

ABRDN PROPERTY INCOME TRUST LIMITED

(an authorised closed-ended investment company incorporated in Guernsey with registration number 41352)

LB Number: 549300HIFBVMZKCTRW84

(The "Company" or "API")

30 April 2024

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The Company's Annual Report and Accounts for the year ended 31 December 2023 and the Notice of the Annual General Meeting will shortly be available to view on the Company's corporate website at <https://www.abrdnpiit.co.uk/en-gb/literature>. The Documents have also been submitted to the National Storage Mechanism and are available for inspection at <https://data.fca.org.uk/#nsm/nationalstoragemechanism>. Hard copies will be posted to shareholders shortly.

PERFORMANCE SUMMARY

Earnings, Dividends & Costs	31 December 2023	31 December 2022
IFRS Earnings per share (p)	(2.17)	(13.11)
EPRA earnings per share (p) (excl capital items & swap movements) *	2.83	2.94
Dividends paid per ordinary share (p)	4.0	4.0
Dividend Cover (%) **	71	73
Dividend Cover excluding non-recurring items (%)	82	97
Dividend Yield (%) ***	7.5	6.4
FTSE All-Share Real Estate Investment Trusts Index Yield (%)	4.5	4.6
FTSE All-Share Index Yield (%)	4.0	3.6
Ongoing Charges **		
As a % of average net assets including direct property costs	2.5	2.2
As a % of average net assets excluding direct property costs	1.2	1.1

Capital Values & Gearing	31 December 2023	31 December 2022	Change %
Total assets (£million)	456.1	444.9	2.5
Net asset value per share (p) (note 21)	78.2	84.8	(7.8)
Ordinary Share Price (p)	53.0	62.4	(15.1)
(Discount)/Premium to NAV (%)	(32.2)	(26.4)	
Loan-to-value (%) **	30.8	22.6	

Total Return	1 year % return	3 year % return	5 year % return	10 year % return
NAV ^	(3.0)	8.8	8.0	101.2
Portfolio	0.7	12.6	15.9	99.4
AIC Property Direct – UK Commercial (weighted average) NAV Total Return	(0.8)	10.9	18.2	73.6
Share Price ^	(8.2)	6.6	(11.7)	35.2
AIC Property Direct – UK Commercial (weighted average) Share Price Total Return	(1.3)	6.8	5.1	22.0
FTSE All-Share Real Estate Investment Trusts Index	11.6	(1.1)	8.3	35.5
FTSE All-Share Index	7.9	28.1	37.7	68.2

Property Returns & Statistics (%)	31 December 2023	31 December 2022
Portfolio income return	5.3	4.4
MSCI Benchmark income return	4.6	4.1
Portfolio total return	0.7	(8.8)
MSCI Benchmark total return	(1.5)	(8.9)
Void rate	7.6	9.8

* Calculated as profit for the period before tax (excluding capital items & swaps costs) divided by weighted average number of shares in issue in the period. EPRA stands for European Public Real Estate Association.

** As defined and calculated under API's Alternative Performance Measures (as detailed in the full Annual Accounts which can be found via the following link: <https://www.abrdnpiit.co.uk/en-gb/literature>)

*** Based on dividend paid of 4.0p and the share price at 31 December 2023 of 53.0p.

^ Assumes re-investment of dividends excluding transaction costs.
Sources: abrdn, MSCI

CHAIR'S STATEMENT

Background

Despite grappling with global uncertainties, ranging from geopolitical tensions to the persistent shadow of COVID-19, the UK economy exhibited commendable resilience during 2023. A notable feature of the economic landscape in 2023 was the resurgence of inflationary pressures, fuelled by a combination of factors including supply chain disruptions, rising energy prices and wage pressures. The Bank of England responded decisively to these challenges, implementing measured adjustments to monetary policy in an effort to temper inflation while supporting economic growth. As we sit here in April 2024, it would appear that this fine balance has been well judged with a meaningful recession avoided, and inflation on a downwards trajectory.

Corporate Activity

During the second half of 2023 the Board undertook a strategic review. This review was prompted by the Board's concerns, as well as those of some shareholders about the Company's size, the lack of liquidity in its shares, the discount to NAV and uncovered dividend. The outcome of this review, following interest from other listed REITs, was that the Board recommended to shareholders that they vote in favour of a proposed merger with Custodian REIT for the reasons outlined in various announcements to shareholders during the first quarter of 2024.

The Company's Court Meeting and General Meeting were both held on 27 March 2024, with the proportions of API Shares voting in favour of the proposed merger being below the minimum threshold required. Prior to this date, the Board explained to shareholders that if the proposed merger was rejected, it would take the necessary actions to put the Company into a managed and orderly wind-down. As such, following the vote, the Board announced that it intended to take steps to implement a Managed Wind-Down subject to the approval of the Company's Shareholders at an upcoming Extraordinary General Meeting (EGM) on 28 May 2024. The outcome of this meeting is not guaranteed and will be known only after publication of this report. Hence the Annual Report has been prepared with a material uncertainty in relation to its going concern despite the Board's belief that all present and future commitments will be met in full. Further information on the Board's assessment can be found in Note 2.1 of the Financial Statements below.

UK Real Estate Market

After the challenges of the second half of 2022 and the resultant market re-pricing, 2023 saw some stabilisation with a marked improvement in real estate total returns, albeit these remained marginally negative. Throughout the year there was an expectation of a peak in interest rates followed swiftly by the beginnings of a period of rate cuts. However, this failed to materialise due to inflation levels remaining stubbornly elevated. The uncertainty around inflation, interest rates and debt costs contributed to weakened investor sentiment which resulted in significantly reduced investment activity. According to CBRE, investment volumes in the UK were down 30.2% when compared to 2022 with some sectors being more impacted than others.

This was most notable within the office sector, which persists in its underperformance with the main driver being a continuation of outward yield movement negatively impacting capital values. Whilst there was limited transactional evidence in the sector, the transactions that did occur painted a weakening picture. There was a stark divergence in value movement across regions with, as an example, London's West End significantly outperforming the South East, albeit both still returning negative total returns. Confidence in the sector has not recovered to pre-COVID levels, from either an investor or occupier perspective and this is depressing demand and negatively impacting values.

From an occupational perspective, demand continues to focus on prime or "best-in-class" assets, characterised by those with high levels of amenity and a strong emphasis on environmental and sustainable credentials. Following a review of the Company's office portfolio a number of years ago, the Board and Investment Manager have progressed initiatives to maximise amenity at all of the office assets within the confines of the specific buildings. This has positioned the Company's assets favourably within their respective market and is evidenced by the good letting activity over the year. It does, however, remain a focus of the Investment Manager to continue to reduce the Company's exposure to this sector, and this is evidenced by the sale of 15 Basinghall Street in London which completed in March 2024.

In contrast to the performance of the office sector, the industrial sector has recovered from the sharp pricing correction in late 2022 and early 2023 to return to being the top-performing sector according to the MSCI Quarterly Index. With the outward pressure on yields abating, and positive rental growth continuing, the sector posted a total return of 4.1% for the year.

Whilst tenant demand remains robust and development levels low, the overall vacancy rate within the sector is starting to rise. The increase is muted, and the overall vacancy level remains below historic averages, but this is perhaps the beginning of affordability having an impact on demand for some occupiers. Expectations are that there will continue to be positive rental growth within the sector, albeit at more muted levels than we have seen in recent years. Both the Board and the Investment Manager continue to have conviction around the portfolio's significant exposure to the industrial sector being a source of performance going forwards.

The retail sector outperformed on a total return basis, showing commendable resilience largely led by a higher relative income return. The sector does, however, continue to demonstrate a wide divergence of returns between the sub-sectors bookended by High Street at the lower end and Retail Warehousing at the higher. The inflationary pressures on household incomes have impacted discretionary spending, with the discount and value retailers being the beneficiaries. This divergence reinforces the Company's strategy of focusing its retail portfolio predominantly in retail warehousing let to discount retailers.

Environmental, Social and Governance (ESG) factors are now an ever-present consideration for investors and occupiers alike. The Board's Sustainability Committee oversees the work that the Company undertakes in this area, demonstrating the importance that the Board places on this area. As an example, the Company has taken great strides over recent years in the installation of on-site renewable energy in the form of roof-mounted photovoltaic panels. Recent elevated energy costs have brought significant focus on the benefits of on-site renewable energy for occupiers, so the Company's work in this area will be a significant benefit going forward.

Portfolio and Corporate Performance

The NAV total return for the year was -3.0%. The real estate investment portfolio returned 0.7%, which outperformed the MSCI Quarterly Property Index benchmark return of -1.5% over the same period. The Company's

portfolio has outperformed the Index over 1, 3, 5 and 10 years.

The share price total return for the year at -8.2% was a disappointment. Similarly to 2022, the share price traded persistently at a high discount to NAV throughout the year. Whilst the Board had utilised buybacks in previous years, repeating this would have required additional borrowings at unattractive interest rates so was not deemed a suitable option. The discount level was one of the main reasons behind the Board undertaking a review of the Company's future.

IFRS earnings improved from -13.11p per share to -2.17p for 2023 reflecting the stabilisation in property valuation moves compared to last year. EPRA earnings per share decreased from 2.94p to 2.83p per share, a decrease of 3.7%.

Rent Collection

Following the disruption of COVID, collection rates have returned to where we would expect with the fourth quarter sitting at 99.4% and the year as a whole at 99.7%. This continued recovery in collection rates led to a further reversal in bad debt provisions which contributed £213,048 (or 0.06p per share) to performance. The diversified nature of the tenant mix within the portfolio should mitigate the risk of individual tenant failure.

Financial Resources

The Company continues to be in a strong financial position with unutilised financial resources of £25m available in the form of its revolving credit facilities ("RCF") net of existing cash and financial commitments.

As at the year end the Company had a Loan-to-Value ("LTV") ratio of 30.8%, which sits within the Board's target range.

Dividends

The Board has maintained the annual dividend of 4p per share for 2023. Dividend cover (excluding non-recurring costs) was 82% for 2023, reflecting a decrease from 97% in 2022 (also excluding non-recurring items). Dividend cover for Q4 2023 was 83% demonstrating progress towards full cover.

Annual General Meeting ("AGM")

The Annual General Meeting ("AGM") will be held at 2.00pm on Tuesday 13 August 2024 at 18 Bishops Square, London E1 6EG. The AGM has been deferred from its typical June date to grant shareholders the opportunity to assess the progress of the proposed Managed Wind-Down if voted for at the upcoming EGM. The Board looks forward to welcoming shareholders in person where they will have the opportunity to put questions to the Board and/or the Manager. Shareholders are also invited to submit questions by email to property.income@abrdn.com

Outlook

Looking ahead to 2024, there is cautious optimism around the trajectory for UK real estate returns. At a macro level, the downward trajectory of inflation will hopefully continue and lead to some confidence returning to the market alongside interest rate cuts. Increased investor demand should strengthen the market for good quality real estate assets in the right areas of the market with appropriate ESG credentials.

At a property market level, there is an expectation of continued rental growth in the industrial sector as well as the retail warehouse sector where vacancy rates have been falling. Both these sectors are areas of the market in which the Company has positioned itself with good levels of exposure, indicating continued positive performance for the portfolio.

29 April 2024

James Clifton-Brown

INVESTMENT MANAGER'S REPORT

Market Review

One of the defining aspects of the UK commercial real estate market in 2023 was the low volume of investment transactions. It is worth remembering that capital values fell by around 20% in the second half of 2022 as inflation took hold and interest rates started to rise. Interest rate expectations have defined sentiment over the course of 2023 with capital valuation declines more muted over the period, averaging nearly 1.5% per quarter. As discussed below this fall was driven by the office sector, whilst industrial and retail warehouse values appear to have broadly stabilised.

For several years now sector allocation has played an important part in the performance of a UK diversified property portfolio. This has transitioned from retail underperforming to offices underperforming, and for a short period in between when industrials underperformed (the 4th quarter 2022 derating of low yielding assets hitting industrials very hard). Sector divergence is likely to remain elevated but much more nuanced in the future, with Environmental, Social and Governance (ESG) factors having a major influence on performance.

Returns in the direct UK real estate market in 2023 were negative, driven by continued declines in capital values. The all Property capital index decline in 2023 was 5.7% (compared to 2022's decline of 12.8%). Total return was -1.0% in 2023 compared to -9.1% in 2022. The listed sector is often considered to be more forward looking than the direct market, and the REIT sector ended 2023 buoyantly, with the FTSE EPRA Nareit UK Index providing a total return of 10.7% for 2023, significantly outperforming the FTSE All-Share Index's 7.9% over the same period. The positivity in the REIT sector was most noticeable in the 4th quarter of 2023, as sentiment towards the outlook for inflation and interest rates became much more positive. Some of those gains have however been given back over the first quarter of 2024 as the timing of interest rate cuts seems to be being pushed back.

Industrial

Following a sharp sector-wide repricing in the 12 months to June 2023, the industrial market rebounded, posting a positive annual total return of 4.1% by the end of the year according to the MSCI Quarterly Index. Indeed, as yields stabilised, capital value growth levelled out on an annual basis across all Industrials at -0.4%. London and the Southeast posted total returns of 3.2% and 4.0%, respectively, and all regions posted positive returns on an annual basis. Rental growth has decelerated from the near-parabolic levels seen in 2022 as levels of supply and demand rebalance. In terms of demand, national take-up over 2023 declined 40% year-on-year to 29.1m sq ft according to Savills, though this represents a 12% increase over pre-Covid levels. Manufacturing, food retailers, and third-party logistics operators ("3PL") led take-up figures at 24%, 17%, and 15%, respectively. Similarly, overall investment volumes reached £9.4 billion according to Real Capital Analytics (RCA), down from the £15.8bn seen over 2022, and nearer to the long-term average.

Availability rose across the UK during 2023 as occupiers recalibrated their immediate requirements for space, although units over 200,000 sq ft are in notable short supply with the greatest need in the South East for 3PLs. Rental values within this sub-sector of the market will likely continue to be squeezed higher as costs remain too high to justify Build-to-Suit space and demand for e-commerce captures more of the post-Covid retail sales market. Market rental growth is still expected to return positive values in the near term across all industrial, albeit at a slower pace than recent years due to incoming supply. With consumer confidence rising and the prospect of rate cuts feeding through in the second half of 2024, occupiers will likely feel more confident in bringing forward expansion plans as the economy improves.

Offices

The office sector continues to underperform, delivering an annual total return of -10.2% to December 2023 according to the MSCI Quarterly Index. Weakening capital values led this decline, accelerating in their deterioration over 2023 as the Bank of England raised interest rates to 15-yr highs to quell inflationary pressure. This helped increase the polarisation of performance in the office market between regions. Indeed, London West End offices substantially outperformed its peers at -2.4% compared to -13.9% and -15.4% for the City of London and wider Southeast offices, respectively. Market rental value growth provides a similar story, with Midtown and West End offices leading the pack at 4.8% and 4.4%, respectively, compared to 2.4% for all offices.

As has been the trend post-Covid, concealed within these figures is an occupational story of sustained flight to best-in-class quality, particularly for assets with sustainability credentials and amenities. Outdated and out of fashion stock is experiencing both the highest levels of vacancy and greatest outward yield shifts. A dwindling pipeline due to rising interest rates and elevated construction costs will only reinforce this trend over the medium term as occupiers embrace flexible working strategies and undesirable offices struggle to reduce vacancies.

Retail

The retail sector posted a total annual return of -0.1% to December 2023 according to the MSCI Quarterly Index, beating all property returns of -1.0%. This proved to be a year of two halves as retail outperformed the all property index over the first six months of 2023, seeing a relatively robust total return of 2.2%. This trend reversed in the 2nd half of the year as cost of living pressures cemented themselves, with West End standard retail and South East retail warehouses posting -1.7% and -2.5%, respectively. Despite a slowdown, retail has performed well in the context of the significant rebasing seen over 2022. Much of this recovery was influenced by strong performance within the high-yielding shopping centres and resilient retail warehousing sub-sectors, with the latter posting consistent month-on-month rental growth over the year.

Much of the relative performance within the retail warehousing sub-sector comes from the continued resilience of discount retailers. Value supermarkets and discount homeware brands have benefited significantly from consumers under sustained cost of living pressures. This is evident within ONS retail sales data through the widening divergence between retail sales values and volumes as consumers increasingly spend more for less. Furthermore, as value operators look to expand further, a limited pipeline of suitable properties should support further rental growth in this sub-sector.

Market Outlook 2024

We expect the UK real estate market to bottom out in 2024 and start to improve in the latter part of the year and into 2025. A catalyst for an improvement in the fortunes for UK real estate will be the start of the interest rate cutting cycle, matched with lower prices, and the prospect of a far more positive real estate yield margin.

While the macro environment will continue to dominate in 2024, sector allocation will remain crucial. Polarisation in performance from both a sector and asset-quality perspective will remain a key differentiator for performance. Real estate refinancing poses a risk to our outlook in 2024, but we believe that the risk is more heavily skewed towards the office sector, given the amount of outstanding debt and lack of appetite for lending to this sector.

Sectors that benefit from longer-term growth drivers, such as the industrial and logistics sector, will continue to garner the most interest from investors. It is unlikely that there will be a material change in investor sentiment towards the office sector, but more attractively priced re-positioning opportunities will emerge over the course of 2024, with debt re-capitalisation and funds working through redemptions the most likely source of value. However, underwriting assumptions, particularly around capital expenditure, are crucial. Long income assets now look more attractively priced, and we anticipate there will be some good buying opportunities in this area of the market in 2024.

Purchases:

The Company made two purchases during the year, both occurring early in the year. Knowsley, Villiers Road – was a site purchase for a speculative logistics development that completed in the first quarter although the contract was exchanged the previous summer. The purchase was conditional on a satisfactory planning consent. Further details of the development are given below. Welwyn Garden City, Morrisons, is a supermarket purchased for £18.29m reflecting a yield of 6.4%. The purchase was a sale and leaseback with Morrisons giving a 25-year lease with CPI linked rent reviews (annual for the first 5 years). The asset combines a long-term income with a high yield.

Development:

The Company completed the development of its speculative logistics unit in Knowsley in late December 2023. The unit is built to a high specification, and we are confident that a letting will be achieved reasonably quickly given the current level of interest and multiple inspections.

Although not strictly a development the Company also completed the substantial refurbishment of a logistics unit in Washington. The unit had previously been occupied by a manufacturer servicing Nissan; however, we agreed terms with Hermes Parcelnet on expiry of the last lease for a new 15-year lease subject to a scope of works by the landlord that changed the unit to a fully specialist delivery hub. The refurbishment included a substantial photo voltaic scheme, and the asset now has an EPC A rating.

Sales:

Only one sale completed during the year; a logistics property of two units in Livingston Scotland for £6.25m before costs sold towards the end of 2023.

Given the various potential corporate transactions, sales were not progressed in 2023, however a number of sales have been undertaken after the reporting period as a strategy of prepaying the RCF was implemented.

► London, 15 Basinghall Street (Office) – sold for £9.85m completed in the first quarter.

► Warrington, Opus 9 (Industrial) – sold in the first quarter for £6.75m.

►Hebburn, Unit 4 Monkton Business Park (Industrial) – Sale completed in April 2024 at £5.3m to the tenant.

►Bristol, Kings Business Park (Industrial) – sold for £7.9m in April 2024.

In addition, soft marketing commenced after the period end for the sale of Far Ralia, the Company's natural capital asset. Timing of the exit is being influenced by changes to the grant funding submission period and strong progress on planting in order to maximise value for the Company. It is realised that at a time of higher interest rates a non-income producing asset sits less comfortably in an income focused fund. Indications suggest the capital value uplift on a sale will make this investment one of the Company's better investments.

Asset Management:

Although not many investment transactions were completed over the course of 2023, the experienced and dedicated asset management team completed a significant number of deals to enhance or protect the income to the Company.

Rent collection has returned to the levels expected following the disruption of COVID.

Rent Collection	Quarter	% Received
2022	1	100%
	2	100%
	3	99%
	4	100%
2022 FY		100%
2023	1	100%
	2	100%
	3	100%
	4	99%
2023 FY		100%

The vacancy rate at the year-end was 7.6% (prior year 9.8%) which is above our target level of 5%.

Fourteen lettings were completed during the year securing total rent of £2.7m per annum.

Seven lease renewals or regears were completed over the year securing £1.4m per annum, along with seven rent reviews, resulting in an additional £0.5m per annum being secured.

Portfolio Rent Reviews

Basis	% of Current Rent Roll	Weighted Average Floor (value if fixed)	Weighted Average Cap / Range of Caps	Weighted Average Unexpired Lease Term (years)
RPI Inflation linked %	15.9%	1.0%	3.9 (ex-uncapped income)	7.6
CPI Inflation linked %	8.1%	0.7%	3.8%	19.6
Fixed / Stepped	9.6%	2.6%	n/a	10.0
Open Market Value	66.4%	n/a	n/a	2.6
Total	100%	n/a	n/a	6.3 (FUND WAULT)

Income Growth Potential

One of the attractions of the portfolio is the amount of reversion that exists – i.e. potential to grow the rent. At year end that figure was £7m with the Estimated Rental Value (ERV) of the portfolio 26% above the passing rent. This reversion will be received from several parts of the portfolio as the table below demonstrates.

Rent reviews are a mixture of open market (negotiated), fixed or indexed. The graphic below shows the Company mix.

Passing Rent (OMV)	£17.8m
RPI Linked Income	£4.8m
CPI Linked Income	£2.3m
Fixed/Stepped Income	£2.7m
Reversion in Let Portfolio	£3.6m
Development Properties	£0.8m
Void Properties	£2.6m
Estimated Rental Value	£34.2m

Debt

As reported in the last Annual Report and Accounts, the Company's previous debt facilities with RBSI expired in April 2023. The Company had secured new facilities with RBSI in the 4th quarter of 2022 that commenced concurrently to the previous facilities expiring. These new facilities are:

►A 3-year Term Loan of £85m which is fully drawn. The Company entered into an interest rate cap for the full £85m at 3.96% which when coupled with the margin of 150 bps (one of the lowest in the sector) results in an all-in cost capped at 5.46%.

►Revolving Credit Facility (RCF) of £80m. As at the year-end, the Company had drawn £56.9m of the RCF which is also at a margin of 150 bps over SONIA. Following subsequent sales and development costs, the drawn amount was £44.4m as at 31 March 2024.

The two facilities from RBSI are due to expire in April 2026 and incur no early repayment fees. As at 31 December 2023, the Loan to Value ratio (LTV) was 30.8%.

Performance

There are a number of different measures of performance used by the Board, from individual assets to shareholder return. These are detailed below:

	Portfolio total return (annualised)	MSCI UK Quarterly Property Index return (annualised)	NAV total return (annualised)
1 Year	(0.7%)	(1.5%)	(3.0%)
3 Year	4.0%	1.5%	2.8%
5 Year	3.0%	0.8%	1.6%
10 Year	7.1%	5.4%	7.2%

Portfolio Return:

As the Company invests in direct real estate one of the best measures of investment decisions and quality of the portfolio is its performance compared to the general UK real estate market. For that reason, we compare the portfolio to the MSCI quarterly index – the largest regular index of the market. The table above shows that the Company's portfolio has outperformed the MSCI index over 1, 3, 5, and 10 years. For the purpose of this year-end report the chart also shows the portfolio and net asset value (NAV) against both indices for clarity.

NAV Return:

NAV total return encompasses the costs of the fund, including running the REIT and debt costs. As the MSCI index does not include these, we instead use the AIC Property Direct UK Sector weighted average as a comparator. In the short term, the impact of higher debt costs has impacted the Company NAV Total Return along with its high exposure to logistics which de-rated heavily at the end of 2022. The chart below also shows a comparison to the Open-Ended property sector as investors often have to decide whether to invest in Investment Companies or Open-Ended vehicles.

NAV Total Returns to 31 December 2023

Source AIC, abrdn	1 year %	3 years %	5 years %	10 years %
abrdn Property Income Trust Limited	(3.0)	8.8	8.0	101.2
AIC Property UK Commercial (weighted average)	(0.8)	10.9	18.2	73.6
Investment Association Open Ended Commercial Property Funds sector	2.6	2.8	6.0	43.2

Share Price:

The final measure is one that the Investment Manager has limited influence on but is of most interest to Shareholders – that is the Share Price Total Return. The table below compares the API share price return to that of the FTSE all share REIT index and AIC Property UK Commercial (weighted average) segment. A major negative factor has been the persistently high discount at which the shares have traded when compared to the Company's NAV.

Share Price Total Returns to 31 December 2023

Source AIC, abrdn	1 year %	3 years %	5 years %	10 years %
abrdn Property Income Trust Limited	(8.2)	6.6	(11.7)	35.2
FTSE All-Share Index	7.9	28.1	37.7	68.1
FTSE All-Share REIT Index	11.6	(1.1)	8.3	35.5
AIC Property Direct – UK Sector (weighted Average)	(1.3)	6.8	5.1	22.0

Valuation

The portfolio is valued quarterly by Knight Frank LLP under the provisions of the RICS Red Book. As at 31 December 2023 the portfolio, including Far Ralia, was valued at £439.2m (£416.2m at 31 December 2022) and the Company held cash of £6.7m (£15.9m at 31 December 2022). The portfolio consisted of 46 assets at year-end (45 assets at 31 December 2022).

Investment Strategy

The Company has always had a focus on income with its objective stated as “To provide shareholders with an attractive income return, with the prospect of income and capital growth, through investing in a diversified portfolio of commercial real estate assets in the UK”.

With the growing importance of Environmental, Social and Governance (ESG) matters on investors and occupiers alike a slight pivot in strategy over the last few years has been to ensure that the income from the portfolio is sustainable. We do that by ensuring the portfolio will continue to appeal to tenants through the quality of accommodation offered at an affordable price. The scale of new lettings and lease renewals suggests this has been achieved, with further growth in income to be expected from the portfolio.

Environmental Social and Governance (ESG)

ESG is central to APT's investment philosophy and is fully incorporated into our decision making and actions. We believe that ESG should form a central part of decision making, and that in order to make the best decisions, we must build our own expertise and knowledge through working with best-in-class consultants to optimise the timing and impact of our investments in ESG improvements. We do not aim to solve every problem overnight, rather we seek to find the optimum point of intervention for each asset to maximise return for shareholders and avoid waste (and with-it embedded carbon).

To reflect the importance of ESG, the Annual Report now includes a dedicated section and we were also early adopters of the Taskforce for Climate-related Financial Disclosures.

Outlook and Future Strategy

Although the economic outlook and the Company's future remains uncertain the portfolio consists of good quality assets that appeal to occupiers and investors. The Investment Manager will continue to focus on growing income through active asset management of the assets, and, subject to shareholder approval (please see Note 2.1 of the Financial Statements) will commence a Managed Wind-Down of the Company through the sale of assets. The sales process is expected to take approximately 24 months within a range of 18-30 months from the date of implementation, although this is very dependent on a reasonable market existing for all the Company's properties. There is a clear objective to maximise returns to shareholders in a reasonable timescale.

PROPERTY INVESTMENTS

Top Ten Properties

Property	Value (range)	Sector	% of total portfolio
Halesowen, B&Q	£22m - £24m	Retail	5.4%
Rotherham, Ickles Way	£20m - £22m	Industrial	4.8%
Birmingham, 54 Hagley Road	£18m - £20m	Office	4.5%
Welwyn Garden City, Morrison's	£18m - £20m	Retail	4.2%
Swadincote, Tetron 141	£16m - £18m	Industrial	3.6%
Shellingford, White Horse Business Park	£14m - £16m	Industrial	3.5%
London, Hollywood Green	£12m - £14m	Other	3.2%
Washington, Rainhill Road	£12m - £14m	Industrial	3.1%
Corby, 3 Earlstrees Road	£12m - £14m	Industrial	3.1%
St Helens, Stadium Way	£12m - £14m	Industrial	2.9%

Top Ten Tenants

Tenant	Passing Rent	% of total contracted rent
B&Q Plc	£1,560,000	5.7%
Public Sector	£1,365,203	5.0%
WM Morrisons Supermarkets Ltd	£1,252,162	4.6%
The Symphony Group Plc	£1,225,000	4.5%
Schlumberger Oilfield UK Plc	£1,138,402	4.2%
Timbmet Limited	£904,768	3.3%
Atos IT Services Limited	£872,466	3.2%
CEVA Logistics Limited	£840,000	3.1%
Thyssenkrupp Materials (UK) Ltd	£643,565	2.4%
Hermes Parcelnet Ltd	£591,500	2.2%

Portfolio Allocation by region

Region	Weighting
South East	23.0%
West Midlands	18.7%
North West	15.4%
East Midlands	13.5%
North East	12.0%
Scotland	10.1%
South West	3.3%
City of London	2.2%
London West End	1.8%

ENVIRONMENTAL, SOCIAL and GOVERNANCE (ESG)

ESG

It is now commonplace for investment managers to say that ESG is embedded in their processes. It is not always clear what that really means. As a Company investing in real assets we can have a direct impact on ESG outputs – and the reason we have fully integrated ESG into our investment process and behaviour is that we believe it is fundamental to achieving the Company's investment objective. We do not consider ESG in isolation or as just a cost. We see it as an opportunity for driving performance. It is for that reason it forms an integral part of our decision-making processes. We seek to implement ESG initiatives in a planned, sensible, and measured way so as to maximise the return on investment.

ESG Policy

Please note that the text below relates to the approach and activities undertaken in 2023. If the proposal to move to a managed wind-down is approved by shareholders then the focus will change to an optimum disposal strategy rather than longer term performance initiatives, and this will impact the approach to ESG.

ESG Strategy

The Board has a separate Sustainability Committee that sets Key Performance Indicators (KPIs) in order to measure the ESG performance of the real estate portfolio and Investment Manager in delivering ESG improvements. The Committee is relatively new, and demonstrates the increased importance of ESG in managing risk and return for the Company.

The Investment Manager has an advanced and comprehensive framework of process, oversight, and knowledge to incorporate and enhance ESG into the business and to ensure practical implementation, which is evolving to keep pace with current ESG trends and legislation.

Priorities

The Company, in addition to its focus on ESG transparency and reporting, has identified two main areas of focus that have the most relevance for the activities it undertakes – People and Planet.

People involves our tenants, the users of our properties and the local community. It is a wide-ranging theme, covering supplier management, community engagement, social values, tenant engagement and wellness.

Under Planet, the Company has a primary focus on (1) carbon and energy; (2) climate resilience; and (3) biodiversity.

Extreme weather events are becoming more common place bringing the need for climate action into focus. The Company has a clear strategy for managing carbon emissions across the portfolio and has been implementing energy efficiency improvements and renewable energy projects for several years.

In 2021, we undertook work to establish the operational carbon footprint baseline of the portfolio and model our pathway to net-zero.

The Company's commitments are as follows:

- 2030: achieve Net Zero Carbon across all portfolio landlord emissions (Scope 1 & 2)
- 2050: achieve Net Zero Carbon across all portfolio emissions (Scope 1, 2 & 3).

The following provides an overview of definitions of the different emissions scopes:

- Scope 1 and 2: Cover emissions that directly result from the landlord's activities where there is operational control, either through the purchase or consumption of energy or refrigerant losses.
- Scope 3: Emissions are those that occur in our supply chains and downstream leased assets (tenant spaces) over which we have a degree of influence but limited control.

While there are no standard industry definitions of net-zero carbon for real estate, the Company has been working to build-out its own definitions, which are detailed in the full Annual Accounts which can be found via the following link: <https://www.abrdnpi.co.uk/en-gb/literature>.

This involved benchmarking the performance of each asset, modelling our future footprint including embodied and operational carbon and identifying the types of measures necessary to fully decarbonise the portfolio by 2050. From that baseline we can measure progress annually – although it won't be a straight line to net-zero. Since then, we have been actioning our net-zero strategy to improve on the baseline performance.

Transparency and Reporting

EPRA Sustainability Best Practice Recommendations Guidelines.

We have adopted the 2017 EPRA Sustainability Best Practice Recommendations Guidelines (sBPR) to inform the scope of indicators we report against. We have reported against all EPRA sBPR indicators that are

material to the Company. We also report additional data not required by the EPRA sBPR where we believe it to be relevant (e.g. like-for-like greenhouse gas emissions).

A full outline of the scope of reporting and materiality review in relation to EPRA sBPR indicators as explained above, is included in the full Annual Accounts which can be found via the following link: <https://www.abrdnpit.co.uk/en-gb/literature>.

Our ESG Priorities

Planet - Climate Change

The Company considers the risks and opportunities of climate change on the portfolio. This is one of the most material ESG components to investment performance. The Taskforce for Climate-related Financial Disclosures (TCFD) was established to provide a standardised way to disclose and assess climate-related risks and opportunities and defines two types of climate risks:

- Transition risks: those that relate to an asset, portfolio or company's ability to decarbonise. An entity can be exposed to risks as a result of carbon pricing, regulation, technological change and shifts in demand related to the transition.
- Physical risks: those that relate to an asset's vulnerability to factors such as increasing temperatures and extreme weather events as a result of climate change. Exposure to physical risks may result in, for example, direct damage to assets, rising insurance costs, health and safety or supply chain disruption.

There is still significant uncertainty and methodological immaturity in assessing climate risks and opportunities and there is not yet a widely recognised net zero carbon standard. Nonetheless, we have progressed already with work to model the implications of decarbonising the portfolio in line with a 1.5°C scenario (using the 'Carbon Risk Real Estate Monitor' (CRREM) as a real-estate specific framework to measure against) and undertaken analysis to understand potential future physical climate risks.

The full Annual Accounts (which can be found via the following link: <https://www.abrdnpit.co.uk/en-gb/literature>) provides a brief overview of our Company approach to all 11 TCFD recommendations. Whilst the company does not fall in scope of the 'Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022', the company still voluntarily follows this framework, as best practice. The disclosure outlines how the Company complies with all 11 recommendations. We expect that our reporting against TCFD recommendations will continue to evolve over time as industry methodologies improve and our own work develops further. In addition to the qualitative disclosure below, the next section provides further analysis into the work the Company has been undertaking with regards to transition risks and its net-zero carbon target.

Transition Risks: Targeting Net-Zero

Net-Zero Strategy

The Company has set a target to be net-zero for emissions associated with landlord-procured energy by 2030 and has determined that it will work with tenants to establish a reasonable and realistic target for total carbon emissions over the medium term.

The net-zero target was informed from the findings of a carbon modelling exercise undertaken in 2021 to understand its current carbon footprint, and what would be required to be net-zero by 2050. The key finding was that landlord-controlled energy (i.e. responsible for scope 1 and 2 carbon emissions) accounts for roughly 11% of the Company's carbon footprint and we have limited control over 89% of the output determined by tenants.

Our Net-Zero Principles

Although the goal of net-zero may seem clear, definitions and standards and the policy mix to support it remains immature. Accordingly, the Company has established several key principles to ensure its strategy, is robust and delivers value:

Practical:

► Asset-level action – focusing on energy efficiency and renewables is our priority to ensure compliance with energy performance regulations. Our analysis shows that meeting proposed future Energy Performance Certificate standards is a sensible stepping stone towards net-zero. This improves the quality of assets for occupiers and reduces the exposure to regulatory and market risk. Our investment in nature-based carbon removal at Far Ralla is in addition to asset-level decarbonisation.

► Timing – we aim to align improvements at our properties with existing plant replacement cycles and planned refurbishment activities wherever possible. This ensures we are not unnecessarily replacing functional plant ahead of its useful life unless necessary, which in turn reduces cost and embodied carbon.

Realistic:

- Target – long-term objectives must be stretching but deliverable and complemented by near-term targets and actions.
- Policy support – to fully decarbonise before 2050 the real estate sector requires a supportive policy mix to incentivise action and level the playing field.

Measurable:

► Clear key performance indicators at the asset and portfolio level.

Collaborative:

- Occupiers – we cannot achieve net-zero for the portfolio in isolation. We will work closely with occupiers, many of whom have their own decarbonisation strategies covering their leased space.
- Suppliers – we will work collaboratively with our suppliers including property managers and consultants in order to achieve net-zero.

Performance to Date

Baseline versus current performance:

In order to report progress against our net-zero carbon target, please see table below which splits out the carbon performance for scope 1 and 2 carbon emissions with regards to the 2030 target and Scope 3 carbon emissions for the 2050 target.

Our carbon performance for our 2019 baseline versus 2022 is shown below. We used 2019 as a baseline as it was unaffected by changes in occupancy due to COVID-19. The 2019 baseline was updated from that reported in the previous annual report due to improved data coverage and the inclusion of F-gases. Between 2019 and 2022, absolute carbon emissions for the portfolio have decreased by 32%.

This can in part be explained by sale of assets. The most useful figure to observe is the carbon intensity figure which normalises the carbon performance by floor area and shows relative performance improvements between 2019 and 2022 removing the influence of any portfolio churn. The carbon intensity for Scope 1 and 2 assets where we have data for the whole building has reduced by 34% between 2019 and 2022. For scope 3 emissions, the carbon intensity has reduced by 12%.

The reason 2023 data is not shown here, is due to later data collection periods for scope 3 which required data requests going out to all tenants during Q1 2024 to collect data for the previous year to allow time for energy invoicing to be completed.

Net target	Zero KPI	Metric	Baseline	2022	% Change
2030 Scope 1 & 2	Absolute carbon (scope 1 & 2)	tCO2e	2,102	1,426	-32%
	% of portfolio (Scope 1 & 2)	%	11%	10%	-1%
	Carbon intensity (Scope 1 & 2 whole building)	tCO2e/m2	50.57	33.30	-34%
	Carbon performance against current year CRREM target (Scope 1 & 2 whole building)	% of portfolio by value that meets CRREM Current	72%	94%	n/a
	Absolute carbon (Scope 1, 2 & 3 whole building)	tCO2e	19,375	13,935	-32%
2050 Scope 1, 2 and 3	Absolute carbon (Scope 3)	tCO2e	17,273	12,509	-28%
	% of portfolio (Scope 3)	%	89%	90%	+1%
	Carbon intensity (scope 3 whole building)	tCO2e/m2	42.32	37.21	-12%

For more information around our commitment and approach to ESG, please see our full Annual Accounts <https://www.abrdnpit.co.uk/en-gb/literature>.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board ensures that proper consideration of risk is undertaken in all aspects of the Company's business on a regular basis. During the year, the Board carried out an assessment of the risk profile of the Company, including consideration of risk appetite, risk tolerance and risk strategy. The Board regularly reviews the principal and emerging risks of the Company, seeking assurance that these risks are appropriately rated and ensuring that appropriate risk mitigation is in place.

The group and its objectives become unattractive to investors, leading to widening of the discount.

This risk has been a major concern of the Board and has been highlighted in conversations with shareholders. The discount has traded consistently at a larger discount than most of the peer group. This was one of the factors that led to a review of the Company's future.

Net revenue falls such that the Company cannot sustain its level of dividend, for example due to tenant failure, voids or increased costs.

This risk is mitigated through regular review of forecast dividend cover and of tenant mix, risk and profile. Due diligence work on potential tenants is undertaken before entering into new lease arrangements and tenants are kept under review through regular contact and various reports both from the managing agents and the Investment Manager's own reporting process.

Contingency plans are put in place at units that have tenants that are believed to be in financial trouble. The Company subscribes to the MSCI Iris Report which updates the credit and risk ranking of the tenants and income stream and compares it to the rest of the UK real estate market.

The increase in financing costs has meant the dividend has been uncovered during the year despite the strongly reversionary nature of the portfolio and forecasts of the dividend being covered in 2025 – it was felt that this was a factor contributing to the high level of the discount.

Uncertainty or change in the macroeconomic environment results in property becoming an undesirable asset class, causing a decline in property values.

This risk is managed through regular reporting from, and discussion with, the Investment Manager and other advisers, and by having a diversified property portfolio (diversified by sector and geography).

Macroeconomic conditions form part of the decision-making process for purchases and sales of properties and for sector allocation decisions.

The impact of geopolitical uncertainty and the cost-of-living crisis have resulted in inflationary pressures which have impacted both property values and the ability of tenants to pay rent.

Real estate holdings of good quality and rental growth prospects can appear more attractive at such times to offer a partial hedge against inflationary pressures.

Environmental.

Environmental risk is considered as part of each purchase and monitored on an ongoing basis by the Investment Manager. However, with extreme weather events both in the UK and globally becoming a more regular occurrence due to climate change, the impact of the environment on the property portfolio and on the wider UK economy is seen as an increasing risk.

Please see the Environmental, Social and Governance Policy section, our Taskforce for Climate-related Financial Disclosures and the Investment Manager's Review for further details on how the Company addresses

environmental risk, including climate change.

Other risks faced by the Group include the following:

- **Tax efficiency** – the structure of the Group or changes to legislation could result in the Group no longer being a tax efficient investment vehicle for shareholders.
- **Regulatory** – breach of regulatory rules could lead to the suspension of the Group's Stock Exchange Listing, financial penalties or a qualified audit report.
- **Financial** – inadequate controls by the Investment Manager or third-party service providers could lead to misappropriation of assets. Inappropriate accounting policies or failure to comply with accounting standards could lead to misreporting or breaches of regulations.
- **Operational** – failure of the Investment Manager's accounting systems or disruption to the Investment Manager's business, or that of third-party service providers, could lead to an inability to provide accurate reporting and monitoring, leading to loss of shareholder confidence.
- **Business continuity** – risks to any of the Company's service providers or properties, following a catastrophic event e.g. terrorist attack, cyber-attack, power disruptions or civil unrest, leading to disruption of service, loss of data etc.
- **Refinancing** – risk that the Company is unable to renew its existing facilities, or does so on significantly adverse terms, which does not support the current business strategy.
- **Cyber** – the risk of large-scale network disruption through various forms such as hacking, malware, phishing, DDOS, data breach or loss. In addition, Artificial Intelligence and its potential use in cyber attacks.

The Board seeks to mitigate and manage all risks through continual review, policy setting and enforcement of contractual obligations. It also regularly monitors the investment environment and the management of the Group's property portfolio, levels of gearing and the overall structure of the Group.

Details of the Group's internal controls are described in more detail in the Corporate Governance Report in the full Annual Accounts which can be found via the following link: <https://www.abrdnpit.co.uk/en-gb/literature>.

Emerging Risks

Emerging risks have been identified by the Board through a process of evaluating relatively new risks that have emerged and increased materially in the year, and subsequently, or through market intelligence are expected to grow significantly and impact the Company. Any such emerging risks are likely to cause disruption to the business model. If ignored, they could impact the Company's financial performance and prospects. Alternatively, if recognised, they could provide opportunities for transformation and improved performance.

► Future of the Company

Following the Company's Court Meeting and General Meeting held on the 27 March 2024, the Board announced that it intended to take steps to implement a Managed Wind-Down subject to approval of API shareholders at an upcoming EGM on 28 May 2024. Further information on the timeline and proposal can be found in Note 2.1 of the Financial Statements.

If shareholders vote in favour of a managed wind-down, there are several risks associated with the size, speed and method of capital distributions back to shareholders, and the maintenance of REIT status for tax purposes. Several options are being considered and will be detailed in an upcoming circular to shareholders.

Finally, there is a risk that as the Managed Wind-Down progresses, some assets prove difficult to sell and become stranded.

► Economic and Geopolitical

2024 is a year in which more than half the global population will experience local elections and there will be greater focus on the democratic process in some 70 countries. The outcome of some elections, particularly the United States, may have far reaching implications on the geo-political world order. If former President, Donald Trump, wins the US election, there is the risk that America may pursue a more isolationist and protectionist policy which may result in less military support (e.g. Ukraine), less diplomatic intervention in other conflicts such as the Middle East and more trade tariffs. Greater escalation of events could result and financial markets are likely to be volatile.

Conflict between countries is rising. Following Hamas' attack on Israel and Israel's military response in Gaza, it is uncertain yet if other countries will be drawn into the violence. The war waging between Ukraine and Russia since February 2022 has reached a stalemate, but with no settlement in sight.

Rapid inflationary pressures caused by supply side shortages generated initially by the Russian invasion of Ukraine have now subsided but inflation may continue to remain above acceptable levels and so there is an expectation that interest rates will stay "higher for longer" than originally anticipated. The impact on consumers and businesses remains to be seen, even if recessions are avoided, and increasing default rates on loans could put strain on the banking system.

Tensions are also increasing in the relationship between the United States and China which could lead to greater protectionism and a decline in global trade. In particular, the future of Taiwan is disputed and as one of the largest producers and exporters of microchips in the world could cause considerable disruption if its independence was threatened. Many Western companies are continuing to build supply chains closer to home and reduce their dependency on Asia, particularly China.

The current economic and geopolitical environment is unpredictable, and changing rapidly, and this may affect real estate valuations in the Company's portfolio.

► Climate

Climate change is happening now and its rate of change and impact on the environment will depend on the planet's success in controlling global emissions. The average surface temperature in the UK has risen by 1.2oC since pre-industrial times, and further warming is predicted. More extreme weather events are also expected in future which could cause serious damage to infrastructure and property. The extent of climate change and the necessary regulation to control it are uncertain and will continue to be monitored. A "greenlash" against climate policies is beginning to emerge and may become more evident if the Republicans win the US elections in 2024. This could derail progress against global climate targets.

► Changing Behavioural Patterns

The pandemic introduced or accelerated some structural changes to the ways that we live, work and consume and reformed our expectations of our environment and society. In particular, the trend towards flexible and home working is affecting the use of offices, with sustainability, health, wellbeing and the social impact of office use increasing in importance.

The continuing attraction of online shopping and decline in physical retailing have created challenging conditions for traditional retailers and their landlords. It is still uncertain how the role of offices and retail will develop, and they both continue to be assessed in order to protect the portfolio but also to identify new investment opportunities.

► Technology & Artificial Intelligence

Technology is rapidly changing the habits of businesses and consumers which in turn is impacting occupiers' future requirements for property and leading to greater disparity in the performance of different property sectors and also within each sector itself. Advances in technology have enabled many of the behavioural changes in the use of real estate: for example, the increased use of video conferencing by businesses has facilitated a more permanent shift to home working and could also redefine the need for office space in the future.

Robotics and automation are also altering the specifications for industrial buildings and greater use of data and advanced analytics is driving the need the data storage and data centres. Technology is also increasingly contributing to improvements in the sustainability of properties. If landlords fail to embrace technology, they may face the risk of "stranded" assets in the future.

Artificial intelligence is being adopted rapidly by businesses and jobs may change significantly as AI replaces the need for particular human activities. This will impact business models and may reduce workforce numbers, but also could generate new roles. This potentially transforming aspect of AI, in turn, will affect business' requirements for space.

Cyber-attacks are increasing in occurrence and target businesses' data, IT systems and even their physical infrastructure as buildings have become more reliant on smart technology for their daily operation. In addition, the rapid evolution of AI is potentially introducing risks that have not yet been identified or quantified.

Viability Statement

The Board has assessed the Group's viability over three years and assessed financial projections over that timeframe on the assumption that shareholders do not vote in favour of the Managed Wind-Down as further explained in Note 2.1 of the Financial Statements.

The Board has also carried out a robust assessment of the principal and emerging risks faced by the Group, as detailed above. The main risks which the Board considers will affect the business model are: future performance, solvency, liquidity, tenant failure leading to a fall in dividend cover and macroeconomic uncertainty.

The Board takes any potential risks to the ongoing success of the Group, and its ability to perform, very seriously and works hard to ensure that risks are consistent with the Group's risk appetite at all times. In assessing the Group's viability, the Board has carried out thorough reviews of the following:

- Detailed NAV, cash resources and income forecasts, prepared by the Company's Investment Manager, for a three-year period under both normal and stressed conditions;
- The Group's ability to pay its operational expenses, bank interest, tax and dividends over a three-year period;
- Future debt repayment dates and debt covenants, in particular those in relation to LTV and interest cover;
- The ability of the Company to refinance its debt facilities in April 2026;
- Demand for the Company's shares and levels of premium or discount at which the shares trade to NAV;
- Views of shareholders; and
- The valuation and liquidity of the Group's property portfolio, the Investment Manager's portfolio strategy for the future and the market outlook.

The assessment for stressed conditions used a foreseeable severe but plausible scenario which was modelled using the following assumptions:

- 25 per cent capital fall in the next 3 years
- Tenant defaults of 15 per cent for the next 3 years
- Sterling Overnight Index Average (SONIA) tracks 1.0 per cent above the anticipated forward curve

Despite the uncertainty in the UK regarding the impact of international conflict, the Board has a reasonable expectation, based on the information at the time of writing, that the Group will be able to continue in operation and meet its liabilities as they fall due over the next three years.

The Board have also assessed the Group's ability to meet its liabilities as they fall due under a Managed Wind-Down scenario. In that case, the Group may no longer be considered to be viable as it will be liquidated once the net proceeds of the wind-down have been returned to shareholders. However, the Board is satisfied that the Group will be able to meet its liabilities as they fall due over the wind-down period.

GOING CONCERN

The Group's strategy and business model, together with the factors likely to affect its future development, performance and position, including principal risks and uncertainties, are set out in the Strategic Report.

The Directors have reviewed detailed cash flow, income and expense projections in order to assess the Group's ability to pay its operational expenses, bank interest and dividends. The Directors have examined significant areas of possible financial risk including cash and cash requirements and the debt covenants, in particular those relating to LTV and interest cover.

As set out in more detail in the Chair's Statement and in Note 2.1 of the Financial Statements, following the results of the Company's Court Meeting and General Meeting held on the 27th March 2024, the Board announced that they are taking steps to implement a Managed Wind-Down subject to the approval of shareholders at an upcoming EGM on 28 May 2024. The outcome of this vote represents a material uncertainty which may cast

significant doubt on the Group's ability to continue as a going concern.

Notwithstanding this material uncertainty, the Board has concluded that it remains appropriate to continue to prepare the financial statements on a going concern basis. In reaching this conclusion, the Board has come to the view that, as the proposed change in Investment Policy is contingent on shareholder approval and the Company is considered solvent in all other regards, there is no irrevocable path to liquidation and thus going concern remains the most appropriate basis for preparation. Note 2.1 of the Financial Statements includes further details on the Board's assessment of going concern and the proposed EGM.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Group Consolidated Financial Statements for each year which give a true and fair view, in accordance with the applicable Guernsey law and those International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

In preparing those Consolidated Financial Statements, the Directors are required to:

- Select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- Make judgement and estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- State that the Group has complied with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the Group Consolidated Financial Statements; and
- Prepare the Group Consolidated Financial Statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the Group Consolidated Financial Statements.

The Directors are responsible for keeping adequate accounting records, that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time, the financial position of the Group and to enable them to ensure that the Financial Statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law and regulations.

The maintenance and integrity of the Company's website is the responsibility of the Directors through its Investment Manager; the work carried out by the auditors does not involve considerations of these matters and, accordingly, the auditors accept no responsibility for any change that may have occurred to the Consolidated Financial Statements since they were initially presented on the website. Legislation in Guernsey governing the preparation and dissemination of the consolidated financial statements may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors in respect of the Consolidated Annual Report under the Disclosure and Transparency Rules

The Directors each confirm to the best of their knowledge that:

- The Consolidated Financial Statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- The management report, which is incorporated into the Strategic Report, Directors' Report and Investment Manager's Review, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that they face.

Statement under the UK Corporate Governance Code

The Directors each confirm to the best of their knowledge and belief that the Annual Report and Consolidated Financial Statements taken as a whole are fair, balanced and understandable and provide the information necessary to assess the Group's position and performance, business model and strategy.

Approved by the Board on
29 April 2024
James Clifton-Brown
Chair

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	12 Months to 31 Dec 2023 £	12 Months to 31 Dec 2022 £
Rental income		27,552,279	26,697,931
Service charge income		4,884,357	4,411,821
Service charge expenditure		(6,354,598)	(5,576,812)
Net Rental Income		26,082,038	25,532,940
Administrative and other expenses			
Investment management fee	4	(2,632,225)	(3,480,963)
Other direct property operating expenses	4	(2,408,461)	(3,010,845)
Net Impairment gain on trade receivables	4	213,048	772,947
Fees associated with strategic review and aborted merger	4	(1,729,925)	-
Other administration expenses	4	(1,136,742)	(1,134,919)
Total administrative and other expenses		(7,694,305)	(6,853,780)
Operating profit before changes in fair value of investment properties		18,387,733	18,679,160
Valuation loss from investment properties	7	(17,989,531)	(62,257,782)
Valuation loss from land	8	(783,683)	(60,322)
Loss on disposal of investment properties	7	(279,090)	(207,153)
Operating profit/(loss)		(664,571)	(43,846,097)
Finance income	5	92,178	27,543
Finance costs	5	(7,695,508)	(3,672,685)
Loss on termination of interest rate swaps	15b	-	(3,562,248)
Loss for the year before taxation		(8,267,901)	(51,053,487)
Taxation			
Tax charge	6	-	-
Loss for the year, net of tax		(8,267,901)	(51,053,487)
Other comprehensive (loss) / income			
Movement in fair value on swap	15a	(902,534)	1,470,570
Movement in fair value on interest rate cap	15c	(789,918)	43,292
Total other comprehensive (loss)/gain		(1,692,452)	1,513,862
Total comprehensive loss for the year, net of tax		(9,960,353)	(49,539,625)
Loss per share		2023 (p)	2022 (p)
Basic and diluted loss per share	20	(2.17)	(13.11)

All items in the above Consolidated Statement of Comprehensive Income derive from continuing operations.

The notes below are an integral part of these Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2023

	Notes	31 Dec 23 £	31 Dec 22 £
Assets			
Non-current assets			
Investment properties	7	388,338,754	401,217,536
Lease incentives	7	9,306,403	8,357,036
Land	8	8,250,000	7,500,000
Interest rate cap	15c	559,671	2,211,007
Rental deposits held on behalf of tenants		895,003	751,782
		407,349,831	420,037,361
Current Assets			
Investment property held for sale	9	35,100,000	-

Trade and other receivables	11	6,101,152	7,457,083
Cash and cash equivalents	12	6,653,838	15,871,053
Interest rate swap	15a	-	1,238,197
Interest rate cap	15c	849,110	339,462
Total assets		456,053,931	444,943,156
Liabilities			
Current liabilities			
Trade and other payables	13	14,018,455	10,880,310
		14,018,455	10,880,310
Non-current liabilities			
Bank borrowings	14	141,251,910	109,123,937
Obligations under finance leases	16	1,810,120	899,572
Rental deposits due to tenants		895,003	751,782
		143,957,033	110,775,291
Total liabilities		157,975,488	121,655,601
Net assets		298,078,443	323,287,555
Equity			
Capital and reserves attributable to Company's equity holders			
Share capital	18	228,383,857	228,383,857
Treasury share reserve	18	(18,400,876)	(18,400,876)
Retained Earnings	19	-	4,382,024
Capital reserves	19	(9,660,578)	11,084,178
Other distributable reserves	19	97,756,040	97,838,372
Total equity		298,078,443	323,287,555
		2023 (p)	2022 (p)
NAV per share	22	78.2	84.8

Approved and authorised for issue by the Board of Directors on 29 April 2024 and signed on their behalf by James Clifton-Brown

The accompanying notes below are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Notes	Share Capital £	Treasury Shares £	Retained Earnings £	Capital Reserves £	Other Distributable Reserves £	Total Equity £
Opening balance 1 January 2023		228,383,857	(18,400,876)	4,382,024	11,084,178	97,838,372	323,287,555
Loss for the year		-	-	(8,267,901)	-	-	(8,267,901)
Other comprehensive loss		-	-	-	(1,692,452)	-	(1,692,452)
Total comprehensive loss for the year		-	-	(8,267,901)	(1,692,452)	-	(9,960,353)
Dividends paid	21	-	-	(15,248,759)	-	-	(15,248,759)
Valuation loss from investment properties	7	-	-	17,989,531	(17,989,531)	-	-
Valuation loss from land	8	-	-	783,683	(783,683)	-	-
Reclassified from Other distributable reserves		-	-	82,332	-	(82,332)	-
Loss on disposal of investment properties	7	-	-	279,090	(279,090)	-	-
Balance at 31 December 2023		228,383,857	(18,400,876)	4,382,024	11,084,178	97,838,372	323,287,555

For the year ended 31 December 2022

	Notes	Share Capital £	Treasury Shares £	Retained Earnings £	Capital Reserves £	Other Distributable Reserves £	Total Equity £
Opening balance 1 January 2022		228,383,857	(5,991,417)	8,521,081	72,095,573	97,838,372	300,847,466
Loss for the year		-	-	(51,053,487)	-	-	(51,053,487)
Other comprehensive income		-	-	-	1,513,862	-	1,513,862
Total comprehensive income for the period		-	-	(51,053,487)	1,513,862	-	(49,539,625)
Ordinary shares placed into treasury net of issue costs		-	(12,409,459)	-	-	-	(12,409,459)
Dividends paid	21	-	-	(15,610,827)	-	-	(15,610,827)
Valuation loss from investment properties	7	-	-	62,257,782	(62,257,782)	-	-
Valuation loss from land	8	-	-	60,322	(60,322)	-	-
Loss on disposal of investment properties	7	-	-	207,153	(207,153)	-	-
Balance at 31 December 2022		228,383,857	(18,400,876)	4,382,024	11,084,178	97,838,372	323,287,555

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2023

	Notes	12 months to 31 Dec 2023 £	12 months to 2022 £
Cash flows from operating activities			
Loss for the year before taxation		(8,267,901)	(51,053,487)
Movement in lease incentives		(984,446)	(841,398)
Movement in trade and other receivables		1,212,710	3,719,424
Movement in trade and other payables		2,353,098	(3,237,151)
Loss on termination of interest rate swaps	15b	-	3,562,248
Finance costs	5	7,695,508	3,672,685
Finance income	5	(92,178)	(27,543)
Valuation loss from investment properties	7	17,989,531	62,257,782
Valuation loss from land	8	783,683	60,322
Loss on disposal of investment properties	7	279,090	207,153
Net cash inflow from operating activities		20,969,095	18,320,035
Cash flows from investing activities			
Finance income	5	92,178	27,543
Purchase of investment properties	7	(23,986,401)	(5,501,321)
Purchase of land	8	(1,533,683)	(60,322)
Capital expenditure on investment properties	7	(21,678,721)	(13,524,813)
Net proceeds from disposal of investment properties	7	6,120,910	41,142,847
Net cash (outflow)/inflow from investing activities		(40,985,717)	22,083,934

Cash flows from financing activities	18	-	(12,409,459)
Changes brought about during the year			
Borrowing on RCF	14	63,000,000	17,000,000
Repayment of RCF	14	(6,125,621)	(17,000,000)
Repayment of expired facility	14	(110,000,000)	-
New term facility	14	85,000,000	-
Bank borrowing arrangement costs	14	-	(804,297)
Interest paid on bank borrowing	5	(7,396,815)	(2,959,023)
Receipts on interest rate SWAP		1,254,217	(473,425)
Receipts on interest rate Cap	15c	365,674	-
Swap breakage costs	15b	-	(3,562,248)
Cap arrangement fees	15c	-	(2,507,177)
Finance lease interest	5	(49,289)	(24,468)
Dividends paid to the Company's shareholders	21	(15,248,759)	(15,610,827)
Net cash inflow(outflow) from financing activities		10,799,407	(38,350,924)
Net (decrease)/increase in cash and cash equivalents in the year		(9,217,215)	2,053,045
Cash and cash equivalents at beginning of year	12	15,871,053	13,818,008
Cash and cash equivalents at end of year	12	6,653,838	15,871,053

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

abrdn Property Income Trust Limited ("the Company") and its subsidiaries (together "the Group") carries on the business of property investment through a portfolio of freehold and leasehold investment properties located in the United Kingdom. The Company is a limited liability company incorporated in Guernsey, Channel Islands. The Company has its listing on the London Stock Exchange.

The address of the registered office is
PO Box 255,
Trafalgar Court,
Les Banques,
St Peter Port,
Guernsey.

These audited Consolidated Financial Statements were approved for issue by the Board of Directors on 29 April 2024.

2. Accounting policies

2.1 Basis of preparation

The audited Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and as issued by the International Accounting Standards Board ("IASB"), and all applicable requirements of The Companies (Guernsey) Law, 2008. The audited Consolidated Financial Statements of the Group have been prepared under the historical cost convention as modified by the measurement of investment property, land and derivative financial instruments at fair value. The Consolidated Financial Statements are presented in pounds sterling and all values are not rounded except when otherwise indicated.

Assessment of Going Concern

During the second half of 2023 the Board undertook a strategic review. This review was prompted by the Board's concerns, as well as those of some shareholders about the Group's size, the lack of liquidity in its shares, the persistent discount to NAV and an uncovered dividend. The outcome of this review, following interest from other listed REITs, was that the Board recommended to shareholders that they vote in favour of a proposed merger with Custodian Property Income REIT plc ("Custodian") for the reasons outlined in various announcements to shareholders during the first quarter of 2024.

At an EGM on 27 March approximately 60% of shareholders voted in favour of the proposed merger. However, the threshold for approval of the merger was 75% so the merger did not proceed. The Board explained to shareholders that if the proposed merger was rejected, it would take the necessary actions to put the Group into a managed and orderly wind-down, selling assets and returning funds to shareholders as such funds become available. The Board is now, therefore, taking steps to initiate this process and a circular to shareholders is expected to be issued on 14 May 2024 convening another EGM towards the end of May ("wind-down EGM") at which shareholders will be asked to vote in favour of a resolution to change the Group's investment policy. The resolution (the "Wind-Down Resolution"), which if passed will trigger the wind-down process, requires a simple majority in favour of 50%. The Board will unanimously recommend that shareholders vote in favour of this resolution.

The Board has sought the advice of the Investment Manager about the likely timing and outcome for a managed wind-down. The Investment Manager has estimated a period of approximately 24 months within a range of 18-30 months. The Board is satisfied that the Group will have no material difficulty in meeting its liabilities as they fall due during the wind-down process. In particular, the Board is satisfied that the requirements of the Group's lenders can be met.

The Company is listed on the London Stock Exchange and, with a 31 December year end, is required to file its Annual Report and Financial Statements by 30 April. Therefore, this report is being issued before the outcome of the shareholder vote at the "wind-down EGM" is known. If the resolution is passed, the Group will need to prepare future financial statements on a basis other than going concern (see below). However, there can be no certainty of outcome and it is possible that over 50% of shareholders will vote against the resolution. In that case, the Group will continue to operate as normal and will also continue to prepare its financial statements on the going concern basis.

At the EGM in March approximately 40% of shareholders voted against the proposed merger with Custodian (comprising 16% of all shareholders). The Board is aware that a proportion of these shareholders are actively seeking a wind-down of the Company and are therefore likely to vote in favour of the Wind-Down Resolution. In addition, the Board notes that many shareholders (particularly tracker funds and some retail shareholders) are likely to vote in accordance with the Board's recommendations and will therefore also vote in favour of a managed wind-down. On this basis the Board considers that it is highly probable that the Wind-Down Resolution will be passed. However, there can be no certainty because of the large proportion of shareholders on the register whose voting intentions cannot be ascertained and the large proportion of shareholders who did not vote at the EGM on 27 March. If the vote is not successful, then the Group would continue in its current form and would follow its current Investment Policy.

The Directors have considered the requirements in the IASB Conceptual Framework para 3.9 and in International Accounting Standards 1 ("IAS1") para 25 in relation to going concern. Given the considerations above, there is, therefore a material uncertainty related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. The Directors note that if shareholders vote in favour of a managed wind down the Group will have an intention to enter liquidation and will have no realistic alternative but to do so even if it is likely that the liquidation itself may not arise for over a year. In those circumstances the Group will not be able to use the going concern basis even though it will be able to meet its liabilities as they fall due over the wind-down period.

The Group is currently a going concern, able to meet its liabilities as they fall due over the going concern horizon of 12 months from the date of this report. It is also able to meet its liabilities as they fall due in the event that it enters into a managed wind-down process. The Board therefore considers that it is appropriate to prepare financial statement on the going concern basis disclosing the material uncertainty in relation to going concern arising from the shareholder vote at the wind-down EGM.

Changes in accounting policy and disclosure.

The following amendments to existing standards and interpretations were effective for the year, but were deemed not applicable to the Group:

- ▶ Amendments to IFRS 17 Insurance Contracts, Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction, and Amendments to IAS 12 Income Taxes – International tax Reform.

The following amendments to existing standards and interpretations were effective for the year and have been adopted by the Company:

- ▶ Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

- ▶ Amendments to IAS 8 – Definition of Accounting Estimates.

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective. The Group will consider these amendments in due course to see if they will have any impact on the Group.

- ▶ Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current
- ▶ Amendments to IAS 1 Presentation of Financial Statements – Non-current Liabilities with Covenants

The amendments change the requirements in IAS 1.

- ▶ Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements

The amendments add a disclosure objective stating that an entity is required to disclose information about its supplier finance arrangements as part of its exposure to concentration of liquidity risk.

- ▶ Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

2.2 Significant accounting judgements, estimates and assumptions

The preparation of the Group's Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainties about these assumptions and estimates particularly if a managed wind-down is voted for by shareholders, could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. The most significant estimates and judgements are set out below. There were no critical accounting judgements.

Fair value of investment properties

Investment properties are stated at fair value as at the Balance Sheet date. Gains or losses arising from changes in fair values are included in the Consolidated Statement of Comprehensive Income in the year in which they arise. The fair value of investment properties is determined by external real estate valuation experts using recognised valuation techniques. The fair values are determined having regard to any recent real estate transactions where available, with similar characteristics and locations to those of the Group's assets.

In most cases however, the determination of the fair value of investment properties requires the use of valuation models which use a number of judgements and assumptions. The only model used was the income capitalisation method. Under the income capitalisation method, a property's fair value is judged based on the normalised net operating income generated by the property, which is divided by the capitalisation rate (discounted by the investor's rate of return). Under the income capitalisation method, over (above market rent) and under-rent situations are separately capitalised (discounted).

The sensitivity analysis in note 7 details the decrease in the valuation of investment properties if equivalent yield increases by 50 basis points or rental rates (ERV) decreases by 5%.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the Consolidated Balance Sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair value. The judgements include considerations of liquidity and model inputs such as credit risk (both own and counterparty's), correlation and volatility.

Changes in assumptions about these factors could affect the reported fair value of financial instruments. The models are calibrated regularly and tested for validity using prices from any observable current market transactions in the same instrument (without modification or repackaging) or based on any available observable market data.

The valuation of interest rate swaps and caps used in the Balance Sheet is provided by The Royal Bank of Scotland. These values are validated by comparison to internally generated valuations prepared using the fair value principles outlined above. The sensitivity analysis in note 3 details the increase and decrease in the valuation of interest rate swaps and caps if market rate interest rates had been 100 basis points higher and 100 basis points lower.

2.3 Summary of material accounting policies

As described in note 2.1, the Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practical Statement 2) from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The Directors have reviewed the accounting policies and are satisfied that the information previously disclosed as part of their 'significant' accounting policies fulfils the definitions of 'material' under the amended standards – as such there has been no change to the summary of accounting policies below in the current year.

A Basis of consolidation

The audited Consolidated Financial Statements comprise the financial statements of abrdn Property Income Trust Limited, and its material wholly owned subsidiary undertakings.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with subsidiaries and has the ability to affect those returns through its power over the subsidiary. Specifically, the Group controls a subsidiary if, and only if, it has:

- Power over the subsidiary (i.e. existing rights that give it the current ability to direct the relevant activities of the subsidiary)
- Exposure, or rights, to variable returns from its involvement with the subsidiary
- The ability to use its power over the subsidiary to affect its returns

The Group assesses whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

B Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Consolidated Financial Statements are presented in pound sterling, which is also the Company's functional currency.

C Revenue recognition

Revenue is recognised as follows:

i) Bank interest

Bank interest income is recognised on an accruals basis.

ii) Rental income

Rental income from operating leases is net of sales taxes and value added tax ("VAT") recognised on a straight-line basis over the lease term including lease agreements with stepped rent increases. The initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income. The cost of any lease incentives provided are recognised over the lease term, on a straight-line basis as a reduction of rental income. The resulting asset is reflected as a receivable in the Consolidated Balance Sheet.

Contingent rents, being those payments that are not fixed at the inception of the lease, for example increases arising on rent reviews, are recorded as income in periods when they are earned. Rent reviews which remain outstanding at the year-end are recognised as income, based on estimates, when it is reasonable to assume that they will be received.

iii) Other income

The Group is classified as the principal in its contract with the managing agent. Service charges billed to tenants by the managing agent are therefore recognised gross.

iv) Grant Income

Government grants that relate to the Group's assets are accounted for as a reduction in the cost of the asset to which they relate. They are only recognised when there is both reasonable assurance that the Group will comply with all material conditions attached to the grant and that the grant will be received.

v) Property disposals

Where revenue is obtained by the sale of properties, it is recognised once the sale transaction has been completed, regardless of when contracts have been exchanged.

D Expenditure

All expenses are accounted for on an accruals basis. The investment management and administration fees, finance and all other revenue expenses are charged through the Consolidated Statement of Comprehensive Income as and when incurred. The Group also incurs capital expenditure which can result in movements in the capital value of the investment properties.

E Taxation

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax relating to items recognised directly in other comprehensive income or in equity is recognised in other comprehensive income and in equity respectively, and not in the income statement. Positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation, if any, are reviewed periodically and provisions are established where appropriate.

The Group recognises liabilities for current taxes based on estimates of whether additional taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax provisions in the period in which the determination is made.

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. In determining the expected manner of realisation of an asset the Directors consider that the Group will recover the value of investment property through sale. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

F Investment property

Investment properties comprise completed property and property under construction or re-development that is held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when the definition of an investment property is met.

Investment properties are measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties are stated at fair value. Fair value is based upon the market valuation of the properties as provided by the external valuers as described in note 2.2. Gains or losses arising from changes in the fair values are included in the Consolidated Statement of Comprehensive Income in the year in which they arise.

For the purposes of these financial statements, in order to avoid double counting, the assessed fair value is:

- Reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments.
- Increased by the carrying amount of any liability to the superior leaseholder or freeholder (for properties held by the Group under operating leases) that has been recognised in the Balance Sheet as a finance lease obligation.

Acquisitions of investment properties are considered to have taken place on exchange of contracts unless there are significant conditions attached. For conditional exchanges acquisitions are recognised when these conditions are satisfied. Investment properties are derecognised when they have been disposed of and no future economic benefit is expected from their disposal. Any gains or losses on the disposal of investment properties are recognised in the Consolidated Statement of Comprehensive Income in the year of retirement or disposal.

Gains or losses on the disposal of investment properties are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period financial statements.

G Investment properties held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value (except for investment property measured using fair value model).

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

H Land

The Group's land is capable of woodland creation and peatland restoration projects which would materially assist the Group's transition to Net Zero.

Land is initially measured at cost including transaction costs. Transaction costs include transfer taxes and professional fees for legal services. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Land is not depreciated but instead, subsequent to initial recognition, recognised at fair value based upon periodic valuations provided by the external valuers. Gains or losses arising from changes in the fair values are included in the Consolidated Statement of Comprehensive Income in the year in which they arise.

I Trade and other receivables

Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account, and the amount of the expected credit loss is recognised in the Consolidated Statement of Comprehensive Income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the Consolidated Statement of Comprehensive Income.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

A provision for impairment of trade receivables is established where the Property Manager has indicated concerns over the recoverability of arrears based upon their individual assessment of all outstanding balances which incorporates forward looking information. Given this detailed approach, a collective assessment methodology applying a provision matrix to determine expected credit losses is not used.

The amount of the provision is recognised in the Consolidated Balance Sheet and any changes in provision recognised in the Statement of Comprehensive Income.

J Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits, and other short-term highly liquid investments readily convertible within three months or less to known amounts of cash and subject to insignificant risk of changes in value.

K Borrowings and interest expense

All loans and borrowings are initially recognised at the fair value of the consideration received, less issue costs where applicable. After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on settlement. Borrowing costs are recognised within finance costs in the Consolidated Statement of Comprehensive Income as incurred.

L Accounting for derivative financial instruments and hedging activities

Interest rate hedges are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedging transactions. The Group also documents its assessment both at hedge inception and on an ongoing basis of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income in the Consolidated Statement of Comprehensive Income. The gains or losses relating to the ineffective portion are recognised in operating profit in the Consolidated Statement of Comprehensive Income.

Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expenses are recognised.

When a derivative is held as an economic hedge for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current consistent with the classification of the underlying item. A derivative instrument that is a designated and effective hedging instrument is classified consistent with the classification of the underlying hedged item.

M Service charge

IFRS15 requires the Group to determine whether it is a principal or an agent when goods or services are transferred to a customer. An entity is a principal if the entity controls the promised good or service before the entity transfers the goods or services to a customer. An entity is an agent if the entity's performance obligation is to arrange for the provision of goods and services by another party.

Any leases entered into between the Group and a tenant require the Group to provide ancillary services to the tenant such as maintenance works etc, therefore these service charge obligations belong to the Group. However, to meet this obligation the Group appoints a managing agent, Jones Lang Lasalle Inc "JLL" and directs it to fulfil the obligation on its behalf. The contract between the Group and the managing agent creates both a right to services and the ability to direct those services. This is a clear indication that the Group operates as a principal and the managing agent operates as an agent. Therefore, it is necessary to recognise the gross service charge revenue and expenditure billed to tenants as opposed to recognising the net amount.

N Other financial liabilities

Trade and other payables are recognised and carried at invoiced value as they are considered to have payment terms of 30 days or less and are not interest bearing. The balance of trade and other payables are considered to meet the definition of an accrual and have been expensed through the Income Statement or Balance Sheet depending on classification. VAT payable at the Balance Sheet date will be settled within 31 days of the Balance Sheet date with Her Majesty's Revenue and Customs ("HMRC") and deferred rental income is rent that has been billed to tenants but relates to the period after the Balance Sheet date. Rent deposits recognised in note 13 as current are those that are due within one year as a result of upcoming tenant expiries.

3. Financial Risk Management

The Group's principal financial liabilities are loans and borrowings. The main purpose of the Group's loans and borrowings is to finance the acquisition and development of the Group's property portfolio. The Group has rent and other receivables, trade and other payables and cash and short-term deposits that arise directly from its operations.

The Group is exposed to market risk (including interest rate risk and real estate risk), credit risk, liquidity risk and capital risk. The Group is not exposed to currency risk or price risk. The Group is engaged in a single segment of business, being property investment in one geographical area, the United Kingdom. Therefore the Group only engages in one form of currency being pound sterling.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Market risk

Market risk is the risk that the fair values of financial instruments will fluctuate because of changes in market prices. The financial instruments held by the Group that are affected by market risk are principally the interest rate swap (which ended 27 April 2023) and the interest rate cap (which commenced 27 April 2023).

i) Interest Rate risk

As described below the Group invests cash balances with RBS, Citibank and Barclays. These balances expose the Group to cash flow interest rate risk as the Group's income and operating cash flows will be affected by movements in the market rate of interest. There is considered to be no fair value interest rate risk in regard to these balances.

The bank borrowings as described in note 14 also expose the Group to cash flow interest rate risk. The Group's policy has historically been to manage its cash flow interest rate risk using interest rate derivatives (see note 15). The Group has floating rate borrowings of £141,874,379; £85,000,000 of these borrowings has been fixed via an interest rate cap.

The fair value of the interest rate swap is exposed to changes in the market interest rate as their fair value is calculated as the present value of the estimated future cash flows under the agreements. The accounting policy for recognising the fair value movements in the interest rate swaps is described in note 2.3 L.

The Group completed an extension of its debt facilities that were due to expire in April 2023 with new floating rate borrowings of £85,000,000 commencing on the same day as the existing facility ended. As discussed further in note 15, the Group initially sought to manage its cash flow interest rate risk using an interest rate swap. Due to subsequent changes in the interest rate environment, the Group took the decision to break the swap and replace this with an interest rate cap limiting the floating rate exposure to 3.959%.

Trade and other receivables and trade and other payables are interest free and have settlement dates within one year and therefore are not considered to present a fair value interest rate risk. The tables below set out the carrying amount of the Company's financial instruments excluding the amortisation of borrowing costs as outlined in note 14.

As at 31 December 2023	Fixed rate £	Variable rate £	Interest rate £
Cash and cash equivalents	-	6,653,838	0.000%
Bank borrowings	85,000,000	56,874,379	5.459%
As at 31 December 2022	Fixed rate £	Variable rate £	Interest rate £
Cash and cash equivalents	-	15,871,053	0.000%
Bank borrowings	110,000,000	-	2.725%

At 31 December 2023, if market rate interest rates had been 100 basis points higher, which is deemed appropriate given historical movements in interest rates, with all other variables held constant, the profit for the year would have been £66,538 higher (2022: £158,711 higher) as a result of the higher interest income on cash and cash equivalents. Other Comprehensive Income and the Capital Reserve would have been £1,120,407 higher (2022: £1,753,510 higher) as a result of an increase in the fair value of the derivative designated as a cash flow hedge of floating rate borrowings.

At 31 December 2023, if market rate interest rates had been 100 basis points lower with all other variables held constant, the profit for the year would have been £66,538 lower (2022: £158,711 lower) as a result of the lower interest income on cash and cash equivalents. Other Comprehensive Income and the Capital Reserve would have been £781,333 lower (2022: £1,404,933 lower) as a result of a decrease in the fair value of the derivative designated as a cash flow hedge of floating rate borrowings.

ii) Real estate risk

The Group has identified the following risk associated with the real estate portfolio. The risks following, in particular b and c and also credit risk have remained high given the ongoing cost of living crisis and the resultant effect on tenants' ability to pay rent:

a) The cost of any development schemes may increase if there are delays in the planning process given the inflationary environment. The Group uses advisers who are experts in the specific planning requirements in the scheme's location in order to reduce the risks that may arise in the planning process.

b) major tenants may become insolvent causing a significant loss of rental income and a reduction in the value of the associated property (see also credit risk below). To reduce this risk, the Group reviews the financial status of all prospective tenants and decides on the appropriate level of security required via rental deposits or guarantees.

c) The exposure of the fair values of the portfolio to market and occupier fundamentals. The Group aims to manage such risks by taking an active approach to asset management (working with tenants to extend leases and minimise voids), capturing profit (selling when the property has delivered a return to the Group that the Group believes has been maximised and the proceeds can be reinvested into more attractive opportunities) and identifying new investments (generally at yields that are accretive to the revenue account and where the Group believes there will be greater investment demand in the medium term).

Credit risk

Credit risk is the risk that a counterparty will be unable to meet a commitment that it has entered into with the Group. In the event of default by an occupational tenant, the Group will suffer a rental income shortfall and incur additional related costs. The Investment Manager regularly reviews reports produced by Dun and Bradstreet and other sources, including the MSCI IRIS report, to be able to assess the credit worthiness of the Group's tenants and aims to ensure that there are no excessive concentrations of credit risk and that the impact of default by a tenant is minimised. In addition to this, the terms of the Group's bank borrowings require that the largest tenant accounts for less than 20% of the Group's total rental income, that the five largest tenants account for less than 50% of the Group's total rental income and that the ten largest tenants account for less than 75% of the Group's total rental income. The maximum credit risk from the tenant arrears of the Group at the financial year end was £3,741,772 (2022: £4,713,145) as detailed in note 11. The Investment Manager also has a detailed process to identify the expected credit loss from tenants who are behind with rental payments.

This involves a review of every tenant who owes money with the Investment Manager using their own knowledge and communications with the tenant to assess whether a provision should be made. This resulted in the provision for bad debts decreasing to £832,240 at the year-end (2022: £2,137,972) after write-offs.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty bank with a maximum exposure equal to the carrying value of these instruments. As at 31 December 2023 £316,737 (2022: £6,481,061) was placed on deposit with The Royal Bank of Scotland plc ("RBS"), £242,900 (2022: £786,166) was held with Citibank and £6,094,201 (2022: £8,603,826) was held with Barclays.

The credit risk associated with the cash deposits placed with RBS is mitigated by virtue of the Group having a right to off-set the balance deposited against the amount borrowed from RBS should RBS be unable to return the deposits for any reason. Citibank is rated A-2 Stable by Standard & Poor's and P-2 Stable by Moody's. RBS is rated A-1 Stable by Standard & Poor's and P-1 Stable by Moody's. Barclays Bank UK is rated A-1 Stable by Standard & Poor's and P-1 Stable by Moody's.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in realising assets or otherwise raising funds to meet financial commitments. The investment properties in which the Group invests are not traded in an organised public market and may be illiquid. As a result, the Group may not be able to liquidate its investments in these properties quickly at an amount close to their fair value in order to meet its liquidity requirements.

The following table summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

The disclosed amounts for interest-bearing loans and interest rate swaps in the below table are the estimated net undiscounted cash flows.

The Group's liquidity position is regularly monitored by management and is reviewed quarterly by the Board of Directors

Year ended 31 December 2023	On demand £	12 months £	1 to 5 years £	>5 years £	Total £
Interest-bearing loans	-	8,442,998	152,428,127	-	160,871,125
Trade and other payables	7,514,629	52,450	209,800	5,140,100	12,916,979
Rental deposits due to tenants	-	299,124	713,058	181,945	1,194,127
	7,514,629	8,794,572	153,350,985	5,322,045	174,982,231

Year ended 31 December 2022	On demand £	12 months £	1 to 5 years £	>5 years £	Total £
Interest-bearing loans	-	29,462,608	94,425,183	-	123,887,791
Trade and other payables	5,284,559	26,068	104,271	2,580,717	7,995,615
Rental deposits due to tenants	-	257,899	508,736	243,046	1,009,681
	5,284,559	29,746,575	95,038,190	2,823,763	132,893,087

Capital Risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, buy back existing shares, increase or decrease borrowings or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by gross assets and has a limit of 65% set by the Articles of Association of the Company. Gross assets are calculated as non-current and current assets, as shown in the Consolidated Balance Sheet.

The gearing ratios at 31 December 2023 and at 31 December 2022 were as follows:

	2023 £	2022 £
Total borrowings (excluding unamortised arrangement fees)	141,874,379	110,000,000
Gross assets	456,053,931	444,943,156
Gearing ratio (must not exceed 65%)	31.11%	24.72%

The Group also monitors the Loan-to-value ratio which is calculated as gross borrowings less cash divided by portfolio valuation. As at 31 December 2023 this was 30.7% (2022: 22.6%).

Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements at amortised cost.

	Carrying amount		Fair Value	
	2023 £	2022 £	2023 £	2022 £
Financial Assets				
Cash and cash equivalents	6,653,838	15,871,053	6,653,838	15,871,053
Trade and other receivables	6,101,152	7,457,083	6,101,152	7,457,083
Financial liabilities				
Bank borrowings	141,251,910	109,123,937	144,957,576	109,580,566
Trade and other payables	8,217,588	6,564,852	8,217,588	6,564,852

In addition to the above, the Group's financial instruments also include an Interest rate swap and Interest rate cap. These have not been included in the disclosure above as these are already held at fair value. The fair value of trade receivables and payables are materially equivalent to their amortised cost.

The fair value of the financial assets and liabilities are included at an estimate of the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used to estimate the fair value:

- Cash and cash equivalents, trade and other receivables and trade and other payables are the same as fair value due to the short-term maturities of these instruments. Trade and other receivables/payables are measured in reference to contractual amounts due to/from the Group. These contractual amounts are directly observable.
- The fair value of the Right of use asset/Obligation under finance lease represents the ground rent liability associated with Leasehold properties. Their fair value is assessed with direct reference to the regular payments made under the ground rent and interest rates associated with the Group's debt financing.
- The fair value of bank borrowings is estimated by discounting future cash flows using rates currently available for debt on similar terms and remaining maturities. The fair value approximates their carrying values gross of unamortised transaction costs. This is considered as being valued at level 2 of the fair value hierarchy and has not changed level since 31 December 2022.
- The fair value of rental deposit liabilities is the same as the current value as the monies owed are held in separate bank accounts.
- The fair values of the interest rate swap and cap contracts are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument. This is considered as being valued at level 2 of the fair value hierarchy and has not changed level since 31 December 2022. The definition of the valuation techniques are explained in the significant accounting judgements, estimates and assumptions above.

The table below shows an analysis of the fair values of financial assets and liabilities recognised in the Balance Sheet by the level of the fair value hierarchy:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Year ended 31 December 2023	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Trade and other receivables	-	6,101,152	-	6,101,152
Cash and cash equivalents	6,653,838	-	-	6,653,838
Interest rate cap	-	1,408,781	-	1,408,781

Rental deposits held on behalf of tenants	895,003	1,810,120	-	1,895,003
Right of use asset	7,548,841	9,320,053	-	16,868,894

Financial liabilities

Trade and other payables	-	8,217,588	-	8,217,588
Bank borrowings	-	144,957,576	-	144,957,576
Obligation under finance leases	-	1,810,120	-	1,810,120
Rental deposits held on behalf of tenants	895,003	-	-	895,003
	895,003	154,985,284	-	155,880,287
Year ended 31 December 2022	Level 1	Level 2	Level 3	Total fair value

Financial assets

Trade and other receivables	-	7,457,083	-	7,457,083
Cash and cash equivalents	15,871,053	-	-	15,871,053
Interest rate swap	-	1,238,197	-	1,238,197
Interest rate cap	-	2,550,469	-	2,550,469
Rental deposits held on behalf of tenants	751,782	-	-	751,782
Right of use asset	-	899,572	-	899,572
	16,622,835	12,145,321	-	28,768,156

Financial liabilities

Trade and other payables	-	6,564,852	-	6,564,852
Bank borrowings	-	109,580,566	-	109,580,566
Obligation under finance leases	-	899,572	-	899,572
Rental deposits held on behalf of tenants	751,782	-	-	751,782
	751,782	117,044,990	-	117,796,772

4. Administrative and Other Expenses

	Notes	2023 £	2022 £
Investment management fees		2,632,225	3,480,963
Other direct property expenses			
Vacant Costs (excluding void service charge) *		1,217,722	600,561
Repairs and maintenance		418,360	1,740,937
Letting fees		405,684	431,534
Other costs		366,695	237,813
Total Other direct property expenses		2,408,461	3,010,845
Net Impairment gain on trade receivables **		(213,048)	(772,947)
Fees associated with strategic review and aborted merger		1,729,925	-
Other administration expenses			
Directors' fees and subsistence	23	239,436	247,603
Valuer's fees		75,524	94,256
Auditor's fees		192,700	131,280
Marketing		222,893	226,782
Other administration costs		406,189	434,998
Total Other administration expenses		1,136,742	1,134,919
Total Administrative and other expenses		7,694,305	6,853,780

* Void Service charge costs for the year amounted to £1,470,241 (2022: £1,164,991). These have been reclassified as Service charge expenditure as noted below.

** In the prior year, impairment gains/(losses) on trade receivables (2022: gain of £852,062) were disclosed separately to amounts written-off in the period (2022: £79,115). The disclosure has been simplified in the current year – see Note 11 for further information on amounts written-off in the period.

	2023 £	2022 £
Total service charge billed to tenants	4,731,793	4,492,780
Service charge due from/(to) tenants	152,564	(80,959)
Service charge income	4,884,357	4,411,821

Total service charge expenditure incurred	4,884,357	4,411,821
Service charge incurred in respect of void units	1,470,241	1,164,991
Service charge expenditure	6,354,598	5,576,812

Investment management fees

From 1 July 2019, under the terms of the IMA the Investment Manager was entitled to investment management fees of 0.70% of total assets up to £500 million; and 0.60% of total assets in excess of £500 million. The Group agreed a 10bps reduction in the fee effective from 1 January 2023; 0.60% of total assets up to £500m, and 0.50% of total assets in excess of £500 million. The total fees charged for the year amounted to £2,632,225 (2022: £3,480,963). The amount due and payable at the year-end amounted to £1,312,401 excluding VAT (2022: £742,952 excluding VAT). In addition the Company paid the Investment Manager a sum of £184,750 excluding VAT (2022: £184,750 excluding VAT) to participate in the Managers marketing programme and Investment Trust share plan. On 12 October 2023, the Board served notice on the Investment Management Agreement. In the event that the Managed Wind-Down is approved by Shareholders, it is proposed that a new agreement (and fee structure) will be signed with the Investment Manager.

Administration, secretarial and registrar fees

On 19 December 2003 Northern Trust International Fund Administration Services (Guernsey) Limited ("Northern Trust") was appointed administrator, secretary and registrar to the Group. Northern Trust is entitled to an annual fee, payable quarterly in arrears, of £65,000. Northern Trust is also entitled to reimbursement of reasonable out of pocket expenses. Total fees and expenses charged for the year amounted to £70,325 (2022: £65,000). The amount due and payable at the year-end amounted to £32,500 (2022: £32,500).

Valuers fee

Knight Frank LLP ("the Valuers"), external international real estate consultants, was appointed as valuers in respect of the assets comprising the property portfolio. The total valuation fees charged for the year amounted to £75,524 (2022: £94,256). The total valuation fee comprises a base fee for the ongoing quarterly valuation, and a one-off fee on acquisition of an asset. The amount due and payable at the year-end amounted to £18,665 excluding VAT (2022: £17,687 excluding VAT).

The annual fee is equal to 0.017 percent of the aggregate value of property portfolio paid quarterly.

Auditor's fee

At the year-end date Deloitte LLP continued as independent auditor of the Group. The audit fees for the year amounted to £192,700 (2022: £131,280) and relate to audit services provided for the 2023 financial year. Deloitte LLP did not provide any non-audit services in the year (2022: nil).

Fees associated with strategic review and aborted merger

As described in more detail in note 2.1, the Board undertook a strategic review during the second half of 2023 after concerns over the Company's size, liquidity, persistent discount to NAV and dividend cover. The outcome of this review, following interest from other listed REITs, was that the Board recommended to shareholders that they vote in favour of a proposed merger with Custodian REIT. The costs associated with the initial Rule 2.7 announcement (including advisor, due diligence and valuation fees) were £2,041,248 of which £1,729,925 was accrued and unpaid at 31 December 2023 based on levels of work in progress (WIP). These fees do not include any costs associated with the subsequent approach from Urban Logistics or proposed managed and orderly wind-down following the EGM on 27 March 2024 (see note 26).

5. Finance income and costs

	2023 £	2022 £
Interest income on cash and cash equivalents	92,178	27,543
Finance income	92,178	27,543
Interest expense on bank borrowings	8,119,398	3,251,500
Non-utilisation charges on facilities	198,314	308,582
Receipt on interest rate swap	(911,184)	(116,700)
Receipt on interest rate caps	(578,933)	-
Amortisation of premium paid for interest rate cap	565,030	-
Amortisation of arrangement costs (see note 14)	253,594	204,835
Finance lease interest	49,289	24,468
Finance costs	7,695,508	3,672,685

Of the finance costs above, £1,959,463 of the interest expense on bank borrowings were accruals at 31 December 2023 and included in Trade and other payables.

6. Taxation

UK REIT Status

The Group migrated tax residence to the UK and elected to be treated as a UK REIT with effect from 1 January 2015. As a UK REIT, the income profits of the Group's UK property rental business are exempt from corporation tax as are any gains it makes from the disposal of its properties, provided they are not held for trading or sold within three years of completion of development. The Group is otherwise subject to UK corporation tax at the prevailing rate.

As the principal company of the REIT, the Company is required to distribute at least 90% of the income profits of the Group's UK property rental business. There are a number of other conditions that are also required to be met by the Company and the Group to maintain REIT tax status. These conditions were met in the period and the Board intends to conduct the Group's affairs such that these conditions continue to be met for the foreseeable future.

Accordingly, deferred tax is not recognised on temporary differences relating to the property rental business.

The Company and its Guernsey subsidiary have obtained exempt company status in Guernsey so that they are exempt from Guernsey taxation on income arising outside Guernsey and bank interest receivable in Guernsey.

A reconciliation between the tax charge and the product of accounting profit multiplied by the applicable tax rate for the year ended 31 December 2023 and 2022 is as follows:

	2023 £	2022 £
Loss before tax	(8,267,901)	(51,053,487)
Tax calculated at blended UK statutory corporation tax rate of 23.5% (2022: 19%)	(1,942,957)	(9,700,163)
UK REIT exemption on net income	(2,534,334)	(2,179,636)
Valuation loss in respect of investment properties not subject to tax	4,477,291	11,879,799
Current income tax charge	-	-

* Calculated as a blended average of 23.5% being 3 months at the prevailing 19%, and 9 months at 25%.

7. Investment Properties

	UK Industrial 2023 £	UK Office 2023 £	UK Retail 2023 £	UK Other 2023 £	Total 2023 £
Market value at 1 January	227,525,000	88,450,000	53,550,000	39,150,000	408,675,000
Purchase of investment properties	4,367,140	-	19,619,261	-	23,986,401
Capital expenditure on investment properties	17,394,611	3,658,739	624,029	1,342	21,678,721
Opening market value of disposed investment properties	(6,400,000)	-	-	-	(6,400,000)
Valuation loss from investment properties	6,062,225	(19,490,769)	(1,360,741)	(3,200,246)	(17,989,531)
Movement in lease incentives	1,121,061	(42,970)	(42,549)	(51,096)	984,446
Market value at 31 December	250,070,037	72,575,000	72,390,000	35,900,000	430,935,037
Investment property recognised as held for sale	(19,750,000)	(15,350,000)	-	-	(35,100,000)
Market value net of held for sale at 31 December	230,320,037	57,225,000	72,390,000	35,900,000	395,835,037
Right of use asset recognised on leasehold properties	-	1,810,120	-	-	1,810,120
Adjustment for lease incentives	(5,957,199)	(1,943,609)	(846,233)	(559,362)	(9,306,403)
Carrying value at 31 December	224,362,838	57,091,511	71,543,767	35,340,638	388,338,754

The valuations were performed by Knight Frank LLP, acting in the capacity of a valuation adviser to the AIFM, accredited external valuers with recognised and relevant professional qualifications and recent experience of the location and category of the investment properties being valued. The valuation model in accordance with Royal Institute of Chartered Surveyors ('RICS') requirements on disclosure for Regulated Purpose Valuations has been applied (RICS Valuation - Global Standards, which incorporate the International Valuation Standards). These valuation models are consistent with the principles in IFRS 13. The market value provided by Knight Frank at the year-end was £430,935,037 (2022: £408,675,000) however an adjustment has been made for lease incentives of £9,248,902 (2022: £8,357,036) that are already accounted for as an asset. In addition, as required under IFRS 16, a right of use asset of £1,810,120 has been recognised in respect of the present value of future ground rents. As required under IFRS 16 an amount of £1,810,120 has also been recognised as an obligation under finance leases in the balance sheet. Valuation gains and losses from investment properties are recognised in the Consolidated Statement of Comprehensive Income for the period and are attributable to changes in unrealised gains or losses relating to investment properties held at the end of the reporting period.

	UK Industrial 2022 £	UK Office 2022 £	UK Retail 2022 £	UK Other 2022 £	Total 2022 £
Market value at 1 January	273,565,250	126,275,000	56,525,000	36,050,000	492,415,250
Purchase of investment properties	91,859	-	-	5,409,462	5,501,321
Capital expenditure on investment properties	9,375,227	4,117,846	31,740	-	13,524,813
Opening market value of disposed investment properties	(20,450,000)	(20,900,000)	-	-	(41,350,000)
Valuation loss from investment properties	(35,924,164)	(20,993,533)	(3,087,334)	(2,252,751)	(62,257,782)
Movement in lease incentives	866,828	(49,313)	80,594	(56,711)	841,398
Market value at 31 December	227,525,000	88,450,000	53,550,000	39,150,000	408,675,000
Right of use asset recognised on leasehold properties	-	899,572	-	-	899,572
Adjustment for lease incentives	(4,871,218)	(1,986,578)	(888,782)	(610,458)	(8,357,036)
Carrying value at 31 December	222,653,782	87,362,994	52,661,218	38,539,542	401,217,536

In the Cash Flow Statement, proceeds from disposal of investment properties comprise:

	2023 £	2022 £
Opening market value of disposed investment properties	6,400,000	41,350,000
Loss on disposal of investment properties	(279,090)	(207,153)
Net proceeds from disposal of investment properties	6,120,910	41,142,847

Valuation Methodology

The fair value of completed investment properties are determined using the income capitalisation method.

The income capitalisation method is based on capitalising the net income stream at an appropriate yield. In establishing the net income stream the valuers have reflected the current rent (the gross rent) payable to lease expiry, at which point the valuer has assumed that each unit will be re-let at their opinion of ERV. The valuers have made allowances for voids where appropriate, as well as deducting non recoverable costs where applicable. The appropriate yield is selected on the basis of the location of the building, its quality, tenant credit quality and lease terms amongst other factors.

No properties have changed valuation technique during the year. At the Balance Sheet date the income capitalisation method is appropriate for valuing all assets.

The Company appoints suitable valuers (such appointment is reviewed on a periodic basis) to undertake a valuation of all the direct real estate investments on a quarterly basis. The valuation is undertaken in accordance with the then current RICS guidelines and requirements as mentioned earlier.

The Investment Manager meets with the valuers on a quarterly basis to ensure the valuers are aware of all relevant information for the valuation and any change in the investment over the quarter. The Investment Manager then reviews and discusses the draft valuations with the valuers to ensure correct factual assumptions are made.

The management group that determines the Company's valuation policies and procedures for property valuations is the Property Valuation Committee. The Committee reviews the quarterly property valuation reports produced by the valuers (or such other person as may from time to time provide such property valuation services to the Company) before its submission to the Board, focusing in particular on:

- significant adjustments from the previous property valuation report;
- reviewing the individual valuations of each property;
- compliance with applicable standards and guidelines including those issued by RICS and the FCA Listing Rules;
- reviewing the findings and any recommendations or statements made by the valuer;
- considering any further matters relating to the valuation of the properties.

The Chair of the Committee makes a brief report of the findings and recommendations of the Committee to the Board after each Committee meeting. The minutes of the Committee meetings are circulated to the Board. The Chair submits an annual report to the Board summarising the Committee's activities during the year and the related significant results and findings.

The table below outlines the valuation techniques and inputs used to derive Level 3 fair values for each class of investment properties. The table includes:

- The fair value measurements at the end of the reporting period.
- The level of the fair value hierarchy (e.g. Level 3) within which the fair value measurements are categorised in their entirety.
- A description of the valuation techniques applied.
- Fair value measurements, quantitative information about the significant unobservable inputs used in the fair value measurement.
- The inputs used in the fair value measurement, including the ranges of rent charged to different units within the same building.

As noted above, all investment properties listed in the table below are categorised Level 3 and all are valued using the Income Capitalisation method.

Country & Class 2023	UK Industrial Level 3	UK Office Level 3	UK Retail Level 3	UK Other Level 3
Fair Value 2023 £	250,070,037	72,575,000	72,390,000	35,900,000
Key Unobservable Input 2023	Initial Yield Reversionary yield Equivalent Yield Estimated rental value per sq ft	Initial Yield Reversionary yield Equivalent Yield Estimated rental value per sq ft	Initial Yield Reversionary yield Equivalent Yield Estimated rental value per sq ft	Initial Yield Reversionary yield Equivalent Yield Estimated rental value per sq ft
	0.00% to 8.97% (4.80%)	4.56% to 10.51% (7.57%)	6.03% to 9.12% (6.91%)	5.40% to 9.30% (6.53%)

Range (weighted average) 2023	4.74% to 8.79% (6.55%) 5.28% to 8.30% (6.46%) £4.75 to £10.25 (£7.04)	7.34% to 12.20% (10.33%) 7.04% to 9.98% (8.89%) £15.79 to £45.94 (£27.08)	5.52% to 7.99% (6.22%) 5.76% to 9.91% (7.02%) £0.00 to £30.61 (£11.35)	5.81% to 9.40% (6.52%) 5.58% to 9.21% (6.67%) £6.50 to £20.00 (£14.49)
Country & Class 2022	UK Industrial Level 3	UK Office Level 3	UK Retail Level 3	UK Other Level 3
Fair Value 2022 £	227,525,000	88,450,000	53,550,000	39,150,000
Key Unobservable Input 2022	Initial Yield Reversionary yield Equivalent Yield Estimated rental value per sq ft	Initial Yield Reversionary yield Equivalent Yield Estimated rental value per sq ft	Initial Yield Reversionary yield Equivalent Yield Estimated rental value per sq ft	Initial Yield Reversionary yield Equivalent Yield Estimated rental value per sq ft
Range (weighted average) 2022	0.00% to 8.78% (5.20%) 5.00% to 8.68% (6.35%) 5.00% to 8.23% (6.26%) £4.50 to £9.00 (£6.38)	5.10% to 7.90% (6.11%) 6.25% to 10.45% (8.76%) 6.15% to 9.25% (8.02%) £17.01 to £45.47 (£26.78)	4.39% to 8.33% (6.75%) 5.49% to 7.99% (6.16%) 5.76% to 9.67% (6.79%) £8.74 to £30.61 (£15.37)	5.01% to 9.13% (5.98%) 4.79% to 9.40% (5.85%) 5.01% to 9.07% (5.87%) £6.00 to £20.00 (£14.71)

Descriptions and definitions

The table above includes the following descriptions and definitions relating to valuation techniques and key observable inputs made in determining the fair values.

Estimated rental value (ERV)

The rent at which space could be let in the market conditions prevailing at the date of valuation.

Equivalent yield

The equivalent yield is defined as the internal rate of return of the cash flow from the property, assuming a rise or fall to ERV at the next review or lease termination, but with no further rental change.

Initial yield

Initial yield is the annualised rents of a property expressed as a percentage of the property value.

Reversionary yield

Reversionary yield is the anticipated yield to which the initial yield will rise (or fall) once the rent reaches the ERV.

The table below shows the ERV per annum, area per square foot, average ERV per square foot, initial yield and reversionary yield as at the Balance Sheet date.

	2023	2022
ERV p.a.	£34,189,042	£31,048,945
Area sq.ft.	3,503,840	3,416,291
Average ERV per sq.ft.	£9.76	£9.09
Initial yield	5.8%	5.7%
Reversionary yield	7.1%	7.1%

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of completed investment property.

	2023	2022
	£	£
Increase in equivalent yield of 50 bps	(31,373,168)	(31,086,535)
Decrease in rental rates of 5% (ERV)	(15,910,176)	(15,879,151)

Below is a list of how the interrelationships in the sensitivity analysis above can be explained.

In both cases outlined in the sensitivity table the estimated Fair Value would increase (decrease) if:

- The ERV is higher (lower)
- Void periods were shorter (longer)
- The occupancy rate was higher (lower)
- Rent free periods were shorter (longer)
- The capitalisation rates were lower (higher)

8. Land

	2023	2022
	£	£
Cost		
Balance at the beginning of the year	8,061,872	8,001,550
Additions	2,154,160	60,322
Government Grant Income receivable	(620,477)	-
Balance at the end of the year	9,595,555	8,061,872
Accumulated depreciation and amortisation		
Balance at the beginning of the year	(561,872)	(501,550)
Valuation loss from land	(783,683)	(60,322)
Balance at the end of the year	(1,345,555)	(561,872)
Carrying amount as at 31 December	8,250,000	7,500,000

Valuation methodology

The Land is held at fair value and is categorised Level 3.

The Group appoints suitable valuers (such appointment is reviewed on a periodic basis) to undertake a valuation of the land on a quarterly basis. The valuation is undertaken in accordance with the current RICS guidelines by Knight Frank LLP whose credentials are set out in note 7.

Additions represent costs associated with the reforestation and peatland restoration at Far Ralia. Grants are receivable from the Scottish Government for such costs. The conditions of the grant are deemed to be complied with on initial completion of work on the associated Work Areas identified under the Grant agreement. As at 31 December 2023, no grant income has yet been received however £620,477 has been recognised in accordance with the Group's policy for grant recognition (see Note 2.3 C iv).

9. Investment Properties Held for Sale

As at 31 December 2023, the Group was actively seeking a buyer for several assets including its industrial assets Opus 9 in Warrington, Unit 5 Monkton Business Park in Hebburn and Kings Business Park in Bristol. In addition, the Group was actively seeking a buyer of its office asset 15 Basinghall Street in London, and 101 Princess Street in Manchester. As noted further in note 26, the Group exchanged contracts and completed on several of these.

As at 31 December 2022, the Group was not actively seeking a buyer for any of the Investment Properties.

10. Investments in Limited Partnership and Subsidiaries

The Company owns 100 per cent of the issued ordinary share capital of abrdn Property Holdings Limited (formerly known as Standard Life Investments Property Holdings Limited), a company with limited liability incorporated and domiciled in Guernsey, Channel Islands, whose principal business is property investment.

In 2015 the Group acquired 100% of the units in Standard Life Investments SLIPIT Unit Trust, (formerly Aviva Investors UK Real Estate Recovery II Unit Trust) a Jersey Property Unit Trust. The acquisition included the entire issued share capital of a General Partner which held, through a Limited Partnership, a portfolio of 22 UK real estate assets. The transaction completed on 23 December 2015 and the Group has treated the acquisition as a Business Combination in accordance with IFRS 3.

- abrdn Property Holdings Limited (formerly known as Standard Life Investments Property Holdings Limited), a property investment company with limited liability incorporated in Guernsey, Channel Islands.
- abrdn (APIT) Limited Partnership (formerly known as Standard Life Investments (SLIPIT) Limited Partnership), a property investment limited partnership established in England.
- abrdn APIT (General Partner) Limited, a company with limited liability incorporated in England, whose principal business is property investment.
- abrdn (APIT Nominee) Limited, a company with limited liability incorporated and domiciled in England, whose principal business is property investment.

11. Trade and other receivables

	2023	2022
	£	£
Trade receivables	4,574,012	6,851,117
Less: provision for impairment of trade receivables	(832,240)	(2,137,972)
Trade receivables (net)	3,741,772	4,713,145
Rental deposits held on behalf of tenants	299,124	257,899
Accrued Grant Income (see Note 8)	620,477	-

Other receivables	1,439,779	2,486,039
Total trade and other receivables	6,101,152	7,457,083

Reconciliation for changes in the provision for impairment of trade receivables:

	2023 £	2022 £
Opening balance	(2,137,972)	(2,990,034)
Credit for the year	213,048	772,947
Reversal for amounts written-off	1,092,684	79,115
Closing balance	(832,240)	(2,137,972)

The estimated fair values of receivables are the discounted amount of the estimated future cash flows expected to be received and approximate their carrying amounts.

The trade receivables above relate to rental income receivable from tenants of the investment properties. When a new lease is agreed with a tenant the Investment Manager performs various money laundering checks and makes a financial assessment to determine the tenant's ability to fulfil its obligations under the lease agreement for the foreseeable future. The majority of tenants are invoiced for rental income quarterly in advance and are issued with invoices at least 21 days before the relevant quarter starts. Invoices become due on the first day of the quarter and are considered past due if payment is not received by this date. Other receivables are considered past due when the given terms of credit expire.

Amounts are considered impaired when it becomes unlikely that the full value of a receivable will be recovered. Movement in the balance considered to be impaired has been included in other direct property costs in the Consolidated Statement of Comprehensive Income. As at 31 December 2023, trade receivables of £832,240 (2022: £2,137,972) were considered impaired and provided for.

The ageing of these receivables is as follows:

	2023 £	2022 £
0 to 3 months	(37,274)	(8,203)
3 to 6 months	(81,350)	(251,682)
Over 6 months	(713,616)	(1,878,087)
	(832,240)	(2,137,972)

If the provision for impairment of trade receivables increased by £1 million then the Company's earnings and net asset value would decrease by £1 million. If it decreased by £1 million then the Company's earnings and net asset value would increase by £1 million.

As of 31 December 2023, trade receivables of £500,470 (2022: £3,099,355) were less than 3 months past due but considered not impaired.

12. Cash and cash equivalents

	2023 £	2022 £
Cash held at bank	6,337,101	9,389,992
Cash held on deposit with RBS	316,737	6,481,061
	6,653,838	15,871,053

Cash held at banks earns interest at floating rates based on daily bank deposit rates. Deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the applicable short-term deposit rates.

13. Trade and other payables

	2023 £	2022 £
Trade and other payables	7,023,461	4,655,599
VAT payable	656,894	628,960
Deferred rental income	6,038,976	5,337,852
Rental deposits due to tenants	299,124	257,899
	14,018,455	10,880,310

Trade and other payables are recognised at amortised cost. Trade payables are non-interest bearing and normally settled on 30-day terms.

14. Bank borrowings

	2023 £	2022 £
Loan facility (including Rolling Credit Facility)	165,000,000	165,000,000
Drawn down outstanding balance	141,874,379	110,000,000

On 12 October 2022 the Group entered into an agreement to extend its existing £165 million debt facility with Royal Bank of Scotland International ("RBSI"). The previous facility (which expired on 27 April 2023) consisted of a £110 million term loan payable at 1.375% plus SONIA and two Revolving Credit Facilities ("RCF") of £35 million payable at 1.45% plus SONIA and £20 million payable at 1.60% plus SONIA. The amended and restated agreement is for a three-year term loan of £85 million and a single RCF of £80 million; both payable at 1.5% plus SONIA. As at 31 December 2023 £56.9m of the RCF was drawn (2022: £nil).

	2023 £	2022 £
Opening carrying value of expired facility as at 1 January	109,928,234	109,723,399
Borrowings during the period on expired RCF	25,000,000	17,000,000
Repayment of expired RCF	(25,000,000)	(17,000,000)
Repayment of expired facility	(110,000,000)	-
Amortisation arrangement costs	71,766	204,835
Closing carrying value of expired facility	-	109,928,234

Opening carrying value of new facility as at 1 January	(804,297)	-
Borrowings during the period on new RCF	63,000,000	-
Repayment of new RCF	(6,125,621)	-
New term loan facility	85,000,000	-
Arrangement costs of new facility	-	(804,297)
Amortisation arrangement costs	181,828	-
Closing carrying value	141,251,910	(804,297)

Opening carrying value of facilities combined as at 1 January	109,123,937	109,723,399
Closing carrying value of facilities combined	141,251,910	109,123,937

	2023 £	2022 £
Amortisation of arrangement costs (expired facility)	71,766	204,835
Amortisation of arrangement costs (new facility)	181,828	-
See Note 5	253,594	204,835

Under the terms of the loan facilities there are certain events which would entitle RBSI to terminate the loan facility and demand repayment of all sums due. Included in these events of default is the financial undertaking relating to the LTV percentage. The loan agreement notes that the LTV percentage is calculated as the loan amount less the amount of any sterling cash deposited within the security of RBSI divided by the gross secured property value, and that this percentage should not exceed 60% for the period to and including 27 April 2021 and should not exceed 55% after 27 April 2021 to maturity. There have been no changes to the covenant requirements as a result of the extension to the facility noted above.

Analysis of movement in net debt	Cash and cash equivalents £	Interest-bearing loans £	2023 Net debt £	Cash and cash equivalents £	Interest-bearing loans £	2022 Net debt £
Opening balance	15,871,053	(109,123,937)	(93,252,884)	13,818,008	(109,723,399)	(95,905,391)
Cash movement	(9,217,215)	(31,874,379)	(41,091,594)	2,053,045	804,297	2,857,342
Amortisation of arrangement costs	-	(253,594)	(253,594)	-	(204,835)	(204,835)
Closing balance	6,653,838	(141,251,910)	(134,598,072)	15,871,053	(109,123,937)	(93,252,884)

All loan covenants were met during the year ended December 2023.

	2023 £	2022 £
Loan amount	141,874,379	110,000,000

Cash	(6,652,838)	(15,871,053)
	135,220,341	94,126,947
Investment property valuation	439,185,037	416,175,000
LTV percentage	30.8%	22.6%

Other loan covenants that the Group is obliged to meet include the following:

- that the net rental income is not less than 150% of the finance costs for any three month period
- that the largest single asset accounts for less than 15% of the Gross Secured Asset Value
- that the largest ten assets accounts for less than 75% of the Gross Secured Asset Value
- that sector weightings are restricted to 55%, 45% and 75% for the Office, Retail and Industrial sectors respectively.
- that the largest tenant accounts for less than 20% of the Company's annual net rental income
- that the five largest tenants account for less than 50% of the Company's annual net rental income
- that the ten largest tenants account for less than 75% of the Company's annual net rental income

During the year, the Group complied with its obligations and loan covenants under its loan agreement.

The loan facility is secured by fixed and floating charges over the assets of the Company and its wholly owned subsidiaries, abrdn Property Holdings Limited and abrdn (APIT) Limited Partnership. The switch to the Sterling Overnight Index Average (SONIA) benchmark took effect from the first interest payment date (20 January 2022) following cessation of LIBOR (1 January 2022).

15. Interest rate Swap and Cap

In order to mitigate any interest rate risk linked to their debt facilities, the Group's policy has been to manage its cash flow using hedging instruments. The following hedging instruments were effective during the year:

15a Historic Interest Rate Swap

The Group had previously taken out an interest rate swap of a notional amount of £110,000,000 with RBS as part of a refinancing exercise in April 2016. The interest rate swap effective date was 28 April 2016 and had a maturity date of 27 April 2023. Under the swap the Company agreed to receive a floating interest rate linked to SONIA and pay a fixed interest rate of 1.35%.

	2023 £	2022 £
Opening fair value of interest rate swaps at 1 January	1,238,197	(568,036)
Reclassification of interest accrual	(335,663)	(247,093)
Valuation (loss)/gain on interest rate swap	(902,534)	1,470,570
Reclassified to Profit & Loss	-	582,756
Closing fair value of interest rate swap at 31 December	-	1,238,197

The split of the interest rate swap is listed below:

	2023 £	2022 £
Current assets/(liabilities)	-	1,238,197
Non-current assets/(liabilities)	-	-
Interest rate swap with a start date of 28 April 2016 maturing on 27 April 2023	-	1,238,197

15b Terminated Interest Rate Swap

As disclosed in note 14, on 12 October 2022 the Group announced that it had completed an extension of its debt facilities which included an interest rate swap of a notional amount of £85,000,000 (due to commence 27 April 2023). At the time, there was heightened volatility and swap rates were high, exacerbated by political uncertainty, and the all-in cost of the term loan amounted to 6.97%. In light of the change in interest rate environment subsequent to its completion, the Group decided to break the swap at a cost of £3,562,248 on 12 December 2022.

15c Interest Rate Cap

Simultaneously to the breaking of the £85,000,000 swap, the Group agreed an interest rate cap against a notional amount of £85,000,000 (due to commence 27 April 2023) with a cap level (SONIA) set at 3.959%. The cost of purchasing this cap was £2,507,177 and expires in April 2026 at the same time as the loan facility.

	2023 £	2022 £
Opening fair value of interest rate cap at 1 January	2,550,469	-
Cost of interest rate cap	-	2,507,177
Net Change in fair value	(1,141,688)	43,292
Closing fair value of interest rate cap at 31 December	1,408,781	2,550,469

The change in fair value of the interest rate cap comprises fair value changes and interest received, paid and accrued.

	Cost of hedging £	2023 Cash flow hedge £	Total £
Opening fair value	1,779,151	771,318	2,550,469
Valuation (loss)/gain	(1,153,875)	377,860	(776,015)
Interest received	-	(365,673)	(365,673)
Net Change in fair value	(1,153,875)	12,187	(1,141,688)
Closing fair value of interest rate cap at 31 December	625,276	783,505	1,408,781

Less Closing Interest Accrual *	-	(213,260)	(213,260)
Adjusted fair value of interest rate cap at 31 December	625,276	570,245	1,195,521

Opening Adjusted fair value of interest rate cap at 1 January	1,779,151	771,318	2,550,469
Valuation (loss)/gain recognised on Adjusted Valuation	(1,153,875)	(201,073)	(1,354,948)
Net Change in fair value (as above)	(1,153,875)	12,187	(1,141,688)
Less Closing Interest Accrual (as above) *	-	(213,260)	(213,260)
Valuation (loss)/gain recognised on Adjusted Valuation	(1,153,875)	(201,073)	(1,354,948)

Interest Rate Cap Reserves Reconciliation	Cost of hedging reserve £	2023 Cash flow hedge reserve £	Total £
Opening Reserve	(728,026)	771,318	43,292
Valuation (loss)/gain recognised on Adjusted Valuation	(1,153,875)	(201,073)	(1,354,948)
Amortisation of Premium (See Note 5)	565,030	-	565,030
Valuation loss as recognised in Other Comprehensive Income	(588,945)	(201,073)	(789,918)
Closing Reserve	(1,316,871)	570,245	(746,626)

* As the valuation of the interest rate cap includes a valuation attributable to the unsettled interest (due to 21st January) a separate accrual has not been recorded in the balance sheet. Instead, this represents a recycling of the change in Other Comprehensive Income for the Cash flow hedge to Finance Cost.

	Cost of hedging £	2022 Cash flow hedge £	Total £
Opening Value	-	-	-
Cost of Interest rate cap	2,507,177	-	2,507,177

Valuation (loss)/gain	(728,026)	771,318	43,292
Net Change in fair value	(728,026)	771,318	43,292
Closing fair value of interest rate cap at 31 December	1,779,151	771,318	2,550,469
Less Closing Interest Accrual *	-	-	-
Adjusted fair value of interest rate cap at 31 December	1,779,151	771,318	2,550,469
Opening Adjusted fair value of interest rate cap at 1 January	-	-	-
Valuation (loss)/gain recognised on Adjusted Valuation	(728,026)	771,318	43,292

Interest Rate Cap Reserves Reconciliation	Cost of hedging reserve £	2022 Cash flow hedge reserve £	Total £
Opening Reserve	-	-	-
Valuation (loss)/gain recognised on Adjusted Valuation	(728,026)	771,318	43,292
Amortisation of Premium (See Note 5)	-	-	-
Valuation gain as recognised in Other Comprehensive Income	(728,026)	771,318	43,292
Closing Reserve	(728,026)	771,318	43,292

The Interest associated with the cap recognised as an offset against Finance Cost is summarised below:

	2023 £	2022 £
Interest received	365,673	-
Closing Interest Accrual	213,260	-
Receipt on interest rate caps (see Note 5)	578,933	-

The split of the interest rate cap is listed below:

	2023 £	2022 £
Current assets/(liabilities)	849,110	339,462
Non-current assets/(liabilities)	559,671	2,211,007
Interest rate cap with a start date of 27 April 2023 maturing on 26 April 2026	1,408,781	2,550,459

16. Obligations under Finance Leases

	Minimum lease payments 2023 £	Interest 2023 £	Present value of minimum lease payments 2023 £
Less than one year	52,450	(49,202)	3,248
Between two and five years	209,800	(195,892)	13,908
More than five years	5,140,100	(3,347,135)	1,792,965
Total	5,402,350	(3,592,229)	1,810,121

	Minimum lease payments 2022 £	Interest 2022 £	Present value of minimum lease payments 2022 £
Less than one year	26,068	(24,468)	1,600
Between two and five years	104,271	(97,426)	6,845
More than five years	2,580,717	(1,689,590)	891,127
Total	2,711,056	(1,811,484)	899,572

The above table shows the present value of future lease payments in relation to the ground lease payable at Hagley Road, Birmingham as required under IFRS 16. A corresponding asset has been recognised and is part of Investment properties as shown in note 7.

17. Lease analysis

The Group has granted leases on its property portfolio. This property portfolio as at 31 December 2023 had an average lease expiry of 6 years and 4 months. Leases include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain options to break before the end of the lease term.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2023 £	2022 £
Within one year	27,137,392	24,457,032
Between one and two years	22,839,051	21,677,762
Between two and three years	19,036,836	16,236,484
Between three and four years	14,949,198	12,375,936
Between four and five years	12,718,074	8,695,218
More than 5 years	78,172,826	45,075,463
Total	174,853,377	128,517,895

The largest single tenant at the year-end accounts for 5.7% (2022: 6.0%) of the current annual passing rent.

18. Share capital

Under the Company's Articles of Incorporation, the Company may issue an unlimited number of ordinary shares of 1 pence each, subject to issuance limits set at the AGM each year. As at 31 December 2023 there were 381,218,977 ordinary shares of 1p each in issue (2022: 381,218,977). All ordinary shares rank equally for dividends and distributions and carry one vote each. There are no restrictions concerning the transfer of ordinary shares in the Company, no special rights with regard to control attached to the ordinary shares, no agreements between holders of ordinary shares regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid.

Alotted, called up and fully paid:	2023 £	2022 £
Opening balance	228,383,857	228,383,857
Shares issued	-	-
Closing balance	228,383,857	228,383,857

Treasury Shares

In 2022, the Company undertook a share buyback programme at various levels of discount to the prevailing NAV. In the period to 31 December 2023 no shares had been bought back (2022: 15,703,409) at a cost of £nil (2022: £12,409,459) and are included in the Treasury share reserve.

	2023 £	2022 £
Opening balance	18,400,876	5,991,417
Bought back during the year	-	12,409,459
Closing balance	18,400,876	18,400,876

The number of shares in issue as at 31 December 2023/2022 are as follows

	2023 Number of shares	2022 Number of shares
Opening balance	381,218,977	396,922,386
Bought back during the year and put into Treasury	-	(15,703,409)
Closing balance	381,218,977	381,218,977

19. Reserves

The detailed movement of the below reserves for the years to 31 December 2023 and 31 December 2022 can be found in the Consolidated Statement of Changes in Equity above.

Retained earnings

This is a distributable reserve and represents the cumulative revenue earnings of the Group less dividends paid to the Company's shareholders.

Capital reserves

This reserve represents realised gains and losses on disposed investment properties and unrealised valuation gains and losses on investment properties and cash flow hedges since the Company's launch.

Other distributable reserves

This reserve represents the share premium raised on launch of the Company which was subsequently converted to a distributable reserve by special resolution dated 4 December 2003.

20. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year net of tax attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

The earnings per share for the year is set out in the table below. In addition one of the key metrics the Board considers is dividend cover.

This is calculated by dividing the net revenue earnings in the year (surplus for the year net of tax excluding all capital items and the swaps breakage costs) divided by the dividends payable in relation to the financial year. For 2023 this equated to a figure of 81% (2022: 97%). See the Alternative Performance Measures in the full Annual Accounts which can be found via the following link: <https://www.abrdnpi.co.uk/en-gb/literature>.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2023 £	2022 £
Loss for the year net of tax	(8,267,901)	(51,053,487)
Weighted average number of ordinary shares outstanding during the year	381,218,977	389,565,276
Loss per ordinary share (pence)	(2.17)	(13.11)
Profit for the year excluding capital items (£)	10,824,203	11,471,770
EPRA earnings per share (pence)	2.83	2.94

21. Dividends and Property Income Distributions Gross of Income Tax

Dividends	12 months to Dec 23				12 months to Dec 22				PID £	Non-PID £
	PID pence	Non-PID pence	Total Pence	PID £	Non-PID £	PID pence	Non-PID pence	Total Pence		
Quarter to 31 December of prior year (paid in February)	-	1.0000	1.0000	-	3,812,190	0.7910	0.2090	1.0000	3,139,656	829,568
Quarter to 31 March (paid in May)	1.0000	-	1.0000	3,812,190	-	1.0000	-	1.0000	3,969,224	-
Quarter to 30 June (paid in August)	1.0000	-	1.0000	3,812,190	-	1.0000	-	1.0000	3,860,190	-
Quarter to 30 September (paid in November)	-	1.0000	1.0000	-	3,812,190	0.1806	0.8194	1.0000	688,481	3,123,708
Total dividends paid	2.0000	2.0000	4.0000	7,624,380	7,624,380	2.9716	1.0284	4.0000	11,657,551	3,953,276
Quarter to 31 December of current year (paid after year end)	0.3980	0.6020	1.0000	1,517,252	2,294,938	-	1.0000	1.0000	-	3,812,190
Prior year dividends (per above)	-	(1.0000)	(1.0000)	-	(3,812,190)	(0.7910)	(0.2090)	(1.0000)	(3,139,656)	(829,568)
Total dividends paid for the year	2.3980	1.6020	4.0000	9,141,632	6,107,128	2.1806	1.8194	4.0000	8,517,895	6,935,898

On 23 February 2024 a dividend in respect of the quarter to 31 December 2023 of 1.0 pence per share was paid split as 0.398p Property Income Distribution, and 0.602p Non-Property Income Distribution.

22. Reconciliation of Audited Consolidated NAV to Unaudited Published NAV

The NAV attributable to ordinary shares is published quarterly and is based on the most recent valuation of the investment properties.

	2023	2022
Number of ordinary shares at the reporting date	381,218,977	381,218,977
	2023 £	2023 £
Total equity per audited consolidated financial statements	298,078,443	323,287,555
NAV per share (p)	78.2	84.8
Published NAV per share (p)	78.4	84.8

The variance between the unaudited published NAV and audited consolidated NAV of 0.2p per share represents the recognition of fees associated with the strategic review and proposed merger, the identification of a backdated rent review post publication but agreed prior to year-end, and the recognition of accrued grant income not yet received.

23. Related Party Disclosures

Directors' remuneration

The Directors of the Company are deemed as key management personnel and received fees for their services. Total fees for the year were £239,436 (2022: £247,603) none of which remained payable at the year-end (2022: nil).

abrdn Fund Managers Limited, as the Manager of the Group from 10 December 2018, (formerly Aberdeen Standard Fund Managers Limited), received fees for their services as investment managers. Further details are provided in note 4.

	2023 £	2022 £
Huw Evans	-	17,124
Mike Balfour	41,500	41,500
Mike Bane	37,000	34,059
James Clifton-Brown	50,000	50,000
Jill May	37,000	37,000
Sarah Slater	37,000	37,000
Employers' national insurance contributions	23,735	22,885
	226,235	239,568
Directors' expenses	13,201	8,035
	239,436	247,603

24. Segmental Information

The Board has considered the requirements of IFRS 8 'operating segments'. The Board is of the view that the Group is engaged in a single segment of business, being property investment and in one geographical area, the United Kingdom.

25. Commitments and Contingent Liabilities

The Group had contracted capital commitments as at 31 December 2023 of £2.4 million (31 December 2022: £17.3m). The commitment is the remaining Capital spend on the industrial developments in St Helens and Knowsley, in addition to large scale project at Washington.

As discussed further in note 4 and note 26 below, following the shareholder vote on the 27 March 2024 the Board is taking steps to put the Company into a managed and orderly wind-down to be voted upon by shareholders at an upcoming wind-down EGM. If shareholders vote for a change in Investment Policy, corporate advisors will be entitled to receive £2,129,993. As discussed more fully in note 2.1, the outcome of this vote is not wholly within the Group's control and there is no certainty of the outcome due to the large proportion of shareholders on the register whose voting intentions cannot be ascertained and the large proportion of shareholders who did not vote at the EGM on 27 March

26. Events after the balance sheet date

Merger with Custodian

On 19 January 2024, the boards of abrdn Property Income Trust Limited (API) and Custodian Property Income REIT plc (Custodian) announced that they had reached agreement on the terms and conditions of a recommended all-share merger pursuant to which CREI would acquire the entire issued and to be issued share capital of API. It was intended that the Merger will be implemented by means of a Court sanctioned scheme of arrangement under Part VIII of the Companies Law. Shareholder votes were scheduled for the 27th (CREI) and 28th (API) February 2024.

On 20 February 2024, Urban Logistics REIT plc (Urban) announced that they were considering a possible offer for API and were ultimately given a deadline of 5pm on 20 March 2024 to clarify their intentions. As a result, API's Shareholder Meetings were adjourned to the 27 March 2024.

On 27 March 2024 approximately 60% of shareholders who cast a vote voted in favour of the proposed merger. However, the threshold for approval of the merger was 75% so the merger did not proceed. The Board explained to shareholders that if the proposed merger was rejected, it would take the necessary actions to put the Company into a managed and orderly wind-down, selling assets and returning funds to shareholders as such funds become available. The Board is now, therefore, taking steps to initiate this process and a circular to shareholders will be issued convening another meeting during May at which shareholders will be asked to vote in favour of a resolution to change the Company's investment policy as further explained in note 2.1.

As discussed further in note 4, fees associated with the initial Rule 2.7 announcement (including advisor, due diligence and valuation fees) were £2,014,248 of which £1,729,925 was accrued as at 31 December 2023 based on levels of WIP. Fees associated with the approach from Urban (including due diligence) were £298,300, while fees associated with proposed wind-down are £87,500.

Dividends

On 23 February 2024 a dividend in respect of the quarter to 31 December 2023 of 1.0 pence per share was paid split as 0.398p Property Income Distribution, and 0.602p Non-Property Income Distribution.

Sales

On 7 March 2024, the Company completed on the sale of its industrial asset Opus 9, Warrington for a headline price of £6.75m. Further to this, the Company completed on the sale of its office asset 15 Basinghall Street in London for a headline price of £9.8m on 22 March 2024, and its industrial assets Unit 5 Monkton Business Park in Hebburn (8 April 2024) and Kings Business Park in Bristol (15 April 2024) for headline prices of £5.3m and £7.9m respectively.

This Annual Financial Report announcement is not the Company's statutory accounts for the year ended 31 December 2023. The statutory accounts for the year ended 31 December 2023 received an audit report which was unqualified.

Please note that past performance is not necessarily a guide to the future and that the value of investments and the income from them may fall as well as rise. Investors may not get back the amount they originally invested.

All enquiries to:

The Company Secretary
Northern Trust International Fund Administration Services (Guernsey) Limited
Trafalgar Court
Les Banques
St Peter Port
Guernsey
GY1 3QL
Tel: 01481 745001
Fax: 01481 745051

Jason Baggaley – Real Estate Fund Manager, abrdn
Tel: 07801039463 or jason.baggaley@abrdn.com

Mark Blyth – Real Estate Deputy Fund Manager, abrdn
Tel: 07703695490 or mark.blyth@abrdn.com

Craig Gregor - Fund Controller, abrdn
Tel: 07789676852 or craig.gregor@abrdn.com
