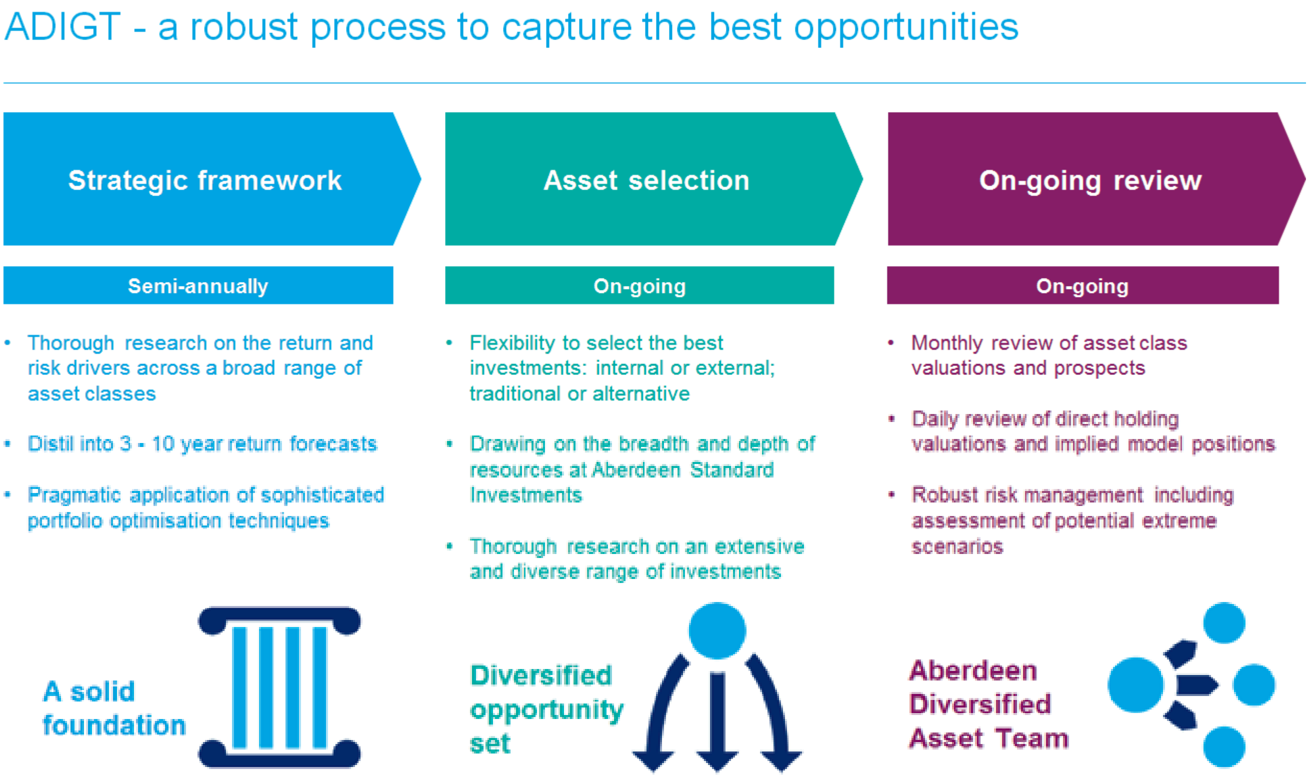
- Risk models – The second pillar of our risk management approach is the use of quantitative risk models. Although we acknowledge risk models can have their limitations, we believe that they are a valuable input into the broader process. In particular they can provide an efficient, clear and objective view on the portfolio's risk exposures at any given time.

- Scenario analysis – While the risk models include certain historic stress test scenarios in their analysis, we believe that it is important to also consider how we might expect investments in the portfolio to behave in various hypothetical scenarios. The scenario analysis harnesses the experience of our investment team and the broader insights from across Aberdeen Standard Investments.

Information about the Investment Manager continued

Recent discussions have addressed, for example, the potential impact of a China hard landing and a North Korea war. In each case, the Managers are seeking to gain comfort that the potential risk of, and impact from, any given scenario is acceptable. This helps to ensure that the portfolio is resilient to the wide range of scenarios that might play out over time.

- Peer review – To ensure that we are capturing the best ideas within the portfolio, the investment process has been designed to source views from across the business and reflect back our own insights. On a formal basis, the peer review process also includes oversight from a monthly meeting of the Diversified Asset Review Group as well Aberdeen's independent risk team and liquidity stress tests by the dealing desk.



Investor Information

Pre-investment Disclosure Document ("PIDD")

The Alternative Investment Fund Managers Directive ("AIFMD") requires Aberdeen Fund Managers Limited, as the alternative investment fund manager ("AIFM") of Aberdeen Diversified Income and Growth Trust plc, to make available to investors certain information prior to such investors' investment in the Company. Details of the leverage and risk policies which the Company is required to have in place under AIFMD are published in the Company's Pre-Investment Disclosure Document ("PIDD") which can be found on its website. The periodic disclosures required to be made by the AIFM under the AIFMD are set out on page 93.

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

Aberdeen Group has been contacted by investors informing us that they have received telephone calls and emails from people who have offered to buy their investment trust shares, purporting to work for the Aberdeen Group.

Aberdeen Group has also been notified of emails claiming that certain investment companies under our management have issued claims in the courts against individuals. These may be scams which attempt to gain your personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from you is required to release the supposed payment for your shares. These callers/senders do not work for the Aberdeen Group and any third party making such offers/claims has no link with the Aberdeen Group.

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

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

How to Invest

Individual investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, shares can be bought directly through Aberdeen Asset Managers Limited's ("AAML") Investment Plan for Children, Aberdeen's Investment Trust Share Plan and Investment Trust ISA.

Aberdeen's Investment Plan for Children

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

Aberdeen's Investment Trust Share Plan

AAML runs a Share Plan (the "Plan") through which shares in the Company can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors simply pay Government Stamp Duty (currently 0.5%) where applicable. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing AAML in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

Stocks and Shares ISA

An investment of up to £20,000 can be made in each of 2017/2018 and 2018/2019 tax years.

The annual ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the Plan prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the Plan, from the sale of investments held in the Plan. Investors have full voting and other rights of share ownership. Under current legislation, investments in ISAs can grow free of capital gains tax.

ISA Transfer

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

Investor Information continued

Dividend Tax Allowance

The annual tax-free personal allowance on dividend income is £5,000 for the 2017/2018 tax year and £2,000 for the 2018/2019 tax year. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company will provide registered shareholders with a confirmation of dividends paid by the Company and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

Keeping You Informed

Further information on the Company can be found on its own dedicated website: aberdeendiversified.co.uk. This provides access to information on the Company's share price performance, capital structure, stock exchange announcements and a Manager's monthly factsheet. Alternatively you can call 0808 500 0040 (free when dialing from a UK landline) for trust information.

If you have any questions about your Company, the Manager or performance, please telephone the AAML Customer Services Department (direct private investors) on 0808 500 0040. Alternatively, please send an email to AAML at inv.trusts@aberdeen-asset.com or write to Aberdeen Investment Trusts, PO Box 11020, Chelmsford, Essex CM99 2DB.

Key Information Document ("KID")

The KID relating to the Company and published by the Manager can be found on the Manager's website: invtrusts.co.uk/en/investmenttrusts/literature-library.

Company's Registrars

In the event of queries regarding holdings of shares, lost certificates, dividend payments, registered details, etc shareholders holding their shares in the Company directly should contact the registrars, Computershare Investor Services PLC (see page 99 for details). Calls may be recorded and monitored randomly for security and training purposes.

Changes of address must be notified to the registrars in writing. Any general enquiries about the Company should be directed to the Company Secretary, Aberdeen Diversified Income and Growth Trust plc, 7th Floor, 40 Princes Street, Edinburgh EH2 2BY or by emailing company.secretary@aberdeenstandard.com

Literature Request Service

For literature and application forms for the Company and the Aberdeen Group's investment trust products, please contact:

Telephone: 0808 500 4000
Website: invtrusts.co.uk/en/investmenttrusts/literature-library

For information on the Investment Plan for Children, Share Plan, ISA or ISA Transfer please contact:

Aberdeen Investment Trust Administration

PO Box 11020
Chelmsford
Essex CM99 2DB
Telephone: 0808 500 0040
(free when dialing from a UK landline)

Terms and conditions for the AAML managed savings products can also be found under the literature section of invtrusts.co.uk.

Online Dealing Details

Investor information

There are a number of other ways in which you can buy and hold shares in this investment trust.

Online dealing

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

- AJ Bell Youinvest
- Alliance Trust Savings
- Barclays Stockbrokers / Smart Investor
- Charles Stanley Direct
- Equiniti / Shareview
- Halifax Share Dealing
- Hargreave Hale
- Hargreaves Lansdown
- iDealing
- Interactive Investor / TD Direct
- Selftrade
- The Share Centre
- Stocktrade

Discretionary private client stockbrokers

If you have a large sum to invest, you may wish to contact a discretionary private client stockbroker. They can manage your entire portfolio of shares and will advise you on your investments. To find a private client stockbroker visit The

Personal Investment Management & Financial Advice Association at pimfa.co.uk.

Financial advisers

To find an adviser on investment trusts, visit unbiased.co.uk.

Regulation of stockbrokers

Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority:
Tel: 0800 111 6768 or at fca.org.uk/firms/systems-reporting/register/search
Email: register@fca.org.uk

Suitable for Retail/NMPI Status

The Company's shares are intended for investors, primarily in the UK, including retail investors, professionally-advised private clients and institutional investors who wish to target a total portfolio return of LIBOR (London Interbank Offered Rate) plus 5.5% per annum (net of fees) over rolling five-year periods and who understand and are willing to accept the risks of exposure to investing via a flexible multi-asset approach. Investors should consider consulting a financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

The Company currently conducts its affairs, and intends to continue to do so for the foreseeable future, in order that its shares can be recommended by a financial adviser to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream pooled investments).

The Company's shares are excluded from the FCA's restrictions which apply to non-mainstream pooled investment products because they are shares in an investment trust.

Note

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

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

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

The information on pages 87 to 89 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority.

Glossary of Terms and Definitions

Aberdeen, Aberdeen Group or AAM	Aberdeen Asset Management PLC group of companies which are subsidiaries of Standard Life Aberdeen plc.
Aberdeen Standard Investments	The investment division of Standard Life Aberdeen plc.
AIC	The Association of Investment Companies.
AIFMD	The Alternative Investment Fund Managers Directive - the AIFMD is European legislation which created a European-wide framework for regulating managers of 'alternative investment funds' ("AIFs"). It is designed to regulate any fund which is not a UCITS fund and which is managed and/or marketed in the EU. The Company has been designated as an AIF.
Alternative Performance Measure or APM	An alternative performance measure is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.
Closed-End Fund	A collective investment scheme which has a fixed number of shares which are not redeemable from the fund itself. Unlike open-ended funds, new shares/units are not created by managers to meet demand from investors; instead, shares are purchased (or sold) only in the market. Closed-end funds are normally listed on a recognised stock exchange, such as the London Stock Exchange, and shares can be bought and sold on that exchange.
Discount	The amount by which the market price per share of an Investment Trust is lower than the Net Asset Value per share. The discount is normally expressed as a percentage of the Net Asset Value per share.
Dividend Cover	Earnings per share divided by dividends per share expressed as a ratio.
Dividend Yield	The annual dividend expressed as a percentage of the share price.
FCA	Financial Conduct Authority.
Gearing	Net gearing is calculated by dividing total borrowings less cash or cash equivalents, by shareholders' funds expressed as a percentage.
Investment Manager or AAML	Aberdeen Asset Managers Limited is a wholly owned subsidiary of Aberdeen Asset Management PLC and acts as the Company's investment manager. It is authorised and regulated by the FCA.
Investment Trust	A type of Closed-End Fund which invests in other securities, allowing shareholders to share the risks, and returns, of collective investment.
Leverage	For the purposes of the Alternative Investment Fund Managers Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its Net Asset Value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.
Manager, AIFM or AFML	Aberdeen Fund Managers Limited is a wholly owned subsidiary of Aberdeen Asset Management PLC and acts as the Alternative Investment Fund Manager for the Company. It is authorised and regulated by the FCA. Aberdeen Asset Management PLC is a wholly owned subsidiary of Standard Life Aberdeen plc.
Net Asset Value or NAV	The value of total assets less liabilities. Liabilities for this purpose include current and long-term liabilities. The Net Asset Value divided by the number of shares in issue produces the Net Asset Value per share.
Ongoing Charges	Ratio of expenses as percentage of average daily shareholders' funds calculated as per the AIC's industry standard method.

Premium	The amount by which the market price per share of an Investment Trust exceeds the Net Asset Value per share. The premium is normally expressed as a percentage of the Net Asset Value per share.
Price/Earnings Ratio	The ratio is calculated by dividing the market price per share by the earnings per share. The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a company's prospects and profit growth potential.
Prior Charges	The name given to all borrowings including debentures, loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital and the income shares of split capital trusts, irrespective of the time until repayment.
Total Assets	Total Assets as per the balance sheet less current liabilities (before deducting Prior Charges as defined above).
Total Return	Total Return involves reinvesting the net dividend in the month that the share price goes ex-dividend. The NAV Total Return involves investing the same net dividend in the NAV of the Company on the date the dividend was earned.

Share Capital and Name Changes

Issued Share Capital at 30 September 2017 with voting rights (excluding treasury shares)

329,066,705	Ordinary shares of 25p

Treasury Shares at 30 September 2017 with no voting rights

36,344,169	Ordinary shares of 25p

Issued Share Capital at 16 January 2018 with voting rights (excluding treasury shares)

328,551,705	Ordinary shares of 25p

Treasury Shares at 16 January 2018 with no voting rights

36,859,169	Ordinary shares of 25p

Name Changes

February 2017	Company name changed to "Aberdeen Diversified Income and Growth Trust plc" from "BlackRock Income Strategies Income Trust plc"
February 2015	Company name changed to "BlackRock Income Strategies Income Trust plc" from "British Assets Trust plc"

AIFMD Disclosures (Unaudited)

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

There have been no material changes to the disclosures contained within the PIDD since its most recent update in March 2017.

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

- information on the investment strategy, geographic and sector investment focus and principal stock exposures is included in the Strategic Report;
- none of the Company's assets are subject to special arrangements arising from their illiquid nature;
- the Strategic Report, note 17 to the financial statements and the PIDD together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected;
- there are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by AFML; and
- all authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the AIFM's remuneration policy is available from the Company Secretary, Aberdeen Asset Management PLC, on request, and the remuneration disclosures in respect of the AIFM's reporting period for the year ended 30 September 2017 will be published on the Company's website when available.

Leverage

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

	Gross Method	Commitment Method
Maximum level of leverage	2.50:1	2.00:1
Actual level at 30 September 2017	1.13:1	1.15:1

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

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Aberdeen Diversified Income and Growth Trust plc (the "Company") will be held at 11.30am on 2 March 2018 at The Drapers' Hall, Throgmorton Avenue, London EC2N 2DQ for the following purposes:

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

1. To receive the Directors' Report, the Auditor's Report and the audited financial statements for the year ended 30 September 2017.
2. To receive and adopt the Directors' Remuneration Report for the year ended 30 September 2017 (other than the Directors' Remuneration Policy).
3. That Shareholders approve the Company's dividend policy to continue to pay four quarterly interim dividends per year.
4. To elect Kevin Ingram as a Director of the Company.
5. To elect Tom Challenor as a Director of the Company.
6. To elect Paul Yates as a Director of the Company.
7. To re-elect James Long as a Director of the Company.
8. To re-elect Ian Russell as a Director of the Company.
9. To re-elect Jim Grover as a Director of the Company.
10. To re-elect Julian Sinclair as a Director of the Company.
11. To re-appoint Ernst & Young LLP as auditor of the Company to hold office from the conclusion of the Annual General Meeting of the Company until the conclusion of the next general meeting at which financial statements and reports are laid before the Company.
12. To authorise the Directors to fix the remuneration of the Auditor.
13. THAT the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company up to an aggregate nominal amount of £8,213,792 (representing 10% of the total Ordinary share capital of the Company in issue as at the date of notice, excluding treasury shares, or, if less, the number representing 10% of the issued Ordinary share capital of the Company, excluding treasury shares, as of the date of the passing of this resolution) during the period expiring on the date of the next annual general meeting of the Company or on 31 March 2019, whichever is the earlier, but so that this authority, unless previously revoked, varied or renewed, shall allow the Company to make offers or agreements before the expiry of this authority which would or might require shares to be allotted or rights to be granted after such expiry and the Directors may allot shares and grant rights in pursuance of such an offer or agreement as if such authority had not expired.

To consider and, if thought fit, pass the following resolutions as special resolutions:

14. THAT the Directors be and they are hereby empowered, pursuant to sections 570 and 573 of the Act, to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority given in accordance with section 551 of the Act by resolution number 13 above as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

    (i) during the period expiring on the date of the next annual general meeting of the Company or on 31 March 2019, whichever is earlier, but so that this power shall, unless previously revoked, varied or renewed, enable the Company to make offers or agreements before the expiry of this power which would or might require equity securities to be allotted after the expiry of this power and the Directors may allot equity securities in pursuance of such an offer or agreement as if such power had not expired;

    (ii) up to an aggregate nominal amount of £4,106,896 (representing 5% of the total Ordinary Share capital of the Company in issue, excluding treasury shares, as at the date of this notice, or, if less, the number representing 5% of the issued Ordinary share capital of the Company, excluding treasury shares, as of the date of the passing of this resolution); and

    (iii) at a price greater than the net asset value per share from time to time (as determined by the Directors and calculated excluding treasury shares).

This power applies to a sale of treasury shares which is an allotment of equity securities by virtue of section 560(3) of the Act as if in the first paragraph of this resolution the words "pursuant to the authority given in accordance with section 551 of the Act by resolution number 13 above" were omitted.

15. THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of fully paid Ordinary shares on such terms and in such manner as the Directors from time to time determine, and to cancel or hold in treasury such shares, provided always that:

(i) the maximum number of shares hereby authorised to be purchased shall be an aggregate of 49,249,900 Ordinary Shares or, if less, the number representing 14.99% of the Ordinary shares in issue (excluding shares already held in treasury) as at the date of the passing of this resolution;
(ii) the minimum price which may be paid for a share shall be 25 pence;
(iii) the maximum price (exclusive of expenses) which may be paid for a share shall be the higher of (a) an amount equal to 105% of the average of the middle market quotations for a share taken from, and calculated by reference to, the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the share is purchased; and (b) the higher of the price of the last independent trade and the highest current independent bid at the time the purchase is carried out;
(iv) the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company or on 31 March 2019, whichever is earlier, unless such authority is previously revoked, varied or renewed prior to such time; and
(v) the Company may make a contract or contracts to purchase shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of shares pursuant to any such contract or contracts notwithstanding such expiry above.

16. That a general meeting, other than an annual general meeting, may be called on not less than 14 clear days' notice.

By Order of the Board
Aberdeen Asset Management PLC
Secretary

Registered Office
7th Floor, 40 Princes Street
Edinburgh
EH2 2BY

16 January 2018

Notes:

1. Only those Shareholders registered in the Register at 6.00pm on 28 February 2018 shall be entitled to attend and/or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time (the "specified time"). If the Annual General Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of shareholders to attend and/or vote at the adjourned meeting. If the Annual General Meeting is adjourned for a longer period, the time by which a person must be entered on the Register in order to have the right to attend and/or vote at the adjourned meeting is 6.00 pm two days (excluding non-working days) prior to the time of the adjourned meeting. Changes to entries on the Register after the relevant deadline shall be disregarded in determining the rights of any person to attend and/or vote at the Annual General Meeting.

2. Holders of Ordinary shares are entitled to attend and vote at the Annual General Meeting or any adjournment thereof. If you wish to attend, there will be a members' register to sign on arrival.

3. As at 16 January 2018 (being the last practicable day prior to the date of approval of this Report) the Company's issued share capital consisted of 365,410,874 Ordinary shares (36,859,169 of which are held in treasury). Each Ordinary share carries the right to one vote at general meetings. Therefore the total voting rights in the Company at 16 January 2018 is 328,551,705.

4. A Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him or her, provided that if two or more proxies are appointed, each proxy must be appointed

to exercise the rights attaching to different shares. A Form of Proxy is enclosed with this Notice. A proxy need not be a Shareholder of the Company. Completion and return of the Form of Proxy will not preclude Shareholders from attending or voting at the Annual General Meeting, if they so wish. Details of how to appoint the Chairman of the Annual General Meeting or another person as your proxy using the Form of Proxy are set out in the notes to the Form of Proxy. If you wish your proxy to speak on your behalf at the Annual General Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to the proxy. In the event that a Form of Proxy is returned without an indication as to how the proxy shall vote on the resolutions, the proxy will exercise his or her discretion as to whether, and if so how, he or she votes.

5. To be valid, the Form of Proxy, together with the power of attorney or other authority, if any, under which it is executed (or a notarially certified copy of such power or authority) must be deposited with the Company's Registrar, for this purpose being Computershare Investor Services, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, as soon as possible, but in any event not later than 48 hours (excluding non-working days) before the time fixed for the Annual General Meeting. If you have any queries relating to the completion of the Form of Proxy, please contact Computershare Investor Services on 0330 303 1184 (lines are open 9.00am to 5.30pm Monday to Friday, excluding public holidays). Computershare Investor Services cannot provide advice on the merits of the business to be considered nor give any financial, legal or tax advice. Alternatively, if the Shareholder holds his or her shares in uncertificated form (i.e. in CREST) they may vote using the CREST System (see note 11 below).

6. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Company at its registered office or the address specified in note 5 above before the commencement of the Annual General Meeting or adjourned meeting at which the proxy is used.

7. Where there are joint holders of any share, any one of such persons may vote at any Meeting, and if more than one of such persons is present at any meeting personally or by proxy, the vote of the senior holder who tenders the vote shall be accepted to the exclusion of the votes of other joint holders and, for this purpose, seniority will be determined by the order in which the names stand in the Register.

8. 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 him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. Nominated Persons should also remember that their main point of contact in terms of their investment in the Company remains the shareholder who nominated the Nominated Person to enjoy information rights (or, perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that shareholder, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interests in the Company (including any administrative matter). The statement of the rights of shareholders in relation to the appointment of proxies in notes (iv) to (vi) does not apply to Nominated Persons. The rights described in these notes can only be exercised by shareholders of the Company.

9. Any corporation which is a Shareholder may authorise such person as it thinks fit to act as its representative at the Annual General Meeting. Any person so authorised shall be entitled to exercise on behalf of the corporation which he represents the same powers (other than to appoint a proxy) as that corporation could exercise if it were an individual Shareholder (provided, in the case of multiple corporate representatives of the same corporate Shareholder, they are appointed in respect of different shares owned by the corporate Shareholder or, if they are appointed in respect of the same shares, they vote the shares in the same way). To be able to attend and vote at the Annual General Meeting, corporate representatives will be required to produce prior to their entry to the Annual General Meeting evidence satisfactory to the Company of their appointment.

10. To allow effective constitution of the Annual General Meeting, if it is apparent to the Chairman that no Shareholders will be present in person or by proxy, other than by proxy in the Chairman's favour, then the Chairman may appoint a substitute to act as proxy in his stead for any Shareholder, provided that such substitute proxy shall vote on the same basis as the Chairman.

11. Notes on CREST Voting. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual, which is available to download from the Euroclear UK & Ireland ("Euroclear") website (www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST system to be valid, the appropriate CREST message (a "CREST proxy instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent 3RA50 by 11.30 a.m. on 28 February 2018. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications Host) from which the issuer's agent is able to retrieve the message.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or CREST sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) takes(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by a particular time. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual.

The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. In any case, a proxy form must be received by the Company's Registrars no later than 6.00 p.m. on 28 February 2018.

12. The attendance at the Annual General Meeting of Shareholders and their proxies and representatives is understood by the Company to confirm their agreement to receive any communications made at the Annual General Meeting.

13. Shareholders are advised that unless otherwise provided, the telephone numbers and website addresses which may be set out in this Notice or the Form of Proxy/Form of Direction are not to be used for the purpose of serving information or documents on the Company including the service of information or documents relating to proceedings at the Annual General Meeting. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's shares already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure Guidance and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result any person holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure Guidance and Transparency Rules, need not make a separate notification to the Company and the Financial Conduct Authority.

14. In accordance with Section 311A of the Companies Act 2006, the contents of 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 Company's website www.aberdeendiversified.co.uk.

15. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the Annual General Meeting which is put by a Shareholder attending the Annual General Meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered or if to do so would involve the disclosure of confidential information.

16. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid out before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006, that the shareholders propose to raise at the Annual General Meeting. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later that the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on the website.

17. The "Vote Withheld" option on the Form of Proxy is provided to enable a member to abstain on any particular resolution. It should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes "For" or "Against" a particular resolution.

Notice of Annual General Meeting continued

18. Participants in the Aberdeen Share Plan or ISA are entitled to vote by completing the enclosed Form of Direction and returning it in the accompanying envelope no later than 23 February 2018.

Contact Addresses

Directors
James M Long, TD (Chairman)
Kevin Ingram (Senior Independent Director)
Ian Russell (Audit Committee Chairman)
Tom Challenor
Jim Grover
Julian Sinclair
Paul Yates

Company Secretaries & Registered Office
Aberdeen Asset Management PLC
7th Floor, 40 Princes Street
Edinburgh EH2 2BY

Registered in Scotland under Company Number SC3721

Website
aberdeendiversified.co.uk

United States Internal Revenue Service FATCA Registration Number ("GIIN")
E3M4K6.99999.SL.826

Legal Entity Identifier Number ("LEI")
2138003QINEGCHYGW702

Points of Contact
The Chairman or Company Secretaries at the Registered Office of the Company

Customer Services and AAML Children's Plan/Share Plan/ISA enquiries
Aberdeen Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB

Freephone: 0808 500 00 40
Brochure Request Line Freephone: 0808 500 4000
Lines are open 9.00am to 5.00pm Monday to Friday, excluding public holidays

Email: inv.trusts@aberdeen-asset.com

Alternative Investment Fund Manager
Aberdeen Fund Managers Limited
Bow Bells House
1 Bread Street
London EC4M 9HH

Authorised and regulated by the Financial Conduct Authority

Investment Manager
Aberdeen Asset Managers Limited
7th Floor, 40 Princes Street
Edinburgh EH2 2BY

Authorised and regulated by the Financial Conduct Authority

Registrars (for direct shareholders)
Computershare Investor Services PLC operates a secure online website where shareholdings can be managed quickly and easily, including changing address or arranging to pay dividends directly into a bank account or receive electronic communications:

www-uk.computershare.com/investor

Alternatively, please contact the registrars:

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

E-mail is available via the above website

Telephone: 0330 303 1184*
(UK calls cost 10p per minute plus network extras)
Lines are open 9.00am to 5.30pm Monday to Friday, excluding public holidays

Independent Auditor
Ernst & Young LLP
25 Churchill Place
Canary Wharf
London E14 5EY

Depositary
BNY Mellon Trust & Depositary (UK) Limited
BNY Mellon Centre
160 Queen Victoria Street
London EC4V 4LA

Solicitors
Dickson Minto W.S.

Stockbrokers
Cenkos Securities plc