Shires Income PLC

Half Yearly Report 30 September 2024

Looking for high-quality investments for a high, regular income

shiresincome.co.uk

Contents

Investment Objective

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

Benchmark Index

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

Scan the QR Code below to register for email alerts relating to the Company:

SCAN ME

Performance Highlights

Net asset value per Ordinary share total return[A]

Six months ended 30 September 2024

+6.8%

Year ended 31 March 2024 +5.1%

Share price total return[A]

Six months ended 30 September 2024

+14.5%

Year ended 31 March 2024 (5.7)%

Benchmark index total return

Six months ended 30 September 2024

+6.1%

Year ended 31 March 2024 +8.4%

Earnings per Ordinary share (revenue)

Six months ended 30 September 2024

8.15p

Six months ended 30 September 2023 7.66p

Dividend yield[A]

As at 30 September 2024

5.9%

As at 31 March 2024 6.5%

Discount to net asset value[A]

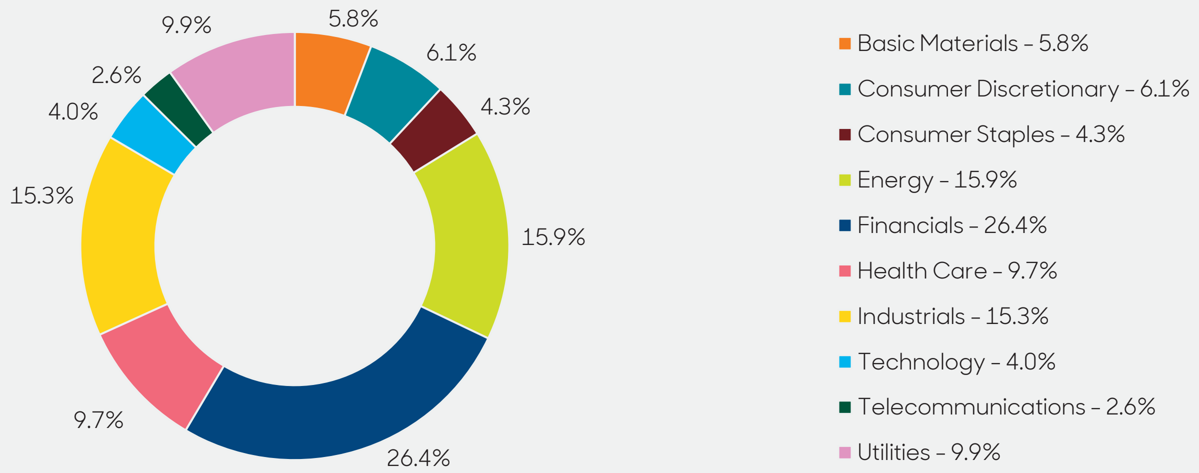
As at 30 September 2024

7.4%

As at 31 March 2024 13.3%

[A] Considered to be an Alternative Performance Measure.
An explanation of the Alternative Performance Measures is provided on pages 28 to 30.

Analysis of Listed Equity Portfolio



Financial Calendar and Financial Highlights

Financial Calendar

Expected payment dates of quarterly dividends	**31 January 2025** **30 April 2025** **31 July 2025** **31 October 2025**
Financial year end	**31 March 2025**
Expected announcement of results for year ended 31 March 2025	**May 2025**
Annual General Meeting	**July 2025**

Financial Highlights

	30 September 2024	31 March 2024	% change
Total assets (£'000)[A]	**128,708**	124,920	+3.0
Shareholders' funds (£'000)	**109,739**	105,957	+3.6
Net asset value per share	**265.14p**	256.00p	+3.6
Share price (mid-market)	**245.50p**	222.00p	+10.6
Discount to net asset value (cum-income)[B]	**7.4%**	13.3%	
Dividend yield[B]	**5.9%**	6.5%	
Net gearing[B]	**16.4%**	16.4%	
Ongoing charges ratio[B]	**1.00%**	1.10%	

[A] Less current liabilities excluding bank loans of £9,000,000.
[B] Considered to be an Alternative Performance Measure. Further details can be found on pages 28 and 29.

Performance (total return)

	Six months ended 30 September 2024	Year ended 30 September 2024	Three years ended 30 September 2024	Five years ended 30 September 2024
Net asset value[A]	+6.8%	+11.3%	+8.9%	+28.2%
Share price[A]	+14.5%	+11.5%	+8.3%	+23.6%
FTSE All-Share Index	+6.1%	+13.4%	+23.9%	+32.2%

[A] Considered to be an Alternative Performance Measure. Further details can be found on page 30.
All figures are for total return and assume reinvestment of net dividends excluding transaction costs.

"A period of positive performance, with the Company delivering on its objective of providing a high level of income and capital growth."

Chairman's Statement

Highlights

- Company delivers on its objective of providing a high level of income and capital growth.
- Net Asset Value ("NAV") total return of 6.8%.
- Share price total return of 14.5%.
- Dividend yield of 5.9% (based on the period end share price).

Review of the Period

In my first statement to shareholders as Chairman of your Company, I am pleased to report a period of positive performance, with the Company delivering on its objective of providing a high level of income and capital growth.

The Net Asset Value ("NAV") total return was 6.8%, which compares to a wider market return of 6.1% as measured by the FTSE All-Share Index. The share price total return was 14.5%, resulting from a narrowing of the discount of share price to NAV, which was 7.4% at the end of the period.

Based on the current annual rate of dividend, the dividend yield on the share price at the end of the period was 5.9%, a material premium to the FTSE All-Share Index which yields approximately 3.7%.

Following a period of relatively high inflation and increased interest rates, there were signs of economic improvement during the period under review. Inflation has moderated and interest rates have started to fall, with further reductions expected in the months ahead. This backdrop has been helpful to equity markets and the UK market in particular, which remains undervalued relative to other developed markets. The positive factors are, however, over-shadowed by a number of continuing global geo-political risks, most notably the continuing conflicts in Ukraine and the Middle East. The recent UK budget will also impact on savers and their choice of savings, with increasing taxes (including National Insurance, Capital Gains Tax and Inheritance Tax) all having an unquantifiable impact on the UK market.

A detailed review of performance and investment activity is contained in the Investment Manager's Review.

Earnings and Dividends

The revenue earnings per share for the period were 8.15p, an increase of 6.4% compared to the 7.66p of earnings generated in the equivalent period last year.

As stated in the recent Annual Report, with effect from 1 April 2024 management fees and finance costs have been charged 40% to Revenue and 60% to Capital in the Statement of Comprehensive Income (compared to an historic allocation of 50% to Revenue and 50% to Capital), which accords with the anticipated long term split of returns from the portfolio. This resulted in a benefit to revenue earnings of 0.20p per share for the period, with some additional cost being applied against capital.

"The NAV total return was 6.8%, which compares to a wider market return of 6.1% as measured by the FTSE All-Share Index."

A first interim dividend of 3.2p per Ordinary share in respect of the year ending 31 March 2025 was paid on 31 October 2024 (2024: first interim dividend 3.2p). The Board is declaring a second interim dividend of 3.2p per Ordinary share, payable on 31 January 2025 to shareholders on the register at close of business on 3 January 2025. Subject to unforeseen circumstances, it is proposed to pay a further interim dividend of 3.2p per Ordinary share prior to the Board deciding on the rate of final dividend at the time of reviewing the full year results. From time to time the Company recalibrates the level of interim dividend payable, but typically has three equal interim dividends and a higher balance being applied to the final dividend, which is subject to shareholder approval at the AGM.

The Company continues to generate a high level of income and to deliver a material yield premium to the market. The current annual rate of dividend is 14.40p per Ordinary share which represented a dividend yield of 5.9% based on the share price at the end of the period. The Board considers the Company's high level of dividend to be one of its key attractions and recognises that, in the current economic environment, with a falling yield on cash investments, there is likely to be a continuing demand for an attractive and reliable level of income. We have a very high proportion of our investors invested through retail platforms and many of those will be 'tax protected' in ISAs or SIPPs. Some will have elected for periodic saving into the shares of the Company and some for reinvestment of dividends, both historically good ways of obtaining a long-term return on investments made in income funds, especially if held through ISAs.

Discount and Share Buy Backs

As stated above, the discount at which the price of the Company's Ordinary shares traded relative to the NAV narrowed during the period, to 7.4% as at 30 September 2024 (31 March 2024: 13.3%). With the discount narrowing during the period, the Company did not buy back any shares. The Board will, however, continue to monitor the discount level carefully and make use of the share buyback authority granted by shareholders at the Company's last AGM, if we consider it in the best interests of shareholders to do so. It has been disappointing to see the entire investment company sector de-rated, including income funds, but it does potentially provide a buying opportunity where shares are trading materially below their intrinsic NAV, if there is a prospect of the discount narrowing at some point in the future.

Gearing

The Company has a £20 million loan facility of which £19 million was drawn down at the period end. Net of cash, this represented gearing of 16.4%, unchanged since the start of the period. The weighted average borrowing cost at the period end was 5.2% (31 March 2024 – 5.3%).

The Board monitors the level of gearing regularly. Although the absolute level of gearing may look high relative to some other investment trusts, strategically we take the view that the borrowings are notionally invested in the less volatile fixed income part of the portfolio which generates a high level of income (namely the preference share part of the portfolio), giving the Investment Manager greater ability to invest in a range of equity stocks with lower yields and higher growth prospects. The Board believes that this combination should enable the Company to achieve a high and potentially growing level of dividend, and also deliver some capital appreciation for shareholders – as has been the case in the past.

Cancellation of Share Premium Account

Following shareholder approval at the Company's AGM on 5 July 2024, the Company received court approval by way of a court order dated 13 August 2024 for cancellation of the Share Premium Account. The court order was registered at Companies House on 16 August 2024 at which point cancellation of the Share Premium Account became effective. Consequently, the amount of approximately £50 million previously standing to the credit of the Share Premium Account has been transferred to a newly created distributable reserve which is available to fund the cost of share buy backs and dividend payments. The Board considers that it is in shareholders' interests for the Company to have this flexibility, although it has no current intention of making use of the new reserve for dividend payments which will continue to be resourced through net revenue and revenue reserves.

Board

The Company focuses on having a relatively small and engaged board of individuals with experience in the closed-ended sector and more widely. This works well, as has the succession planning in introducing new members to the Board over recent years, without impairing the chemistry and cohesion of the Board. I want to pay tribute to Robert Talbut's chairmanship during my tenure on the Board and his oversight of various constructive changes in how the Company operates, as well as during the combination with abrdn Smaller Companies Income Trust, which completed last year. We wish Robert well in his other roles and thank him for his contribution to the Company.

Outlook

With inflation now seemingly under control and interest rates starting to fall, there are reasons to be optimistic about the prospects for economic stability. However, the conflicts in the Middle East and Ukraine continue to create significant geopolitical risk, and the recent UK budget and result of the US presidential election both create economic uncertainties that could have an impact on financial markets.

Further reductions in interest rates should be beneficial for equity markets and the investment company sector, and the UK Equity Income sector in particular. However, as always, good stock selection will be key and the Board has confidence in the ability of the Manager to continue to deliver the Company's objective of delivering a high level of income for shareholders, together with the potential for growth of both income and capital.

Robin Archibald
Chairman
20 November 2024

Interim Management Statement

Directors' Responsibility Statement

The Directors are responsible for preparing the Half Yearly Financial Report in accordance with applicable law and regulations. The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements within the Half Yearly Financial Report has been prepared in accordance with IAS 34 'Interim Financial Reporting'; and
- the Interim Board Report (constituting the Interim Management Report) includes a fair review of the information required by rules 4.2.7R of the Disclosure Guidance and Transparency Rules (being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year) and 4.2.8R (being related party transactions that have taken place during the first six months of the financial year and that have materially affected the financial position of the Company during that period; and any changes in the related party transactions described in the last Annual Report that could so do).

Principal and Emerging Risks and Uncertainties

The Board regularly reviews the principal and emerging risks and uncertainties faced by the Company together with the mitigating actions it has established to manage the risks. These are set out within the Strategic Report contained within the Annual Report for the year ended 31 March 2024 and comprise the following risk headings:

- Strategic objectives and investment policy
- Investment performance
- Failure to maintain, and grow the dividend over the longer term
- Share price and shareholder relations
- Gearing
- Accounting and financial reporting
- Regulatory and governance
- Operational
- Exogenous risks such as health, social, financial, economic, climate and geo-political

In addition to these risks, the conflicts in Ukraine and the Middle East and other geo-political tensions have created uncertainty which has further increased market risk. The most significant direct issue that the Company has faced is the increasing discounts to net asset value that have affected the entire investment company sector, including income funds, resulting from selling pressure and lack of investor demand.

In all other respects, the Company's principal and emerging risks and uncertainties have not changed materially since the date of the Annual Report and are not expected to change materially for the remaining six months of the Company's financial year.

Going Concern

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

The Board has set limits for borrowing and regularly reviews actual exposures, cash flow projections and compliance with banking covenants, including the headroom available. The Company has a £20 million loan facility which matures in May 2027. £9 million of this amount is drawn down on a short-term basis through a revolving credit facility and can be repaid without incurring any financial penalties.

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

On behalf of the Board
Robin Archibald
Chairman
20 November 2024

Investment Manager's Review

Market Background

The first half of our financial year was a period of elevated geopolitical risk and uncertainty globally, and of political change in the UK. A Labour government was elected in July for the first time since 2010, winning a significant majority, although this perhaps flattered a more modest share of the popular vote. After campaigning with a pro-growth agenda, the government now has the hard work of balancing economic growth and stability with commitments to improve public services and invest in infrastructure. Overseas, the US election in November, after the end of the period, produced a Republican victory and an initial rise in the US Dollar. There has been no end to conflict in Ukraine and in the Middle East, with recent escalation of tensions between Israel and Iran, a concerning development.

Economically, after a period of high inflation and rapidly rising interest rates, the six months to the end of September saw these macro-economic forces moderate. Inflation in most regions has come back towards target, with the latest CPI prints in the US, Europe and the UK significantly below recent peaks. The drop in headline inflation reflects lower commodity costs being passed through to goods, and although services and wage inflation remain above target, risks of persistent high inflation seem to have lessened for now. Lower inflation has allowed central banks the opportunity to start bringing interest rates back down towards a more normalised level, and we have seen the first rate cuts in the US, Europe and the UK already. These probably came slightly later than expected and the path of rate cuts from here will not be linear and will remain very dependent on economic data, especially signals from the labour market. While timing is uncertain, we should expect a continued moderation in interest rates and we expect to see steady economic growth from developed market economies in the next few years, with a recession avoided.

This economic backdrop has helped markets to continue a strong run in the six-month period, with the MSCI World Index increasing in value by 8%. Performance was again led by US technology stocks, with the US S&P 500 Index up by 10%. Europe and the UK lagged, with the MSCI Europe Index up 2% and the FTSE All-Share Index returning just over 6%. Emerging markets were strong, however, with the MSCI Emerging Markets Index up by 12.5%. Returns were boosted by a bounce in Chinese stocks after the Chinese government announced a broad stimulus package at the end of the period. That news also boosted commodities, although performance over the six months has been mixed - for example, the Brent crude oil price fell from $80/bbl to $72/bbl, despite the increase in tensions in the Middle East.

Within the UK market, we saw defensive sectors generally outperform - partially in reaction to increased macro uncertainty, but also because these sectors tend to perform well in falling interest rate environments. Telecoms increased in value by 19%, Consumer Staples by 13% and Utilities by 10%. Financials also performed particularly well, with banks continuing to benefit from higher interest rates but also as investors belatedly begin to understand that their practice of hedging interest rates creates a lagged benefit from rate increases and will protect cash generation for some years to come. Unsurprisingly, with a falling oil price, the Energy sector was the most notable laggard, falling by 10% over the six month period.

"The Company delivered on its targets of generating a high level of income and capital growth for shareholders."

Investment Performance

Over the first half of the financial year, the Company delivered a net asset value ("NAV") total return of 6.8% and the share price (with dividends reinvested) returned 14.5%, helped by a closing of the discount which ended the period at 7.4% (31 March 2024: 13.3%). The revenue earnings per share also increased, growing by 6.4% over the comparable period in the prior year. The Company therefore delivered on its targets of generating a high level of income and capital growth for shareholders. Sector allocation detracted 0.2% from relative performance, largely due to the overweight position in the Energy sector, but this was more than offset by positive stock selection. On a sectoral basis, we saw strong returns from the positions in Industrials (+16%), due to our conviction overweight exposure to UK construction companies. There were also good returns from Financials (+11%), Telecoms (+16%), Basic Materials (+17%) and Utilities (+11%).

Performance on an individual stock basis reflected that sectoral mix. **Morgan Sindall** (Industrials) continues to deliver earnings upgrades and is well exposed to increased construction and infrastructure investment in the UK. Its shares rose 37% in the period and it was the top contributor to portfolio returns. In the same sector, **Balfour Beatty** and **Kier** also performed well. In the Financials sector, **NatWest** was a standout performer, increasing in value by 32%, reflecting a robust outlook for returns over the next few years. Utilities delivered very encouraging returns, and in the portfolio **Drax** (+34%), **Enel** (+18%), **SSE** (+17%) and **Telecom Plus** (+16%) all performed well. The peak in interest rates also allowed the preference shares in the portfolio to perform well, and the position in the **Royal & Sun Alliance** preference shares gained 14%, following a tender offer.

On the negative side, we saw some of the Energy holdings lag the market as commodity prices dipped. Although the Energy positions are designed to be less commodity price sensitive than the market as a whole, they are not immune. **Energean** (-13%) delivered stable cashflows due to its fixed price gas contracts but was understandably impacted by the increased risk in the Middle East given its main operations are in offshore Israel. Other disappointing performers included **Melrose Industrials** (Industrials) (-31%) which has been impacted by slowing activity in the aerospace sector – we continue to believe in the strength of long-term service agreements and the attraction of these long duration cashflows. The position in **4Imprint Group** (Consumer Discretionary) also gave back some gains from earlier in the calendar year, dipping 19%. Some of the overseas holdings were also weak, with **ASML Holdings** (Technology) falling 13%, **Novo-Nordisk** (Health Care) 13% and **Mercedes-Benz** (Consumer Discretionary) down 17%. While we continue to see significant attraction in the long-term growth potential of Novo-Nordisk and ASML, we exited the position in Mercedes-Benz before a recent profit warning.

Portfolio Activity

It was an active period for the portfolio as we reacted to the changing outlook, with interest rates starting to decline and increased economic uncertainty. In April, we added a new position in construction contractor **Kier**. The company has delivered significant balance sheet improvement in recent years and is now approaching resumption of its dividend. We like the company, given structurally supportive industry trends, high cash generation and still a low valuation despite a period of outperformance. The free cash flow yield at close to 20% supports dividend growth and continued deleveraging, while the opportunity to acquire more distressed smaller companies in adjacent areas is under appreciated by the market. It trades on a 6x price to earnings multiple compared to peers on 9-10x.

We switched the holding in **Mondi** into **Smurfit Westrock**. This was simply reflecting our preference in the paper and packaging sector. Although we continue to like **Mondi,** we see greater upside in the medium term from Smurfit Westrock as it delivers on a significant acquisition in the US market. There is material self-help potential here and the share price fell somewhat on the deal, giving us a chance to buy a high-quality operator at a reasonable price.

In May we initiated a new position in **Reckitt Benckiser Group**. The portfolio has generally been underweight Consumer Staples categories in recent years, given unattractive valuations, low yields and limited genuine growth. A recent sell-off in Reckitt offered an opportunity to gain sector exposure at a material discount to the peer group and with a yield of over 4.5%. The company has struggled operationally in recent years, but we see signs of a turnaround under new management and the underlying brands remain high quality. Given a relatively cautious view on market levels and the economic outlook there is also an appeal to adding more defensive exposure.

"It was an active period for the portfolio as we reacted to the changing outlook, with interest rates starting to decline and increased economic uncertainty."

We sold out of IT distributor **Softcat** in May. We have held the stock for a number of years and have seen it grow strongly over that time. The shares have re-rated and trade in excess of 25x price to earnings, while the dividend yield has compressed to just 2%. It remains a well-run company with growth potential, but we see more value elsewhere.

We also exited one position in June: **Greggs**. The company has performed very well since we added it to the portfolio in November last year, and we continue to like the business model and the potential for strong medium-term growth as it expands its offering and rolls out more stores. However, with the yield now compressed and the shares trading at over 21x earnings, we see the company as now being more fairly valued.

In July we started a new position in UK reinsurance company **Conduit Holdings**. This is a relatively new reinsurance business which is set to deliver earnings growth as its book matures and it benefits from positive market trends. Recent quarters have demonstrated strong premium growth and improved underwriting profitability. The shares had a 6% dividend yield at the time of purchase and the position helps diversify the portfolio. We reduced exposure to **Engie**, where dividends have already been paid for the year and sold out of **AXA**. The French insurer has performed very well since purchase, but with no further income this financial year we chose to reallocate capital. The other exit from the portfolio in July came in the preference share portfolio, where issuer **Royal & Sun Alliance** tendered its preference shares. This created an attractive premium and allowed us to reinvest at a higher yield, with the proceeds used to purchase bonds issued by **Nationwide**, with a 10.25% coupon and a yield of around 7.3% on the purchase price.

In August we sold out of the position in **Lloyds Banking**, a company we still like, but given the need to generate income through the year we chose to allocate to other names given there is no income remaining this financial year, instead maintaining a position in **NatWest**. We also topped up the position in **Assura**, a high yielding company which will benefit from the lower interest rates we expect to see over the next few months.

A more meaningful trade in August was to start a position in Dutch technology company **ASML**. When adding overseas companies we generally look for something we can't find in the UK market, and ASML is a prime example of this. The company designs and manufactures the lithography machines essential in the production of today's cutting edge semiconductors. It is a company with extremely high technical barriers to entry, making products that are essential for one of the highest growth parts of the market. While it screens as relatively expensive, a recent pullback in the share price means it has de-rated in the last few months and we expect growth to make it look much more reasonably priced a few years from now. It is the top-rated stock globally by our technology analysts. We funded the purchase by selling the position in French utility company **Engie**. This has been an excellent performer since its introduction into the portfolio but is not due to pay any more dividends this year, and so we chose to take the profit.

At the other end of the market cap spectrum, we initiated a new position in **ME Group**. This UK mid-cap company operates automated photo booths and laundromats. A somewhat niche market, but one with high returns on capital and plenty of room for growth as it rolls out the laundry model into Eastern Europe and Asia.

In August, we also added a new position in UK property REIT **LondonMetric**. This is a company with a high-quality management team and a solid performance through the economic cycle. It has an excellent track record of delivering dividend growth and the recent 19% year on year increase in its dividend takes it to a very attractive 5.9% yield. We funded the purchase by selling the holding in Dutch bank **ING**. Since its purchase in April 2023, the holding has delivered a total return of 65%, outperforming the market by 50%. However, with no income in the next six months we chose to prioritise other opportunities. Another overseas exit this month was **Mercedes-Benz**. Again, the driver was a lack of income in the near term, but also combined with some difficult trends in auto markets which make us less optimistic for now.

We only made one meaningful trade in September, switching the holding in UK housebuilder **Berkeley Group** into peer **Barratt Developments**. The move came ahead of Barratt's shares going ex-dividend, so captured some additional income, but primarily reflects the fact that Barratt has lagged the sector recently following its deal to buy Redrow. However, it should be able to extract synergies from the transaction, its land position is improved and it now trades on a notably low price to book value multiple compared to its peers. We see more upside in Barratt and it is also more aligned with government intentions to increase housing volumes in a way Berkeley isn't.

Investment Income

The revenue earnings per share for the period were 8.15p, which compares to 7.66p for the equivalent period last year, an increase of 6.4%.

The currency impact on dividend income has been marginally negative, with a slightly higher Sterling putting some downward pressure on any US Dollar denominated payments. We estimate that around 35% of the portfolio income is denominated in overseas currencies. Another trend impacting income is that companies are increasingly allocating excess cash to share buybacks rather than special dividends, although we would hope that lower shares in issue translate into dividend per share growth in future years.

Looking at individual sectors, there was also some downward pressure from the mining companies, which follow stable payout ratios. With somewhat weaker commodity prices this year, this resulted in lower dividend payments. For example, **Anglo American's** interim dividend in July was around 25% below the prior year. By contrast, energy companies have continued to deliver dividend growth. The majors have increased payments by high single digit percentages: Although energy prices have not been strong, we are seeing the benefit of lower numbers of shares as these companies continue to buyback equity, allowing for modest per share increases. We also saw

Investment Manager's Review

Continued

significant dividend growth in the sector from **Energean** as its main project in Israel reached target volumes. Not all energy companies delivered robust income, however, and **Diversified Energy** had to reduce its dividend in response to a US gas price that has stayed very low for a prolonged period.

Another area delivering dividend growth was the banking sector. A period of higher interest rates combined with significant buybacks has allowed for increased distributions from UK banks, and we saw growth from **NatWest, Lloyds Banking, Standard Chartered** and **HSBC**. We expect to see continued dividend growth from the sector as income rises over the next few years. Partially offsetting this, **Close Brothers** suspended its dividend to protect capital after an unexpected review by the regulator into historic motor finance business.

Finally, we have continued to see dividend growth from UK mid-cap names in the portfolio. Many smaller companies do not have the highest headline yields but deliver dividend growth as they grow. Examples such as **Morgan Sindall, Balfour Beatty, Intermediate Capital Group** and **Bytes Technology** have delivered consistent year on year increases as earnings have grown.

Outlook

Starting the second half of our financial year, the direction, if not the pace, of change seems well set. Interest rates are falling, inflation is under control and global economies are predicted to have a period of consistent, if unspectacular, growth. That should be a good set up for investors – but we should not be complacent. As mentioned above, there is a large amount of risk in the market at the current time. The conflict in the Middle East is an obvious source of risk, given its potential to impact global energy prices and return inflation to the top of the agenda. The US election in November has also introduced increased uncertainty. We would expect Republican policies to increase tariffs and lower taxes – both of which are inflationary changes. The current concentration of markets into US technology stocks also creates a risk if they fail to deliver on expectations for high growth. Any recent shortfall to high expectations in this sector has led to quite significant share price reactions and, given the high weighting, this has created market volatility. It is also worth noting that valuation at purchase can be a strong driver of future returns – cheap entry points can lead to higher forward returns and vice versa. Historically, when the US market has traded at this level, ten year forward returns have been close to zero.

That last point in particular is important for our approach. Equity income has been out of favour for some time. There are some good reasons for this – market growth has been driven by technology stocks with low dividend payments and investors have been able to take advantage of attractive yields on cash and bonds to generate income. However, in a world where market levels are flatter (which seems likely after a period of rapid growth) income naturally makes up a greater proportion of investors' total return and again returns to prominence. With the yield on cash investments also falling the value of a resilient income strategy becomes much clearer.

After a period of market concentration, we may also see some dispersion, and allocators should look to diversify. The UK, in particular, screens as undervalued, with discounts to US or global equities still close to record levels. The income outlook for the market remains positive. UK companies have healthy balance sheets, with the net debt / EBITDA ratio, a standard measure of balance sheet risk, at less than 1x, which compares to an average over the last twenty years of nearer 2x. Payout ratios, at just under 0.5x, are also lower than average. And while an increasing amount of excess cashflow is directed to share buybacks, that shouldn't be seen as a negative factor given it will spread future cashflows over fewer shares and allow for dividends to increase on a per share basis over time.

In summary, while the outlook is benign, we should not be complacent. But we see plenty of opportunities in an inexpensive UK equity market to invest in great companies at reasonable prices, allowing the portfolio to deliver on the twin goals of generating a high level of income and long-term capital growth.

Iain Pyle and Charles Luke
abrdn Investments Limited
20 November 2024

Ten Largest Investments

As at 30 September 2024

AstraZeneca
AstraZeneca researches, develops, produces and markets pharmaceutical products. The company has a significant focus on oncology which offers significant growth potential over the medium term.

Shell
Shell is an integrated energy company. It produces and refines crude oil, produces chemicals and runs retail operations globally. It has particular strength in natural gas markets and is one of the world's leading energy traders.

Morgan Sindall
Morgan Sindall operates as a construction and regeneration group. The group's five specialist and complementary divisions provide office design, fitting out, refurbishment, building contracting, property investment and related specialist services.

HSBC Holdings
HSBC Holdings provides a variety of international banking and financial services. It operates worldwide but has particular strength in the Hong Kong and UK markets.

National Grid
National Grid is an investor-owned utility company which owns and operates the electricity and gas transmission network in Great Britain and the electricity transmission networks in the Northeastern United States. The company offers resilient earnings and an attractive dividend yield.

SSE
SSE generates, transmits, distributes and supplies electricity to industrial, commercial and domestic customers in the UK and Ireland. The company's regulated utility returns support a high dividend yield, while its portfolio of offshore wind assets provide exposure to the fast growing renewable energy space.

BP
BP is a fully integrated energy company involved in the exploration, production, refining, transportation and marketing of oil and natural gas.

Rio Tinto
Rio Tinto operates as a diversified mining company. The company focuses on the production of iron ore, predominantly from Australia.

Inchcape
Inchcape is a global automotive distributor. The company acts as a vehicle and parts distributor in multiple markets. Over two thirds of the group profit is derived from Asia Pacific and emerging markets.

Standard Chartered
Standard Chartered is a leading international cross-border bank with a unique footprint and diverse capabilities. It offers personal, private and corporate banking services across Europe, the Americas, Asia, Africa and the Middle East.

Investment Portfolio – Equities

As at 30 September 2024

Company	Market value £'000	Total portfolio %
AstraZeneca	5,735	4.5
Shell	4,318	3.4
Morgan Sindall	4,281	3.4
HSBC Holdings	3,760	2.9
National Grid	3,510	2.8
SSE	3,398	2.7
BP	3,324	2.6
Rio Tinto	3,166	2.5
Inchcape	2,924	2.3
Standard Chartered	2,915	2.3
Ten largest investments	**37,331**	**29.4**
Energean	2,751	2.2
Intermediate Capital Group	2,711	2.1
Telecom Plus	2,700	2.1
Anglo American	2,689	2.1
NatWest	2,566	2.0
Assura	2,338	1.9
Chesnara	2,325	1.8
Imperial Brands	2,285	1.8
Enel	2,223	1.8
Balfour Beatty	2,194	1.7
Twenty largest investments	**62,113**	**48.9**
Reckitt Benckiser Group	2,143	1.7
M&G	2,058	1.6
Diversified Energy	2,043	1.6
Sirius Real Estate	1,991	1.5
RS Group	1,849	1.5
Kier	1,841	1.5
Convatec	1,822	1.4
Bytes Technology	1,686	1.3
Hollywood Bowl	1,648	1.3
Melrose Industrials	1,418	1.1
Thirty largest investments	**80,612**	**63.4**

As at 30 September 2024

Company	Market value £'000	Total portfolio %
Conduit Holdings	1,418	1.1
Hunting	1,395	1.1
TotalEnergies	1,323	1.1
MONY Group	1,206	1.0
ASML Holdings	1,156	0.9
Games Workshop Group	1,092	0.9
OSB	1,066	0.8
GSK	1,056	0.8
LondonMetric	1,054	0.8
Drax	1,040	0.8
Forty largest investments	**92,418**	**72.7**
ME Group	1,032	0.8
Smurfit Westrock	1,024	0.8
IP Group	1,016	0.8
Barratt Developments	996	0.8
Wood Group	994	0.8
4imprint Group	968	0.8
Ashmore	915	0.7
Novo-Nordisk	767	0.6
Close Brothers	709	0.6
Genus	547	0.4
Fifty largest investments	**101,386**	**79.8**
Dr. Martens	429	0.3
Total equity investments	**101,815**	**80.1**

Investment Portfolio – Other Investments

As at 30 September 2024

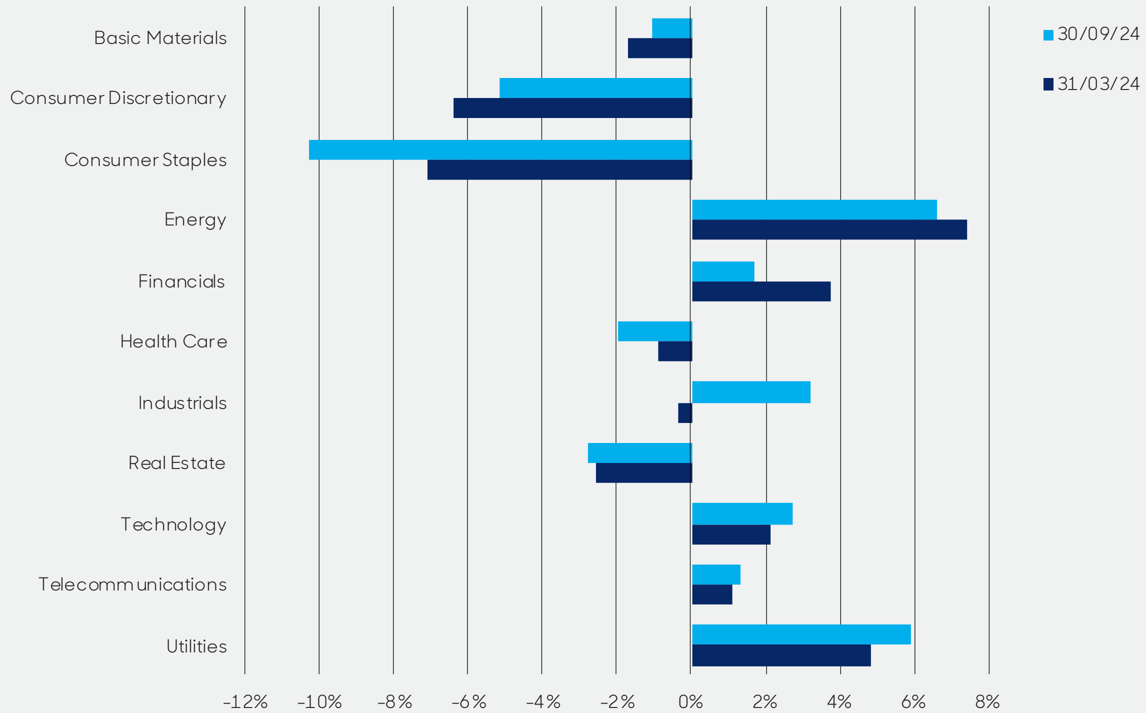
Company	Market value £'000	Total portfolio %
Preference shares and Fixed Interest investments[A]		
Ecclesiastical Insurance Office 8 5/8%	6,017	3.8
Nationwide 10.25%	4,787	4.7
Santander 10.375%	4,644	3.7
General Accident 7.875%	4,435	3.5
Standard Chartered 8.25%	3,348	2.6
Lloyds Bank 11.75%	991	0.8
R.E.A Holdings 9%	731	0.6
Standard Chartered 7.375%	284	0.2
Total preference shares and fixed interest investments	**25,237**	**19.9**
Total equity investments	**101,815**	**80.1**
Total investments	**127,052**	**100.0**

[A] None of the preference shares and fixed interest investments listed above have a fixed redemption date.

Distribution of Assets and Liabilities

	Valuation at		Movement during the period			Valuation at	
	31 March 2024 £'000	%	Purchases £'000	Sales £'000	Gains £'000	30 September 2024 £'000	%
Listed investments							
Equities	97,974	92.5	28,571	(26,965)	2,235	**101,815**	**92.8**
Preference shares and Fixed Interest investments	24,195	22.8	4,749	(5,724)	2,017	**25,237**	**23.0**
Total investments	122,169	115.3	33,320	(32,689)	4,252	**127,052**	**115.8**
Current assets	3,242	3.1				**2,131**	**1.9**
Current liabilities	(9,491)	(9.0)				**(9,475)**	**(8.6)**
Non-current liabilities	(9,963)	(9.4)				**(9,969)**	**(9.1)**
Net assets	105,957	100.0				**109,739**	**100.0**
Net asset value per Ordinary share	256.00p					**265.14p**	

Listed Equities Weighting relative to the FTSE All-Share Index



Investment Case Studies

Reckitt Benckiser Group

Reckitt Benckiser is a global consumer goods company, with some of the world's leading hygiene, health and nutrition brands. Examples include Dettol, Finish and Nurofen. The share price has been harmed in recent years by a number of internal issues, but the portfolio of brands remains strong and the Investment Manager expects new management and improving culture to drive better performance, closing the valuation gap to peers. Yields in the consumer staples space are often low, but Reckitt's valuation means it delivers a 5% dividend yield, highly attractive for this sector.

ME Group

ME Group operates automated photo booths and laundromats in Europe and Asia. The Photo Booth business is a well invested business in Europe, with low growth but significant cash generation. This cashflow helps ME Group sustain a high level of dividends for shareholders. By contrast, the automated laundromat business is fast growth with a high return on capital. This business can be rolled out at numerous locations with wide geographic exposure, offering a route to growth. The Investment Manager expects this to translate into strong cashflow growth in the medium term.

Condensed Statement of Comprehensive Income

		30 September 2024 (unaudited)			30 September 2023 (unaudited)			31 March 2024 (audited)		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments at fair value		**-**	**4,253**	**4,253**	–	(1,374)	(1,374)	–	(5,748)	(5,748)
Currency losses		**-**	**(18)**	**(18)**	–	(39)	(39)	–	(56)	(56)
Investment income										
Dividend income		**3,911**	**-**	**3,911**	2,920	–	2,920	6,302	–	6,302
Interest income		**8**	**-**	**8**	16	–	16	62	–	62
Traded option premiums		**-**	**-**	**-**	79	–	79	34	–	34
Other income		**92**	**-**	**92**	–	–	–	–	–	–
Money market interest		**14**	**-**	**14**	8	–	8	31	–	31
		4,025	**4,235**	**8,260**	3,023	(1,413)	1,610	6,429	(5,804)	625
Expenses										
Management fee		**(124)**	**(187)**	**(311)**	(100)	(100)	(200)	(210)	(210)	(420)
Administrative expenses		**(232)**	**-**	**(232)**	(240)	(24)	(264)	(505)	(24)	(529)
Finance costs		**(206)**	**(308)**	**(514)**	(245)	(245)	(490)	(502)	(502)	(1,004)
		(562)	**(495)**	**(1,057)**	(585)	(369)	(954)	(1,217)	(736)	(1,953)
Profit/(loss) before taxation		**3,463**	**3,740**	**7,203**	2,438	(1,782)	656	5,212	(6,540)	(1,328)
Taxation	2	**(92)**	**(19)**	**(111)**	(80)	–	(80)	(144)	–	(144)
Profit/(loss) attributable to equity holders		**3,371**	**3,721**	**7,092**	2,358	(1,782)	576	5,068	(6,540)	(1,472)
Earnings per Ordinary share (pence)	4	**8.15**	**8.99**	**17.14**	7.66	(5.79)	1.87	14.75	(19.03)	(4.28)

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

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

All items in the above statement derive from continuing operations.

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

Condensed Balance Sheet

	Note	As at 30 September 2024 (unaudited) £'000	As at 30 September 2023 (unaudited) £'000	As at 31 March 2024 (audited) £'000
Non-current assets				
Equities		**101,815**	73,720	97,974
Preference shares and Fixed Interest investments		**25,237**	20,850	24,195
Securities at fair value		**127,052**	94,570	122,169
Current assets				
Accrued income and prepayments		**1,230**	988	1,567
Cash and cash equivalents		**901**	1,166	1,675
		2,131	2,154	3,242
Creditors: amounts falling due within one year				
Trade and other payables		**(475)**	(414)	(491)
Short-term borrowings		**(9,000)**	(9,000)	(9,000)
		(9,475)	(9,414)	(9,491)
Net current liabilities		**(7,344)**	(7,260)	(6,249)
Total assets less current liabilities		**119,708**	87,310	115,920
Non-current liabilities				
Long-term borrowings		**(9,969)**	(9,957)	(9,963)
Net assets		**109,739**	77,353	105,957
Share capital and reserves				
Called-up share capital	6	**21,166**	15,532	21,166
Share premium account	1	**–**	21,411	49,952
Special reserve	1	**49,952**	–	–
Capital reserve	7	**31,172**	33,428	27,451
Revenue reserve		**7,449**	6,982	7,388
Equity shareholders' funds		**109,739**	77,353	105,957
Net asset value per Ordinary share (pence)	5	**265.14**	252.20	256.00

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

Condensed Statement of Changes in Equity

Six months ended 30 September 2024 (unaudited)

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 31 March 2024	**21,166**	**49,952**	**–**	**27,451**	**7,388**	**105,957**
Repurchase of Ordinary shares into treasury	**–**	**–**	**–**	**–**	**–**	**–**
Cancellation of share premium account (note 1)	**–**	**(49,952)**	**49,952**	**–**	**–**	**–**
Profit for the period	**–**	**–**	**–**	**3,721**	**3,371**	**7,092**
Equity dividends	**–**	**–**	**–**	**–**	**(3,310)**	**(3,310)**
As at 30 September 2024	**21,166**	**–**	**49,952**	**31,172**	**7,449**	**109,739**

Six months ended 30 September 2023 (unaudited)

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
As at 31 March 2023	15,532	21,411	–	35,930	7,040	79,913
Repurchase of Ordinary shares into treasury	–	–	–	(720)	–	(720)
(Loss)/profit for the period	–	–	–	(1,782)	2,358	576
Equity dividends	–	–	–	–	(2,416)	(2,416)
As at 30 September 2023	15,532	21,411	–	33,428	6,982	77,353

Year ended 31 March 2024 (audited)

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

The capital reserve at 30 September 2024 is split between realised gains of £28,291,000 and unrealised gains of £2,881,000 (30 September 2023: realised gains of £26,737,000 and unrealised gains of £6,691,000; 31 March 2024: realised gains of £24,831,000 and unrealised gains of £2,620,000).

The Company's reserves available to be distributed by way of dividends or buybacks which includes the special reserve, the revenue reserve and the realised element of the capital reserve amount to £85,692,000 (30 September 2023 – £33,719,000; 31 March 2024 – £32,219,000).

Condensed Cash Flow Statement

	Six months ended 30 September 2024 (unaudited) £'000	Six months ended 30 September 2023 (unaudited) £'000	Year ended 31 March 2024 (audited) £'000
Net cash inflow from operating activities			
Dividend income received	**4,461**	3,301	6,171
Options premium received	**–**	81	35
Interest received from money market funds	**14**	9	31
Bank interest received	**8**	13	31
Management fee paid	**(266)**	(206)	(397)
Other cash expenses	**(278)**	(247)	(539)
Cash generated from operations	**3,939**	2,951	5,332
Interest paid	**(516)**	(503)	(991)
Overseas tax paid	**(102)**	(79)	(140)
Net cash inflow from operating activities	**3,321**	2,369	4,201
Cash flows from investing activities			
Purchases of investments	**(33,346)**	(11,404)	(43,873)
Sales of investments	**32,579**	12,200	44,372
Net cash (outflow)/inflow from investing activities	**(767)**	796	499
Cash flows from financing activities			
Equity dividends paid	**(3,310)**	(2,416)	(4,720)
Repurchase of Ordinary shares into treasury	**–**	(720)	(1,838)
Net cash acquired and received following the ASCI transaction	**–**	–	3,444
Cost of shares issued in respect of the ASCI transaction	**–**	–	(1,031)
Net cash outflow from financing activities	**(3,310)**	(3,136)	(4,145)
Net (decrease)/increase in cash and cash equivalents	**(756)**	29	555
Reconciliation of net cash flow to movements in cash and cash equivalents			
(Decrease)/increase in cash and cash equivalents as above	**(756)**	29	555
Net cash and cash equivalents at start of period	**1,675**	1,176	1,176
Effect of foreign exchange rate changes	**(18)**	(39)	(56)
Cash and cash equivalents at end of period	**901**	1,166	1,675

Notes to the Financial Statements

For the six months ended 30 September 2024

1. Accounting policies – Basis of accounting

The condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) 34 'Interim Financial Reporting', as adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (IFRIC). They have also been prepared using the same accounting policies applied for the year ended 31 March 2024 financial statements, which were prepared in accordance with International Financial Reporting Standards (IFRS) and received an unqualified audit report.

The financial statements have been prepared on a going concern basis. In accordance with the Financial Reporting Council's guidance on 'Going Concern and Liquidity Risk', the Directors have undertaken a review of the Company's assets which primarily consist of a diverse portfolio of listed equity shares and in most circumstances, are realisable within a very short timescale.

During the period, the Company cancelled its share premium account and transferred the proceeds to a newly created special reserve, which is distributable in nature.

2. Taxation

The taxation charge for the period represents withholding tax suffered on overseas dividend income.

3. Dividends

The following table shows the revenue for each period less the dividends declared in respect of the financial period to which they relate.

	Six months ended 30 September 2024 £'000	Six months ended 30 September 2023 £'000	Year ended 31 March 2024 £'000
Revenue	**3,371**	2,358	5,068
Dividends declared	**(2,648)**[A]	(1,962)[B]	(5618)[C]
	723	396	(550)

[A] Dividends declared relate to first two interim dividends (3.20p each) in respect of the financial year 2024/25.
[B] Dividends declared relate to first two interim dividends (3.20p each) in respect of the financial year 2023/24.
[C] Three interim dividends (9.60p each), and the final dividend (4.80p) declared in respect of the financial year 2023/24.

4. Earnings per Ordinary share

	Six months ended 30 September 2024 £'000	Six months ended 30 September 2023 £'000	Year ended 31 March 2024 £'000
Returns are based on the following figures:			
Revenue return	**3,371**	2,358	5,068
Capital return	**3,721**	(1,782)	(6,540)
Total return	**7,092**	576	(1,472)
Weighted average number of Ordinary shares in issue	**41,369,542**	30,795,219	34,363,846

5. Net asset value per Ordinary share

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

	As at 30 September 2024 (unaudited)	As at 30 September 2023 (unaudited)	As at 31 March 2024 (audited)
Net assets per Condensed Balance Sheet (£'000)	**109,739**	77,353	105,957
3.5% Cumulative Preference shares of £1 each (£'000)	**(50)**	(50)	(50)
Attributable net assets (£'000)	**109,689**	77,303	105,907
Number of Ordinary shares in issue	**41,369,542**	30,651,907	41,369,542
Net asset value per Ordinary share (p)	**265.14**	252.20	256.00

The Company has a policy of calculating the net asset value per Ordinary share based on net assets less an amount due to holders of 3.5% Cumulative Preference shares of £1 each equating to £1 per share (£50,000), divided by the number of Ordinary shares in issue.

Notes to the Financial Statements

Continued

6. Called up share capital

	30 September 2024		30 September 2023		31 March 2024	
	Number	£'000	Number	£'000	Number	£'000
Allotted, called up and fully paid Ordinary shares of 50 pence each:						
Balance brought forward	**41,369,542**	**20,684**	30,964,580	15,482	30,964,580	15,482
Ordinary shares issued	**–**	**–**	–	–	11,268,494	5,634
Ordinary shares bought back	**–**	**–**	(312,673)	(156)	(863,532)	(432)
Balance carried forward	**41,369,542**	**20,684**	30,651,907	15,326	41,369,542	20,684
Treasury shares:						
Balance brought forward	**863,532**	**432**	–	–	–	–
Ordinary shares bought back to treasury	**–**	**–**	312,673	156	863,532	432
Balance carried forward	**863,532**	**432**	312,673	156	863,532	432
Allotted, called up and fully paid 3.5% Cumulative Preference shares of £1 each						
Balance brought forward and carried forward	**50,000**	**50**	50,000	50	50,000	50
		21,166		15,532		21,166

The Company acquired £35,228,000 million of net assets from abrdn Smaller Companies Income Trust plc ("ASCI") following approval by ASCI shareholders on 1 December 2023. The transaction resulted in the issue of 11,268,494 new Shires shares to ASCI shareholders.

During the six months ended 30 September 2024, no Ordinary shares were bought back to treasury (six months ended 30 September 2023 – 312,673 at a cost of £720,000; year ended 31 March 2024 – 863,532 at a cost of £1,939,000). No Ordinary shares were issued during the period (six months ended 30 September 2023 – nil; year ended 31 March 2024 11,268,494 Ordinary shares were issued in exchange for £35,228,000 of net assets from ASCI).

7. Capital reserve

The capital reserve reflected in the Condensed Balance Sheet at 30 September 2024 includes unrealised gains of £2,881,000 (30 September 2023 – unrealised gains of £6,691,000; 31 March 2024 – unrealised gains of £2,620,000) which relate to the revaluation of investments held at the reporting date. The balance relates to realised gains of £28,291,000 (30 September 2023 – £26,737,000; 31 March 2024 – £24,830,000).

8. Analysis of changes in financial liabilities

	Six months ended 30 September 2024 £'000	Six months ended 30 September 2023 £'000	Year ended 31 March 2024 £'000
Opening balance at 1 April	**(18,963)**	(18,951)	(18,951)
Other movements[A]	**(6)**	(6)	(12)
Closing balance	**(18,969)**	(18,957)	(18,963)

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

On 3 May 2022, the Company entered into a five year £20 million loan facility with The Royal Bank of Scotland International Limited, London Branch. £10 million of the loan facility has been drawn down and fixed at an all-in interest rate of 3.903% until 30 April 2027. £9 million of the facility has been drawn down on a short-term basis at an all-in interest rate of 6.6%, maturing 9 October 2024.

9. Transactions with the Manager

The Company has an agreement with abrdn Fund Managers Limited ("aFML") for the provision of management, secretarial, accounting and administration services and for the carrying out of promotional activities in relation to the Company.

The management fee is based on 0.45% per annum up to £100 million and 0.40% per annum over £100 million, by reference to the net assets of the Company and including any borrowings up to a maximum of £30 million, and excluding commonly managed funds, calculated monthly and paid quarterly. In addition, with effect from 1 December 2023, a further fee of £120,000 per annum is charged for other services provided under the terms of the management agreement. The fees are allocated 40% to revenue and 60% to capital (31 March 2024 – 50% to revenue and 50% to capital). The agreement is terminable on not less than six months' notice. For the period 1 December 2023 to 30 May 2024, there was a management fee waiver in place as a result of the transaction with abrdn Smaller Companies Income Trust plc ("ASCI"). For this period the fee was calculated at 0.29% per annum of net assets up to £100 million and 0.26% per annum of net assets over this threshold. After this waiver period ended the fee returned to the existing fee rates. Should the Company terminate the management agreement within three years of the date of the transaction with ASCI (ie before 1 December 2026), then the Company undertakes to repay all or a proportion of the management fees waived by the Manager based on the time elapsed since completion of the transaction.

The total of the fees paid and payable during the period to 30 September 2024 was £311,000 (30 September 2023 – £200,000; 31 March 2024 – £420,000) and the balance due to aFML at the period end was £173,000. (30 September 2023 – £100,000; 31 March 2024 – £127,000). The Company held an interest in ASCI, a commonly managed investment trust until 1 December 2023. The value attributable to this holding was excluded from the calculation of the management fee payable by the Company prior to this date.

The management agreement with aFML also provides for the provision of promotional activities, which aFML has delegated to abrdn Investments Limited. The total fees paid and payable in relation to promotional activities were £27,000 (30 September 2023 – £20,000; 31 March 2024 – £50,000) and the balance due to aFML at the period end was £13,000 (30 September 2023 – £20,000; 31 March 2024 – £19,000).

10. Segmental information

For management purposes, the Company is organised into one main operating segment, which invests in equity securities and debt instruments. All of the Company's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

11. Fair value hierarchy

IFRS 13 'Fair Value Measurement' requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

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

At 30 September 2024	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted investments	a)	**127,052**	**–**	**–**	**127,052**
Net fair value		**127,052**	**–**	**–**	**127,052**

At 30 September 2023	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted investments	a)	94,570	–	–	94,570
Net fair value		94,570	–	–	94,570

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

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

12. The financial information contained in this Half Yearly Financial Report does not constitute statutory accounts as defined in Sections 434 - 436 of the Companies Act 2006. The financial information for the six months ended 30 September 2024 and 30 September 2023 has not been reviewed or audited by the Company's independent auditor.

The information for the year ended 31 March 2024 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the independent auditor on those accounts contained no qualification or statement under Section 498 (2), (3) or (4) of the Companies Act 2006.

13. This Half Yearly Financial Report was approved by the Board on 20 November 2024.

Alternative Performance Measures

Alternative performance measures are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes IAS and the AIC SORP. The Directors assess the Company's performance against a range of criteria which are viewed as particularly relevant for closed-end investment companies.

Discount to net asset value per Ordinary share

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

		30 September 2024	31 March 2024
NAV per Ordinary share (p)	a	**265.14**	256.00
Share price (p)	b	**245.50**	222.00
Discount	(a-b)/a	**7.4%**	13.3%

Dividend yield

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

		30 September 2024[A]	31 March 2024
Annual dividend per Ordinary share (p)	a	**14.40**	14.40
Share price (p)	b	**245.50**	256.00
Dividend yield	a/b	**5.9%**	5.6%

[A] Based on annual dividend declared for previous year.

Net gearing

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

		30 September 2024	31 March 2024
Borrowings (£'000)	a	**18,969**	18,963
Cash (£'000)	b	**901**	1,675
Amounts due to brokers (£'000)	c	**75**	101
Amounts due from brokers (£'000)	d	**110**	–
Shareholders' funds (£'000)	e	**109,739**	105,957
Net gearing	(a-b+c-d)/e	**16.4%**	16.4%

Ongoing charges

The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total of investment management fees and administrative expenses and expressed as a percentage of the average daily net asset values published throughout the year. The ratio for 30 September 2024 is based on forecast ongoing charges for the year ending 31 March 2025.

	30 September 2024	31 March 2024
Investment management fees (£'000)	**654**	420
Administrative expenses (£'000)	**457**	529
Less: non-recurring charges[A](£'000)	**(5)**	(24)
Ongoing charges (£'000)	**1,106**	925
Average net assets (£'000)	**110,147**	85,134
Ongoing charges ratio (excluding look-through costs)	**1.00%**	1.09%
Look-through costs[B]	**–**	0.01%
Ongoing charges ratio (including look-through costs)	**1.00%**	1.10%

[A] Comprises promotional activity fees not expected to recur.

[B] Calculated in accordance with AIC guidance issued in October 2020 to include the Company's share of costs of holdings in investment companies on a look-through basis.

Alternative Performance Measures

Continued

Total return

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

Six months ended 30 September 2024		NAV	Share Price
Opening at 1 April 2024	a	**256.00p**	**222.00p**
Closing at 30 September 2024	b	**265.14p**	**245.50p**
Price movements	c=(b/a)-1	**3.6%**	**10.6%**
Dividend reinvestment[A]	d	**3.2%**	**3.9%**
Total return	c+d	**6.8%**	**14.5%**

Year ended 31 March 2024		NAV	Share Price
Opening at 1 April 2023	a	257.92p	250.00p
Closing at 31 March 2024	b	256.00p	222.00p
Price movements	c=(b/a)-1	(0.7)%	(11.2)%
Dividend reinvestment[A]	d	5.8%	5.5%
Total return	c+d	5.1%	(5.7)%

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

Investor Information

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

The Company has appointed abrdn Fund Managers Limited as its Alternative Investment Fund Manager and BNP Paribas SA, London Branch as its Depositary under the AIFMD.

The AIFMD requires abrdn Fund Managers Limited, as the Company's AIFM, to make available to investors certain information prior to such investors' investment in the Company. Details of the leverage and risk policies which the Company is required to have in place under the AIFMD are published in the Company's PIDD which can be found on its website: **shiresincome.co.uk**

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

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

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

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

Shareholder Enquiries

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

Any general queries about the Company should be directed to the Company Secretary in writing (see Contact Addresses) or by email to: **CEF.CoSec@abrdn.com**

Closure of the abrdn Investment Trust Savings Plans (the "Plans")

In June 2023, abrdn notified investors in the abrdn Investment Trust ISA, Share Plan and Investment Plan for Children that these plans would be closing in December 2023. All investors with a holding or cash balance at that time transferred to Interactive Investor ("ii"). ii communicated with investors in November 2023 to set up account security to ensure that investors could continue to access their holdings via ii following the closure of the Plans.

Please contact ii for any ongoing support with your account on **0345 646 1366**, or **+44 113 346 2309** if you are calling from outside the UK. Lines are open 8.00am to 5.00pm Monday to Friday. Alternatively, you can access the ii website at: **ii.co.uk/abrdn-welcome**

How to Invest

Investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for private investors, there are a number of online dealing platforms 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.

Investors can, using certain platforms, arrange to have dividends reinvested or establish regular savings to invest in the shares of the Company. This can also be done under the auspices of an ISA which provides tax efficiencies for private investors in the treatment of income and capital gains.

Discretionary Private Client Stockbrokers

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

Financial Advisers

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

Investor Information

Continued

Regulation of Stockbrokers

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

How to Attend and Vote at Company Meetings

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

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

Keeping You Informed

Information about the Company can be found on its website: **shiresincome.co.uk**, including share price and performance data as well as London Stock Exchange announcements, current and historic Annual and Half-Yearly Reports, and the latest monthly factsheet on the Company issued by the Manager. **Investors can receive updates via email by registering on the home page of the Company's website.**

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

Twitter:

@abrdnTrusts

LinkedIn:

abrdn Investment Trusts

Key Information Document ("KID")

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

Suitable for Retail/NMPI Status

The Company's shares are intended for investors, primarily in the UK, including retail investors, professionally-advised private clients and institutional investors who are seeking a high level of income, together with the potential for growth of both income and capital from a diversified portfolio substantially invested in UK equities but also in preference shares, convertibles and other fixed income securities, and who understand and are willing to accept the risks of exposure to equities.

Investors should consider consulting a financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

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

Note

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

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

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

The information on pages 31 to 32 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by abrdn Investments Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Contact Addresses

Directors
Robin Archibald (Chairman)
Jane Pearce
Helen Sinclair
Simon White

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London EC2M 4AG

Company Secretary
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1 George Street
Edinburgh EH2 2LL

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

Alternative Investment Fund Manager
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280 Bishopsgate
London EC2M 4AG

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

Company Registration Number
00386561 (England & Wales)

Legal Entity Identifier ("LEI")
549300HVCIHNQNZAYA89

Website
shiresincome.co.uk

Registrar
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Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Shareholder help can be found at **shareview.co.uk.**
Alternatively, you can contact the Shareholder Helpline:
+44 (0)371 384 2508*

(*Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Charges for calling telephone numbers starting with '03' are determined by the caller's service provider.)

If calling from outside the UK, please ensure the country code is used.

Depositary
BNP Paribas SA, London Branch
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Stockbroker
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25 Bank Street
London E14 5JP

Independent Auditor
Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh EH3 8EX

Solicitors
Dentons UK and Middle East LLP
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For more information visit **shiresincome.co.uk**

abrdn.com