Annual Report & Consolidated Accounts

Year ended 31 December 2022

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Property
Income
Trust

This document is important and requires your immediate attention.

If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant, or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all of your shares in abrdn Property Income Trust Limited, please forward this document as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was, or is being, effected, for delivery to the purchaser or transferee. ■

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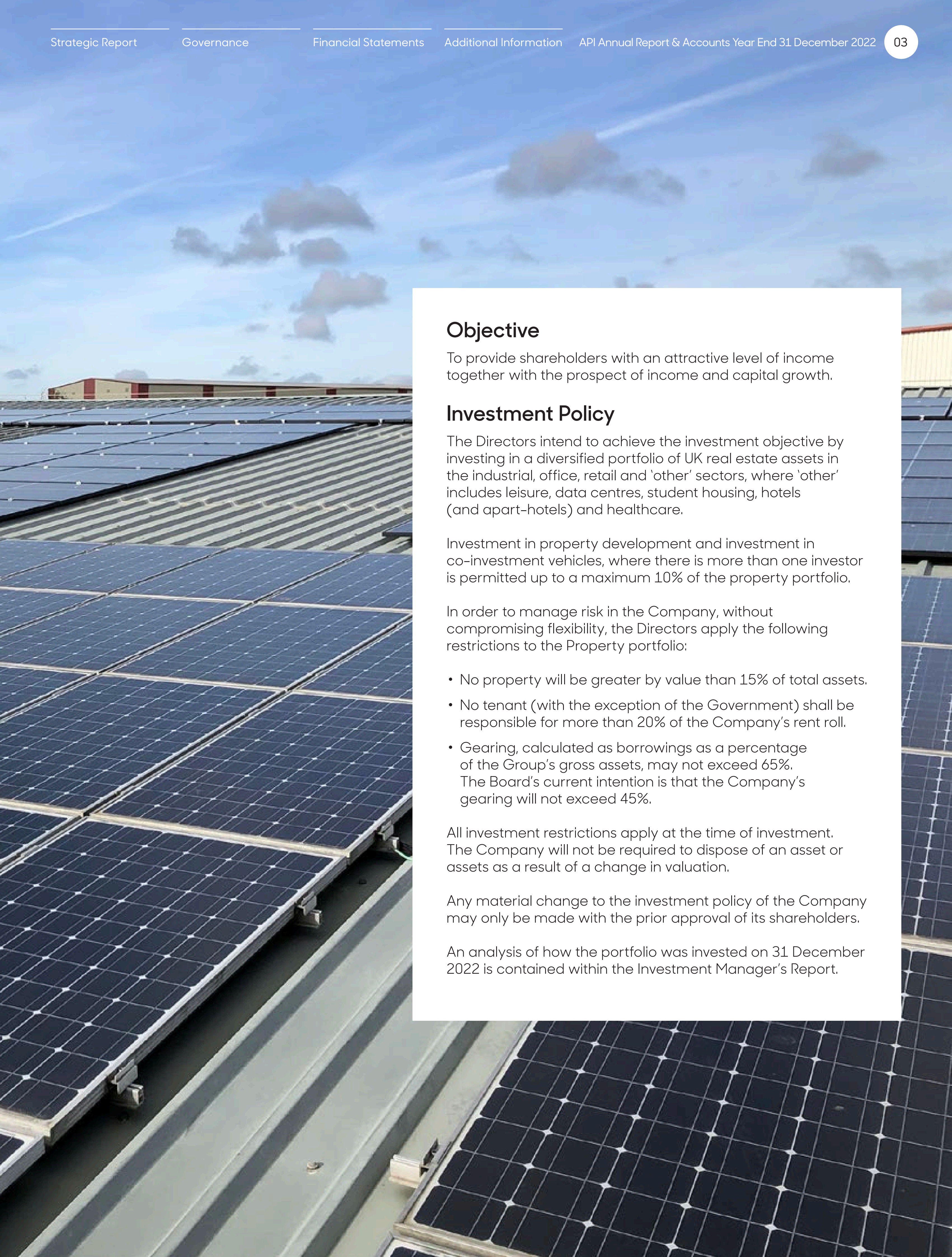
Objective and Investment Policy

Images

1. Mount Farm, Milton Keynes



Objective

To provide shareholders with an attractive level of income together with the prospect of income and capital growth.

Investment Policy

The Directors intend to achieve the investment objective by investing in a diversified portfolio of UK real estate assets in the industrial, office, retail and 'other' sectors, where 'other' includes leisure, data centres, student housing, hotels (and apart-hotels) and healthcare.

Investment in property development and investment in co-investment vehicles, where there is more than one investor is permitted up to a maximum 10% of the property portfolio.

In order to manage risk in the Company, without compromising flexibility, the Directors apply the following restrictions to the Property portfolio:

- No property will be greater by value than 15% of total assets.
- No tenant (with the exception of the Government) shall be responsible for more than 20% of the Company's rent roll.
- Gearing, calculated as borrowings as a percentage of the Group's gross assets, may not exceed 65%. The Board's current intention is that the Company's gearing will not exceed 45%.

All investment restrictions apply at the time of investment. The Company will not be required to dispose of an asset or assets as a result of a change in valuation.

Any material change to the investment policy of the Company may only be made with the prior approval of its shareholders.

An analysis of how the portfolio was invested on 31 December 2022 is contained within the Investment Manager's Report.

2022 Financial Review

–12.8%

2022 NAV total return*

NAV total return of –12.8% (2021: 28.6%) for the year, 7.0% over 3 years, 21.9% over 5 years and 159.5% over 10 years.

–19.0%

2022 Share price total return*

Share price total return of –19.0% (2021: 43.4%) for the year, -18.5% over 3 years, -11.8% over 5 years and 90.4% over 10 years.

Share buybacks

£ **£12.4m**

Share buybacks totalling £12.4m in 2022 at significant discounts to NAV which are accretive to both NAV performance and earnings (NAV per share 0.2p higher).

Dividend yield* 6.4%

Dividend yield FTSE All-Share Index 3.6%

Dividend yield FTSE All-Share REIT Index 4.6%

Financial resources*

£ **£57.8m**

Financial resources of £57.8 million as at 31 December 2022 (2021: £50 million) available for investment to enhance earnings.

Dividends paid*

p **4.0p**

Dividends paid of 4.0p in the year (2021: 3.7725p). Dividends paid in 2022 equated to a yield of 6.4% based on the share price at 31 December 2022.

22.6%

Loan-to-Value

Low Loan-to-value of 22.6% (2021: 19.2%) at the year end with scope to increase gearing through available revolving credit facilities.

Yields based on stats at 31 December 2022

(based on share price at 31 December 2022 of 62.4p).

* These Alternative Performance Measures ("APMs") are defined in the glossary on pages 134 and 135.

2022 Financial Review

Portfolio well positioned

55.7%
Industrial

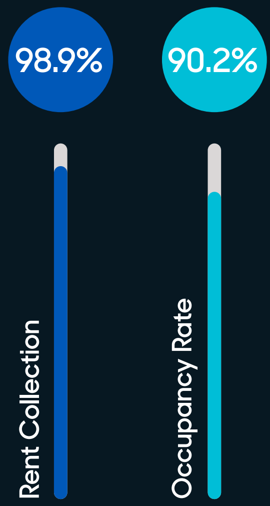
21.6%
Office

13.1%
Retail

9.6%
Other†

† Excludes Far Ralia

The portfolio sector exposure reflects thematic trends. The Company has retained a high weighting to industrial / logistics assets with a focus on mid box units that are affordable and meet tenant needs. We have continued to reduce the exposure to offices through disposals of assets, with a year end weighting of 22.0%, and a weighting as at 31 March of 19.6%. The outlook for offices remains uncertain with risks on the downside as occupiers need less space, with demand focused on "future fit" accommodation.
The exposure to retail has remained constant, with a clear target of affordable retail warehouse space let to budget style retailers. After year end we increased our exposure to the retail sector with the purchase of a food store – a sub-sector we continue to believe in at a time when retail generally remains challenged. Other represents a data centre, and two leisure investments (the larger of which is underpinned by residential conversion potential in North London).



Rent collection for 2022 of 98.9% of rent due (2021: 96.0%).

Occupancy rate of 90.2% (2021: 90.3%) compared to the MSCI rate of 90.0% (2021: 90.0%).

-8.8%

2022 Portfolio total return*

Portfolio total return of -8.8% (2021: 22.6%) is marginally ahead of the MSCI benchmark return of -8.9% and the Company has outperformed its benchmark over all time periods.

Positive asset management

11%

6 rent reviews were settled with uplifts in rent, securing an additional £237,560 (an average increase of 11% on previous rent).

Positive asset management

£1.98m

A total of 6 lease renewals and restructurings were undertaken, securing £567,954 pa in rent, and a total of 16 lettings including agreements for lease securing £1,980,737 pa.

PV schemes

The Company has 7 operational PV schemes totalling 1.5 MWp and is actively engaged in 24 additional schemes that would add a further 16.0 MWp.

* These Alternative Performance Measures ("APMs") are defined in the glossary on pages 134 and 135.

Performance Summary

Earnings, Dividends & Costs	31 December 2022	31 December 2021
IFRS Earnings per share (p)	(13.11)	21.54
EPRA earnings per share (p) (excl capital items & swap movements)[1]	2.94	3.69
Dividends paid per ordinary share (p)	4.0	3.7725
Dividend Cover (%)	73	98
Dividend Cover excluding non-recurring items (%)	97	98
Dividend Yield (%)[2]	6.4	4.6
FTSE All-Share Real Estate Investment Trusts Index Yield (%)	4.6	2.6
FTSE All-Share Index Yield (%)	3.6	3.1
Ongoing Charges[3]		
As a % of average net assets including direct property costs	2.2	2.2
As a % of average net assets excluding direct property costs	1.1	1.2

Capital Values & Gearing	31 December 2022	31 December 2021	Change %
Total assets (£million)	444.9	526.6	(15.5)
Net asset value per share (p) (note 21)	84.8	101	(16.0)
Ordinary Share Price (p)	62.4	81.5	(23.4)
(Discount)/Premium to NAV (%)	(26.4)	(19.3)	
Loan-to-value (%)[4]	22.6	19.2	

Total Return	1 year % return	3 year % return	5 year % return	10 year % return
NAV[5]	(12.8)	7.0	21.9	159.5
AIC Property Direct – UK Commercial (weighted average) NAV Total Return	(0.4)	20.9	39.6	32.1
Share Price[5]	(19.0)	(18.5)	(11.8)	90.4
AIC Property Direct – UK Commercial (weighted average) Share Price Total Return	(15.8)	(6.9)	12.5	17.8
FTSE All-Share Real Estate Investment Trusts Index	(31.6)	(25.8)	(15.0)	45.1
FTSE All-Share Index	0.3	7.1	15.5	88.2

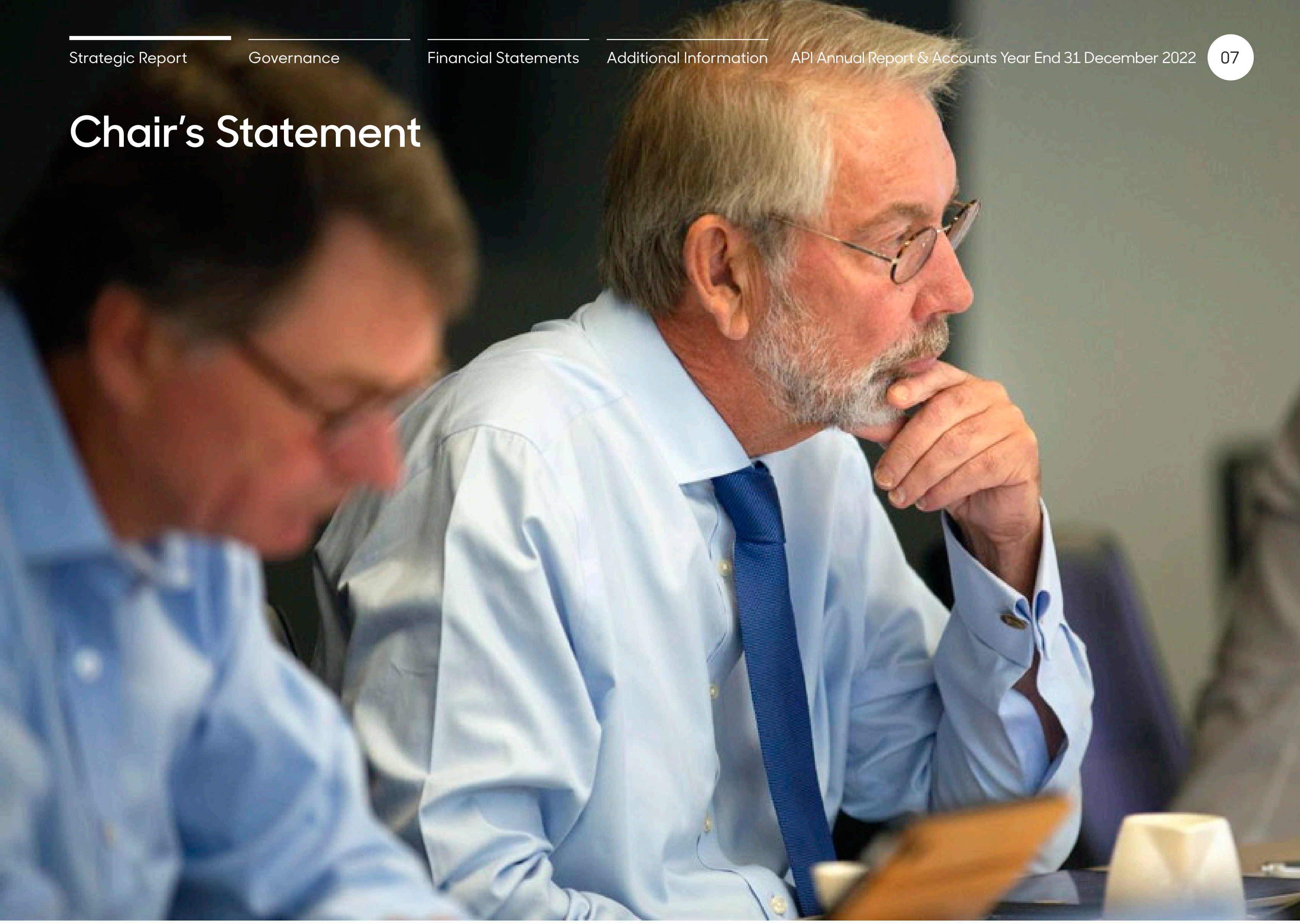
Property Returns & Statistics (%)	31 December 2022	31 December 2021
Portfolio income return	4.4	4.7
MSCI Benchmark income return	4.1	4.4
Portfolio total return	(8.8)	22.6
MSCI Benchmark total return	(8.9)	16.3
Void rate	9.8	9.7

1. 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 (see page 123 for further details). EPRA stands for European Public Real Estate Association.
2. Based on dividend paid of 4.0p and the share price at 31 December 2022 of 62.4p.
3. Calculated as investment manager fees, auditor's fees, directors' fees and other administrative expenses divided by the average NAV for the year.
4. Calculated as bank borrowings less all cash as a percentage of the open market value of the property portfolio as at the end of each year.
5. Assumes re-investment of dividends excluding transaction costs.

Sources: abrdn, MSCI.

Alternative Performance Measures ("APMs") including NAV total return, share price total return, dividend cover, Loan-to-value dividend yield and portfolio total return are defined in the glossary on pages 134 to 135.

Chair's Statement



James Clifton-Brown

Whilst there have been many changes in the property market over the year, one constant has been the increasing importance of Environmental, Social and Governance (ESG) factors. Both occupiers and investors have an increasing focus on this aspect of assets, meaning that it is having a direct impact on value. Fortunately, the Company's early and continuing work in this area has meant we are well positioned, with the Board's Sustainability Committee overseeing progress in this regard.

Background

With the threat and disruption from COVID-19 abating, it would have been reasonable to hope that 2022 would be a year of stability and recovery. However, it turned out to be quite the contrary. The impact of Russia's invasion of Ukraine was the prevalent issue in the early part of the year.

This led, in part, to a sustained surge in inflation and a corresponding reaction by the Bank of England, and other Central Banks, to raise interest rates. Gilt yields rose through the year until late September, but volatility in the UK Government bond market reached unprecedented levels in late September/early October when it reacted negatively to Liz Truss's "Growth Plan" which triggered a slump in the UK commercial property market.

Chair's Statement

Continued

UK Real Estate Market

2022 was very much a year of two halves, with the first six months continuing the positive capital growth recorded throughout 2021. The third quarter was the tipping point at which the increase in inflation and interest rates, along with unexpected government economic policy announcements, led to a spike in gilt yields. With a rapid repricing of the "risk-free" rate, real estate values reversed, resulting in the largest monthly capital declines ever recorded by MSCI in October and November.

Perhaps surprisingly, the industrial sector was largely responsible for not only the positive capital growth in the first half of the year, but also the rapid decline in the second half. Historically low yields had been paid in the expectation of high rental growth, by increasingly debt-backed buyers. The increase in debt costs, coupled with fears of recession reducing confidence in future rental growth, led to a sharp upward yield adjustment and a corresponding decline in values.

Despite this, the dynamics of the industrial market remain reasonably robust with continued low vacancy levels, limited new supply and good occupier demand. There is still likely to be rental growth, albeit at more muted levels than previous years, meaning the company's exposure to this sector should be positive going forward.

The structural change in the office market was accelerated by the impact of COVID-19. Whilst we are hopeful that the pandemic is firmly behind us, there are few signs of confidence returning to the sector. The wide range of approaches being taken by companies to get staff back into offices and to manage hybrid working is fuelling this uncertainty. The Board and Investment Manager remain convinced that overall office demand will reduce, with well specified offices which provide good staff amenities faring best. Given this uncertainty, and the likelihood of further capital declines, the Company disposed of three office assets during the year.

We continue to expect the retail sector to experience challenges and headwinds, particularly with the cost-of-living crisis and the spectre of recession hanging over the UK. In such circumstances, the "discretionary" areas of the market, such as fashion and non-essential retailers, will suffer most with shopping centres and the high street bearing the brunt of this. The Company's retail portfolio is focused in the retail warehouse sector, predominantly occupied by discount or budget retailers, for whom we see a more positive outlook.

Whilst there have been many changes in the property market over the year, one constant has been the increasing importance of Environmental, Social and Governance (ESG) factors. Both occupiers and investors have an increasing focus on this aspect of assets, meaning that it is having a direct impact on value. Fortunately, the Company's early and continuing work in this area has meant we are well positioned, with the Board's Sustainability Committee overseeing progress in this regard.

Images

1. Timbmet, Shellingford
2. Walton Summit Industrial Estate, Preston

Portfolio and Corporate Performance

The NAV total return for the year was a loss of -12.8%. The real estate investment portfolio returned -8.8%, which approximately matched the MSCI Quarterly Property Index benchmark return of -8.9% over the same period. The Company's portfolio has strongly outperformed the Index over 3, 5 and 10 years.

The share price total return for the year of -19.0% was disappointing, with the Company's shares consistently trading on a discount which peaked with risk free rates at the end of the third quarter. The Board pursued its share buyback programme throughout most of the year buying a total of 15.7m shares at an average discount of 26.8%. This contributed 0.2p to NAV per share. The Board continues to monitor the discount of the share price against NAV.

IFRS earnings have decreased from 21.54p per share to -13.11p for 2022. This reflects the drop in valuations recorded in the second half of the year. EPRA earnings per share decreased from 3.69p to 2.94p per share as a result of the one-off break costs associated with terminating the interest rate swap entered into in October. Without the break costs the EPRA earnings per share would have been 3.86p, an increase of 4.6% reflecting improved rental collection.

Rent Collection

Collection rates largely returned to more normal levels in 2022, with the fourth quarter sitting at 99% and the year as a whole at 98.9%. This improvement led to a reversal in bad debt provisions which made a contribution to performance. Going forward, we believe that the portfolio is well diversified in tenant risk. In addition, the positive tenant engagement undertaken over the last couple of years should be beneficial particularly if economic conditions deteriorate further.

Financial Resources & Renewal of the Debt Facility

The Company continues to be in a strong financial position with significant unutilised financial resources of £55m available for investment in the form of its revolving credit facilities ("RCF") net of existing cash and financial commitments.

The low Loan-to-value ("LTV") ratio of 22.6% at the year end means the Company is well placed to deploy capital into accretive assets which fit the portfolio strategy.

The existing debt facility (which includes the RCF) of £165 million will come to an end in April 2023. This was renewed at the end of the summer with our existing lender at a three year tenor comprising an £85 million term loan and an £80 million RCF. A swap contract to fix rates on the £85 million term loan was also negotiated. At that time the politically induced gilt market volatility was at its height.

We took the view that it was in the Company's best interests to secure the re-financing for April 2023 as some lenders were beginning to withdraw from the market. Furthermore, even if facilities had still been available, it was possible that the Company could have been forced to renew at even higher rates if markets had continued to deteriorate.

UK fixed interest markets began to improve shortly after new terms had been agreed and, therefore with hindsight, our loan renewal timing proved to be poor. Recognising this, and the income-orientated nature of the Company the Board and Managers pro-actively reconsidered matters with the help of external advice. As a result, the new swap contract was terminated in December and replaced with an interest rate cap arrangement. This limits the interest cost on the term loan to 5.46%, but if SONIA declines the Company's interest cost will decline too.

Chair's Statement

Continued

These new arrangements have resulted in a one-off charge of £3.56 million to terminate the swap, along with the payment of a premium of £2.5 million for the cap arrangement. This premium will be amortised over the three years from April 2023. Although complex and costly, the Board believes these actions have placed the Company on a better footing for the future.

Benchmark Change

Following a review undertaken by the Investment Manager's Investment Strategy Team, the Board has decided to amend the benchmark against which the property portfolio is measured. Going forward the MSCI UK Quarterly Property Index will be referenced, as it has grown to become the largest and most relevant benchmark covering the UK market. The Company previously used the MSCI UK Monthly Index Funds Quarterly Property Index which has, in recent times, not only reduced in size but is also now less reflective of the investment universe in which the Company could acquire assets.

Dividends

The Board remains conscious that many of the Company's shareholders have invested in the Company because of the attractive level of income it generates. The Board aims to invest in good quality assets that have the potential to provide an above market level of total return as well as an attractive level of income that has scope to grow.

The Board has maintained the annual dividend of 4p per share, which was reached at the end of 2021, for 2022.

Dividend cover has decreased to 73%, down from 98% in 2021. Excluding one-off swap break costs, dividend cover was 97%.

The Board reaffirms its stated intention to maintain the current dividend level, of 4p per share despite the increased financing costs for the next two years.

Management Fee

A thorough review of costs was undertaken late in the year, which resulted in a renegotiation of and 10bps reduction in the management fee. From 1st January 2023 abrdn will be paid 0.6% of Gross Asset Value (GAV) below £500m, and 0.5% above £500m.

Annual General Meeting ("AGM")

The Annual General Meeting ("AGM") will be held at 2.30pm on Wednesday 14 June 2023 at Wallacespace, 15 Artillery Lane, London E1 7HA. 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**

The Board has decided to hold an interactive Online Shareholder Presentation at 2.30pm on Tuesday 13 June 2023. As part of the presentation, shareholders will receive updates from the Chair and Manager as well as the opportunity to participate in an interactive question and answer session. Further information on how to register for the event can be found on **www.workcast.com/register?cpak=9811658259471291**

Outlook

2022 was a particularly challenging year for many companies including this one. The high industrial weighting had a negative impact during the past year but we believe the sector allocation and assets held will be beneficial in the near future. The new debt facility provides the Company with certainty, albeit at a higher interest rate than before. This increased cost will impact short-term dividend cover, but the Board and Investment Manager are confident that the portfolio offers a wide range of initiatives and opportunities to grow income. In addition, the Company's strong financial footing provides the means to take advantage of market conditions to acquire well-specified, attractively priced assets which will enhance dividend cover.

We are anticipating a continued easing of inflation, with forecasts of a return to lower levels later this year. Whether the slowing of the UK economy results in a recession is still to be seen, but the diversification of the API tenant base, the portfolio weighting to more favoured areas of the market, the quality of the assets and our focus on ESG should leave us well-placed for the year ahead.

21 April 2023

James Clifton-Brown

Images

1. 54 Hagley Road, Birmingham
2. Building 3000, Birmingham


1
GOOD
VIBES
ONLY


2

Investment Manager's Report

For the year ended 31 December 2022

2022 was another year of unexpected challenges. The year started with optimism of ongoing recovery in a post COVID-19 world, before the shock of the Russian invasion of Ukraine changed the economic outlook globally with inflation and rising interest rates becoming the main narrative.

Market Review

2022 was another year of unexpected challenges. The year started with optimism of ongoing recovery in a post COVID-19 world, before the shock of the Russian invasion of Ukraine changed the economic outlook globally with inflation and rising interest rates becoming the main narrative. The UK had further challenges with a very volatile political situation. This reached a climax in September with a mini budget that led to a spike in inflationary and interest rate expectations, with a sharp decline in Sterling.

During the first six months of the year, performance for UK real estate was positive, with investment activity remaining robust. However, the narrative changed in the second half of the year as government bond yields and inflation rose and economic sentiment declined. The tightening monetary cycle increased financing costs for real estate, which acted as the catalyst for a broad decline in UK property values. In addition, the spread between real estate and UK government bond yields narrowed over the year as bond yields rose, making the asset class relatively less attractive.

The UK real estate market recorded a total return of -8.9% in 2022, according to the MSCI quarterly Index. The 7.8% positive total return recorded in the first six months of the year was more than unwound during the second half of the year with a -4.2% fall in capital values through the third quarter which accelerated to a -12.0% decline in fourth quarter. The overall return of -8.9% in 2022 masks significant divergence in returns at the sector level.

The UK industrial sector was the weakest performing sector, posting a total return of -14.6% over the course of 2022, whilst the office and retail sectors recorded returns of -9.8% and -4.8% respectively over the same period. Transaction volumes reached £62.8 billion over the course of the year, 16% down on 2021 but 26% ahead of 2020 levels.

Investment Manager's Report continued

For the year ended 31 December 2022

Following a very strong year of performance in 2021, the listed property sector had a difficult 2022 with widening discounts to net asset values (NAV). The FTSE UK REIT index registered a total return of -31.9% in 2022, underperforming the FTSE All-Share index, which recorded a total return of 0.3%. Sector specialists that had been trading on the biggest premiums saw rapid moves to large discounts especially in the logistics sector, reflecting the change in pricing of the underlying assets which had reached low levels of yield.

Specialist funds have been increasingly popular over the last few years, however with logistics funds being hardest hit in terms of NAV falls in 2022 and several social housing funds having significant challenges, there is potential for diversified funds to return more into favour. NAV declines in Q4 led to a narrowing of discounts for a while, but concerns over a new banking crisis at the end of Q1 2023 mean discounts are back to similar levels as at end 2022 despite the lower NAVs.

Offices

The office sector delivered a total return of -9.8% in the year to December 2022 according to the MSCI Quarterly Index, a deterioration on the +5.3% recorded in 2021. Performance for the sector was impacted by declining capital values as yields rose in response to increasing interest rates and a narrowing spread over the UK 10-year gilt yield. Capital values rose by a modest 0.9% during the first half of 2022, but they declined by -13.9% in the second half, resulting in values declining by -13.2% for the year.

There was a polarisation in performance at the market level within the office sector, with West End offices posting the strongest total return of -4.5% during 2022. With total returns of -12.1% and -11.6% respectively during 2022, the Rest of UK and the Rest of South East posted the weakest regional returns within the office sector.

Despite structural headwinds facing the sector more generally, vacancy rates in the West End office market declined to 3.7% in 2022, having hit 5.4% during 2020 according to CBRE data. The West End office market has benefitted from more attractive fundamentals, including much higher office occupancy and a lower vacancy level than the rest of the office sector. The COVID-19 pandemic has created a longer-term structural headwind for the office sector in the UK, largely as a result of the increased prominence of hybrid working. The subsequent change to office occupation is reflected in higher vacancy rates across most UK office markets. In the regional markets, a lack of availability for best-in-class space is evident which should provide support for Grade A rental growth.

In central London, the vacancy rate at the end of 2022 stood at 8.2%, substantially higher than the ten-year average of 5.1%. However, it is clear that occupier demand remains highly polarised. Despite take-up of central London office space reaching 12.3 million sq ft in 2022, in-line with the 10-year average, 80% of take-up was focused on Grade A space. Indeed, we believe that occupier preference for the best quality space will create an increasing wedge in rents between Grade A/best in class space and the rest for the office sector. In central London for example, prime rents grew by 4.6% in 2022 whilst market average rents grew by only 2.1%.[1]

Retail

The retail sector delivered a total return of -4.8% in 2022 according to the MSCI Quarterly Index. In a similar vein to other UK real estate sectors, total returns turned negative due to weakening capital value growth. Capital values rose by 4.9% during the first half of the year, but this was unwound in the second half of the year when values declined by -13.9%. Most of the capital value decline was recorded in the fourth quarter at -10.5%.

Polarisation across retail sub-sectors was acutely evident, with retail warehousing posting the best performance in the retail sector, with a total return of -0.8% and capital growth of -6.2% in 2022. Well positioned retail warehouses with essential and discount retailers as anchor tenants continued to attract investor interest at the expense of discretionary and non-essential retail. Shopping centres delivered a total return of -5.3%, whereas supermarkets delivered the lowest total return of -13.4%, heavily impacted by the -17.5% capital value decline in the final quarter. The supermarket sector was more sensitive to the rising interest rate environment given the generally low yielding nature of the sector.

1. CBRE London datasheet Q4'22 is used for prime rents, whilst the MSCI UK Q4'22 digest is used for average rents.

Industrial

The fortunes of the industrial and logistics sector turned during the course of 2022, with the sector leading the repricing of UK real estate in response to rising debt costs and a weaker macro-economic environment. Yields within the sector had reached historic lows in the first half of 2022 as investors continued to favour the sector but, as investor demand weakened in response to rising debt costs, yields moved out by between 150 – 200 bps between June and December 2022. As a consequence, capital values fell -17.4% during 2022 according to the MSCI Quarterly Index, leading to it recording the weakest performance across the UK real estate market, with a total return of -14.6%, a stark contrast to the return of 36.4% for the sector in 2021.

Lower yielding areas of the market, such as within London and the wider South East, were the most adversely impacted, with London industrial seeing its largest quarterly capital value decline in the history of the MSCI Index of -22.2% in the final quarter.

That being said, rental growth remained positive throughout the year, with UK industrial market rental growth significantly outperforming the market at 10.4% in 2022 – compared to 3.8% for all property – as occupational demand remained healthy.

Demand was principally driven by the third party logistics ('3PL') sector, while demand from the manufacturing sector saw continued growth, helping to offset the fall in take-up from online retailers. While the level of take-up fell in the second half of 2022, it remained well above the long term average. 'Big Box' take-up for the year reached 47.99m sq ft, the third highest level on record according to Savills. Despite robust take-up, supply levels increased during 2022, with the UK vacancy rate rising to 3.9%. This, however, remains near historic lows and the existing development pipeline is unlikely to materially alter the strong supply/demand dynamic which the sector currently enjoys.

Images

1. Howard Town Retail Park, Glossop

Investment Manager's Report continued

For the year ended 31 December 2022

Alternatives

The UK real estate alternative sector, or "Other Property" as it is categorised by MSCI, represents real estate which falls outside the traditional 'Retail', 'Office' or 'Industrial' definitions. The alternative sector recorded a total return of -2.6% in 2022, outperforming the other sectors. The healthcare sector, which represents approximately 10% of the "Other Property" sector within the MSCI sample, was the standout performer, generating a total return of 3.5%.

Despite the cost-of-living crisis placing pressure on UK Household disposable incomes, the leisure and hotel sectors still outperformed the wider market, returning -3.8% and -5.3% respectively over the course of 2022. Hotel trading improved significantly over the course of the year and whilst room rates were the primary driving force behind the recovery in performance, occupancy also improved, supported by growing weekend leisure stays and a recovery in weekday business demand. With a weaker pound, it is likely the return of international visitors aided the recovery.

Investor appetite for the living sector continued its strong trajectory. A total of £12.7 billion was invested in the living sector in 2022 according to Real Capital Analytics data, equating to 20% of all UK real estate transactions. However, of the £12.7 billion invested, the Purpose Built Student Accommodation (PBSA) sector accounted for £8.5 billion, or 67% of all activity. The largest deal in the PBSA sector last year was GIC and Greystar's purchase of the Student Roost portfolio from Brookfield for £3.3 billion. The continued investor interest in the sector helped provide support for pricing, with direct let PBSA asset yields rising by only 25bps over the second half of 2022, much less than other areas of the commercial real estate market.

Market Outlook 2023

Given the magnitude and speed of correction we have seen in sectors including supermarkets, industrial and logistics, and long duration income more generally, we believe that the market pricing for these areas of UK real estate will find a floor much quicker than we have seen in previous cycles. As such, our outlook, and forecasts for these areas of the market have improved materially, given the size of the corrections experienced.

Following the poor reception to the mini budget in September 2022 longer term yields may have peaked in early 2023 and could reduce by year end if inflation falls as predicted. Lower yields, and in particular forward swap rates, will make utilising debt more accretive again and will likely increase investment volumes as debt backed buyers re-enter the market.

It is never easy to call the bottom of a market cycle, however it appears that the industrial sector may be bottoming out about now, with offices and retail values having further to fall. The rapid repricing of the UK market means that the prospective returns from today's levels look more attractive, along with the likely improvement of the yield premium of growth assets over gilts as the year develops. abrdn forecasts a market return of 4.3% over the 3 years from April 2023.

The outlook is positive for the industrial sector and particularly for better quality assets in strong locations, as both occupiers and investors narrow their focus on best-in-class assets. The size and speed of value correction in 2022 means the sector now looks better value relative to other real estate sectors and indeed, other asset classes. The sector continues to benefit from structural tailwinds and a positive supply/demand dynamic, with the UK wide vacancy rate remaining near historic lows and new supply levels likely to remain muted due to higher development costs. Whilst we anticipate the industrial vacancy rate to move higher this year, largely as a result of a weaker economic backdrop, we expect occupational demand to remain robust as the advent of 'onshoring' and continued demand for e-commerce supports demand for good quality accommodation.

As a result, further rental value growth is expected and is likely to drive performance in the medium term. There is the prospect for capital value growth for best-in-class assets, as investors once again compete for good quality industrial accommodation with strong occupational fundamentals.

The office sector continues to face real structural headwinds as working habits remain altered following the COVID-19 pandemic. Indeed, the bifurcation between best-in-class and secondary office space is acutely evident, becoming even more entrenched during 2022. Secondary office accommodation is at risk of obsolescence and asset stranding, while the capital requirements to ensure assets meet minimum ESG standards is unlikely to lead to positive returns.

The office sector did not reprice as much as many other UK property sectors in 2022, predominantly due to limited transactional evidence. However, we expect further pricing discovery to emerge over the course of 2023 and for secondary accommodation, this is likely to result in large downward revisions to valuations. Supply of truly best-in-class office space remains extremely limited across the UK which will provide more support for pricing and tenant demand.

Performance within the retail sector is expected to remain polarised in 2023. Consumer spending habits will be driven by consumer cost considerations and as such, non-discretionary led retailing is expected to be best placed.

Following a period of repricing in 2022, the retail warehouse sector is garnering more interest from investors, particularly for food anchored schemes with a discount orientated line-up which will be more insulated from any slowdown in consumer spending. Equally, the supermarket sector now looks attractive following a broad re-pricing last year, but the sector will not be immune to increasingly price sensitive consumers, with supermarket operators adapting to changes in consumer behaviour. A divergence in performance between the supermarket operators is already evident and as such, a focus on the quality of the underlying real estate will remain crucial.

The outlook for 2023 feels a lot more positive than it did at the end of 2022. Tenant demand remains resilient for good quality accommodation, and the impact of high interest rates and gilt yields seems to be easing, although recent turmoil in the banking sector is a timely reminder that risks still remain. If the UK can experience some political stability and a soft landing, then it feels as though real estate is well placed to benefit following the short sharp correction of 2022.

Images

1. 54 Hagley Road, Birmingham

Investment Manager's Report continued

For the year ended 31 December 2022

Purchases:

As previously reported in our results to December 2021, we completed a purchase in April 2022 for £5.0m. The asset was a car showroom in Stockton on Tees let to Motorpoint for 25 years (with a tenant break in years 15 and 20), with the 5 yearly rent reviews linked to CPI. After the reporting period (in March 2023) the Company acquired a food store in Welwyn Garden City let to Morrisons for £18.3m, which reflected a yield of 6.35%. The store is a strong trader for Morrisons and was acquired off market by way of a sale and leaseback with a new 25 year lease subject to indexation of rent.

Development:

During 2022 substantial progress was made on the pre-let development at St Helens. Completion of the development occurred in April 2023 with a new 15 year lease to the local Council commencing at a passing rent of £0.7m pa. The rent is subject to 5 yearly rent reviews linked to CPI +1%. The property is sublet to a not for profit research body investigating ways to manufacture low carbon glass (the project is known as Glass Futures).

After the reporting period the Company completed the purchase of a development site in Knowsley (Liverpool) for £4m following grant of planning permission. We expect to start on site in the second quarter to construct a 110,000 sq ft grade A logistics unit.

Sales:

A total of four assets were sold in 2022 for a total of £41.8m at a combined realised loss of £0.2m based on the valuation as at 31 December 2021 and the net proceeds as disclosed in note 7. Three of the assets were offices and the decision to sell was taken as part of our general concern over the future of offices. We also disposed of an industrial asset (the lowest yielding asset in the company) just before the major correction in pricing.

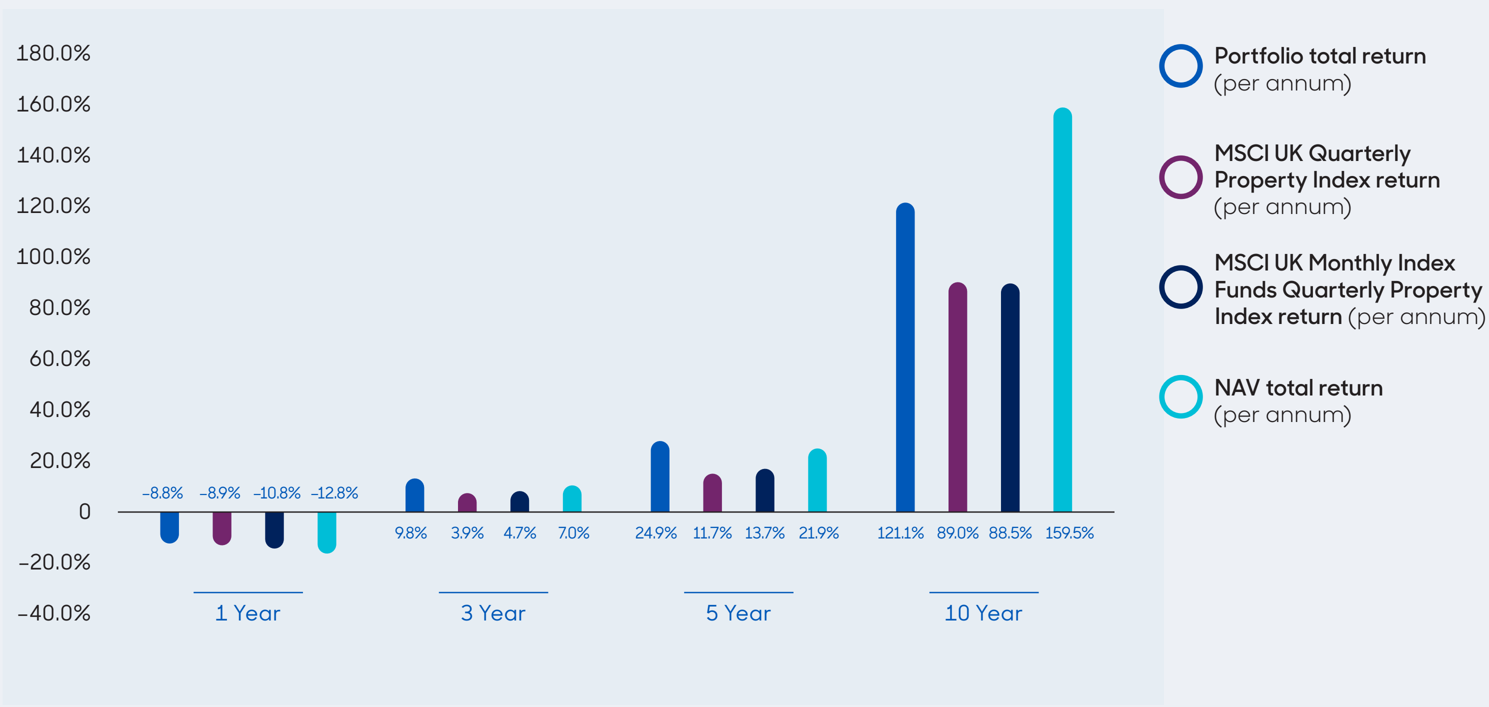
Asset Management:

During the COVID-19 pandemic rent collection was a major focus for the asset management team. In 2022 attention was able to return to more normal tenant engagement, with rental collection back at 100% in the fourth quarter and the rate for the year just over 99% with some rent still being collected.

The vacancy rate at the year-end was 9.8% (prior year 9.7%) which is above our target level of 5%. As noted opposite, we have several units that are subject to an agreement for lease, and when those leases complete along with some other lettings under offer, the vacancy rate is expected to be close to around that target level.

Portfolio Total Return

Source: MSCI, abrdn



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 %	17.1%	1.0%	3.9 (ex-uncapped income)	8.4
CPI Inflation linked %	4.0%	1.7%	3.7%	14.7
Fixed / Stepped	10.3%	2.6%	n/a	10.6
Open Market Value	68.6%	n/a	n/a	2.6
Total	**100%**	**n/a**	**n/a**	**5.7 (FUND WAULT)**

Ten lettings were completed during the year securing a total of £1.2m pa. In addition, an agreement for lease (a contractual agreement to enter into a lease once the landlord completes a refurbishment) securing a rent of £0.6m pa was signed and we expect to complete the works mid 2023. Since the year end two more lettings have completed securing £0.3m pa.

In addition to the asset lettings, four leases were completed with an operator of EV charge points in some of our asset car parks. The combined base rent is only £8,000pa (with a top up potential share of turnover) however we will be undertaking more of these lettings where an operator has the cost of installation and running the charge points, but our tenants benefit from the service.

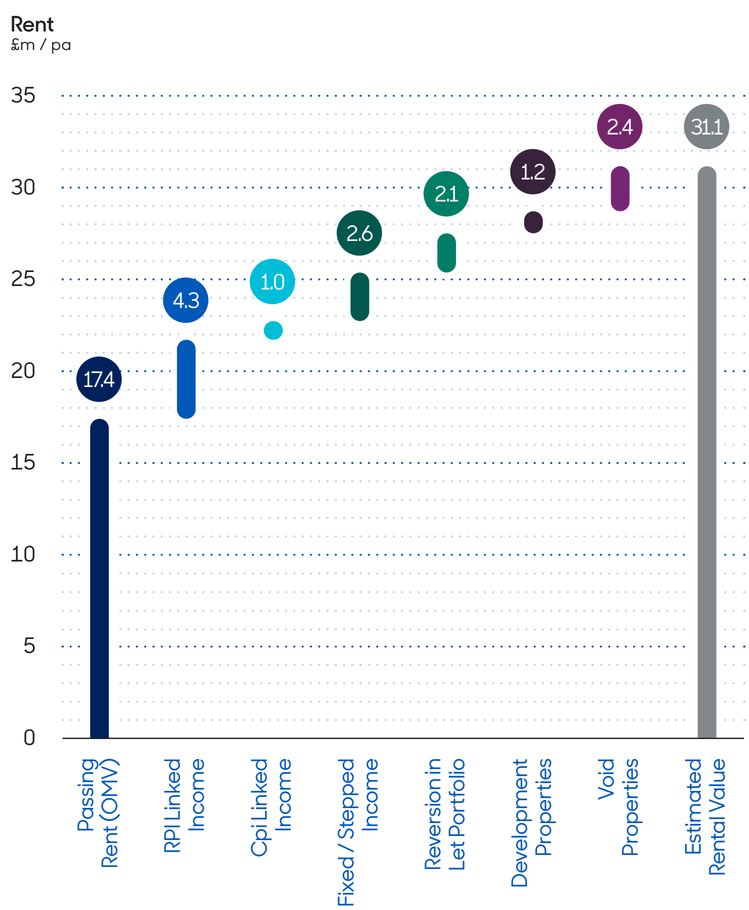
Six lease renewals or regears were completed over the year securing £0.6m pa, along with six rent reviews, resulting in an additional £0.2m pa being secured and since year end two more rent reviews with a total increase in rent of £0.1m pa were agreed. The majority of the increase is from the industrial / logistics sector although we are also seeing some increases in our office portfolio.

Rent Collection	Quarter	% Received
2021	1	100%
	2	98%
	3	97%
	4	99%
	2021 FY	**98%**
2022	1	99%
	2	99%
	3	97%
	4	100%
	2022 FY	**99%**

Income Growth Potential

The Company has a diversified portfolio of commercial real estate assets let to occupiers under a variety of leases. The rent that tenants pay will vary over time, and in the case of the current portfolio the rent received is below market rates giving scope for increase over the next five years. This increase will come from rent reviews and lease renewals on existing leases (£2.1m of reversion present), completing development projects (£1.2m of rent) and hopefully letting void units (£2.3m).

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



Case Studies

Fitted Office Solution

Office occupier demands are constantly evolving, with flexibility a key priority in the current environment. To cater for this, and maximise our office occupancy, the API team have ensured that the Company's vacant office space has all been refurbished and is therefore available for immediate occupation. In addition, the team have incorporated a "fully-fitted" option into each of the office buildings which has vacancy. This consists of installing what might normally be expected to be a tenant's fit-out and typically includes furniture, meeting rooms, break-out areas, kitchen facilities and fibre internet connection.

By undertaking this work the API team have found that it has shortened the period that the space is vacant and reduces the incentive that the occupiers require. Presenting the space in a fitted condition also helps potential tenants visualise their own operational requirements and enhances the appeal of the API buildings. There are also sustainability benefits to this, as there is the opportunity to reuse elements of these fit-outs as opposed to starting afresh for each tenancy. Lastly, the occupier avoids a significant capital outlay for their fit-out which is instead incurred by the Company and recovered in an enhanced rent.

Retail Park Rapid EV Charging Hubs

The Company owns 4 multi-let retail parks (Grand National Retail Park, Aintree; The Point Retail Park, Rochdale; Howard Town, Glossop; Victoria Shopping Park, Hednesford). In late 2022, the company signed lease agreements with a charge point operator, to install a series of rapid EV charge hubs across these 4 locations in return for a base rent and turnover agreement. In total we will install 23 rapid DC vehicle chargers across these locations.

Our asset management team assessed numerous technologies and deal structures to orchestrate this agreement. Opting to install rapid chargers which will deliver upwards of 150kW to EVs, providing a full charge in as little as 45 minutes (vehicle dependent). This initiative will provide added amenity to our parks, drawing footfall, increasing dwell time and boosting occupier satisfaction. The structure of our agreement means that the fund bears zero upfront capital expenditure for the installations. Hence, delivering amenity to occupiers and steady income growth to the Company, without any required investment.

Bolton Refurbishment

The Company owns a logistics unit in Bolton that had been occupied by a national parcel delivery company. The tenant left at lease expiry to move to a larger unit, and on moving out we had another tenant very keen to move in straight away and take a new lease of the whole property.

One of the concepts we discuss internally is when the "Optimum point of intervention" is. Rather than let the property we decided that the optimum point of intervention was when the lease ended – we might not have control of the unit again for 10-15 years.

The Company specified a scope of works that would ensure the unit met the required standards of tenants and investors for many years. We took out gas heating systems and replaced with electric heating to the offices, and extended the photo voltaic (PV) system such that the property would be operational net negative carbon.

Sarah MacDougall the asset manager however went a step further and took the opportunity to address worker welfare and biodiversity opportunities. The refurbishment included enhanced facilities for the warehouse workers (improved WCs and showers / amenity room) along with a revised landscaping plan to increase biodiversity. The end result was a letting of the unit to a national operator at a higher rent. The Company not only benefitted from increased value and rent today, but has an asset that can contribute to fund performance for many more years.

Images

1. Easter Park, Bolton
2. 101 Princess Street, Manchester


1
dpd


2

Investment Manager's Report continued

For the year ended 31 December 2022

Debt

The Company's £110m term loan and £50m revolving credit facility (RCF) was to mature in April 2023, and given volatility in the lending market the company sought to secure an extension in 2022, which it did in October. At year end the term loan was fully drawn and subject to an interest rate swap giving an all in cost of 2.725%. The RCF was undrawn following the sales undertaken in the year (also undrawn year end 2021 although there was some utilisation in the intervening period).

The new facility is with the existing lender (RBSI), commences in April 2023 for three years and consists of a £85m term loan and an £80m RCF. The margin on both is 150bps which is considered very competitive. At the time of agreeing the new facility swap rates were very unattractive however there was significant concern that rates would go even higher as a result of the then Government policy. The Company decided to enter into a swap given the risks of a worsening situation, which would have fixed the cost of debt at 7.0%.

With the rapid repricing of interest rate futures following the change of Prime Minister and Chancellor the Company decided to break that swap in December 2022 and enter into an interest rate cap instead. This limits the upper rate the Company could pay to 5.5% and allows the Company to benefit from lower rates if they occur.

The costs associated with the debt restructure were, as detailed in the 2022 NAV and disclosed further in the accounts, £3.6m to break the swap and £2.5m to replace this with an interest rate cap; the latter of which will be amortised over the three-year tenor of the loan. The LTV as at year end was 22.6% (19.2% prior year) which is a level the Investment Manager and Board are comfortable with at this stage of the market cycle.

Outlook and Future Strategy

Although the economic outlook remains uncertain the portfolio consists of good quality assets that are appealing to occupiers. The Investment Manager will continue to focus on growing income through active asset management of the assets, and ensuring the assets in the portfolio meet occupier needs. In the first few months of 2023 new occupier interest is encouraging, and we expect that to continue given the quality of accommodation the Company offers.

In order to have a reliable income stream with potential for growth we will continue to focus on ESG and offering cost effective solutions for occupiers. To reflect the importance of ESG, the Annual Report now includes a dedicated section on pages 29 to 41 and we have also early adopted the Taskforce for Climate-related Financial Disclosures on pages 42 to 45.

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 Return:

The Company uses a MSCI Benchmark to measure performance of the underlying assets against the general market. The portfolio is not constructed with reference to the MSCI index, but it can be useful to measure the performance of the Investment Manager. At the end of 2022 the Board and Manager changed the benchmark index it uses for this comparison from the MSCI quarterly version of monthly valued funds to the MSCI Quarterly index. The reason for this change was that the quarterly index represents a much broader measure of the market return, and is the main index used by commentators. For the purpose of this year end report and accounts performance review the chart on page 18 shows the portfolio and NAV against both indices for clarity.

At a portfolio level the Company has continued to demonstrate performance above that of the overall market over 1, 3, 5 and 10 years (see graph on page 18). The improved performance relative to the benchmark is a result from a combination of structure (having a greater exposure to strongly performing sectors and low exposure to poorly performing sectors), and the active approach to managing the portfolio. Turnover in the portfolio has been higher than the market over most time periods, indicating a willingness to take profits and reinvest in new productive assets.

NAV Return:

The NAV total return is perhaps the best indication of the Company's performance, rather than just the property portfolio, as it takes all costs and manager controlled factors (such as borrowing) into account. The chart on page 18 shows NAV total returns alongside the portfolio and market returns. The table compares the NAV total return of the company against the AIC peer group, and as a further source of comparison against the IA open ended fund sector average.

NAV Total Returns to 31 December 2022

Source: AIC, abrdn	1 year %	3 years %	5 years %	10 years %
abrdn Property Income Trust Limited	(12.8)	7.0	21.9	159.5
AIC Property UK Commercial (weighted average)	(0.4)	20.9	39.6	32.1
Investment Association Open Ended Commercial Property Funds sector	(7.7)	(1.8)	1.1	35.5

Share Price:

For the investor, share price total return is the real measure of their experience, measuring the share price performance along with the dividends they received. The Company's market capitalisation at 31 December 2022 was £237.9m against £323.5m a year earlier. The reduction in market capitalisation reflects the wider discount and the share buy backs undertaken by the Company – totalling £12.4m in 2022.

Share Price Total Returns to 31 December 2022

Source: AIC, abrdn	1 year %	3 years %	5 years %	10 years %
abrdn Property Income Trust Limited	(19.0)	(18.5)	(11.8)	90.4
FTSE All-Share Index	0.3	7.1	15.5	88.2
FTSE All-Share REIT Index	(31.6)	(25.8)	(15.0)	45.1
AIC Property Direct – UK Sector (weighted Average)	(15.8)	(6.9)	12.5	17.8

Valuation

The portfolio is valued quarterly by Knight Frank LLP under the provisions of the RICS Red Book. As at 31 December 2022 the portfolio, including the Ralia Estate, was valued at £416.2m (£499.9m at 31 December 2021) and the Company held cash of £15.9m (£13.8m at 31 December 2021). The portfolio consisted of 45 assets at year-end (48 assets at 31 December 2021).

Investment Strategy

The Company has a clearly stated investment strategy: "To provide investors 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". The word "Income" features in both the Company's name, and prominently in the investment strategy.

Our investment activities are centred around providing an attractive level of income. However, you will read throughout the report about the importance of ESG to future returns. The Investment Manager and Board want to provide a level of income that is attractive to investors today, that is sustainable and has scope to grow in the future. We also want to provide a reasonable total return (i.e. not sacrifice capital value to deliver an unsustainable level of income).

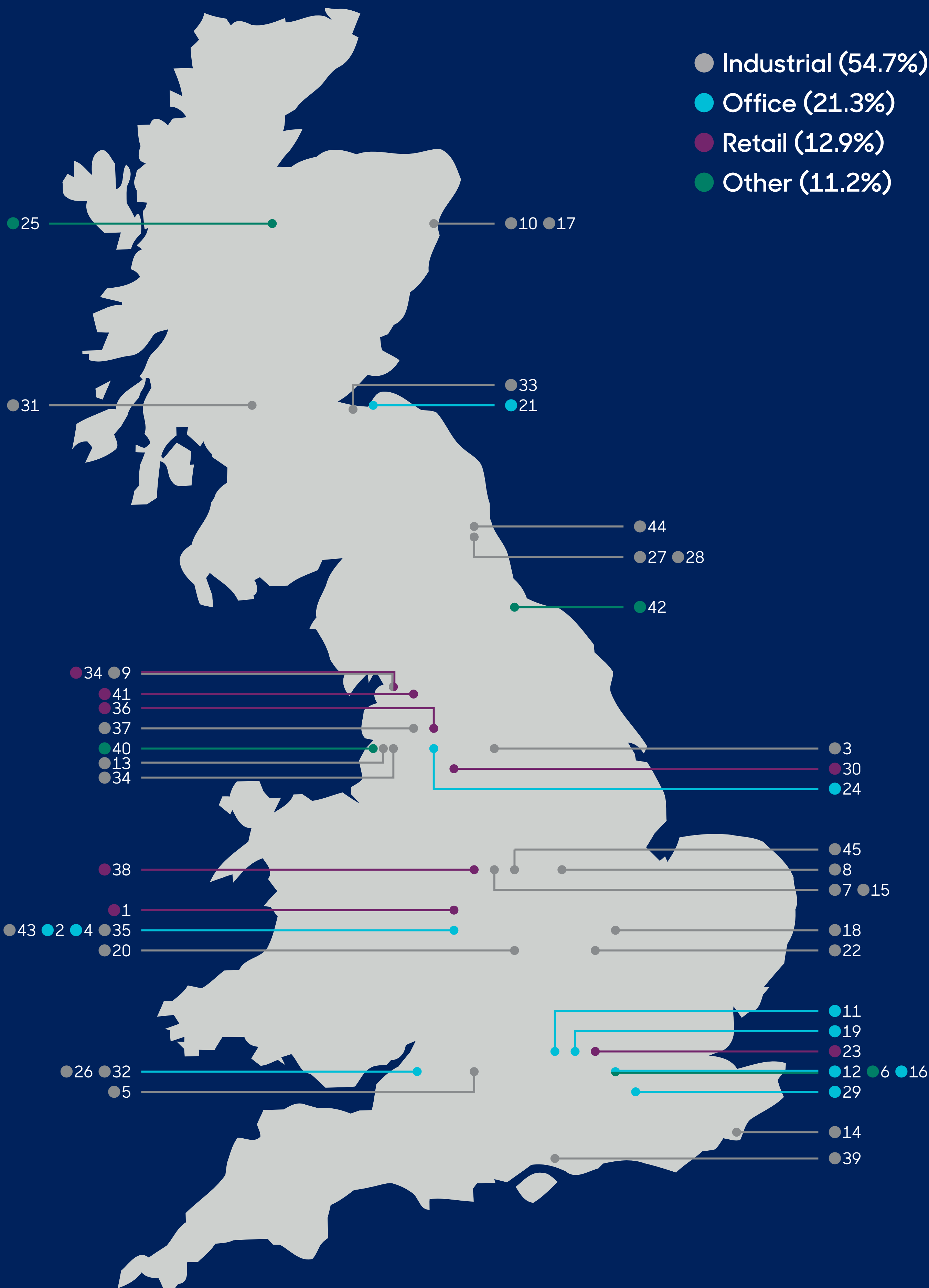
Environmental Social and Governance (ESG)

ESG is central to API'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 on pages 29 to 41 and we have also early adopted the Taskforce for Climate-related Financial Disclosures on pages 42 to 45.

Property Investments

as at 31 December 2022



KEY TO MAP

1. B&Q, Halesowen
2. 54 Hagley Road, Birmingham
3. Symphony, Rotherham
4. Atos Data Centre, Birmingham
5. Timbmet, Shellingford
6. Hollywood Green, London
7. Tetron 141, Swadlincote
8. CEVA Logistics, Corby
9. Walton Summit Industrial Estate, Preston
10. Badentoy North, Aberdeen
11. The Pinnacle, Reading
12. 15 Basinghall Street, London
13. Stadium Way, St Helens
14. Bastion Point, Dover
15. Tetron 93, Swadlincote
16. New Palace Place, London
17. Ocean Trade Centre, Aberdeen
18. Flamingo Flowers Limited, Sandy
19. One Station Square, Bracknell
20. Swift House, Rugby
21. 160 Causewayside, Edinburgh
22. Mount Farm, Milton Keynes
23. 82-84 Eden Street, Kingston Upon Thames
24. 101 Princess Street, Manchester
25. Far Ralia, Newtonmore
26. Kings Business Park, Bristol
27. Rainhill Road, Washington
28. Alston Road, Washington
29. Explorer 1 & 2 & Mitre Court, Crawley
30. Howard Town Retail Park, Glossop
31. Speedy Hire Unit, Glasgow
32. Wincanton, Bristol
33. Units 1 & 2 Cullen Square, Livingston
34. Opus 9 Industrial Estate, Warrington
35. Units H1, H2 & G, Nexus Point, Birmingham
36. The Point Retail Park, Rochdale
37. Unit 4 Easter Park, Bolton
38. Victoria Shopping Park, Hednesford
39. Unit 2, Fareham
40. Grand National Retail Park, Aintree
41. Olympian Way, Leyland
42. Motorpoint, Stockton-on-Tees
43. 21 Gavin Way, Birmingham
44. Unit 4 Monkton Business Park, Newcastle
45. Unit 14 Interlink Park, Bardon

Top 10 Tenants

1 B&Q Plc
Passing Rent: £1,560,000
6.2%

2 Public Sector
Passing Rent: £1,346,186
5.3%

3 The Symphony Group Plc
Passing Rent: £1,225,000
4.8%

4 Schlumberger Oilfield UK Plc
Passing Rent: £1,138,402
4.5%

5 CEVA Logistics Limited
Passing Rent: £840,000
3.3%

6 Atos IT Services Limited
Passing Rent: £838,910
3.3%

7 Jenkins Shipping Co Ltd
Passing Rent: £819,390
3.2%

8 Timbmet Limited
Passing Rent: £799,683
3.2%

9 Thyssenkrupp Materials (UK) Ltd
Passing Rent: £643,565
2.5%

10 Adexa Direct Limited
Passing Rent: £560,997
2.2%

Top 10 Properties

1 B&Q, Halesowen
£22m–£24m
Retail (5.7%)

2 54 Hagley Road, Birmingham
£22m–£24m
Office (5.6%)

3 Symphony, Rotherham
£20m–£22m
Industrial (5.0%)

4 Atos Data Centre, Birmingham
£16m–£18m
Other (3.8%)

5 Timbmet, Shellingford
£14m–£16m
Industrial (3.7%)

6 Hollywood Green, London
£14m–£16m
Other (3.4%)

7 Tetron 141, Swadlincote
£12m–£14m
Industrial (3.2%)

8 CEVA Logistics, Corby
£12m–£14m
Industrial (3.2%)

9 Walton Summit Industrial Estate, Preston
£12m–£14m
Industrial (2.9%)

10 Badentoy North, Aberdeen
£12m–£14m
Industrial (2.9%)

Property Investments continued

as at 31 December 2022

#	Name	Location	Sub-sector	Market value	Tenure	Area sq ft	Occupancy %
1	B&Q	Halesowen	Retail	£22m–£24m	Freehold	92,400	100.0%
2	54 Hagley Road	Birmingham	Office	£22m–£24m	Leasehold	136,951	72.6%
3	Symphony	Rotherham	Industrial	£20m–£22m	Leasehold	364,974	100.0%
4	Atos Data Centre	Birmingham	Other	£14m–£16m	Freehold	40,146	100.0%
5	Timbmet	Shellingford	Industrial	£14m–£16m	Freehold	214,882	100.0%
6	Hollywood Green	London	Other	£14m–£16m	Freehold	63,634	100.0%
7	Tetron 141	Swadlincote	Industrial	£12m–£14m	Freehold	141,459	100.0%
8	CEVA Logistics	Corby	Industrial	£12m–£14m	Freehold	195,225	100.0%
9	Walton Summit Industrial Est	Preston	Industrial	£12m–£14m	Freehold	147,946	100.0%
10	Badentoy North	Aberdeen	Industrial	£12m–£14m	Freehold	67,843	100.0%
11	The Pinnacle	Reading	Office	£10m–£12m	Freehold	39,379	82.9%
12	15 Basinghall Street	London	Office	£10m–£12m	Freehold	17,083	78.9%
13	Stadium Way	St Helens	Industrial	£10m–£12m	Freehold	101,087	100.0%
14	Bastion Point	Dover	Industrial	£8m–£10m	Freehold	84,376	100.0%
15	Tetron 93	Swadlincote	Industrial	£8m–£10m	Freehold	93,836	100.0%
16	New Palace Place	London	Office	£8m–£10m	Leasehold	18,554	98.4%
17	Ocean Trade Centre	Aberdeen	Industrial	£8m–£10m	Freehold	103,120	81.3%
18	Flamingo Flowers Limited	Sandy	Industrial	£8m–£10m	Freehold	125,774	100.0%
19	One Station Square	Bracknell	Office	£8m–£10m	Freehold	42,429	56.9%
20	Swift House	Rugby	Industrial	£8m–£10m	Leasehold	100,564	100.0%
21	160 Causewayside	Edinburgh	Office	£8m–£10m	Freehold	39,522	100.0%
22	Mount Farm	Milton Keynes	Industrial	£6m–£8m	Freehold	74,709	100.0%
23	82–84 Eden Street	Kingston Upon Thames	Retail	£6m–£8m	Freehold	24,234	97.8%

Lease Expiry Profile

0–5 years

Rent expiring

£10,348,740

33.3%

6–10 years

Rent expiring

£8,885,725

28.6%

11–15 years

Rent expiring

£3,485,761

11.2%

#	Name	Location	Sub-sector	Market value	Tenure	Area sq ft	Occupancy %
24	101 Princess Street	Manchester	Office	£6m–£8m	Freehold	41,096	68.5%
25	Far Ralia	Newtonmore	Other	£6m–£8m	Freehold	N/A*	100.0%
26	Kings Business Park	Bristol	Industrial	£6m–£8m	Freehold	58,538	100.0%
27	Rainhill Road	Washington	Industrial	£6m–£8m	Freehold	149,676	0.0%
28	Alston Road	Washington	Industrial	£6m–£8m	Freehold	96,689	100.0%
29	Explorer 1 & 2 & Mitre Court	Crawley	Office	£6m–£8m	Freehold	43,123	63.3%
30	Howard Town Retail Park	Glossop	Retail	£6m–£8m	Mixed	47,132	96.3%
31	Speedy Hire Unit	Glasgow	Industrial	£6m–£8m	Freehold	61,033	100.0%
32	Wincanton	Bristol	Industrial	£6m–£8m	Leasehold	38,330	100.0%
33	Units 1 & 2 Cullen Square	Livingston	Industrial	£6m–£8m	Freehold	81,288	100.0%
34	Opus 9 Industrial Estate	Warrington	Industrial	£6m–£8m	Freehold	53,279	100.0%
35	Units H1, H2 & G, Nexus Point	Birmingham	Industrial	£4m–£6m	Freehold	46,495	100.0%
36	The Point Retail Park	Rochdale	Retail	£4m–£6m	Freehold	42,224	100.0%
37	Unit 4 Easter Park	Bolton	Industrial	£4m–£6m	Leasehold	35,534	100.0%
38	Victoria Shopping Park	Hednesford	Retail	£4m–£6m	Leasehold	37,096	100.0%
39	Unit 2	Fareham	Industrial	£4m–£6m	Freehold	38,217	100.0%
40	Grand National Retail Park	Aintree	Other	£4m–£6m	Leasehold	38,223	100.0%
41	Olympian Way	Leyland	Retail	£4m–£6m	Leasehold	31,781	100.0%
42	Motorpoint	Stockton-on-Tees	Other	£4m–£6m	Freehold	44,266	100.0%
43	21 Gavin Way	Birmingham	Industrial	£4m–£6m	Freehold	36,376	100.0%
44	Unit 4 Monkton Business Park	Newcastle	Industrial	£2m–£4m	Freehold	33,021	100.0%
45	Unit 14 Interlink Park	Bardon	Industrial	£2m–£4m	Freehold	32,747	100.0%
	Total property portfolio			£416m			

* The land at Ralia Estate, Newtonmore covers an area of 1,447 hectares.

16–20 years

Rent expiring

£1,268,240

4.1%

21–25 years

Rent expiring

£1,340,096

4.3%

25 > years

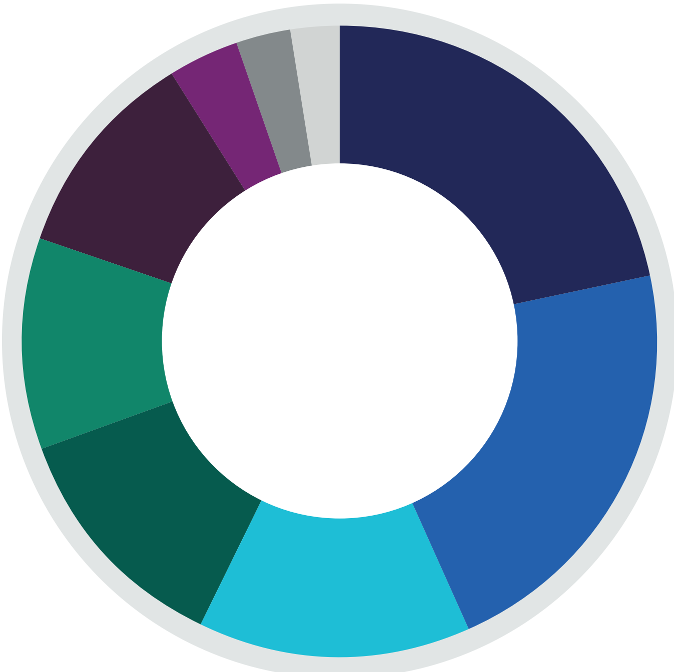
Rent expiring

£4,556

0.0%

Property Investments continued

For the year ended 31 December 2022



Portfolio Allocation by Region

South East (21.2%)	
West Midlands (20.9%)	
East Midlands (13.4%)	
Scotland (12.0%)	
North West (13.5%)	
North East (10.5%)	
South West (3.4%)	
London City (2.7%)	
London West End (2.3%)	

Portfolio Allocation by Sector

Rest of UK Industrial (45.5%)	
Retail Warehouses (11.0%)	
Rest of UK Offices (9.4%)	
Other Commercial (9.4%)	
South East Industrial (9.1%)	
South East Offices (6.8%)	
London City Offices (2.7%)	
London West End Offices (2.3%)	
South East Retail (1.9%)	
Land (1.8%)	

Environmental, Social and Governance (ESG)

For the year ended 31 December 2022

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

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 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. The report below provides details on the approach and measures, with a particular focus on carbon and energy.

Hardly a week goes by without an extreme weather event occurring somewhere in the world, 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.

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. In 2022, we have been actioning our net-zero strategy to improve on the baseline performance, with an initial focus on offices and also a refurbishment to have our first operational net neutral carbon logistics unit.

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 on pages 126 to 133 which also provides disclosures required under Streamlined Energy and Carbon Reporting (SECR).

GRESB

2022 GRESB Assessment.

The GRESB Assessment is regarded as the leading global sustainability benchmark for real estate vehicles. The Company has submitted data to GRESB since 2012. Whilst GRESB is a useful tool for benchmarking ESG performance, there are significant limitations with the default peer group selection which the company does not believe represents its peers. Despite providing this feedback, GRESB still does not benchmark the Company against similar UK funds, however we continue to engage on this matter.

Environmental, Social and Governance (ESG) continued

For the year ended 31 December 2022

Our ESG Priorities

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.

The Taskforce for Climate-related Financial Disclosures (TCFD) recommendations are structured around four key topics: Governance, Strategy, Risk Management and Metrics & Targets. The Company is committed to implementing the recommendations of the TCFD to provide investors with information on climate risks and opportunities that are relevant to the Company. We highlight our commitments and progress against both transition and physical risks below with formal TCFD disclosure on pages 42 to 45.

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 less than 6% of the Company's carbon footprint and we have limited control over 94% 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 Ralia 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.

Net-zero delivery strategy.

Target		
Timeframe	Target	Context
Short term	Achieve net-zero emissions for Scope 1 and 2 by 2030. Improve emissions intensity for all scopes with a 50% reduction by 2030 from 2019 baseline.	We see these 2030 targets as a sensible stepping-stone towards long-term decarbonisation. In the near term our activities are focused on occupier engagement and compliance with energy performance regulations which will mean significant investment in energy efficiency, heat decarbonisation and renewable energy, whilst acknowledging the Landlord only has direct control over approximately 6% of the energy consumed, it will work with tenants and upgrade properties where possible to try and achieve this challenging target. We anticipate that actions taken to decarbonise heat before 2030 will mean the company has very low Scope 1 emissions at this date.
Long term	Net-zero across all emission scopes by 2050.	Buildings in the UK will have to be fully decarbonised by 2050 through energy efficiency and the decarbonisation of heat and electricity. We will aim to reach our long-term target through these measures as much as possible with high quality nature based offsets for any residual carbon. We will keep our long-term target under review and may bring it forward as policy measures and market drivers become clearer in the coming years.

Environmental, Social and Governance (ESG) continued

For the year ended 31 December 2022

Delivery

Acquisitions

Action	2022 performance	2023 onwards >
In line with the Investment Manager's policies, benchmark assets pre-acquisition, understand costs and build decarbonisation into asset management plan from the start of ownership	During 2022 1 asset was acquired and an in-depth ESG due diligence was applied.	For any new acquisitions, the in depth ESG due diligence approach focusing on decarbonisation potential of the asset will be applied.

Standing Investments

Data coverage and occupier engagement

Action	2022 performance	2023 onwards >
Improve ability to obtain tenant energy data via: 1. Improve tenant engagement 2. Increase smart metering coverage 3. Integrate ESG into lease agreements	100% of tenants sent ESG data request *(as at 31/12/2022)* 49% data coverage by floor area *(based on 2022 GRESB submission, data as at 31/12/2021)* 5 assets by number with smart metering *(as at 31/12/2022)* 15 leases signed with non-negotiable ESG clauses *(as at 31/12/2022)*	100% of tenants will be sent ESG data request annually. 100% of assets to be targeted with automation of energy data collection. Every new lease will include non-negotiable ESG clauses.

Energy efficiency

Action	2022 performance	2023 onwards >
· Build improved understanding of tenant decarbonisation strategies and extent of tenant renewable energy procurement. · Implement low-carbon refurbishments to ensure regulatory compliance focusing on energy efficiency and heat decarbonisation and start to quantify and reduce embodied carbon.	266 kWh/m² with a -7% reduction in energy intensity compared to baseline *(2019 versus 2021)* 53.1 tCO_2e/m^2 with a -16% reduction in carbon intensity compared to baseline *(2019 versus 2021)* 12 tenants procured renewable energy *(based on 2022 GRESB submission, data as at 31/12/2021)* 37% of tenants with face to face ESG discussion to further understand ESG and decarbonisation strategies *(as at 31/12/2022)* 100% of portfolio ran through energy and carbon simulation model *(as at 31/12/2022)* 73% of portfolio with EPC A-C *(as at 31/12/2022)* 58% of assets of Scope 1 and 2 portfolio reliant on gas *(based on 2022 GRESB submission, data as at 31/12/2021)*	Increase % of tenants for face to face discussions on ESG and decarbonisation strategies.

Renewable energy

Action	2022 performance	2023 onwards >
Continue to implement solar PV projects and establish power purchase agreements with occupiers.	1.5 MWp installed Solar PV capacity to date with approximately 16 MWp of opportunity.	Target to increase Solar PV energy generation across the portfolio

Nature based carbon removal

Action	2022 performance	2023 onwards >
Progress with nature-based carbon removal strategy at our site Far Ralia in parallel with asset decarbonisation.	Akre (forestry parter) has completed seed collection from the site to ensure the provenance and genetic integrity of the woodland and these have been grown in Akre's carbon-negative nursery. Partnership with EY and the National History Museum to pilot the Museum's Biodiversity Intactness Index on the proposed restoration plans.	Planting to be scheduled during 2023. Peatland restoration works to start post planting. This will generate claimable carbon units linearly after the first five years, and every ten years thereafter.

Developments

Action	2022 performance	2023 onwards >
Direct development and development funding to be designed to whole life net zero principles.	1 major refurbishment completed with embodied carbon calculation completed.	Whole life carbon assessments to be undertaken for any new refurbishments and developments and design to be aligned with whole life net-zero principles.

Performance to Date

Baseline versus current performance:

Our operational carbon intensity for 2019 is shown in the adjacent table *Normalised Portfolio Carbon Intensity*. We have 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 2021 annual report due to improved data coverage and the inclusion of F-gases.

This shows a total operational footprint of 25,128 tonnes of carbon dioxide equivalent (CO_2e). Of this, 6% is associated with Scope 1 and 2 emissions that are directly controlled by the Company, with 94% coming from Scope 3 emissions from tenant procured energy. For 2019 we gathered energy consumption data for 31% of the portfolio by floor area with representative industry standard benchmarks used to estimate the rest.

Based on these assumptions for 2019 the energy intensity at the portfolio level was 286 kWh/m² which has reduced by 7% to 266 kWh/m² and the operational emissions intensity was 63.4 $kgCO_2e/m^2$ across Scopes 1, 2 and 3 which has improved by 16% to 53.1 $kgCOe/m^2$.

Normalised Portfolio Carbon Intensity — -16% change

2019	63.4 $kgCO_2e/m^2/yr$
2021	53.1 $kgCO_2e/m^2/yr$

Net-Zero Action on the Ground

The route to net-zero for the UK is going to evolve, and so are regulations and solutions / technology that we can use. The high-level progress is already reported in the net-zero delivery strategy above. The purpose of the next section is to provide real life examples of implementing net-zero on the ground:

Environmental, Social and Governance (ESG) continued

For the year ended 31 December 2022

Tenant engagement:

Electric Vehicle Charging.

Although installing EV charge points does not reduce the Company's energy consumption, it does help with decarbonisation, and provides further amenity to tenants. We have tendered a package of rapid chargers for our retail warehouse parks, where a third party will pay the capital cost of installing the chargers and will operate them, with a small rent coming back to the Company.

In our office properties we are generally installing the chargers directly, mainly offering one or two fast chargers as we see how demand develops. At Hagley Road we have agreed terms for an operator to provide rapid and fast chargers for the public and tenants to use – again adding to the amenity offer at the building, and are looking at an installation that will cater for commercial van charging at one of our assets in Washington.

Energy efficiency:

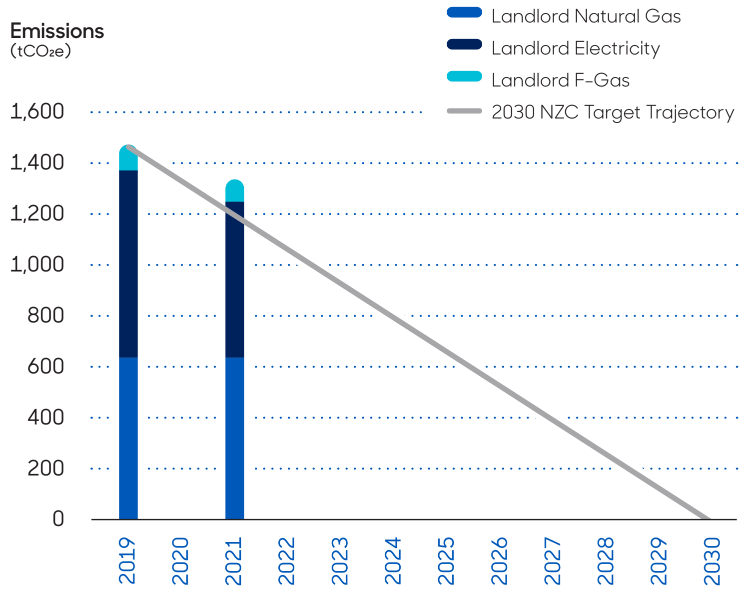
Refurbishment decisions are focused around energy performance improvements.

The Company's strategy is to focus on ensuring compliance with EPC (Energy Performance Certificates) regulations. At present it is unlawful to lease properties that have an F or G rating. The Government has proposed legislation that will increase the threshold to C in 2027, and B in 2030.

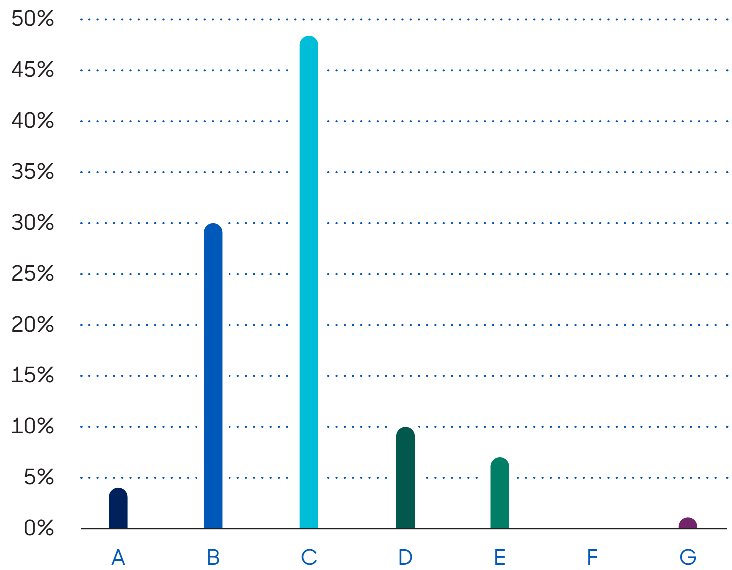
The portfolio currently has a range of EPC ratings. All assets below C are being assessed to understand the route to get a C by 2027, and to B by 2030. Within the office portfolio this takes the form of a detailed maintenance and upgrading programme from now through to 2030 to understand the best times for intervention, and what work will be required. In most cases, the route to EPC B requires electrification of the buildings.

The technology enabling this is developing, and we are identifying the right time for the intervention rather than trying to do everything immediately, only to find a better solution becomes available in the future. We did however ensure up to date EPC assessments on our office assets with a rating of at least a C to ensure compliance until 2030*.

One of the challenges of looking at a UK wide portfolio is that Scotland has a different approach to calculating an EPC rating (and does not have the legislation impacting use at certain ratings). EPCs are a very visible measure of a building's energy performance, but should not be the driver of all decision making, as there is not a clear alignment of EPCs to a pathway to net-zero. The majority of the Company's E and G rated properties are located in Scotland.



EPC rating by % applicable estimated rental value (ERV)



% Estimated Rental Value (ERV)

EPC Rating	Dec-22	Dec-21	Dec-20
A	4%	2%	0%
B	30%	21%	6%
C	48%	33%	31%
D	10%	35%	39%
E	7%	8%	9%
F	0%	0%	4%
G	1%	1%	1%

* Only one office has an EPC rating below "C".

"E" and "G" rated assets are mostly in Scotland where there is a different regime with no current timescale for achieving specific ratings.

Case Studies

Improving Environmental Ratings of our Office Portfolio

The API team has a special interest in ESG in offices. In order to help future proof the Company's investments they are working with technical asset management consultants EVORA EDGE to fully understand the options available, to ensure that relevant interventions are made at the most appropriate time.

UK legislation requires buildings that are commercially rented to meet minimum energy efficiency standards (MEES). Currently this is set as the possession of an 'E' rated energy performance certificate (EPC). However, as part of its drive to achieve a global commitment to being net-zero carbon as a nation by 2050, the UK government published an Energy White Paper in December 2020 stating its intention to raise this to a 'B' EPC rating by 2030. It has since consulted on introducing an interim standard of a 'C' rating by 2027. Currently only about 18% of the UK's commercial properties have a 'B' EPC rating.

EVORA EDGE already works with abrdn under a framework contract for mechanical, electrical and public health consultancy which includes site visits and quarterly audits of contractors, so they have a lot of knowledge of the asset already – EDGE APM software was already in use to manage these assets including the production of planned maintenance reports (PMRs). This knowledge was used to build updated EPC models using a dynamic simulation modelling software, that enables us to understand and verify the existing EPC ratings and run various scenarios on each building to identify which improvement works would secure a 'B' and/or 'C' rating.

The modelling in these cases had to have a high degree of accuracy to ensure recommendations were realistic within the engineering constraints of each building. It also had to account for the knock-on impact of each change. For example, switching to LED lighting is more energy efficient but may mean spaces are colder leading to an increased heating requirement to ensure thermal comfort for occupiers.

Using the output from the models we undertook limited works (often small enhancements to the specification of planned works) so that all the office portfolio has a minimum EPC rating of C based on a modern assessment that is valid through to 2030.

Asset management – Refurbishment to enhance returns and future proof an asset

Members of the API team have been focussed on delivering a comprehensive refurbishment to reposition an old industrial asset. Following the signing of an agreement for lease to Evri (formerly Hermes) in mid-2022 the company has designed, tendered, and begun works on site, for the full-scale repositioning of the 150,000 sq ft former SNOP auto parts manufacturing factory in Washington. SNOP, had previously used the unit for industrial use.

The unit has since been let to Evri for 15 years, with 5 yearly rent reviews to the higher of open market or RPI, capped at 2% and collared at 4%, with a year 10 tenant break option. The lease will commence on practical completion of a landlord refurbishment package to reposition the asset for distribution use.

The package of works will take the unit from an EPC of C to at least a B, targeting EPC A. With the works including a comprehensive internal and external upgrade to building fabric, installation of new warehouse loading doors to create cross docking, LED upgrades to all lighting, removal of all gas heating and the installation of electric heating in the offices, civil works including the reinforcement of concrete slab throughout, drainage upgrades, yard extension and landscaping. These works take the unit from being a manufacturing unit to a modern logistics unit with far greater tenant demand.

In addition, the project includes the company's largest PV installation to date. Given the age of the property, our team was unsurprised to learn that the load bearing capability of the roof was below modern standards. As a result, we faced the likelihood of having to install a reduced PV system size. However, benefiting from the depth of knowledge from the wider abrdn asset management team, the API team were able to find an innovative solution which integrates PV panels within an over cladding product. This solution has enabled the team to more than double the installable solar capacity and will provide the fund with a roofing warranty to future proof the property.

On completion, this will be the largest scheme of its kind in the UK. Having navigated hurdles with the national grid, structural loading and roof condition, our team were able to deliver a 1.25 MWh roof mounted array, with a power purchase agreement in place to sell generated energy to the tenant. The system will generate additional income for the company as well as delivering on our ESG agenda. The finished product will be a flagship unit for Evri in the North East, and is expected to be operationally carbon negative on delivery.

Environmental, Social and Governance (ESG) continued

For the year ended 31 December 2022

Renewable energy:

One of the ways we can reduce the carbon footprint of the Company is through the use of renewable energy. All landlord supplied energy comes from a green tariff, however, on-site generation has an even smaller footprint.

During 2022 the Company has continued the drive to reduce our occupational carbon footprint through renewable energy assets. We have continued to push the design, planning and installation of photo voltaic (PV) arrays across our portfolio. At the end of 2021, we had six operational PV schemes, totalling 1.2MWp. In 2022, we completed the installation of a new 286 kWp system at Wingates Business Park, Bolton, and completed 8 deed of variation agreements with tenants, 13 grid applications, 12 new planning permissions granted and have signed construction contracts for Q1 2023 installations at properties in Warrington, Milton Keynes, Rugby, Bardon and Washington.

A broad pipeline of further developments are teed up to be completed in 2023.

At the end of 2022 our operational PV totals 1,331 kWp, with this increasing to circa 2,300 kWp as at the date of signing, with potential to reach 6,800 kWp by the year end, more than trebling the fund's renewable energy generation across the portfolio.

Next steps for the project include continuing to push pipeline schemes through to fruition, negotiations with local district network operators, continued lobbying of planning authorities, negotiations of purchase power agreements and lease variations with our occupiers, as well as our continued drive to pioneer new technologies such as lightweight systems, integrated PV roof cladding and harnessing wind energy technologies.

Case Studies

Using Technology to Improve Data Collection

One of the greatest challenges we face in fully understanding the environmental performance of our portfolio is availability of energy data. As over 90% of energy consumption in our portfolio is contracted directly by tenants, it takes a lot of resource to request and collect this information from each underlying tenant. Not all tenants want to share this information so we focus on building good tenant relationships to ensure data sharing between both parties.

The team at API has been trying to ease this burden for both landlord and tenant through the use of technology. abrdn has partnered with a company called Smart Tech to install Smart meters that not only provide reporting data, but also help us analyse consumption and then try to ensure it is as efficient as possible. The technology has only recently been developed, but we have installed it with 15 tenants so far, and are in the process with another 12 – each one requires a survey of the meters to ensure that an installation will work, along with a deed of variation to the lease.

API Projects

API Projects	Expected Delivery	Status	System Size (kWp)	System Output (Annual)	Panels	Tennis Courts Area	Kettles Boiled (Annual)	Households Powered (Annual)	Electric Cars Charged (Annual)	Street Lights Powered (Annual)	Tonnes of CO_2 Emissions Reduced (Annual)	Trees Planted (Annual)
Interlink Park, Bardon	2023 Q1	1. On Site	60	51,000	150	1.5	463,636	14	23	355	12	561
Unit1-4 Opus 9, Warrington	2023 Q1	1. On Site	232	185,600	580	5.7	1,687,273	49	82	1,293	43	2,043
Mount Farm, Milton Keynes	2023 Q1	1. On Site	258	193,500	645	6.3	1,759,091	51	85	1,348	45	2,130
Explorer 1&2, Crawley	2023 Q2	2. Committed	75	71,000	188	1.8	645,455	19	31	495	16	781
Wincanton, Bristol	2023 Q2	3. Pipeline	150	136,000	375	3.7	1,236,364	36	60	948	31	1,497
Swift House, Rugby	2023 Q2	2. Committed	240	205,000	600	5.9	1,863,636	55	91	1,429	47	2,256
Alston Road, Washington	2023 Q2	2. Committed	707	600,950	1,768	17.4	5,463,182	160	265	4,188	139	6,614
Drilco, Aberdeen	2023 Q3	3. Pipeline	365	276,000	913	9.0	2,509,091	73	122	1,923	64	3,038
Atos Data Centre, Birmingham	2023 Q3	3. Pipeline	100	75,000	250	2.5	681,818	20	33	523	17	825
CEVA Logistics, Corby	2023 Q3	3. Pipeline	499	442,613	1,248	12.3	4,023,755	118	196	3,084	102	4,871
Rainhill Road, Washington	2023 Q3	1. On Site	1,244	1,057,400	3,110	30.6	9,612,727	281	467	7,369	244	11,637
Timbmet, Shellingford	2023 Q3	3. Pipeline	1,500	1,125,000	3,750	36.8	10,227,273	299	497	7,840	260	12,381
Tetron 93, Swadlincote	2023 Q3	3. Pipeline	390	322,936	975	9.6	2,935,782	86	143	2,250	75	3,554
The Point Retail Park, Rochdale	2023 Q4	3. Pipeline	102	76,500	255	2.5	695,455	20	34	533	18	842
One Station Square, Bracknell	2023 Q4	3. Pipeline	163	150,000	408	4.0	1,363,636	40	66	1,045	35	1,651
Yarm Road, Stockton-on-Tees	2023 Q4	3. Pipeline	168	142,800	420	4.1	1,298,182	38	63	995	33	1,572
Cullen Square, Livingston	2023 Q4	3. Pipeline	815	643,850	2,038	20.0	5,853,182	171	284	4,487	149	7,086
Symphony, Rotherham	2023 Q4	3. Pipeline	1,761	1,496,850	4,403	43.3	13,607,727	398	661	10,431	346	16,474
Bastion Point, Dover	2024 Q1	3. Pipeline	260	221,000	650	6.4	2,009,091	59	98	1,540	51	2,432
Speedy, Glasgow	2024 Q1	3. Pipeline	364	271,000	910	8.9	2,463,636	72	120	1,889	63	2,983
Ocean Trade Centre, Aberdeen	2024 Q1	3. Pipeline	964	718,180	2,410	23.7	6,528,909	191	317	5,005	166	7,904
Tetron 141, Swadlincote	2024 Q2	3. Pipeline	995	814,880	2,488	24.4	7,408,000	217	360	5,679	188	8,968
Alston Road Solar Extension, Washington	2024 Q2	3. Pipeline	861	799,008	2,153	21.1	7,263,709	213	353	5,568	185	8,794
Flamingo Flowers, Sandy (System Extension)	2024 Q2	3. Pipeline	3,715	3,157,750	9,288	91.3	28,706,818	840	1,395	22,005	730	34,753
Total			15,988	13,233,817	39,970	392.7	120,307,427	3,520	5,845	92,222	3,059	145,648

API Existing PV Portfolio

API Existing PV Portfolio	System Size (kWp)	System Output	Panels	Number of Tennis Courts	Kettles Boiled	Households Powered	Electric Cars Charged	Street Lights Powered	CO_2 Emissions Reduced	Trees Planted
Flamingo Flowers, Sandy (22/06/2020)	918	1,952,299	2,295	19	17,748,173	519	862	13,605	451	21,486
Unit 4, Easter Park, Bolton (System 1: 18/05/2012) & (System 2: 01/2023)	310	239,788	775	7	2,179,891	64	106	1,671	55	2,639
160 Causewayside, Edinburgh (27/11/2020)	90	108,874	225	2	989,764	29	48	759	25	1,198
Unit 14, Interlink Park, Bardon (29/03/2019)	50	181,518	125	1	1,650,164	48	80	1,265	42	1,998
Tetron 141, Swadlincote (11/12/2018)	50	182,020	125	1	1,654,727	48	80	1,268	42	2,003
Unit 2, Fareham (20/03/2019)	50	146,674	125	1	1,333,400	39	65	1,022	34	1,614
The Pinnacle, Reading (27/03/2017)	42	150,938	105	1	1,372,164	40	67	1,052	35	1,661
Total	1,510	2,962,111	3,775	32	26,928,282	788	1,308	20,642	685	32,600

Carbon offsetting:

Based on current emissions data, current policies and nationally determined contributions (NDCs), it is highly likely that the global economy will overshoot the 1.5°C carbon budget. Carbon offsetting is an important part of achieving net-zero but only if done in conjunction with real carbon reductions. The Company believes that carbon offsetting should only be done alongside carbon reductions.

The path to net-zero will, however, take time, and some offsetting will be required. During 2021 the Company acquired 1,471 hectares of open moorland in the Scottish Highlands called Far Ralia. The intention is to undertake a mix of reforestation (planting approximately 1.5m natural broadleaf trees), peatland restoration and other forms of biodiversity gain.

The opportunity has the potential to create 373,000 carbon credits over the lifetime of the project at a known fixed cost today. We anticipate significant future cost increases in carbon credits making this asset progressively more valuable economically as well as environmentally.

During the course of 2022 the Company has prepared detailed planting plans and consulted with a number of regulatory and interested parties, leading to an agreed Environmental Impact Plan.

During the early part of site ownership, seeds were collected on site by the nursery we are using and we are growing saplings ready for planting in 2023 and 2024. A number of contracts are being placed and we have required that all tendering parties are local / Highlands based using local labour where possible.

In partnership with the Natural History Museum and EY we undertook a Biodiversity baseline survey using their Biodiversity Intactness Index. Given we bought open moorland in the national park, with a historic use of grouse shooting and stalking along with limited grazing, the result was quite surprising, with a current score of only 52 out of 100. The survey has considered the Company's plans for the site, which concludes that the regeneration program will, in a period of 75 years or so, return biodiversity to the level of a resilient and functioning ecosystem. This surpasses the safe planetary boundary reaching a high of 94%, and within 30 years will deliver a significant increase in biodiversity of nearly 21 percentage points.

On a social level, the project will (i) boost the local economy, by employing local contractors and forestry experts, where possible, (ii) provide improved amenity, by restoring bothies, building paths and introducing bird-watching huts and (iii) offer discovery and volunteering opportunities to local schools and universities. Healthy woodland will also provide flood mitigation benefits, improved soil quality and protection against erosion, as well as enhanced water quality downstream.

Physical Risks: Climate Resilience.

As part of the Company's investment process we take long term climate impacts into account. For many years, we have been ensuring that we have a clear understanding of the flood risk of an asset, and what flood mitigation there is in place, before we will invest. If our analysis indicates that there is an unacceptable risk of damage or harm to life, then we will not proceed.

With changing weather patterns as a result of climate change, we know we need to not only assess historic incidents of flooding but also understand potential future risks. We are now assessing not only flooding from rivers, sea and surface water, but also other acute risks including water scarcity, heat stress, extreme wind and fires – issues that in the past may not have been considered a concern in a UK context. We are also considering chronic risks. Chronic risks are those associated with the impacts of rising temperatures on energy consumption for the cooling and heating of buildings.

Rising temperatures will, at some point, require increased cooling of workplaces, something that will require increased energy consumption. With increased modelling out to 2080 we are better able to forecast future changes and adapt our strategies accordingly. Our modelling indicates that whilst physical risks present long term concerns, the increased operational costs associated with cooling demands may be far more significant in the future under a high warming scenario. It is for this reason that we are focusing our efforts on improving the design and operation of the buildings in the portfolio to ensure that they are low carbon and fit for the future. The analysis shows that the portfolio has extremely low exposure to acute risks.

Images

1. Flamingo Flowers Limited, Sandy

Environmental, Social and Governance (ESG) continued

For the year ended 31 December 2022

> These planned changes should really increase the area's Biodiversity Intactness Index, meaning Far Ralia can expect strengthened resilience and eco-system-service security … certainly a successful outcome for the regeneration plan!
>
> Biodiversity expert, Professor Andy Purvis

Biodiversity:

Biodiversity is a relatively new focus for the Company but is rising in importance due to risks associated with biodiversity loss which includes upcoming regulation on reporting company impacts on nature. Biodiversity measurement is a key indicator for measuring a healthy ecosystem and adverse nature impacts and achieving at least a 10% biodiversity net gain on developments.

The approach to understanding the Company's impact on nature from its real estate investments, is based on two phases in the property asset's lifecycle:

1. **The Construction Phase** – For construction/development sites, there are two ways to consider the impact on nature. The first is to focus directly on the existing site and optimise for nature as much as possible around the building and target biodiversity net gain. The second is to actively engage with the supply chains of the materials used to construct the buildings to reduce the impact on nature upstream.

2. **The Use Phase** – For buildings already standing, where we have management control and can be directly involved on site, the Company can optimise the site for nature as much as possible (e.g. native species planting alongside installation of bird and bat boxes). Where our occupiers have control, we can engage and work together to improve the building's environmental surroundings.

We have initiated a programme of best practice with our managing agents to ensure each asset is assessed with a view to optimising landscaping regimes to support greater biodiversity. At our office investment in Edinburgh we are working with a local charity to increase biodiversity in the landscaping regime, and at our leisure park in Aintree the Company won a "Green Apple" award for its landscaping improvements. The Company's land purchase of Far Ralia provides an opportunity to consider biodiversity on a greater scale, as described on the previous page.

Enhancing the 'S' in ESG

Two of our main principles are to own buildings that work for our tenants, and to do the right thing for people who work at those properties. We therefore focus on the social aspects of wellbeing, health and safety and promoting a fair living wage to optimise those principles. It is also important to consider the wider impact our buildings have on the local community and contribute positively to that community.

Wellbeing

Within the industrial sector we have added new requirements when we undertake refurbishments, to include biodiversity measures and wellness considerations for the workers. Such actions will help our tenants recruit and retain staff, enhancing the appeal of the unit. The office sector is where we can have the greatest impact, ensuring we create places that attract people to work. This is done by assessing the offering we provide in terms of flexibility, amenity, connectivity, technology, and sustainability.

Practical examples include on-site amenities such as showers, changing facilities, break out areas with coffee machines and shared meetings rooms.

Health and Safety

Alongside environmental principles the Company has a health and safety policy which demonstrates commitment to providing safe and secure buildings that promote a healthy working/customer experience that supports a healthy lifestyle. The Company, through the Investment Manager, manages and controls health & safety risks as systematically as any other critical business activity using technologically advanced systems and environmentally protective materials and equipment. The aim is to achieve a health and safety performance the Company can be proud of and allow the Company to earn the confidence and trust of tenants, customers, employees, shareholders and society at large. The Board reviews health & safety on a regular basis in Board meetings.

Fair Living Wage

Our supplier agreements for on-site staff require a living wage to be paid. Our property managing agent is JLL, who have a strong commitment to being an ethical company.

Local Community

Part of engaging with the local community is to create local partnerships and provide a wider social impact.

Where possible, we partner with local charities to provide charity stalls or drop off points within our buildings, hosting of fundraising activities such as cake bakes and providing free access to facilities and meeting rooms for local charity use.

At Hagley Road, we have offered meeting rooms for free to local charities including Cash for Kids.

It is important to note that the Company has no direct social, community or employee responsibilities. The Company has no employees and accordingly no requirement to report separately in this area as the management of the portfolio has been delegated to the Investment Manager.

Due to the nature and structure of the Company, the human rights policy of the Investment Manager is utilised and applied. This is especially important with regards to the suppliers used by the Company and ensuring their policies also adhere to best practice on human rights issues.

Taskforce for Climate-Related Financial Disclosures

For the year ended 31 December 2022

The Taskforce for Climate-Related Financial Disclosures (TCFD) was established to provide a standardised way to disclose and assess climate-related risks and opportunities. Recommendations are structured around four key topics: Governance, Strategy, Risk Management and Metrics & Targets.

The Company is committed to implementing the recommendations of the TCFD to provide investors with information on climate risks and opportunities that are relevant to the business.

TCFD Recommendation	Company Approach	Further information
Governance		
Board oversight of climate-related risks and opportunities	The Board consider climate-related risks and opportunities alongside all other Company risks which fall under the remit of the Audit Committee. The Board have also created a separate Sustainability Committee to monitor and oversee the Investment Manager's ESG undertakings which includes consideration of climate-related risks and opportunities. In addition, the Board, alongside the Investment Manager, consider climate related issues as part of the Investment Process, such as during investment decisions involving acquisitions, disposals and fund strategic planning.	Sustainability Committee Report on page 73.
Management's role in assessing and managing climate-related risks and opportunities	At an operational level, the Investment Manager is responsible for integrating a consideration of climate risks and opportunities into the investment and asset management process. In the first instance this is undertaken by adopting abrdn real estate's internal process and policies, and reporting to the Board. The Company adopts the Investment Manager's approach to integrating ESG in the investment process, and climate related risks and opportunities are considered the most material ESG topic relating to the Company. As such, climate risk and opportunities are considered throughout the investment process, including during acquisitions, asset/property management, refurbishment/development and fund strategic planning. The Investment Manager reports a number of KPIs to the Board on a quarterly and annual basis.	The Company's approach is set out in the Environmental, Social and Governance section on pages 29 to 41.
Strategy		
Climate-related risks and opportunities the organisation has identified over the short, medium, and long term	As part of our investment and asset management process we consider climate-related risks and opportunities over a range of timescales. A summary of our initial assessment over the short, medium and long term is as follows. In the short term (0-5 years) we anticipate regulations affecting the energy performance and emissions of buildings to tighten to align more closely with Government targets for economy-wide decarbonisation. Whilst this will provide clarity of direction to the sector, it is likely to increase development and refurbishment costs and will start to affect valuations. However, these trends will also create opportunities to benefit from shifting occupier and investor demand for low-carbon, future-fit assets. Over the medium term (5-15 years) these trends will continue and we expect regulations and market sentiment to further drive energy efficiency and decarbonisation. We anticipate significant technological change in this period particularly in relation to heat pump solutions which will improve the technical and financial feasibility of decarbonising heat in buildings. Over the long term (15+ years) we are likely to see climate-related extreme weather events increase in frequency and severity which may impact built environment assets depending on their location and characteristics. The Company has already started assessing physical climate risks and opportunities based on geographical location of its assets.	An overview of the Company's approach to addressing physical climate risks is on page 39.

TCFD covers risks and opportunities associated with two overarching categories of climate risk: transition and physical:

- Transition risks are 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 are 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 or supply chain disruption.

TCFD Recommendation	Company Approach	Further information
Strategy (continued)		
The impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where material	The Board recognises that climate change will affect the built environment, both through decarbonisation and increased physical risks. The trends summarised above are therefore expected to affect the Company's strategy and operations in the coming years. In recognition of the importance of decarbonisation, the Company has set its own net-zero target of 2030 for emissions associated with landlord-procured energy. Alongside our net-zero planning, a detailed exercise has been completed by the Investment Manager to assess the portfolio's compliance with anticipated Minimum Energy Efficiency Standards legislation to ensure assets are capable of compliance and that any necessary interventions can be appraised and included with the individual asset plans. In 2022, we completed an assessment of value at risk as a result of physical climate risks under the RCP8.5 climate scenario which implies a 4.3° C temperature rise by 2100 (which are described above in Physical Climate Risk). We are currently finalising the results, of the next phase of our climate scenario analysis, which includes the assessment of climate risks under a broader range of climate scenarios. In assessing new investment opportunities, and making hold / sell decisions, the Board has adopted the Investment Manager's policy to have a stronger recognition of the potential impact of climate change on the asset's future performance. A particular focus is on flood risk and energy performance. While the Company is not yet in a position to disclose meaningful quantitative data on the impact of climate related issues on financial performance, the Company plans to account for appropriate costs in cash flow calculations, so that any costs associated with transition or physical climate risks are adequately accounted for in investment return calculations.	The EPC profile of the Company's properties is set out on page 128. The Company's approach to net-zero is set out on page 30.
Resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	We have set out our short-term target to be net-zero for company-controlled emissions (Scope 1 and 2) by 2030 and to reduce the emissions intensity of our assets by 50% over the same period. Our long-term target for full decarbonisation aligns with the UK-wide date of 2050 although this will be continually reviewed in the context of the market and policy drivers. We will track progress against our long term aim using interim energy and emissions intensity targets at the portfolio and asset levels. Our work to establish a net-zero pathway for the company is informed by industry benchmarks including the Carbon Risk Real Estate Monitor (CRREM) 1.5°C Paris-aligned emissions trajectories. As part of this work we have identified high-level cost estimates for transitioning assets to net-zero. We consider that the portfolio and Company strategy is well-positioned to decarbonise in line with this trajectory assuming national energy and climate policy is also supportive of this goal. We will continue to engage with industry bodies such as the Better Building Partnership to standardise net-zero definitions across the industry. We recognise that we cannot act in isolation and that achieving this level of decarbonisation will require supportive climate policy and the cooperation of our occupiers and suppliers. Our recent work on understanding value at risk as a result of physical climate risk has highlighted the importance of considering changes in wind speeds and flood risk over time as well as the implications of rising temperatures on cooling loads. Our initial assessment of these results is that in general under the RCP8.5 scenario, physical climate risks do not become material until after 2040 and that most potential cost is associated with additional cooling demand due to rising temperatures. We consider that our existing portfolio and Company strategy is resilient to physical climate risks in the short to medium term. We will however keep this under regular review as methodologies for physical risk assessment improve.	Our delivery strategy is set out on page 30.

Taskforce for Climate-Related Financial Disclosures continued

For the year ended 31 December 2022

TCFD Recommendation	Company Approach	Further information
Risk Management		
The Company's processes for identifying and assessing climate-related risks	Climate-related risks are considered and assessed by the Company Audit Committee. The Board have also created a separate Sustainability Committee to monitor and oversee the Investment Manager's ESG undertakings which includes consideration of climate-related risks and opportunities. The Company employs the Investment Manager's approach to addressing climate risks and opportunities as part of the investment process. This includes assessment of transition and physical climate risks during acquisition due diligence, asset management, refurbishment/development and portfolio-level strategic planning. The Company considers transition climate risks via net-zero carbon analysis, to determine the extent to which the portfolio aligns with the defined net-zero targets, and to define indicative high-level CAPEX figures to decarbonise the portfolio in line with a net-zero pathway. The Company also uses a third-party data provider to assess value at risk (amongst other indicators) associated with several climate hazards, over multiple time horizons and climate scenarios.	Sustainability Committee Report on page 73 and our approach to environmental risk as set out on page 54. Company approach to integration/assessment of ESG factors, including climate risks, is available on pages 30 to 39.
The Company's processes for managing climate-related risks	A high-level overview of the Company and Investment Manager's processes for assessing and managing climate risks on 'acquisition' and 'standing investments' is included below: **On Acquisition:** Transition Risks: our current ESG due diligence process involves the assessment of transition risks at both the pre-bid and post-bid stage, with the aim of reducing a Company's exposure to transitional climate risks going forward. At the pre-bid stage, we use all available information about the asset, its context and regulatory backdrop (including the use of EPC ratings and comparing against current and emerging legislation), alongside our in-house decarbonisation guidance and ESG priorities of the Company, to form a view of anticipated decarbonisation costs over the next 10-year period. Where appropriate, such decarbonisation CAPEX is captured as part of the pre-bid screen and meeting; which subsequently feeds into the IC paper for review. When detailed DD is completed during exclusivity, the assumptions around decarbonisation for compliance and net-zero alignment (using a 1.5C CRREM pathway) are refined by an external consultant. This allows the Company to better understand the costs that it may be responsible for in the future for decarbonisation. Such findings are included in our pre-signing checklist prior to deal completion. Physical Risks: As part of any pre-bid ESG screen/meeting, we use a mapping tool made available to us by a physical climate risk data provider to screen assets (based on their geographical location) against up to 8 different physical climate risks across different time horizons (current, 2030, 2050, 2100) under different climate scenarios including Low (RCP2.6), Intermediate (RCP4.5) and High (RCP8.5) scenarios. This tool is used alongside available online mapping provided by environmental regulators/authorities in the given country (where/if available). Such risks are considered at pre-bid stage in a "go/no-go" context. During exclusivity, as a minimum, flood risk will be assessed in more detail by an external third-party, alongside any other physical climate risks identified during the pre-bid screen. **Standing Investments:** Transition Risks: The Company has completed net-zero analysis with the support of a third-party consultant, to establish a carbon baseline for 2019, and a carbon footprint update for 2021. Such analysis allows the Company to review progress against its net-zero targets, and flag any high risk assets. Physical Risks: An exercise has been undertaken with an external consultant to assess the assets within the Company against 7 hazards which are expected to impact real estate due to climate change out to 2080. These have been modelled in a worst-case scenario (RCP8.5). The results of more recent analysis under a greater number of scenarios are currently being finalised.	An overview of the findings of the latest net-zero and physical climate risk analysis is provide above on pages 30 to 33 and page 39.

There is still significant uncertainty and methodological immaturity in assessing climate risks and opportunities and there is not yet a widely-recognised net-zero standard.

Nonetheless, we have progressed already with work to model the implications of decarbonising the portfolio in line with a 1.5°C scenario and undertaken analysis to understand potential future physical climate risks.

The table below provides a brief overview of our Company approach to 10 of the 11 TCFD recommendations. Note that this disclosure against the TCFD recommendations is entirely voluntary, and we are working towards a more comprehensive TCFD disclosure in the coming years, towards being consistent against all 11 TCFD recommendations. We also expect that our reporting against TCFD recommendations will continue to evolve over time as industry methodologies improve and our own work develops further.

TCFD Recommendation	Company Approach	Further information
Metrics and Targets		
The metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process	We disclose our greenhouse gas emissions (alongside other related ESG performance metrics on energy and water consumption, waste generation and disposal routes) in line with EPRA Sustainability Best Practices Recommendations. As part of our decarbonisation strategy we will track progress against our long-term aim using interim energy and emissions intensity targets at the portfolio and asset levels. Information on year-on-year performance is included in the net-zero pathway section above (on pages 30 to 33) and in the EPRA disclosures on pages 126 to 133. The metrics from the 2022 calendar year included in the EPRA disclosures will in part be used to inform future progress updates relating to the Company's net-zero pathway (alongside any additional Scope 3 data collected for the 2022 calendar year throughout the first half of 2023).	The EPRA disclosures included on pages 126 to 133 include the relevant climate-related performance data, including GHG emissions. Further information on our net-zero pathway are included above in pages 30 to 33.
Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks	We disclose our emissions in line with EPRA Sustainability Best Practices Recommendations (see pages 126 to 133). This covers Scope 1 and 2 emissions associated with landlord-procured energy as well as Scope 3 emissions from energy sub-metered to occupiers. Our revised 2019 baseline emissions including tenant consumption (actual and estimated) is presented on page 33. We have used 2019 data as a baseline for our measurements as this is prior to any disruption to measurement caused by the COVID-19 pandemic.	Data on emissions is set out on pages 126 to 133.
The targets used by the organisation to manage climate-related risks and opportunities and performance against targets	We have set long term and short term decarbonisation targets and defined a practical delivery strategy and KPIs. The Company aims to achieve net-zero emissions for Scope 1 and 2 by 2030 and is also targeting net-zero across all scopes before 2050. Whilst acknowledging the landlord only has direct control over approximately 6% of the energy consumed, it will work with tenants and upgrade properties when it can to target reducing all scopes by 50% by 2030, based upon the 2019 baseline.	Our delivery strategy is set out on page 30.

Stakeholder Engagement

For the year ended 31 December 2022

This section explains how the Directors have promoted the success of the Company for the benefit of its members as a whole during the financial year to 31 December 2022. The Directors take into account the likely long term consequences of decisions, the need to foster relationships with all stakeholders and the impact of the Company's operations on the environment, in accordance with the AIC Code on Corporate Governance.

The Role of the Directors

The Company is a REIT and has no Executive Directors or employees and is governed by a Non-Executive Board of Directors. Its main stakeholders are Shareholders, the Investment Manager, Tenants, Service Providers, Debt Providers, the Environment and the Community.

As set out in the Corporate Governance Report, the Board has delegated day-to-day management of the assets to the Investment Manager and either directly or through the Investment Manager, the Company employs key suppliers to provide services in relation to property management, health & safety, valuation, legal and tax requirements, auditing, depositary obligations and share registration, amongst others. All decisions relating to the Company's investment policy, investment objective, dividend policy, gearing, corporate governance and strategy in general are reserved for the Board.

The Board meets quarterly, with numerous other ad-hoc meetings, and receives full information on the Company's performance, financial position and any other relevant information. At least once a year, the Board also holds a meeting specifically to review the Group's strategy.

The Board regularly reviews the performance of the Investment Manager, and its other service providers, to ensure they manage the Company, and its stakeholders, effectively and that their continued appointment is in the best long term interests of the stakeholders as a whole.

The Board also reviews its own performance annually to ensure it is meeting its obligations to stakeholders. Engagement with key stakeholders is considered formally as part of the annual evaluation process.

Strategic Activity during the Year

Notable transactions where the interests of stakeholders were actively considered by the Board during the year, and subsequently, include:

- All decisions relating to the Company's dividends – the Board recognised the importance of dividends to its shareholders and have maintained the dividend at a level of 1.0p per share per quarter throughout the year. The level of dividend is monitored by the Board throughout the year. As noted in the Chair's Statement (page 8), it is the stated intention of the Board to maintain the current dividend level for the next two years.

- Buyback of shares – the Board bought back 15,703,409 ordinary shares into treasury. The Board believes that investment by the Company in its own shares at the levels of discount to net asset value during the year offered an attractive investment opportunity for its shareholders against the financial resources the Company had available.

- Ongoing investment activity – the Company, with oversight from the Board, disposed of three property assets. The disposals reflected concerns over the pandemic-accelerated structural changes for office demand. The Company invested in a car showroom in Stockton on Tees let to Motorpoint for 25 years (with a tenant break in years 15 and 20), with the 5 yearly rent reviews linked to CPI.

The Board's primary focus is to promote the long term success of the Company for the benefit of its stakeholders as a whole. The Board oversees the delivery of the investment objective, policy and strategy, as agreed by the Company's shareholders. As set out above, the Board considers the long term consequences of its decisions on its stakeholders to ensure the sustainability of the Company.

1

Images

1. 15 Basinghall Street, London
2. The Pinnacle, Reading
3. Badentoy North, Aberdeen


2
PINNACLE


3

Stakeholder Engagement continued

For the year ended 31 December 2022

Shareholders

Shareholders are key stakeholders and the Board places great importance on communication with them. The Board welcomes all shareholders' views and aims to act fairly to all shareholders. The Board believes that the Company's shareholders seek an attractive and sustainable level of income, the prospect of growth of income and capital in the longer term, a well-executed sustainable investment policy, responsible capital allocation and value for money.

The Investment Manager and Company's Broker regularly meet with shareholders, and prospective shareholders, to discuss Company initiatives and seek feedback. The views of shareholders are discussed by the Board at every Board meeting, and action taken to address any shareholder concerns. The Investment Manager provides regular updates to shareholders and the market through the Annual Report, Half-Yearly Report, Quarterly Net Asset Value announcements, Company Factsheets and its website.

The Chair offers to meet with key shareholders at least annually, and other Directors are available to meet shareholders as required. This allows the Board to hear feedback directly from shareholders on the Company's ongoing strategy.

The Company's AGM provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Investment Manager of the Company.

The Board welcomes correspondence from shareholders, addressed to the Company's registered office. All shareholders have the opportunity to put questions to the Board at the Annual General Meeting.

This year's AGM is being held on Wednesday 14th June 2023 at 2.30pm at:

Wallacespace
15 Artillery Lane
London
E1 7HA

The Board hopes that as many shareholders as possible will be able to attend the meeting. As set out in the Chair's Statement, shareholders are encouraged to submit questions in advance of the AGM by email to: **property.income@abrdn.com**

The Board has decided to hold an interactive Online Shareholder Presentation at 2.30pm on Tuesday 13 June 2023. As part of the presentation, shareholders will receive updates from the Chair and Manager as well as the opportunity to participate in an interactive question and answer session. Further information on how to register for the event can be found on **www.workcast.com/register?cpak=9811658259471291**

Tenants

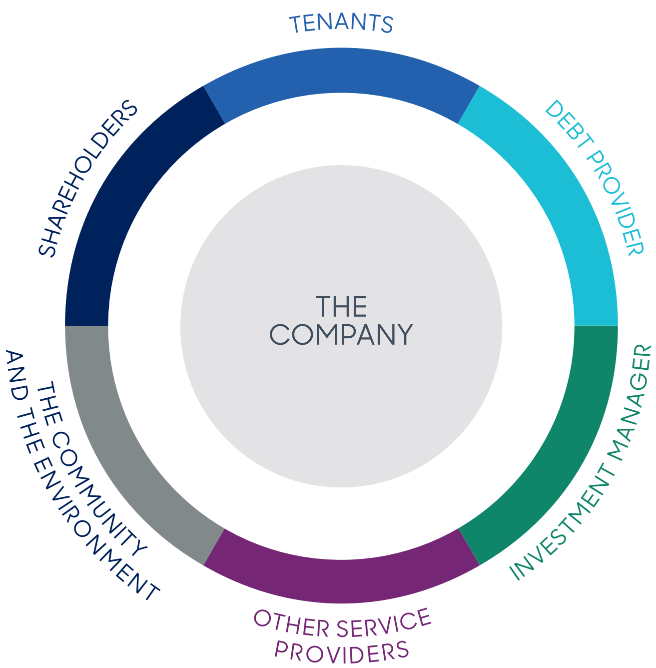
Another key stakeholder group is that of the underlying tenants that occupy space in the properties that the Company owns. The Investment Manager works closely with tenants to understand their needs through regular communication and visits to properties.

The Board believes that tenants benefit from a trusting and long term working relationship with the Investment Manager, sustainable buildings and tenancies, value for money and a focus on the community, health & safety and the environment.

The Investment Manager consults with tenants and, on the Board's behalf, invests in our buildings to improve the quality and experience for our occupiers as well as reduce voids and improve values, helping to produce stronger returns. The Board receives reports on tenant engagement and interaction at every Board meeting. The Board also expects the Investment Manager to undertake extensive financial due diligence on potential tenants to mitigate the risk of tenant failure or inability to let properties.

Debt Provider

The Company has a term loan facility and revolving credit facility with The Royal Bank of Scotland International Limited ("RBSI"). RBSI seeks responsible portfolio management and ongoing compliance with the Company's loan covenants. The Company maintains a positive working relationship with RBSI and provides regular updates on business activity and compliance with its loan covenants.



Investment Manager

The Chair's Statement (pages 7 to 10) and Investment Manager's Report on pages 12 to 23 detail the key investment decisions taken during the year and subsequently. The Investment Manager has continued to manage the Company's assets in accordance with the mandate provided by shareholders, with the oversight of the Board. The Board receives presentations from the Investment Manager at every Board meeting to help it to exercise effective oversight of the Investment Manager and the Company's Strategy. The Board formally reviews the performance of the Investment Manager, and the fees it receives, at least annually. More details on the conclusions from the Board's review is set out on page 69.

Other Service Providers

The Board via the Management Engagement Committee also ensures that the views of its service providers are heard and annually reviews these relationships in detail. The aim is to ensure that contractual arrangements remain in line with best practice, services being offered meet the requirements and needs of the Company and performance is in line with the expectations of the Board, Investment Manager and other relevant stakeholders. Reviews will include those of the company secretary, broker and share registrar. The Company's auditor is reviewed annually by the Audit Committee.

The Community and the Environment

The Board and the Investment Manager are committed to investing in a responsible manner. There are a number of geopolitical, technological, social and demographic trends underway globally that influence real estate investments – many of these changes fall under the umbrella of ESG considerations. As a result, the Investment Manager fully integrates ESG factors into its investment decision making and governance process.

To reflect the importance of ESG factors, and how they shape the decision making of the Company, the Board has created a Sustainability Committee. This Committee will give greater focus to the responsibilities and actions of the Company in this critical area.

The Board has adopted the Investment Manager's ESG Policy and associated operational procedures and is committed to environmental management in all phases of the investment process

The Company aims to invest responsibly, to achieve environmental and social benefits alongside returns. By integrating ESG factors into the investment process, the Company aims to maximise the performance of the assets and minimise exposure to risk.

Please see our section on Environmental, Social and Governance starting on page 29, our Taskforce for Climate-related Financial Disclosures on pages 42 to 45, page 52 of our Strategic Overview and the EPRA Financial and Sustainability Reporting from page 126, for more information on the Company's approach to ESG.

Strategic Overview

For the year ended 31 December 2022

Objective

The objective, and purpose, of the Group is to provide shareholders with an attractive level of income together with the prospect of income and capital growth.

Investment Policy and Business Model

The Directors intend to achieve the investment objective by investing in a diversified portfolio of UK real estate assets in the industrial, office, retail and 'other' sectors, where 'other' includes leisure, data centres, student housing, hotels (and apart-hotels) and healthcare.

Investment in property development and investment in co-investment vehicles where there is more than one investor is permitted up to a maximum of 10% of the Property Portfolio.

In order to manage risk in the Company, without compromising flexibility, the Directors apply the following restrictions to the Property Portfolio:

- No property will be greater by value than 15% of total assets.
- No tenant (with the exception of the Government) shall be responsible for more than 20% of the Company's rent roll.
- Gearing, calculated as borrowings as a percentage of the Group's gross assets, may not exceed 65%. The Board's current intention is that the Company's gearing will not exceed 45%.

All investment restrictions apply at the time of investment. The Company will not be required to dispose of an asset or assets as a result of a change in valuation.

Any material change to the investment policy of the Company may only be made with the prior approval of its Shareholders.

Strategy

Each year the Board undertakes a strategic review, with the help of its Investment Manager and other advisers.

The overall intention is to continue to distribute an attractive income return alongside growth in the NAV and a good overall total return relative to the peer group.

At the property level, it is intended that the Group remains primarily invested in the commercial sector, while keeping a watching brief on other classes such as student accommodation and care homes as well as other sectors which will enable the Company to meets its environmental targets.

The Company is also undertaking some development to ensure its assets meet the highest standards and will perform well. The development risk is split between pre-let developments and speculative developments (where there is no lease in place for the completed unit). Speculative development will not exceed 10% of the fund.

The Board's preference is to buy into good, but not necessarily prime, locations, where it perceives there will be good continuing tenant demand, and to seek out properties where the asset management skills of the Investment Manager can be used to beneficial effect. The Board will continue to have very careful regard to tenant profiles.

As part of this investment strategy, the Group recognises that tenants are a key stakeholder and an important objective is therefore to foster a culture whereby the experience of tenants is seen as paramount to the future success of the Group.

The Investment Manager works closely with tenants to understand their needs through regular communication and visits to properties.

The Board recognises the importance of strong ESG credentials within the portfolio. The Investment Manager provides the Board with frequent updates regarding ongoing work to enhance the ESG attributes of the existing portfolio as well as consideration for all acquisition opportunities.

Where required, and in consultation with tenants, the Group refurbishes and manages the owned assets to improve the tenants' experience, including consideration of health & safety and environmental factors, with the aim being to generate greater tenant satisfaction and retention and hence lower voids, higher rental values and stronger returns.

Images

1. Far Ralia, Newtonmore

The Board continues to seek out opportunities for further, controlled growth in the Group.

The Group maintains a tax efficient structure, having migrated its tax residence to the UK and becoming a UK REIT on 1 January 2015.

The Board

As at 31 December 2022, the Board consisted of a Non-Executive Chair and four Non-Executive Directors. The names and biographies of those Directors who held office at 31 December 2022 and at the date of this report appear on pages 60 and 61 and indicate their range of property, investment, commercial and financial experience.

Key Performance Indicators

The Board meets quarterly and at each meeting reviews performance against a number of key measures which are considered to be alternative performance measures ("APMs"). These APMs are in line with recognised industry performance measures both in the Real Estate and Investment Trust industry and help to assess the overall performance of the portfolio and the wider Group:

Property income and total return is measured against the MSCI UK Quarterly Property Index ("the Index"). Previously the Company used the MSCI UK Monthly Index Funds Quarterly Property Index however this has reduced in size and become less relevant to the Company.

The Index provides a benchmark for the performance of the Group's property portfolio and enables the Board to assess how the portfolio is performing relative to the market. A comparison is made of the Group's property returns against the Index over a variety of time periods (quarter, annual, three years, five years and ten years).

1

ESG.

The Board and Investment Manager strive to position the Company as a leader in ESG. It has undertaken an initial assessment of its carbon footprint to inform decision making as the Company progresses to net-zero. A programme is underway to fully understand the pathway to have all assets EPC B rated by 2030, and a clear framework for refurbishment and development standards is in place. The Company now has a separate Sustainability Committee made up of the Non-Executive Directors to monitor progress against the ESG targets set.

Property Voids.

Property voids are unlet properties. The Board reviews the level of property voids within the Company's portfolio on a quarterly basis and compares the level to the market average, as measured by MSCI. The Board seeks to ensure that, when a property becomes void, the Investment Manager gives proper priority to seeking a new tenant to maintain income.

Rent Collection.

The Board assesses rent collection by reviewing the percentage of rents collected within 21 days of each quarter end, and reviews details of the current arrears.

Net Asset Value Total Return.

The net asset value ("NAV") total return reflects both the net asset value growth of the Company and also the dividends paid to shareholders. The Board regards this as the best overall measure of value delivered to shareholders. The Board assesses the NAV total return of the Company over various time periods (quarter, annual, three years, five years and ten years) and compares the Company's returns to those of its peer group of listed, closed-ended property investment companies, as set out on page 23.

Premium or Discount of the Share Price to Net Asset Value.

The Board closely monitors the premium or discount of the share price to the NAV and believes that a key driver for the level of the premium or discount is the Company's long-term investment performance. However, there can be short-term volatility in the premium or discount and the Board takes powers at each Annual General Meeting ("AGM") to enable it to issue or buy back shares with a view to limiting this volatility.

Images

1. B&Q, Halesowen
2. One Station Square, Bracknell

Dividend per Share and Dividend Cover.

A key objective of the Company is to provide an attractive, sustainable level of income to shareholders and the Board reviews, at each Board meeting, the level of dividend per share and the dividend cover, in conjunction with detailed financial forecasts, to ensure that this objective is being met and is sustainable.

The Board considers the performance measures both over various time periods and against similar funds.

A record of these measures is disclosed in the Financial and Portfolio Report, Chair's Statement and Investment Manager's Review.

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 is mitigated through regular contact with shareholders, a regular review of share price performance and the level of the discount or premium at which the shares trade to net asset value and regular meetings with the Company's broker to discuss these points and address any issues that arise. Geopolitical risk increased the volatility of the Company's share price and, reflecting wider market sentiment, has resulted in the Company's shares trading at a discount to prevailing NAV of 26.4% as at 31 December 2022, in-line with other diversified peers in the Company's AIC peer group.

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.

Strategic Overview continued

For the year ended 31 December 2022

During 2022 the significantly heightened geopolitical uncertainty and cost of living crisis have resulted in inflationary pressures and vulnerabilities in supply chains being exposed. Government initiatives have eased some of these pressures and we are yet to see the full impact which could impact upon our tenants' ability to trade profitably.

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. 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.

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 on pages 67 to 72.

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.

Economic and Geopolitical.

Russia's invasion of Ukraine is the largest, most dangerous military conflict in Europe since WWII. Russian President Vladimir Putin failed in his initial aim to destroy Ukrainian sovereignty and has since increased attacks on Ukraine's energy and civilian infrastructure. A settlement or even a ceasefire looks unlikely for now. Instead, an extended conflict is anticipated, alongside a long term political, economic and military standoff between the West and Russia. Intentional or accidental escalation between NATO and Russia remains a risk.

The Investment Manager expects global markets to remain volatile. From a macro-economic perspective, higher medium-term oil, gas and food prices alongside financial market disruption and sanctions on Russia could lead to a continuation of the already elevated inflationary environment, which will in turn weaken the outlook for economic growth. There is also the risk of further interest rate increases. A period of prolonged instability, with impacts for Europe in particular, is now clearly a potential outcome.

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 uncertain and as one of the largest producers and exporters of microchips in the world could cause considerable disruption if its independence was threatened.

Images

1. Tetron 141, Swadlincote

Strategic Overview continued

For the year ended 31 December 2022

The current economic and geopolitical environment is unpredictable, and changing rapidly, and this may affect the 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 1.2°C 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.

The Legacy of COVID-19.

Although the direct impact of COVID-19 on our lives has receded, it has 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.

COVID-19 has also impacted the way that we that we shop: social distancing measures in response to the pandemic have accelerated the increase in on-line shopping and decline in physical retailing. This has 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.

Technology is also 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.

Viability Statement

The Board considers viability as part of its programme of financial reporting and monitoring risk. The Board regularly reviews the prospects for the Company over the longer term taking into account the Company's current financial position, its operating model, and the diversified constituents of its portfolio. In addition the Board considers strong initial due diligence processes, the continued review of the portfolio and the active asset management initiatives. Given the above, the Board believes that the Company has a sound basis upon which to continue to deliver returns over the long term.

In terms of viability, the Board has considered the nature of the Group's assets and liabilities and associated cash flows and has determined that three years is the maximum timescale over which the performance of the Group can be forecast with a material degree of accuracy and so is an appropriate period over which to consider the Group's viability. This timescale was assessed as being more accurate than the previous five year period used by the Board and also brings the Group more in line with its peer group and reflecting the term of the long-term debt..

The Board has also carried out a robust assessment of the principal and emerging risks faced by the Group, as detailed on pages 53 to 56. 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.

These risks have all been considered in light of the financial and economic impact that arose from COVID-19 and considering the emerging geopolitical risks.

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 2023;
- 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

Even under those scenarios the Group remains viable.

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. This assessment is based on the current financial position of the Company, its performance track record and feedback it receives from shareholders.

Approval of Strategic Report

The Strategic Report comprises the Financial and Portfolio Review, Performance Summary, Chair's Statement, Investment Manager's Review, Environmental, Social and Governance, Taskforce for Climate-related Financial Disclosures, Stakeholder Engagement and Strategic Overview. The Strategic Report was approved by the Board and signed on its behalf by:

21 April 2023

James Clifton-Brown
Chair

Image
1. 101 Princess Street, Manchester

Governance

Board of Directors

For the year ended 31 December 2022

1 James Clifton-Brown
Chair

James Clifton-Brown is a UK resident. He joined CBRE Global Investors in 1984 as a fund manager on the Courtaulds Pension Scheme Account (now Akzo Nobel Pension Scheme) and became the firm's UK Chief Investment Officer ("CIO") in 1996. He retired from this role on 30 April 2017. In his role as UK CIO, James had responsibility for the firm's UK house strategy and risk management as well as client and investor relationship management. Since 2004, he has also been a Director on a number of boards relating to CBRE Global Investors Limited. He is a voting member on the USA and European Investment Committees of CBRE Global Investors.

Contribution: The Board, through the Nomination Committee, has reviewed the contribution of James Clifton-Brown in light of his forthcoming re-election at the AGM in June 2023 and has concluded that he remains a strong Chair of the Company and continues to provide excellent strategic and investment insights into portfolio management and wider corporate strategy.

2 Sarah Slater
Board member

Sarah Slater is a UK resident. She is the Chief Executive of The Eyre Estate, a private family trust, a former trustee of Dulwich Estate and was a Board member of GRIP REIT Plc, one of the UK's largest residential REITs. During her career, Sarah held senior positions at The Canada Pension Plan Investment Board (CPPIB), ING Real Estate Investment Management (now CBRE GI) and Henderson Global Investors (now Nuveen) with responsibility for the delivery of major real estate programmes.

Contribution: The Board, through the Nomination Committee, has reviewed the contribution of Sarah Slater in light of her forthcoming re-election at the AGM in June 2023 and has concluded that she brings valuable property expertise and insight into the outlook for property to the Board, and continues to Chair the Property Valuation Committee strongly.

3 Jill May
Board member

Jill May is a UK resident. She is an External Member of the Prudential Regulation Committee of the Bank of England, a Council member of the Duchy of Lancaster and is also a Non-Executive Director of JPMorgan Claverhouse Investment Trust plc and Alpha Financial Markets Consulting plc. Jill was a Non-Executive Director of the CMA from its inception in 2013 until 2016. Prior to this she spent 25 years in investment banking comprising 13 years in mergers and acquisitions with SG Warburg & Co. Ltd and 12 years at UBS AG. She was appointed Senior Independent Director of the Company on 15 June 2022 following the retirement of Huw Evans.

Contribution: The Board, through the Nomination Committee, has reviewed the contribution of Jill May in light of her forthcoming re-election at the AGM in June 2023 and has concluded that she continues to discharge her responsibilities appropriately both as Senior Independent Director as well as in chairing the Remuneration Committee, Nomination Committee and Management Engagement Committee. Jill also continues to provide excellent strategic, risk and investment management insight to the Board discussions.

4 Mike Balfour
Board member

Mike Balfour is a UK resident. He is a member of the Institute of Chartered Accountants of Scotland and was Chief Executive at Thomas Miller Investment Ltd from 2010 to January 2017. Prior to this, he was Chief Executive at Glasgow Investment Managers and Chief Investment Officer at Edinburgh Fund Managers Limited. Mike has 38 years of investment management experience and was appointed to the Board on 10 March 2016. He is also Chair of Fidelity China Special Situations PLC, audit chair of Schroder BSC Social Impact Trust plc and chairs the Investment Committee of TPT Retirement Solutions.

Contribution: The Board, through the Nomination Committee, has reviewed the contribution of Mike Balfour in light of his forthcoming re-election at the AGM in June 2023 and has concluded that his chairmanship of the Audit Committee is strong. Mike also led the Board in the creation and development of the Sustainability Committee and continues to provide the Board with expert knowledge of investment companies, financing and capital markets.

5 Mike Bane
Board member

Mike Bane is a resident of Guernsey. Mike is a member of the Institute of Chartered Accountants of England & Wales and retired as an assurance partner in Ernst & Young LLP ("EY") in 2018. He has over 35 years' experience in practice with a focus on the asset management and real estate industries. He was a member of EY's EMEIA Wealth and Asset Management Board and was responsible for EY's services to those industries in the Channel Islands. Mike is Chair of HICL plc and a non-executive director of Apax Global Alpha Limited. In addition, he is Chair of The Health Improvement Commission for Guernsey & Alderney LBG.

Contribution: The Board, through the Nomination Committee, has reviewed the contribution of Mike Bane in light of his forthcoming re-election at the AGM in June 2023 and has concluded that his industry experience benefits the Audit Committee in particular alongside his knowledge of the real estate sector and the regulatory and operating environment in Guernsey, where the Company is registered. Mike assumed responsibility for chairing the Sustainability Committee, from Mike Balfour, on 1 January 2023.

Directors' Report

For the year ended 31 December 2022

The Directors of abrdn Property Income Trust Limited ("the Company" or "API") present their Annual Report and Audited Consolidated Financial Statements for the year ended 31 December 2022.

Principal Activity and Status

The Company was incorporated in Guernsey on 18 November 2003 under registration number 41352. The Company is a closed ended investment company registered under the provisions of The Companies (Guernsey) Law, 2008 (as amended). The principal activity and status of the Company's subsidiaries is set out in note 9 on page 112. On 1 January 2015 the Company migrated its tax residence to the UK and became a UK REIT.

Shareholders approved the Company changing name to abrdn Property Income Trust Limited, from Standard Life Investments Property Income Trust Limited, at the Annual General Meeting on 15 June 2022.

Listing

The Company's ordinary shares are admitted to trading on the premium segment of the London Stock Exchange.

The Company has complied with the relevant provisions of, and the requirements set out in, the United Kingdom's Financial Conduct Authority's Listing Rules throughout the year under review.

The Group

At 31 December 2022, the Group consisted of the Company and four subsidiaries: abrdn Property Holdings Limited (formerly Standard Life Investments Property Holdings Limited), a company with limited liability incorporated in Guernsey; abrdn (APIT) Limited Partnership (formerly Standard Life Investments (SLIPIT) Limited Partnership), a limited partnership established in England & Wales; abrdn APIT (General Partner) Limited (formerly Standard Life Investments SLIPIT (General Partner) Limited), a company with limited liability incorporated in England & Wales; abrdn (APIT Nominee) Limited (formerly Standard Life Investments (SLIPIT Nominee) Limited), a company with limited liability incorporated in England & Wales. Hagley Road Limited, a company incorporated in Jersey, was subject to solvent dissolution in May 2022.

Results and Dividend

The Group generated an IFRS loss of £51.1 million (2021: Profit of £85.7 million) in the year equating to earnings per share of -13.12p (2021: 21.54p). In addition the Group generated cash of £2.1 million (2021: generated cash of £4.4 million) in the year and had cash at the year-end of £15.9 million (2021: £13.8 million). The Group paid out dividends totalling £15.6 million (2021: £15.0 million) in the year.

Share Capital and Voting Rights

At 31 December 2022 there were 406,865,419 ordinary shares of 1p each in issue, comprising 381,218,977 (2021: 396,922,386) ordinary shares with voting rights and an additional 25,646,442 (2021: 9,943,033) ordinary shares held in treasury. During the year, the Company bought back 15,703,409 (2021: 7,394,036) ordinary shares into treasury.

There have been no changes to the ordinary shares in issue, or held in treasury, since the year end.

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.

As required by the FCA's Listing Rules, the Directors will only issue shares at prices which are not less than the net asset value of the ordinary shares unless such shares are first offered on a pre-emptive basis to existing shareholders or otherwise with the approval of shareholders.

Substantial Shareholdings

As at 31 December 2022 and 31 March 2023, the following entities had notified the Company of a holding of 3% or more of the Company's issued share capital.

	Holdings (%)	
	31.12.2022	31.03.23
Hargreaves Lansdown	12.1	12.4
Mattioli Woods	9.4	9.3
Interactive Investor	9.1	9.2
RBC Brewin Dolphin	6.1	5.8
AJ Bell	6.0	6.1
BlackRock	4.7	4.7
Brooks Macdonald	3.2	3.1

External Agencies

The Board has contractually delegated the following services to external firms:

- The function of Alternative Investment Fund Manager, including management of the investment portfolio (delegated to abrdn Fund Managers Limited, see below)
- Company secretarial and administration services (delegated to Northern Trust International Fund Administration Services (Guernsey) Limited)
- Shareholder registration services (Computershare Investor Services (Guernsey) Limited)

These contracts were entered into after full and proper consideration by the Directors of the quality and cost of services offered, including the financial control systems in operation in so far as they relate to the Group. These contracts are reviewed regularly by the Management Engagement Committee. Key members of staff from the Investment Manager and Company Secretary attend Board meetings to brief the Directors on issues pertinent to the services provided.

Investment Management Agreement

The Company appointed abrdn Fund Managers Limited (formerly Aberdeen Standard Fund Managers Limited) (the "Investment Manager") as its alternative investment fund manager with effect from 10 December 2018.

Under the terms of the Investment Management Agreement between the Investment Manager and the Company ("the Management Agreement"), the Investment Manager is entitled to an annual fee equal to 0.70% of gross asset value up to £500 million and 0.60% of gross asset value over £500 million, in relation to the year ended 31 December 2022. With effect from 1 January 2023, the annual fee is changing to 0.60% of gross asset value up to £500 million and 0.50% of gross asset value over £500 million.

The Management Agreement is terminable by either party on not less than one year's notice.

Directors' Report continued

For the year ended 31 December 2022

The Management Engagement Committee reviews the performance of, and contractual arrangements with, the Investment Manager on an annual basis. The Board has considered the appropriateness of the continuing appointment of the Investment Manager in view of the performance of the Investment Manager, the fees payable to the Investment Manager and the notice period under the Management Agreement. The Board has concluded that the appointment of the Investment Manager on the terms agreed (including the revised terms in effect from 1 January 2023 as set out above) continues to be in the best interests of shareholders as a whole.

Directors

The names and short biographies of the Directors of the Group at the date of this Report, are shown on pages 60 and 61.

The Directors each hold the following number of ordinary shares in the Company (audited):

	Ordinary Shares held	
	2022	2021
Huw Evans [A]	n/a	60,000
James Clifton-Brown	21,500	21,500
Jill May	128,592	128,592
Mike Balfour	125,000	125,000
Sarah Slater	20,000	–
Mike Bane [B]	–	n/a

A As at date of retirement as a Director on 15 June 2022

B Appointed as a Director on 31 January 2022

There have been no changes in the above interests between 31 December 2022 and the date of approval of this Report.

Directors' Insurance and Indemnities

The Group maintains insurance in respect of Directors' and Officers' liabilities in relation to their acts on behalf of the Group. The Company's Articles of Association provide, subject to the provisions of Guernsey law, for the Group to indemnify Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their position as Directors in which judgement is given in their favour or they are acquitted.

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 over the going concern period. 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.

The Directors have not identified any material uncertainties, including risks related to significantly heightened geopolitical uncertainty and cost of living crisis, which might cast significant doubt on the ability of the Group to continue as a going concern for a period of not less than 12 months from the date of the approval of this Annual Report.

The Directors have satisfied themselves that the Group has adequate resources to continue in operational existence and the Board believes it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Corporate Governance

The Directors' report on Corporate Governance is detailed on pages 67 to 72 and forms part of the Directors' Report.

Criminal Finances Act

The Directors are fully committed to complying with all legislation and appropriate guidelines designed to prevent tax evasion and the facilitation of tax evasion in the jurisdictions in which the Group, its service providers and business partners operate.

Disclosure of Information to Auditor

In the case of Directors at the time when the Annual Report and Consolidated Financial Statements were approved, the following applies:

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

Independent Auditor

A resolution to re-appoint Deloitte LLP as the Group's auditor will be proposed to the shareholders at the Annual General Meeting on 14 June 2023.

Financial Instruments

The financial risk management objectives and policies arising from financial instruments and the exposure of the Company to risk are disclosed in note 3 to the financial statements.

Annual General Meeting

The notice of the Annual General Meeting, which will be held this year at Wallacespace, 15 Artillery Lane, London, E1 7HA on Wednesday 14 June 2023 at 2.30pm, may be found on pages 141 to 143.

The Board hopes that as many shareholders as possible will be able to attend the Annual General Meeting, where there will be the opportunity to put questions to both the Board and Investment Manager.

In order to allow shareholders who may not be able to attend the Annual General Meeting the chance to raise any matters, the Board has decided to hold an interactive Online Shareholder Presentation at 2.30pm on Tuesday 13 June 2023. Shareholders will receive updates from the Chair and Investment Manager and be able to participate in an interactive question and answer session. Further information on how to register for the event can be found on page 10.

The Board welcomes correspondence from shareholders in writing to the Company's registered office (see page 140) by email to: **property.income@abrdn.com**

The following resolutions are being proposed in relation to approval of the Company's dividend policy and the Directors' authorities to buy back and allot shares.

Directors' Report continued

For the year ended 31 December 2022

Dividend Policy (ordinary resolution 3)

As a result of the timing of the payment of the Company's quarterly dividends in February, May, August and November, it is impractical for the Company's shareholders to approve a final dividend each year. As an alternative, the Board puts forward the Company's dividend policy to shareholders for approval at each Annual General Meeting.

Resolution 3 which is an ordinary resolution, relates to the approval of the Company's dividend policy which is to pay four quarterly interim dividends with the ability to pay further interim dividends should the need arise, for example, to ensure compliance with the REIT rules.

Directors' Authority to Buy Back Shares (special resolution 11)

During the year to 31 December 2022, the Company bought back 15,703,409 ordinary shares into treasury. Unless renewed by shareholders, the current authority of the Company to make market purchases of shares expires at the end of the Annual General Meeting.

Consequently, special resolution 11, as set out in the notice of the Annual General Meeting, seeks authority for the Company to make market purchases of up to 14.99 percent of the issued ordinary share capital, such authority to last until the conclusion of the annual general meeting in 2024 or if earlier on the expiry of 15 months from the passing of the resolution. Any buy back of ordinary shares will be made subject to Guernsey law, the FCA's Listing Rules and within any guidelines established from time to time by the Board and the making and timing of any buy backs will be at the absolute discretion of the Board.

Purchases of ordinary shares will only be made through the market for cash at prices below the prevailing net asset value of the ordinary shares (as last calculated) where the Directors believe such purchases will enhance shareholder value. The price paid will not be less than the nominal value of 1p per share.

Such purchases will also only be made in accordance with the rules of the FCA's Listing Rules which provide that the price to be paid must not be more than the higher of; (i) 105 percent of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the ordinary shares for the five business days before the shares are purchased; and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue on which the purchase is carried out. Any shares purchased under the authority will be cancelled or held in treasury.

Directors Authority to Allot Shares on a Non-Pre-Emptive Basis (resolution 14)

Resolution 14 as set out in the notice of the Annual General Meeting gives the Directors, for the period until the conclusion of the annual general meeting in 2024 or if earlier on the expiry of 15 months from the passing of the special resolution, the necessary authority to either allot securities or sell shares held in treasury, otherwise than to existing shareholders on a pro-rata basis, for cash, up to an aggregate nominal amount of £381,219. This is equivalent to approximately 10% of the issued ordinary share capital of the Company as at 21 April 2023 as at the date of approval of this Report. It is expected that the Company will seek this authority on an annual basis. The Directors will only exercise this authority if they believe it advantageous and in the best interests of shareholders and in no circumstances would result in a dilution to the net asset value per share.

The Directors believe that the resolutions being put to the shareholders at the Annual General Meeting are in the best interests of the shareholders as a whole. Accordingly the Directors recommend that shareholders vote in favour of all of the resolutions to be proposed at the Annual General Meeting, as the Directors intend to do in respect of all of their own beneficial shareholdings totalling 295,092 shares.

Approved by the Board on 21 April 2023

James Clifton-Brown
Chair

Corporate Governance Report

For the year ended 31 December 2022

Introduction

The Company is committed to high standards of corporate governance.

The Board has considered the Principles and Provisions of the AIC Code of Corporate Governance 2019 (the "AIC Code"). The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the UK Code), as well as setting out alternative Provisions on issues that are of specific relevance to the Company. The UK Code is available on the Financial Reporting Council's (the "FRC") website: **frc.org.uk**. The AIC Code is available on the AIC website (**www.theaic.co.uk**). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council and the Guernsey Financial Services Commission, provides more relevant information to shareholders.

The Company has complied with the provisions of the AIC Code on Corporate Governance, except those relating to the requirement for an internal audit function.

The Board considers these provisions are not relevant to the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no internal operations. The Company has therefore not reported further in respect of these provisions.

The Board

The Board is comprised of Non-Executive Directors with James-Clifton Brown as Chair. Huw Evans was Senior Independent Director until his retirement at the AGM on 15 June 2022, following which he was succeeded by Jill May. Biographical details of each Director may be found on pages 60 and 61.

All Directors are considered by the Board to be independent of the Investment Manager and free of any relationship which could materially interfere with the exercise of their independent judgement on issues of strategy, performance, resources and standards of conduct.

Matters Reserved for the Board.

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

These matters include:

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

Corporate Governance Report continued

For the year ended 31 December 2022

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

At least once a year, the Board also holds a meeting specifically to review the Group's strategy.

Individual Directors are entitled to have access to independent professional advice at the Group's expense where they deem it necessary to discharge their responsibilities as Directors. The Group maintains appropriate Directors and Officers liability insurance.

The Directors have access to the company secretarial and administration services of the Company Secretary, Northern Trust International Administration Services (Guernsey) Limited, through its appointed representatives. The Company Secretary is responsible to the Board for:

- Ensuring that Board procedures are complied with;
- Under the direction of the Chair, ensuring good information flows to the Board and its Committees, as well as facilitating inductions and assisting with professional developments; and
- Liaising, through the Chair, on all corporate governance matters.

Management of Conflicts of Interest, Anti-Bribery Policy and Tax Evasion Policy.

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

The Board takes a zero-tolerance approach to bribery and has adopted appropriate procedures designed to prevent bribery. abrdn also takes a zero-tolerance approach and has its own detailed policy and procedures in place to prevent bribery and corruption. It is the Company's policy to conduct all of its business in an honest and ethical manner. The Company takes a zero-tolerance approach to facilitation of tax evasion, whether under UK law or under the law of any foreign country and its full policy on tax evasion may be found on its website.

Board Diversity

The Board recognises the importance of having a range of skilled, experienced individuals with the right knowledge represented on the Board in order to allow it to fulfil its obligations. The Board also recognises the benefits and is supportive of, and will give due regard to, the principle of diversity in its recruitment of new Board members. The Board will not display any bias for age, gender, race, sexual orientation, socio-economic background, religion, ethnic or national origins or disability in considering the appointment of Directors. The Board will continue to ensure that all appointments are made on the basis of merit against the specification prepared for each appointment. The Board intends to report against the targets set out in the FCA's Listing Rule 9.8.6R (9)(a) within its Annual Report for the Company's year ending 31 December 2023.

Chair and Senior Independent Director

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

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

Board Committees

The Board has appointed a number of Committees – the Property Valuation Committee, the Audit Committee, the Sustainability Committee, the Management Engagement Committee, the Nomination Committee and the Remuneration Committee. Copies of their terms of reference, which define the responsibilities and duties of each Committee, are available on request from the Company Secretary or may be downloaded from the Company's website at **www.abrdnpit.co.uk**

Property Valuation Committee.

The Property Valuation Committee, chaired by Sarah Slater throughout the year, comprises the full Board and meets at least three times a year. The Committee is convened for the purpose of reviewing the quarterly independent property valuation reports prior to their submission to the Board. The Chair of the Property Valuation Committee meets with the independent property valuer at least annually.

Audit Committee.

The Audit Committee, chaired by Mike Balfour throughout the year, comprises the full Board, apart from the Board Chair, and meets at least three times a year. James Clifton-Brown, the Chair of the Board, attends the Audit Committee by invitation of the Chair. The Audit Committee's report is included on pages 74 to 75.

Management Engagement Committee.

The Management Engagement Committee, which comprises the full Board, was chaired by Huw Evans until his retirement following the Annual General Meeting on 15 June 2022, and by Jill May thereafter. The Committee meets at least once a year to review the performance of the Investment Manager and other service providers, including with the terms and conditions of their contracts with the Group.

The Committee reviews the performance of, and contractual arrangements with, the Investment Manager on an annual basis. The Board has considered the appropriateness of the continuing appointment of the Investment Manager in view of the performance of the Investment Manager, the fees payable to the Investment Manager and the notice period under the Management Agreement. The Board has concluded that the continuing appointment of the Investment Manager on the terms agreed is in the best interest of shareholders as a whole.

Nomination Committee.

The Nomination Committee, chaired by Jill May throughout the year, comprises the full Board and meets at least once a year. The Committee believes that, given the size of Board, it is appropriate for all Directors to serve as members of the Committee. Appointments of new Directors are considered by the Committee taking account of the need to maintain a balanced Board.

In respect of the appointment of Mike Bane, who was appointed to the Board as an independent non-executive Director on 31 January 2022, the Board engaged an external search consultant, Sapphire Partners. Sapphire Partners is independent of the Company and Board of Directors.

New Directors appointed to the Board receive a formal induction and appropriate training is arranged for new and current Directors, as required. The Group's policy on diversity is noted on page 68. The Board and Committee are cognisant of the recommendations of the Parker Review and recognises the benefits of diversity in its broadest sense and the value this brings to the Company in terms of skills, knowledge and experience.

During the year the Committee met twice, covering succession planning and committee composition. The Committee is also responsible for arranging the Company's annual evaluation of the Board and Committees and individual Directors.

Remuneration Committee.

The Remuneration Committee chaired by Jill May throughout the year, comprises the full Board and meets at least once a year. The Committee believes that, given the size of Board, it is appropriate for all Directors to serve as members of the Committee. The Committee reviews the level of Directors' fees, ensuring that they reflect the time commitment and responsibilities of the role and are fair and comparable with those of similar companies.

Sustainability Committee.

The Sustainability Committee, chaired by Mike Balfour until 31 December 2022 and by Mike Bane from 1 January 2023, comprises the whole Board, and meets at least twice per year. The Committee seeks to understand the views of key stakeholders of the Company on ESG matters and takes responsibility for the Company's TCFD reporting and setting and monitoring the Company's ESG strategy and Carbon Net-Zero pathway.

Corporate Governance Report continued

For the year ended 31 December 2022

Performance of the Board

The Nomination Committee undertook an annual evaluation of the Chair of the Board, individual Directors and the performance of Committees and the Board as a whole with respect to the year ended 31 December 2022. This involved the completion of questionnaires by each Director and follow-on discussions between the Chair and each Director. The appraisal of the Chair was undertaken by the Senior Independent Director. The collated results of the annual evaluation were discussed by the Committee, following its completion. The Board is satisfied with the performance of the Board, each individual Director, and the Chair. Details of the individual contribution made by each Director may be found on pages 60 and 61.

In relation to the year ended 31 December 2020, the Company engaged Lintstock Ltd, an independent external service provider which has no other connection to the Company, to undertake a board evaluation. Assisted by Lintstock Ltd, the Board assessed that it had in place the appropriate balance of skills, experience, length of service and knowledge of the Company, while also recognising the advantages of diversity. The intention is that the annual evaluation is externally facilitated at least every three years with the next such review expected to be conducted for the year ending 31 December 2023.

Meeting Attendance

The table on page 71 sets out the Directors' attendance at each scheduled quarterly Board and Committee meetings. The number of meetings which the Directors were eligible to attend are shown in brackets. In addition to the scheduled meetings detailed below, there were a further 18 ad hoc Board and Committee meetings held during the year.

Tenure Policy and Re-Election of Directors at the Annual General Meeting.

The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board. However, in accordance with corporate governance best practice and the need for regular refreshment and diversity on the Board, the Board does not expect any of the Group's Directors, including the Chair, to serve on the Board longer than the AGM following their ninth anniversary of appointment as a Director, except in exceptional circumstances.

There are no service contracts in existence between the Group and any Directors but each of the Directors was appointed by letter of appointment which sets out the main terms of his or her appointment.

The Directors' appointment dates are as follows: Mike Balfour (10 March 2016), James Clifton-Brown (17 August 2016), Jill May (12 March 2019), Sarah Slater (27 November 2019) and Mike Bane (31 January 2022).

Pursuant to the Articles of Association of the Company, one third, or the number nearest to but not exceeding one third, of the Directors are required to retire and stand for re-election at the Annual General Meeting each year, provided that each Director shall retire and stand for re-election at the Annual General Meeting immediately following their appointment then at intervals of no more than three years. However, in accordance with the recommendations of the AIC Code, the Board has agreed that all Directors will retire annually and, if eligible, will seek re-election.

All Directors will retire and, being eligible, stand for re-election at the forthcoming Annual General Meeting. The Board has reviewed the skills and experience of each Director, as described in their individual biographies on pages 60 and 61 and believes that each contributes to the long-term sustainable success of the Company. The Board has no hesitation in recommending their individual re-election to shareholders.

Internal Controls

The Board is ultimately responsible for the Group's system of internal controls and risk management and for reviewing its effectiveness. The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group in accordance with the Financial Reporting Council publication – Guidance on Risk Management, Internal Control and Related Financial and Business Reporting ('the FRC Guidance').

This process has been in place for the year under review and up to the date of approval of this Annual Report and Consolidated Financial Statements and is regularly reviewed by the Board and accords with the FRC Guidance.

	Board	Audit Committee	Property Valuation Committee	Management Engagement Committee	Nomination Committee	Remuneration Committee	Sustainability Committee
Huw Evans A	1/1	1/1	1/1	–/–	–/–	–/–	1/1
Mike Balfour	4/4	3/3	4/4	2/2	1/1	1/1	4/4
James Clifton-Brown B	4/4	–/–	4/4	2/2	1/1	1/1	4/4
Jill May C	3/4	2/3	3/4	2/2	1/1	1/1	3/4
Sarah Slater	4/4	3/3	4/4	2/2	1/1	1/1	4/4
Mike Bane	4/4	3/3	4/4	2/2	1/1	1/1	4/4

A Retired as a Director on 15 June 2022.
B The Chair of the Board is not a member of the Audit Committee but may attend meetings at the invitation of the Audit Committee Chair.
C Did not attend certain meetings due to a close family bereavement.

The process is based principally on a risk-based approach to internal control whereby a risk matrix is created that identifies the key functions carried out by the Board, the Investment Manager and the other service providers, the individual activities undertaken within those functions, the risk associated with each activity and the controls employed to minimise those risks. A risk rating is then applied. The risk matrix is regularly updated and the Board is provided with regular reports highlighting any material changes to risk ratings and confirming action which has been, or is being, taken.

Twice a year the Board, via the Audit Committee, carries out an assessment of internal controls by considering the risk matrix and documentation from the Investment Manager and the Company Secretary, including reports from their internal audit and compliance functions.

The Board has reviewed the effectiveness of the Investment Manager's system of internal control including its annual internal controls report prepared in accordance with the International Auditing and Assurance Standards Board's International Standard on Assurances Engagements ("ISAE") 3402, "Assurance Reports on Controls at a Service Organisation". This report sets out the Investment Manager's internal control policies and procedures with respect to the management of their clients' assets and contains a report from independent external auditors.

At each Board meeting, the Board monitors the investment performance of the Group in comparison to its stated objective and against comparable companies and relevant indices. The Board also reviews the Group's activities since the last Board meeting to ensure that the Investment Manager adheres to the agreed investment policy and guidelines and, if necessary, approves changes to such policy and guidelines. In addition, at each Board meeting, the Board receives reports from the Company Secretary in respect of compliance matters and duties performed on behalf of the Group.

The Board has adopted appropriate procedures designed to prevent bribery, including regular reviews of the anti-bribery policies of its suppliers.

The Board has also reviewed a statement from the Investment Manager detailing arrangements in place whereby the Investment Manager's staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters.

The Group entered into arrangements to comply with AIFMD in 2014. The Group appointed Standard Life Investments (Corporate Funds) Limited as its AIFM, which was replaced by Aberdeen Standard Fund Managers Limited on 10 December 2018 (subsequently renamed abrdn Fund Managers Limited on 1 August 2022), and Citibank UK Limited as its Depositary. The Depositary's responsibilities include cash monitoring, safe-keeping of any financial instruments held by the Group and monitoring the Group's compliance with investment limits and leverage requirements.

The AIFM has a permanent risk management function to ensure that effective risk management policies and procedures are in place to monitor compliance with risk limits. The AIFM has a risk policy which covers the risks associated with the management of the portfolio and the adequacy and appropriateness of this policy is reviewed at least annually by the AIFM. The AIFM presents a report to the Board, via the Audit Committee, on a six monthly basis confirming its compliance with AIFMD in relation to the Company.

Corporate Governance Report continued

For the year ended 31 December 2022

Relations with Shareholders

As set out in the Stakeholder Engagement Section, the Board welcomes correspondence from shareholders, addressed to the Company's registered office or by email to **property.income@abrdn.com**. This year's AGM is being held at:

Wallacespace,
15 Artillery Lane,
London,
E1 7HA

on Wednesday 14 June 2023 at 2.30pm.

To promote a clear understanding of the Group, its objectives and financial results, the Board aims to ensure that information relating to the Group is disclosed in a timely manner and once published, quarterly factsheets, the interim report and annual report are available on the Company's website which can be found at: **www.abrdnpit.co.uk**

The Chair and the Investment Manager continue to offer individual meetings to the largest institutional and private client manager shareholders and they report back to the Board on these meetings.

Accountability and Audit

The Statement of Directors' Responsibilities in respect of the Consolidated Financial Statements is on page 79 and the Statement of Going Concern is included in the Directors' Report on page 64 and the Viability Statement can be found on pages 56 to 57. The Independent Auditor's Report is on pages 80 to 88.

Approved by the Board on 21 April 2023

James Clifton-Brown
Chair

Sustainability Committee Report

For the year ended 31 December 2022

Role of the Sustainability Committee

Established in November 2021, the Sustainability Committee seeks to understand the views of key stakeholders of the Company on ESG matters and takes responsibility for the Company's TCFD reporting, oversight of the Manager's ESG and climate approach, and setting and monitoring the Company's ESG strategy and Carbon Net-Zero pathway.

Composition of the Sustainability Committee

The Sustainability Committee is chaired by Mike Bane, comprises the whole Board, and meets at least twice per year.

The key stakeholders in the Company are considered to be the shareholders, Investment Manager, tenants, debt providers, suppliers, service providers and the community at large.

Key Responsibilities of the Sustainability Committee

The Sustainability Committee will discharge its responsibilities in the following areas:

- Oversee the activities of the Investment Manager to ensure that the sustainability objectives of the Company (as set by the board), are met and observed.
- Monitor the progress of the Investment Manager in relation to KPIs and measures set by the Board.
- Setting the Company's ESG strategy and net-zero carbon pathway.
- Along with the Investment Manager, understand the reporting requirements and reporting on ESG and TCFD.
- Monitor the Company's EPC rating exposure (against regulatory requirements) (or other such measure as may from time to time be considered relevant in place of an EPC).

Review of Activities

Following its establishment in November 2021, the Committee convened formally in April 2022 for the first time and considered its terms of reference, together with the design of the reporting framework required for the Committee to discharge its responsibilities.

The Company has, this year, established its KPIs and ensured that these cover the Company's key targets for 2030 as detailed in the dedicated section on ESG and the Taskforce for Climate-related Financial Disclosures (pages 29 to 45). The Sustainability Committee looks forward to monitoring these KPIs during 2023.

21 April 2023

Mike Bane
Sustainability Committee Chair

Audit Committee Report

For the year ended 31 December 2022

Composition of Audit Committee

The Audit Committee comprises the full Board, except the Chair of the Board, all of whom are independent at the year end and have recent and relevant financial experience. Two members of the Audit Committee are Chartered Accountants, one of whom, Mike Balfour, chairs the Audit Committee.

Role of the Audit Committee

The main responsibilities of the Audit Committee are:

- Monitoring the integrity of the consolidated financial statements of the Group and any public announcements relating to the Group's financial performance and reviewing significant reporting judgements contained in them;
- Reviewing the effectiveness of the Group's internal financial controls and risk management systems and bringing material issues to the attention of the Board;
- Whistleblowing and oversight – reviewing an annual statement from the Investment Manager detailing the arrangements whereby the Investment Manager's staff may, in confidence, escalate concerns about possible improprieties in relation to financial reporting or other matters;
- To consider annually whether there is a need for the Company to have its own internal audit function;
- Making recommendations to the Board, for it to put to shareholders for their approval at a general meeting, in relation to the appointment of the external auditor, and to approve the remuneration and terms of engagement of the external auditor;
- Reviewing the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements;
- Making recommendations to the Board in relation to the engagement of the external auditor to supply non-audit services, taking into account ethical guidance regarding the provision of non-audit services by the external audit firm;
- Where requested by the Board, providing advice on whether the annual report and consolidated financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Audit Committee reports to the Board on its findings, identifying any matters in respect of which the Audit Committee considers that action or improvement is needed and making recommendations as to the steps to be taken.

Review of Significant Issues and Risks

In planning its work, and reviewing the audit plan with the Auditor, the Audit Committee takes account of the most significant issues and risks, both operational and financial, likely to impact on the Group's consolidated financial statements. This included an assessment of risks, such as Climate Change and Geopolitical Risk, and the impact these could have on the Group and its underlying investment portfolio.

The property investment portfolio is the most substantial figure on the Balance Sheet. The valuation of the properties, and in conjunction with this the confirmation of ownership and title, is therefore a key risk that requires the attention of the Audit Committee. Specifically the risk is that the properties are not recognised and measured in line with the Group's stated accounting policy on the valuation of investment properties. The investment properties are valued at the year end, and at each quarter end, by Knight Frank, independent international real estate consultants. The valuations are prepared in accordance with the RICS Valuation – Professional Standards, published by the Royal Institution of Chartered Surveyors, and are reviewed by the Property Valuation Committee (quarterly), the Audit Committee (six monthly) and the external auditor (annually).

Full details of the valuation methodology are contained in note 7 to the Consolidated Financial Statements.

As rental income is the Group's principal source of revenue and a significant item in the Statement of Comprehensive Income, a key risk relates to the recognition and collection of rental income. Specifically the risk is that the Group does not recognise rental income in line with its stated policy on rental income recognition. The Audit Committee reviews the controls in place at the Investment Manager in respect of recognition of rental income on a regular basis and, along with the external auditor, reviews the rental income policy, the pattern of rental income received and the amount recognised in the consolidated financial statements at each year end. In addition it considers the detailed process in place at the Investment Manager to identify potential provision for bad debts, also referred to as the impairment of trade receivables, based on the intelligence and knowledge the Manager has of each individual tenant.

Audit Committee Evaluation

The activities of the Audit Committee were considered as part of the Board appraisal process completed in accordance with standard governance arrangements as noted as page 70. A full evaluation was undertaken on the effectiveness, roles and responsibilities of the Audit Committee in accordance with the Financial Reporting Council's current guidance.

The evaluation found that the Audit Committee functioned well with the right balance of membership and skills.

Review of Activities

The Audit Committee met three times during the year under review, in March, September and November 2022. Following the year end, the Audit Committee met in March 2023.

At each March and September meeting, the Audit Committee reviews the Group's compliance with the AIC Code on Corporate Governance and carries out a detailed assessment of the Group's internal controls, including review of:

- the Group's risk framework, including its risk appetite statement and full risk matrix, enabling the on-going identification, evaluation and management of the significant risks facing the Group;
- the Investment Manager's risk management and internal controls;
- the anti-bribery policy of the Group, and its service providers;
- the Investment Manager's arrangements for staff to escalate concerns, in confidence, of possible improprieties; and Reviewing the performance of the auditor.

At each March meeting, the Audit Committee reviews the Annual Report and Consolidated Financial Statements and receives the external auditor's audit findings report. The external auditor is in attendance at this meeting. Following its review, the Audit Committee provides advice to the Board on whether the Annual Report and Consolidated Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model, viability and strategy.

At each March and September meeting the Audit Committee reviews the compliance of the Investment Manager, as AIFM, and the depositary, in relation to their obligations under AIFMD in respect of the Company.

At each September meeting, the Audit Committee reviews the Interim Report and Consolidated Financial Statements.

Each November, the Audit Committee meets with the external auditor and reviews the audit plan and identifies significant risks and audit responses to those risks.

Internal Auditor

The Board has considered the need for an internal audit function but, because the Company is externally-managed, the Board has decided to place reliance on the Manager's risk management/internal controls systems and internal audit procedures.

External Audit Process

There are no contractual obligations which restrict the Audit Committee's choice of external auditor. The Group's external auditor is Deloitte, who were appointed as Auditor for the year ended 31 December 2019, following a tender process carried out during 2018.

Shareholders approved the re-appointment of Deloitte as the Group's auditor at the AGM in June 2022.

The Audit Committee meets twice a year with the external auditor. The auditor provides a planning report in advance of the annual audit and a report on the annual audit, which are considered at the November and April meetings, respectively. The Audit Committee has the opportunity to question and challenge the auditor in respect of these reports.

In accordance with regulatory requirements Deloitte rotates the audit partner responsible for the audit every five years. The audit partner for the Company is Siobhan Durcan who is in her first year of involvement in the audit. The Audit Committee Chair also meets the audit partner at least twice a year.

The Audit Committee reviews the provision of non-audit services by the external auditor. All non-audit work to be carried out by the external auditor has to be approved in advance by the Audit Committee, to ensure such services are not a threat to the independence and objectivity of the conduct of the audit. During the year ended 31 December 2022, Deloitte received fees of £nil in relation to non-audit services (2021: £nil).

The Committee is cognisant of audit fee levels and will keep these under review to ensure Deloitte continues to offer value for money for shareholders.

At least once a year, the Audit Committee has the opportunity to discuss any aspect of the auditor's work with the auditor in the absence of the Investment Manager.

The Audit Committee reviews the performance, effectiveness, value for money and general relationship with the external auditor each year. This review takes into consideration the standing, skills and experience of the audit firm and the audit team. In addition, on an annual basis, the Audit Committee reviews the independence and objectivity of the external auditor through the completion of a questionnaire which scores the auditor on various aspects of their performance.

Overall the Committee believes the external audit process is effective.

Auditor

On the recommendation of the Audit Committee, it is the Board's intention to propose, at the Annual General Meeting on 14 June 2023, that shareholders approve the reappointment of Deloitte as the Group's auditors and approve the Board to authorise the Directors' remuneration as resolutions 4 and 5, respectively.

Approved by the Board on 21 April 2023

Mike Balfour
Audit Committee Chair

Directors' Remuneration Report

For the year ended 31 December 2022

Remuneration Committee

The Remuneration Committee, comprising the full Board and chaired by Jill May, has prepared this Directors' Remuneration Report which consists of two parts:

a) a Remuneration Policy, which is subject to a shareholder vote every three years – most recently voted on at the AGM on 15 June 2022 where the proxy votes on the relevant resolution were: For – 172,625,986 votes (98.86%); Discretionary – 45,149 votes (0.03%); Against – 1,129,769 votes (0.65%); and Withheld votes – 813,055 (0.47%). The Remuneration Policy will next be put to a shareholder vote at the AGM in 2025; and

b) an annual Implementation Report, which is subject to an advisory vote by shareholders.

The law requires the Company's auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The independent auditor's opinion is included on pages 80 to 88.

The fact that the Remuneration Policy is subject to a shareholder vote at least every three years does not imply any change on the part of the Company. The principles remain the same as for previous years. There have been no changes to the Directors' Remuneration Policy during the period of this Report.

Remuneration Policy

This part of the Remuneration Report provides details of the Company's Remuneration Policy for its Directors, which takes into consideration corporate governance principles. No shareholder views were sought in setting the Remuneration Policy although any comments received from shareholders are considered on an ongoing basis.

The Directors are non-executive and it is the Board's policy that the remuneration of Directors be reviewed annually, although such review may not necessarily result in any change. The annual review should ensure remuneration reflects Directors' duties and responsibilities, expected time commitment, the level of skills and experience required and the need for Directors to maintain on an ongoing basis an appropriate level of knowledge of regulatory and compliance requirements in an industry environment of increasing complexity.

Remuneration should be fair and comparable to that of similar real estate investment companies. The level of fees should also be sufficient to attract and retain the high calibre of Directors needed to oversee the Company properly and to reflect its specific circumstances.

Appointment.

- The Company only intends to appoint non-executive Directors.
- All the Directors are non-executive and are appointed under the terms of letters of appointment.
- Directors must retire and be subject to re-election at the first AGM after their appointment; the Company has also determined that every Director will stand for re-election at each AGM.
- New appointments to the Board will be placed on the fee applicable to all Directors at the time of appointment.
- No incentive or introductory fees will be paid to encourage a directorship.
- Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.
- The Company indemnifies its Directors for all costs, charges, and losses together with certain expenses and liabilities which may be incurred in the discharge of duties, as a Director of the Company.

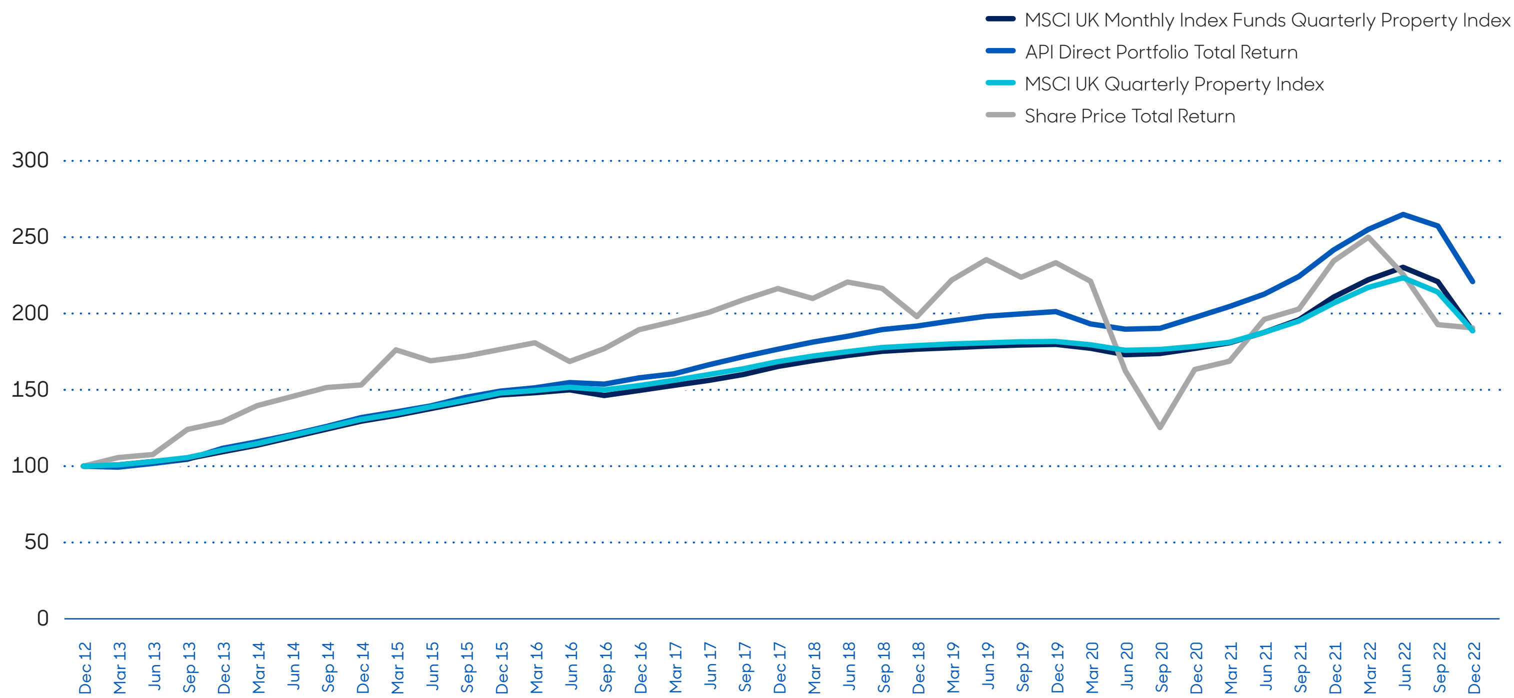
Performance, Service Contracts, Compensation and Loss of Offices.

- The Directors' remuneration is not subject to any performance-related fee.
- No Director has a service contract.
- No Director was interested in contracts with the Company during the period or subsequently.
- The terms of appointment provide that a Director may be removed without notice, there are no set notice periods and no compensation will be due upon leaving office.
- No Director is entitled to any other monetary payment or to any assets of the Company.
- No Director will stand for re-election as a Director of the Company later than the Annual General Meeting following the ninth anniversary of their appointment to the Board unless in relation to exceptional circumstances.

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

Articles Limit on Directors' Fees.

The Company's Articles of Association limit to £350,000 the aggregate annual fees payable to Directors. The limit can be amended by shareholder resolution from time to time and was last increased at the Annual General Meeting in 2020.



Implementation Report

Directors' Fees.

The level of fees for the year and the preceding year are set out in the table below. There are no further fees to disclose as the Company has no employees, Chief Executive or Executive Directors.

	2022 £	2021 £
Chair	50,000	48,000
Chair of Audit Committee	41,500	40,000
Director	37,000	36,000

The Remuneration Committee carried out a review of Directors' annual fees during the year including taking account of increases in inflation and the time commitment required of Directors of the Company to adequately discharge their responsibilities. These factors would have suggested an increase in the Directors' fees but the Committee decided on this occasion to leave the Directors' annual fees unchanged for the year ended 31 December 2023, reflecting a desire to minimise the ongoing costs of the Company in the face of rising debt costs and economic uncertainty, and in the light of a negotiated reduction in the Investment Manager's fees.

Company performance

The graph shows the share price total return (assuming all dividends are reinvested) to Ordinary shareholders compared to the total return from the MSCI Quarterly Index for the ten year period ended 31 December 2022 (rebased to 100 at 31 December 2012).
This index was chosen for comparison purposes, as it is the benchmark used for investment performance measurement purposes.

The Board is responsible for the Group's investment strategy and performance, although the management of the Group's investment portfolio is delegated to the Investment Manager through the Investment Management Agreement, as referred to in the Corporate Governance Report on page 67.

Directors' Remuneration Report continued

For the year ended 31 December 2022

Directors' Fees

The Directors who served during the year received remuneration as shown in the table.

	2022 £	2021 £	% change in Director fees
Huw Evans[A]	17,124	36,000	-52.4%
Mike Balfour	41,500	40,000	3.8%
Mike Bane[B]	34,059	n/a	n/a
James Clifton-Brown	50,000	47,000	6.4%
Jill May	37,000	36,000	2.8%
Sarah Slater	37,000	36,000	2.8%
Employers national insurance contributions	22,885	17,338	
	239,568	212,338	
Directors' expenses	8,035	9,404	
	247,603	**221,742**	

A Retired as a Director on 15 June 2022.
B Appointed as a Director on 31 January 2022.

The table indicates the expenditure during the year in relation to Directors' remuneration and shareholder distributions.

	2022 £	2021 £
Aggregate Directors' Remuneration	247,603	236,953
Aggregate shareholder distributions	15,610,827	15,018,379

Statement of Proxy Voting at Annual General Meeting

At the Company's latest Annual General Meeting, held on 15 June 2022, shareholders approved the Directors' Remuneration Report (other than the Directors' Remuneration Policy) in respect of the year ended 31 December 2022 and the proxy votes received on the relevant resolution were: For – 173,022,475 (99.09%); Discretionary – 45,149 (0.03%); Against – 1,052,173 votes (0.6%); and Withheld votes – 494,162 (0.28%).

Directors' Shareholdings

The Directors' interests in the Company's ordinary shares are shown in the Directors' Report on page 64.

An ordinary resolution for the approval of the Directors' Remuneration Report will be put to shareholders at the Annual General Meeting on 14 June 2023.

Approved by the Board on 21 April 2023

Jill May
Director

Statement of Directors' Responsibilities

For the year ended 31 December 2022

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 judgements 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
21 April 2023

James Clifton-Brown
Chair

Financial Statements

Independent Auditor's Report

Independent Auditor's Report to the Members of abrdn Property Income Trust Limited

Report on the Audit of The Financial Statements

1 Opinion

In our opinion the financial statements of abrdn Property Income Trust Limited (the 'parent company') and its subsidiaries (the 'Group'):

- give a true and fair view of the state of the Group's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated balance sheet;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and as issued by the IASB.

2 Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3 Summary of our Audit Approach

Key Audit Matters	The key audit matter that we identified in the current year was: • Investment property valuation Within this report, key audit matters are identified as follows: **Newly identified** **Increased level of risk** **Similar level of risk** **Decreased level of risk**
Materiality	The materiality that we used for the group financial statements was £3.2m which was determined on the basis of 1% of the net asset value.
Scoping	All audit work for the Group was performed directly by the Group engagement team. All of the Group's subsidiaries with the exception of Hagley Road Limited are subject to full scope audits.
Significant Changes in our Approach	There were no significant changes in our approach in the current year, except for the removal of the recoverability of rental income receivable as a key audit matter. We have no longer identified recoverability of rental income receivable as a key audit matter as the impact of COVID-19 on the Group had significantly reduced during the period under audit.

Independent Auditor's Report to the Members of abrdn Property Income Trust Limited
continued

4 Conclusions Relating to Going Concern

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

- Challenged management's assessment of going concern and the assumptions, including income, expenditure and cash forecasts, used in their 12 month and forecast models;
- Evaluated the maturity of group debt and the effect of repayment dates on the going concern assumption of the Group;
- Performed fair value of investment property and income sensitivity analysis, which we compared to management stress testing results;
- Checked banking covenants to assess compliance as at the balance sheet date; and
- Assessed the appropriateness of the going concern disclosures in the financial statements.

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

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

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

5 Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Given the reduced uncertainty arising from COVID-19 compared to prior year, we have no longer identified recoverability of rental income receivable as a key audit matter.

5.1. Investment Property Valuation

Key audit matter description	Valuation of investment properties is the key driver of the Group's net asset value. Valuations are inherently complex and require significant judgement and estimation around the key inputs and assumptions. We have determined that the main judgements are around equivalent yields and estimated market rent thus this was the focus of our key audit matter. Given the level of judgement involved, we have determined that there was a potential for fraud through possible manipulation of this balance. Management's valuation is based on the valuation provided by external chartered surveyors. The valuation of the investment property portfolio at 31 December 2022 amounted to £401m (2021: £485m). Refer to notes 2.2 of accounting policies on pages 95 and note 7 on page 107 to 111 of the notes to the financial statements. Also refer to the audit committee report pages 74 to 75.
How the scope of our audit responded to the key audit matter	We performed the following: • Obtained an understanding of the relevant controls in relation to the valuation process; • Evaluated the competence, capability and objectivity of the external valuer in order to obtain an understanding of the work of that expert; • Challenged the valuation process and assumptions, performance of the portfolio, significant assumptions and significant judgements, by benchmarking the valuation assumptions, in particular the equivalent yields and estimated market rates, to relevant market evidence including specific property transactions and other external data. Where our risk assessment identified properties of interest, we performed these procedures with the involvement of our real estate specialists; • Assessed the integrity of information provided to the external valuer by testing a sample back to underlying lease agreements; and • Evaluated the financial statements disclosures to assess whether the significant judgements and estimations are appropriately disclosed.
Key observations	We concluded that the fair value of the Group's investment property valuation as determined by management is appropriate.

Independent Auditor's Report to the Members of abrdn Property Income Trust Limited

continued

6 Our Application of Materiality

6.1. Materiality

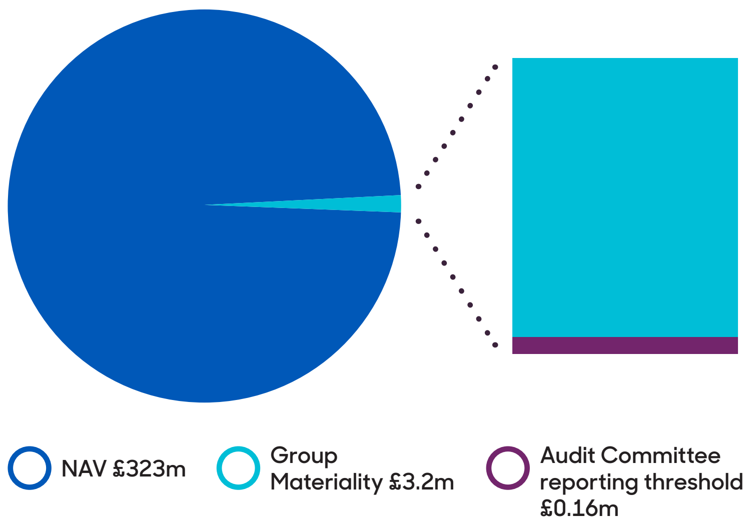
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our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

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group Materiality	£3.2m (2021: £4.0m)
Basis for determining materiality	1% of the net asset value, in line with prior year.
Rationale for the benchmark applied	Net assets is the key balance considered by the users of the financial statements which is consistent with the market approach for such entities. Net assets was selected as investors are seeking capital appreciation in addition to dividend streams, and the net asset value per share is an important indicator of performance to investors.

In addition to net assets, we consider EPRA earnings as a critical performance measure for the Group and a measure which is widely used within the real estate industry.

We applied a lower-level materiality of £0.5m (2021: £0.7m), which equates to 5% (2021: 5%) of that measure for testing all balances impacting that measure, including trade receivables and trade payables.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2022 audit (2021: 60%). In determining performance materiality, we considered the following factors:

a. the reduced impact of COVID-19 on the Group's operations in the year and on the wider real estate sector;

b. the fact that we have not identified any significant changes in business structure; and

c. our experience from previous audits has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.16m (2021: £0.2m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7 An Overview of the Scope of our Audit

7.1. Identification and scoping of components

The Group consists of the Company, abrdn Property Income Trust Limited and its subsidiaries. Our Group audit was scoped by obtaining an understanding of the Group and its environment, including internal controls, and assessing the risks of material misstatement at the Group level. The Group is audited by one audit team, led by the Senior Statutory Auditor. The audit is performed centrally, as the books and records for each entity within the Group are maintained at head office. All of the Group's subsidiaries are subject to full scope audits. We also tested the consolidation process.

7.2. Our consideration of the control environment

The Board of Directors delegates management functions to abrdn Fund Managers Limited as Investment Manager. As part of our risk assessment, we assessed the control environment in place at the Investment Manager, and obtained an understanding of the relevant controls, such as those related to the financial reporting cycle, and those in relation to our key audit matter.

We have obtained the Assurance Report on Controls at Service Organisations of the Investment Manager, which documents the suitability of the design and operating effectiveness of controls. We reviewed the report and identified relevant controls and have adopted a controls reliance approach with respect to the rental income and deferred income business area.

We further obtained a bridging letter from the Investment Manager detailing that there have not been any material changes to the internal control environment between the date of the assurance report and the balance sheet date.

7.3. Our consideration of climate-related risks

As part of our risk assessment, we have considered the potential impact of climate change on the Group's business and its financial statements. We obtained an understanding of the process for identifying climate-related risks, the processes and controls in place, as well as the determination of any mitigating actions.

The Group continues to develop its assessment of the potential impact of environmental, social and governance ("ESG") related risks, including climate change. As outlined in the ESG disclosures on page 29 and strategic overview on page 54 the Group considers climate change to be a principal risk within the business, with particular impact on their investment properties. As part of our assessment of our key audit matter, we considered whether there was a heightened element of climate risk in relation to the key judgements in the valuation of investment properties. Whilst this did not have a material impact on the judgements, climate related risks were included as part of our overall challenge on investment properties.

The directors have assessed that there is currently no material impact arising from climate change on the valuation of investment property. This is disclosed in Note 7 to the financial statements.

We have assessed whether the risks identified by the entity are consistent with our understanding of the Group's business and evaluated whether appropriate disclosures have been made in the financial statements in this regard. The directors have adopted the Task Force for Climate Related Disclosures and therefore we engaged with our ESG assurance specialists to assist with assessing disclosures in the strategic overview, ESG and TCFD section to consider whether they are materially consistent with the guidelines.

8 Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.	Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.	We have nothing to report in this regard.

Independent Auditor's Report to the Members of abrdn Property Income Trust Limited
continued

9 Responsibilities of Directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

10 Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at:

www.frc.org.uk/auditorsresponsibilities

This description forms part of our auditor's report.

11 Extent to which the Audit was Considered Capable of Detecting Irregularities, Including Fraud

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

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, the directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, financial instrument specialists and valuation specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the Investment property valuation. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Companies (Guernsey) Law, 2008 and the Listing Rules.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. This included compliance with the REIT regime rules.

11.2. Audit response to risks identified

As a result of performing the above, we identified investment property valuation as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to the key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the directors and the Audit Committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on Other Legal and Regulatory Requirements

12 Opinions on Other Matters Prescribed by our Engagement Letter

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the provisions of the UK Companies Act 2006 as if that Act had applied to the company.

13 Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

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

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 64;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on pages 56 to 57;
- the directors' statement on fair, balanced and understandable set out on page 79;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 55 to 56;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 70 to 71; and
- the section describing the work of the audit committee set out on page pages 74 to 75.

Independent Auditor's Report to the Members of abrdn Property Income Trust Limited
continued

14 Matters on Which we are Required to Report by Exception

14.1. Adequacy of explanations received and accounting records

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the parent company; or
- the financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

15 Other Matters Which we are Required to Address

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 13 June 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments of the firm is four years, covering the years ending 31 December 2019 to 31 December 2022.

15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16 Use of our Report

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and/or those matters we have expressly agreed to report to them on in our engagement letter and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Siobhan Durcan (ACA FCCA)

For and on behalf of Deloitte LLP
Recognised Auditor
St. Helier, Jersey

21 April 2023

Financial Statements

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2022

	Notes	12 Months to 31 Dec 22 £	12 Months to 31 Dec 21 £
Rental income		26,697,931	26,485,585
Service charge income	4	4,411,821	4,097,344
Service charge expenditure	4	(5,576,812)	(4,938,920)
Net Rental Income		25,532,940	25,644,009
Administrative and other expenses			
Investment management fees	4	(3,480,963)	(3,301,074)
Other direct property expenses	4	(3,089,960)	(2,564,156)
Impairment gain/(loss) on trade receivables	4	852,062	(406,475)
Other administration expenses	4	(1,134,919)	(1,162,009)
Total Administrative and other expenses		(6,853,780)	(7,433,714)
Operating profit before changes in fair value of investment properties		18,679,160	18,210,295
Valuation (loss)/gain from investment properties	7	(62,257,782)	72,188,550
Valuation loss from land	8	(60,322)	(501,550)
Loss on disposal of investment properties	7	(207,153)	(634,368)
Operating (loss)/profit		(43,846,097)	89,262,928
Finance income	5	27,543	763
Finance costs	5	(3,672,685)	(3,530,870)
Loss on termination of interest rate swaps	14b	(3,562,248)	–
(Loss)/profit for the period before taxation		(51,053,487)	85,732,821
Taxation			
Tax charge		–	–
(Loss)/profit for the period, net of tax		(51,053,487)	85,732,821
Other comprehensive income			
Movement in fair value on existing swap	14a	1,470,570	3,167,218
Movement in fair value on interest rate cap	14c	43,292	–
Total other comprehensive gain		1,513,862	3,167,218
Total comprehensive (loss)/gain for the period, net of tax		(49,539,625)	88,900,039
Earnings per share		2022 (p)	2021 (p)
Basic and diluted (loss)/earnings per share	19	(13.11)	21.54

All items in the above Consolidated Statement of Comprehensive Income derive from continuing operations.
The notes on pages 94 to 121 are an integral part of these Consolidated Financial Statements.

Consolidated Balance Sheet

as at 31 December 2022

Assets	Notes	31 Dec 22 £	31 Dec 21 £
Non-current assets			
Investment properties	7	401,217,536	484,514,085
Lease incentives	7	8,357,036	8,802,294
Land	8	7,500,000	7,500,000
Interest rate cap	14c	2,211,007	–
Rental deposits held on behalf of tenants		751,782	904,189
		420,037,361	501,720,568
Current assets			
Trade and other receivables	10	7,457,083	11,024,100
Cash and Cash equivalents	11	15,871,053	13,818,008
Interest rate swap	14a	1,238,197	–
Interest rate cap	14c	339,462	–
		24,905,795	24,842,108
Total Assets		444,943,156	526,562,676
Liabilities			
Current liabilities			
Trade and other payables	12	10,880,310	13,618,457
Interest rate swap	14a	–	546,526
		10,880,310	14,164,983
Non-current liabilities			
Bank borrowings	13	109,123,937	109,723,399
Interest rate swap	14a	–	21,510
Obligations under finance leases	15	899,572	901,129
Rent deposits due to tenants		751,782	904,189
		110,775,291	111,550,227
Total liabilities		121,655,601	125,715,210
Net assets		323,287,555	400,847,466
Equity			
Capital and reserves attributable to Company's equity holders			
Share capital	17	228,383,857	228,383,857
Treasury share reserve	17	(18,400,876)	(5,991,417)
Retained earnings	18	4,382,024	8,521,081
Capital reserves	18	11,084,178	72,095,573
Other distributable reserves	18	97,838,372	97,838,372
Total equity		323,287,555	400,847,466

Approved and authorised for issue by the Board of Directors on 21 April 2023 and signed on their behalf by James Clifton-Brown.
The accompanying notes on pages 94 to 121 are an integral part of these Consolidated Financial Statements. Company Number: 41352 (Guernsey).

Consolidated Statement of Changes in Equity

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	400,847,466
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	17	–	(12,409,459)	–	–	–	(12,409,459)
Dividends paid	20	–	–	(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 Statement of Changes in Equity for the year ended 31 December 2021

	Notes	Share Capital £	Treasury shares £	Retained Earnings £	Capital Reserves £	Other Distributable Reserves £	Total equity £
Opening balance 1 January 2021		228,383,857	(1,450,787)	7,339,209	(604,214)	97,838,372	331,506,437
Profit for the year		–	–	85,732,820	–	–	85,732,820
Other comprehensive income		–	–	–	3,167,218	–	3,167,218
Total comprehensive income for the period		–	–	85,732,820	3,167,218	–	88,900,038
Ordinary shares placed into treasury net of issue costs	17	–	(4,540,630)	–	–	–	(4,540,630)
Dividends paid	20	–	–	(15,018,379)	–	–	(15,018,379)
Other transfer between reserves	18	–	–	1,520,063	(1,520,063)	–	–
Valuation gain from investment properties	7	–	–	(72,188,550)	72,188,550	–	–
Valuation loss from land	8	–	–	501,550	(501,550)	–	–
Loss on disposal of investment properties	7	–	–	634,368	(634,368)	–	–
Balance at 31 December 2021		228,383,857	(5,991,417)	8,521,081	72,095,573	97,838,372	400,847,466

Consolidated Cash Flow Statement

for the year ended 31 December 2022

Cash flows from operating activities	Notes	12 months to 31 Dec 22 £	12 months to 31 Dec 21 £
Loss/profit for the year before taxation		(51,053,487)	85,732,820
Movement in lease incentives		(841,398)	(2,966,033)
Movement in trade and other receivables		3,719,424	(270,226)
Movement in trade and other payables		(3,237,151)	536,404
Loss on termination of interest rate swaps		3,562,248	–
Finance costs	5	3,672,685	3,530,870
Finance income	5	(27,543)	(763)
Other transfer between reserves		–	1,520,064
Valuation loss/(gain) from investment properties	7	62,257,782	(72,188,550)
Valuation loss from land	8	60,322	501,550
Loss on disposal of investment properties	7	207,153	634,368
Net cash inflow from operating activities		18,320,035	17,030,504
Cash flows from investing activities			
Interest received	5	27,543	763
Purchase of investment properties	7	(5,501,321)	(11,741,501)
Purchase of land	8	(60,322)	(8,001,550)
Capital expenditure on investment properties	7	(13,524,813)	(1,819,229)
Net proceeds from disposal of investment properties	7	41,142,847	31,840,632
Net cash inflow from investing activities		22,083,934	10,279,113
Cash flows from financing activities			
Shares bought back during the year	17	(12,409,459)	(4,540,630)
Drawn-down on RCF	13	17,000,000	–
Repayment of RCF	13	(17,000,000)	–
Bank borrowing arrangement costs	13	(804,297)	–
Interest paid on bank borrowing		(2,959,023)	(1,872,545)
Payments on interest rate swaps		(473,425)	(1,418,916)
Swap breakage costs	14b	(3,562,248)	–
Cap arrangement fees	14c	(2,507,177)	–
Finance lease interest	5	(24,468)	(24,511)
Dividends paid to the Company's shareholders	20	(15,610,827)	(15,018,379)
Net cash outflow from financing activities		(38,350,924)	(22,874,981)
Net increase in cash and cash equivalents		2,053,045	4,434,637
Cash and cash equivalents at beginning of year	11	13,818,008	9,383,371
Cash and cash equivalents at end of year	11	15,871,053	13,818,008

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

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 21 April 2023.

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, 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.

The Directors have considered the basis of preparation of the accounts given the significantly heightened geopolitical uncertainty and cost of living crisis and believe that it is still appropriate for the accounts to be prepared on the going concern basis as further described in the Directors Report.

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 3 Reference to the Conceptual Framework, Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract, and IAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The IFRS Interpretations Committee issued the following Agenda Decision in October 2022.

- IFRIC: Lessor forgiveness of lease payments (IFRS 9 'Financial Instruments' and IFRS 16 'Leases')

The amendment is effective immediately, the directors of the Group are determining the impact but don't expect it to be material.

Annual improvements to IFRS.

Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle includes amendments to four standards for the current year.

- IFRS 1 First-time Adoption of International Financial Reporting Standards
- IFRS 9 Financial Instruments
- IFRS 16 Leases
- IAS 41 Agriculture

The Directors have considered the amendments noted above and have deemed these not applicable to the Group.

New and revised IFRS Accounting 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.

- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies

The amendments change the requirements in IAS 1.

- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

The amendments replace the definition of a change.

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 could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in 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 on page 111 (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% which the Board believes are reasonable sensitivities to apply given historical movements in valuations.

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 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 on page 100 (note 3) details the increase and decrease in the valuation of interest rate swaps if market rate interest rates had been 100 basis points higher and 100 basis points lower.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

Provision for impairment of receivables.

Provision for impairment of receivables are also a key estimation uncertainty. These are measured with reference to amounts included as income at the year end but not yet collected. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Due to the impact of the significantly heightened geopolitical uncertainty and cost of living crisis on collection rates, there remains an elevated assessed credit risk. Each individual rental income debtor is reviewed to assess whether it is believed there is a probability of default and expected credit loss given the knowledge of and intelligence about the individual tenant and an appropriate provision made.

2.3 Summary of significant accounting policies.

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) 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:

i) Reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments.

ii) 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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

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 His 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 12 as current are those that are due within one year as a result of upcoming tenant expiries.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

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 and the new interest rate cap due to commence 27 April 2023.

i) Interest Rate risk.

As described on page 101 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 13 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 swaps, in which the Group agreed to exchange the difference between fixed and floating interest amounts based on a notional principal amount (see note 14). The Group has floating rate borrowings of £110,000,000. The full £110,000,000 of these borrowings has been fixed via an interest rate swap.

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 has 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 ends. As discussed further in note 14, 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 (SONIA) 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.

At 31 December 2022, 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 £158,711 higher (2021: £138,180 higher) as a result of the higher interest income on cash and cash equivalents. Other Comprehensive Income and the Capital Reserve would have been £1,753,510 higher (2021: £1,657,653 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 2022, 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 £158,711 lower (2021: £138,180 lower) as a result of the lower interest income on cash and cash equivalents. Other Comprehensive Income and the Capital Reserve would have been £1,404,933 lower (2021: £1,657,731 lower) as a result of a decrease in the fair value of the derivative designated as a cash flow hedge of floating rate borrowings.

The tables opposite set out the carrying amount of the Group's financial instruments excluding the amortisation of borrowing costs as outlined in note 13 Bank borrowings have been fixed up to 27 April 2023 due to an interest rate swap and as detailed further in note 14:

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 2021	Fixed Rate £	Variable Rate £	Interest Rate £
Cash and cash equivalents	–	13,818,008	0.000%
Bank borrowings	110,000,000	–	2.725%

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) 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 £4,713,145 (2021: £5,418,733) as detailed in note 10 on page 113. 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 £2,137,972 at the year end (2021: £2,990,034).

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 2022 £6,481,061 (2021: £1,392,240) was placed on deposit with The Royal Bank of Scotland plc ("RBS"), £786,166 (2021: £1,145,830) was held with Citibank and £8,603,826 (2021: £11,279,938) 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 Positive by Standard & Poor's and P-1 Stable by Moody's.

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for the year ended 31 December 2022

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. As disclosed further in note 14, on 12 October 2022 the Group announced that it had completed an extension of its debt facilities and the disclosure below reflects the repayment of the existing facility on 27 April 2023, offset against the new facility being granted.

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

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, 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 2022 and at 31 December 2021 were as follows:

Financial Liabilities

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

Year ended 31 December 2021	On demand £	12 months £	1 to 5 years £	> 5 years £	Total £
Interest-bearing loans	–	1,744,875	110,436,219	–	112,181,094
Interest rate swaps (payable)	–	1,252,625	313,156	–	1,565,781
Trade and other payables	8,187,362	26,068	104,271	2,606,785	10,924,486
Rental deposits due to tenants	–	65,720	550,084	354,105	969,909
	8,187,362	3,089,288	111,403,730	2,960,890	125,641,270

	2022 £	2021 £
Total borrowings (excluding unamortised arrangement fees)	110,000,000	110,000,000
Gross assets	444,943,156	526,562,676
Gearing ratio (must not exceed 65%)	24.72%	20.89%

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 2022 this was 22.6% (2021: 19.2%).

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	
Financial Assets	2022 £	2021 £	2022 £	2021 £
Cash and cash equivalents	15,871,053	13,818,008	15,871,053	13,818,008
Trade and other receivables	7,457,083	11,024,100	7,457,083	11,024,100
Financial Liabilities				
Bank borrowings	109,123,937	109,723,399	109,580,566	110,119,830
Trade and other payables	6,564,852	8,359,405	6,564,852	8,359,405

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.
- 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 2021.
- The fair value of the interest rate swap contract is 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 2021. The definition of the valuation techniques are explained in the significant accounting judgements, estimates and assumptions on pages 95 to 96.

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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.

Please see note 7 for details on the valuation of Investment properties.

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
Obligations under finance leases	–	899,572	–	899,572
Rental deposits due to tenants	751,782	–	–	751,782
	751,782	117,044,990	–	117,796,772

Year ended 31 December 2021	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Trade and other receivables	–	11,024,100	–	11,024,100
Cash and cash equivalents	13,818,008	–	–	13,818,008
Rental deposits held on behalf of tenants	904,189	–	–	904,189
Right of use asset	–	901,129	–	901,129
	14,722,197	11,925,229	–	26,647,426
Financial liabilities				
Trade and other payables	–	6,554,087	–	6,554,087
Interest rate swap	–	568,036	–	568,036
Bank borrowings	–	110,119,830		110,119,830
Obligations under finance leases	–	901,129	–	901,129
Rental deposits due to tenants	904,189	–	–	904,189
	904,189	118,143,082	–	119,047,271

4 Administrative and Other Expenses

Investment management fees.

On 19 December 2003 Standard Life Investments (Corporate Funds) Limited ("the Investment Manager") was appointed as Investment Manager to manage the property assets of the Group. A new Investment Management Agreement ("IMA") was entered into on 7 July 2014, appointing the Investment Manager as the AIFM ("Alternative Investment Fund Manager"). On 10 December 2018, the Investment Manager's contract was novated on the same commercial terms to Aberdeen Standard Fund Managers Limited (subsequently renamed abrdn Fund Managers Limited in August 2022).

From 1 July 2019, under the terms of the IMA the Investment Manager is entitled to investment management fees 0.70% of total assets up to £500 million; and 0.60% of total assets in excess of £500 million. The total fees charged for the year amounted to £3,480,963 (2021: £3,301,074).

The amount due and payable at the year end amounted to £742,952 excluding VAT (2021: £893,048 excluding VAT). In addition the Company paid the Investment Manager a sum of £184,750 excluding VAT (2021: £160,250 excluding VAT) to participate in the Managers marketing programme and Investment Trust share plan.

The Group has agreed a 10bps reduction in the fee payable to the Investment Manager, effective from 1 January 2023. The fee will reduce to 0.60% of total assets up to £500m, and 0.50% of total assets in excess of £500 million.

	Notes	2022 £	2021 £
Investment management fees		3,480,963	3,301,074
Other direct property expenses			
Vacant Costs (excluding void service charge)*		600,561	987,406
Repairs and maintenance		1,740,937	763,579
Letting fees		431,534	408,984
Amounts written off in the period	10	79,115	150,313
Other costs		237,813	253,874
Total Other direct property expenses		3,089,960	2,564,156
Impairment (gain)/loss on trade receivables		(852,062)	406,475
Other administration expenses			
Directors' fees and subsistence	22	247,603	221,742
Valuers fees		94,256	77,457
Auditor's fees		131,280	111,540
Marketing		226,782	197,714
Other administration costs		434,998	553,556
Total Other administration expenses		1,134,919	1,162,009
Total Administrative and other expenses		6,853,780	7,433,714

* Void Service charge costs for the year amounted to £1,164,991 (2021: £841,576). These have been reclassified as Service charge expenditure in the current year.

	2022 £	2021 £
Total service charge billed to tenants	4,492,780	3,984,327
Service charge due (to)/from tenants	(80,959)	113,017
Service charge income	4,411,821	4,097,344
Total service charge expenditure incurred	4,411,821	4,097,344
Service charge billed to the Group in respect of void units	1,164,991	841,576
Service charge expenditure	5,576,812	4,938,920

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 £65,000 (2021: £65,000). The amount due and payable at the year end amounted to £32,500 (2021: £16,250).

Valuer's 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 £94,256 (2021: £77,457). 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 £17,687 excluding VAT (2020: £21,246 excluding VAT).

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

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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 £131,280 (2021: £111,540) and relate to audit services provided for the 2022 financial year. Deloitte LLP did not provide any non-audit services in the year (2021: nil).

5 Finance Income and Costs

Of the finance costs shown on the right, £1,010,547 of the interest expense on bank borrowings (offset against a net receivable £343,033 of payments on interest rate swaps) were accruals at 31 December 2022 and included in Trade and other payables.

	2022 £	2021 £
Interest income on cash and cash equivalents	27,543	763
Finance income	27,543	763
Interest expense on bank borrowings	3,251,500	1,613,050
Non-utilisation charges on facilities	308,582	329,186
(Receipts)/payments on interest rate swap	(116,700)	1,383,547
Amortisation of arrangement costs (see note 13)	204,835	180,576
Finance lease interest	24,468	24,511
Finance costs	3,672,685	3,530,870

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 also require 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 2022 and 2021 is as follows:

	2022 £	2021 £
Profit/(loss) before tax	(51,053,487)	85,732,820
Tax calculated at UK statutory corporation tax rate of 19% (2021: 19%)	(9,700,163)	16,289,236
UK REIT exemption on net income	(2,179,636)	(2,789,236)
Valuation loss in respect of investment properties not subject to tax	11,889,779	(13,500,000)
Current income tax charge	–	–

7 Investment Properties

	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 receivable	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
Investment property recognised as held for sale	–	–	–	–	–
Market value net of held for sale 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

The valuations were performed by Knight Frank LLP, 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 – Professional Standards January 2014 published by the Royal Institution of Chartered Surveyors). These valuation models are consistent with the principles in IFRS 13.

	UK Industrial 2021 £	UK Office 2021 £	UK Retail 2021 £	UK Other 2021 £	Total 2021 £
Market value at 1 January	211,200,000	142,695,000	51,150,000	32,650,000	437,695,000
Purchase of investment properties	11,690,631	–	50,870	–	11,741,501
Capital expenditure on investment properties	125,634	1,712,322	(35,227)	16,500	1,819,229
Opening market value of disposed investment properties	(9,400,000)	(20,425,000)	(2,650,000)	–	(32,475,000)
Valuation loss from investment properties	58,043,007	1,580,786	7,762,099	3,282,595	70,668,487
Movement in lease incentives receivable	1,905,978	711,892	247,258	100,905	2,966,033
Market value at 31 December	273,565,250	126,275,000	56,525,000	36,050,000	492,415,250
Investment property recognised as held for sale	–	–	–	–	–
Market value net of held for sale at 31 December	273,565,250	126,275,000	56,525,000	36,050,000	492,415,250
Right of use asset recognised on leasehold properties	–	901,129	–	–	901,129
Adjustment for lease incentives	(4,405,288)	(2,921,649)	(808,188)	(667,169)	(8,802,294)
Carrying value at 31 December	269,159,962	124,254,480	55,716,812	35,382,831	484,514,085

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The market value provided by Knight Frank at the year end was £408,675,000 (2021: £492,415,250) however an adjustment has been made for lease incentives of £8,357,036 (2021: £8,802,294) that are already accounted for as an asset. In addition, as required under IFRS 16, a right of use asset of £899,572 has been recognised in respect of the present value of future ground rents. As required under IFRS 16 an amount of £899,572 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.

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

	2022 £	2021 £
Opening market value of disposed investment properties	41,350,000	32,475,000
Loss on disposal of investment properties	(207,153)	(634,368)
Net proceeds from disposal of investment properties	41,142,847	31,840,632

Valuation methodology.

The fair values 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 investment properties.

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 as detailed on page 69. The Committee reviews the quarterly property valuation reports produced by the valuers before they are submitted 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 UKLA 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 are all valued using the Income Capitalisation method.

Country & Class 2022	UK Industrial Level 3	UK Office Level 3	UK Retail Level 3	UK Other Level 3	Total
Fair Value 2022 £	227,525,000	88,450,000	53,550,000	39,150,000	408,675,000
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)	

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Country & Class 2021	UK Industrial Level 3	UK Office Level 3	UK Retail Level 3	UK Other Level 3	Total
Fair Value 2021 £	273,565,250	126,275,000	56,525,000	36,050,000	492,415,250
Key Unobservable Input 2021	· 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) 2021	0.00% to 7.49% (4.48%) 0.00% to 7.72% (5.11%) 0.00% to 7.00% (5.07%) £4.00 to £9.50 (£6.19)	2.71% to 6.28% (4.77%) 5.25% to 9.23% (7.28%) 5.16% to 8.17% (6.84%) £17.00 to £46.09 (£26.19)	4.56% to 8.43% (6.18%) 5.25% to 7.48% (5.83%) 5.52% to 8.12% (6.40%) £8.74 to £29.32 (£15.31)	4.57% to 8.10% (5.40%) 4.39% to 7.90% (5.22%) 4.62% to 7.90% (5.35%) £9.24 to £18.68 (£15.09)	

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 overall ERV per annum, area per square foot, average ERV per square foot, initial yield and reversionary yield as at the Balance Sheet date.

	2022	2021
ERV p.a.	£31,048,945	£31,542,350
Area sq ft	3,416,291	3,517,993
Average ERV per sq ft	£9.09	£8.97
Initial Yield	5.7%	4.8%
Reversionary Yield	7.1%	5.8%

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of completed investment property. The Board believes these are reasonable sensitivities given historic movements in valuations.

	2022 £	2021 £
Increase in equivalent yield of 50 bps	(31,086,535)	(41,659,430)
Decrease of 5% in ERV	(15,879,151)	(19,561,811)

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)

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8 Land

Valuation methodology.

The Land is held at fair value.

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 then current RICS guidelines by Knight Frank LLP whose credentials are set out in note 7.

Reconciliation of carrying amount	2022	2021
Cost		
Balance at the beginning of the year	8,001,550	–
Additions	60,322	8,001,550
Balance at the end of the year	8,061,872	8,001,550
Accumulated depreciation and amortisation		
Balance at the beginning of the year	(501,550)	–
Valuation losses from land	(60,322)	(501,550)
Balance at the end of the year	(561,872)	(501,550)
Carrying amount as at 31 December	7,500,000	7,500,000

9 Investments In Subsidiary Undertakings

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.

The Group undertakings consist of the following 100% owned subsidiaries at the Balance Sheet date:

- 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 (formerly known as Standard Life Investments SLIPIT (General Partner) Limited), a company with limited liability incorporated in England. This Company is the GP for the Limited Partnership.
- abrdn (APIT Nominee) Limited (formerly known as Standard Life Investments SLIPIT (Nominee) Limited), a company with limited liability incorporated and domiciled in England.

On 20th May 2022, Hagley Road Limited, a subsidiary of the Group, was liquidated.

10 Trade and Other Receivables

	2022 £	2021 £
Trade receivables	6,851,117	8,408,767
Less: provision for impairment of trade receivables	(2,137,972)	(2,990,034)
Trade receivables (net)	4,713,145	5,418,733
Rental deposits held on behalf of tenants	257,899	65,720
Other receivables	2,486,039	5,539,647
Total trade and other receivables	7,457,083	11,024,100

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

	2022 £	2021 £
Opening balance	(2,990,034)	(2,583,559)
Credit/(charge) for the year	772,947	(556,788)
Reversal for amounts written-off	79,115	150,313
Closing balance	(2,137,972)	(2,990,034)

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 2022, trade receivables of £2,137,972 (2021: £2,990,034) were considered impaired and provided for.

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.

The ageing of the receivables provided for is as follows:

	2022 £	2021 £
0 to 3 months	(8,203)	(162,132)
3 to 6 months	(251,682)	(451,417)
Over 6 months	(1,878,087)	(2,376,485)
	(2,137,972)	(2,990,034)

As of 31 December 2022, trade receivables of £3,099,355 (2021: £5,418,733) were less than 3 months past due but considered not impaired.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

11 Cash and Cash Equivalents

	2022 £	2021 £
Cash held at bank	9,389,992	12,425,768
Cash held on deposit with RBS	6,481,061	1,392,240
	15,871,053	13,818,008

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.

12 Trade and Other Payables

	2022 £	2021 £
Trade and other payables	4,655,599	6,488,367
VAT payable	628,960	1,698,995
Deferred rental income	5,337,852	5,365,375
Rental deposits due to tenants	257,899	65,720
	10,880,310	13,618,457

Trade payables are non-interest bearing and are normally settled on 30-day terms.

13 Bank Borrowings

	2022 £	2021 £
Loan facility and drawn down outstanding balance	110,000,000	110,000,000
Opening carrying value	109,723,399	109,542,823
Arrangements costs of additional facility	(804,297)	–
Amortisation of arrangement costs	204,835	180,576
Closing carrying value	109,123,937	109,723,399

During the year, the Group drew down £17m on the Revolving Credit Facility. This was fully repaid by the end of the year.

The London Interbank Offer Rate (LIBOR) was one of the main interest rate benchmarks used in financial markets to determine interest rates for financial contracts globally. In line with announcements from the Financial Conduct Authority (FCA), 24 of the 35 LIBOR settings ceased from 1 January 2022. The Group took steps, before the date of transition, to ensure that any exposure to LIBOR was identified with actions taken to rebase and redocument any financial contracts where LIBOR was previously used.

This led to minor amendments to operational processes to cater for this change but there was not expected to be a material impact on the assets and liabilities of the Group as a result of the phase out of LIBOR. The switch to the Sterling Overnight Index Average (SONIA) benchmark took effect from the first interest payment date following cessation of LIBOR (20th January 2022).

On 12 October 22 the Group entered into an agreement to extend its existing £165 million debt facility with Royal Bank of Scotland International ("RBSI"). The facility (due to expire 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 was for a three year term loan of £85 million and a single RCF of £80 million; both payable at 1.5% plus SONIA. The new facility is due to commence on 27 April 2023. As at 31 December 2022 none of the RCF was drawn (2021: £nil); £17m was drawn down during the year however this was fully repaid prior to 31 December 2022.

Analysis of movement in net debt	Cash and cash equivalents £	Interest-bearing loans £	2022 Net debt £	Cash and cash equivalents £	Interest-bearing loans £	2021 Net debt £
Opening balance	13,818,008	(109,723,399)	(95,905,391)	9,383,371	(109,542,823)	(100,159,452)
Cash movement	2,053,045	804,297	2,857,342	4,434,637	–	4,434,637
Amortisation of arrangement costs	–	(204,835)	(204,835)	–	(180,576)	(180,576)
Closing balance	15,871,053	(109,123,937)	(93,252,884)	13,818,008	(109,723,399)	(95,905,391)

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.

	2022 £	2021 £
Loan amount	110,000,000	110,000,000
Cash	(15,871,053)	(13,818,008)
	94,128,947	96,181,992
Portfolio valuation	416,175,000	499,915,250
LTV percentage	22.6%	19.2%

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

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 55% for the Office, Retail and Industrial sectors respectively;
- that the largest tenant accounts for less than 20% of the Group's annual net rental income;
- that the five largest tenants account for less than 50% of the Group's annual net rental income;
- that the ten largest tenants account for less than 75% of the Group'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.

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.

14 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:

14a Existing Interest Rate Swap.

The Group has 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 is 28 April 2016 and has 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%.

	2022 £	2021 £
Opening fair value of interest rate swap at 1 January	(568,036)	(3,735,254)
Reclassification of interest accrual	(247,093)	–
Valuation gain on interest rate swaps	1,470,570	3,167,218
Reclassified to Profit & Loss	582,756	–
Closing fair value of interest rate swap at 31 December	1,238,197	(568,036)

	2022 £	2021 £
Current assets/(liabilities)	1,238,197	(546,526)
Non-current assets/(liabilities)	–	(21,510)
Interest rate swap with a start date of 28 April 2016 maturing on 27 April 2023	1,238,197	(568,036)

14b Terminated Interest Rate Swap.

As disclosed in note 13, 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 since completion, the Group took the decision to break the swap at a cost of £3,562,248 on 12 December 2022.

	2022 £	2021 £
Opening fair value of interest rate swap at 1 January	–	–
Valuation loss on interest rate swaps	(3,562,248)	–
Swaps breakage costs	3,562,248	–
Closing fair value of interest rate swap at 31 December	–	–

14c 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.

	2022 £	2021 £
Opening fair value of interest rate cap at 1 January	–	–
Cost of interest rate cap	2,507,177	–
Valuation gain on interest rate cap	43,292	–
Closing fair value of interest rate cap at 31 December	2,550,469	–

	2022 £	2021 £
Current assets/(liabilities)	339,462	–
Non-current assets/(liabilities)	2,211,007	–

15 Obligations Under Finance Leases

The adjacent 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.

	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

	Minimum lease payments 2021 £	Interest 2021 £	Present value of minimum lease payments 2021 £
Less than one year	26,068	(24,511)	1,557
Between two and five years	104,271	(97,607)	6,664
More than five years	2,606,785	(1,713,877)	892,908
Total	2,737,124	(1,835,995)	901,129

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

16 Lease Analysis

The Group has granted leases on its property portfolio. This property portfolio as at 31 December 2022 had an average lease expiry of 5 years and 8 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:

	2022 £	2021 £
Within one year	24,457,032	24,857,300
Between one and two years	21,677,762	22,613,540
Between two and three years	16,236,484	19,869,754
Between three and four years	12,375,936	14,371,388
Between four and five years	8,695,218	10,352,802
More than five years	45,075,463	44,233,215
Total	128,517,895	136,297,999

The largest single tenant at the year end accounts for 6.0% (2021: 6.1%) of the current annual passing rent.

17 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 2022 there were 381,218,977 ordinary shares of 1p each in issue (2021: 396,922,386). 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.

Allotted, called up and fully paid:

	2022 £	2021 £
Opening balance	228,383,857	228,383,857
Shares issued	–	–
Issue costs associated with new ordinary shares	–	–
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 2022 15,703,409 shares had been bought back (2021: 7,394,036) at a cost of £12,409,459 after costs (2021: £4,540,630) and are included in the Treasury share reserve.

	2022 £	2021 £
Opening balance	5,991,417	1,450,787
Bought back during the year	12,409,459	4,540,630
Closing balance	18,400,876	5,991,417

The number of shares in issue as at 31 December 2022/2021 are as follows:

	2022 Number of shares	2021 Number of shares
Opening balance	396,922,386	404,316,422
Issued during the year	–	–
Bought back during the year and put into Treasury	(15,703,409)	(7,394,036)
Closing balance	381,218,977	396,922,386

18 Reserves

The detailed movement of the below reserves for the years to 31 December 2022 and 31 December 2021 can be found in the Consolidated Statement of Changes in Equity on page 92.

Retained earnings.

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

During 2021, it was identified that there were historic leases dating back to 2016 where required rent smoothing adjustments had not been applied. The total of these adjustments up to the end of the year ending 31 December 2020 amounted to £1,520,063. Having considered the key financial measures of the Group, and the accumulated profile of this balance, the Directors were satisfied that the appropriate correction was a transfer of the identified adjustment from Capital Reserves to Retained Earnings in the year ended 31 December 2021.

This adjustment had no effect on the previously reported NAVs of the Group.

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.

19 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 2022 this equated to a figure of 97% (2021: 98%).

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

	2022 £	2021 £
Surplus for the year net of tax	(51,053,487)	85,732,820

	2022 £	2021 £
Weighted average number of ordinary shares outstanding during the year	389,565,276	398,041,380
Loss/earnings per ordinary share (pence)	(13.11)	21.54
Profit for the year excluding capital items	11,471,770	14,680,188
EPRA earnings per share (p)	2.94	3.69

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

20 Dividends and Property Income Distributions Gross of Income Tax

					12 months to Dec 22					12 months to Dec 21
Dividends	PID pence	Non-PID pence	Total pence	PID £	Non-PID £	PID pence	Non-PID pence	Total pence	PID £	Non-PID £
Quarter to 31 December of prior year (paid in February)	0.7910	0.2090	1.0000	3,139,656	829,568	0.7140	–	0.7140	2,878,508	–
Top-up for prior year (paid in May)	–	–	–	–	–	0.3810	–	0.3810	1,512,274	–
Quarter to 31 March (paid in May)	1.0000	–	1.0000	3,969,224	–	0.8925	–	0.8925	3,542,532	–
Quarter to 30 June (paid in August)	1.0000	–	1.0000	3,860,190	–	0.8925	–	0.8925	3,542,532	–
Quarter to 30 September (paid in November)	0.1806	0.8194	1.0000	688,481	3,123,708	0.2519	0.6406	0.8925	999,848	2,542,685
Total dividends paid	2.9716	1.0284	4.0000	11,657,551	3,953,276	3.1319	0.6406	3.7725	12,475,694	2,542,685
Quarter to 31 December of current year (paid after year end)	–	1.0000	1.0000	–	3,812,190	0.7910	0.2090	1.0000	3,139,656	829,568
Prior year dividends (per above)	(0.7910)	(0.2090)	(1.0000)	(3,139,656)	(829,568)	(0.7140)	–	(0.7140)	(2,878,508)	–
Total dividends paid for the year	2.1806	1.8194	4.0000	8,517,895	6,935,898	3.2089	0.8496	4.0585	12,736,842	3,372,253

On 24 February 2023 a dividend in respect of the quarter to 31 December 2022 of 1.0 pence per share was paid purely as Non Property Income Distribution.

21 Reconciliation of Consolidated NAV to Published NAV

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

	2022	2021
Number of ordinary shares at the reporting date	381,218,977	396,922,386

	2022 £	2021 £
Total equity per audited consolidated financial statements	323,287,555	400,847,466
NAV per share (p)	84.8	101.0

22 Related Party Disclosures

Directors' remuneration

The Directors of the Company are deemed as key management personnel and received fees for their services. Further details are provided in the Directors' Remuneration Report (unaudited) on pages 76 to 78. Total fees for the year were £247,603 (2021: £221,742) none of which remained payable at the year end (2021: nil).

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

	2022	2021
Huw Evans	17,124	36,000
Mike Balfour	41,500	40,000
Mike Bane	34,059	–
James Clifton-Brown	50,000	47,000
Jill May	37,000	36,000
Sarah Slater	37,000	36,000
Employers national insurance contribution	22,885	17,338
	239,568	212,338
Directors expenses	8,035	9,404
	247,603	221,742

23 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.

24 Capital Commitments

The Group had contracted capital commitments at 31 December 2022 of £17.3m (31 December 2021: £11.9m). This comprises the remaining capital expenditure required to complete the pre-let development funding in St Helens (achieved Practical Completion in April 2023), and the committed expenditure for the speculative industrial development in Knowsley. The Knowsley development will commence in April 2023 and is anticipated to complete in December 2023.

25 Events After the Balance Sheet Date

On 23 February 2023, the Company completed the purchase of a piece of land at Knowlsey for £4m with the aim of developing an industrial site throughout 2023.

On 24 March 2023, the Company completed the purchase of a Morrison's foodstore in Welwyn Garden City by way of a sale and leaseback for £18.3m.

On 24 February 2023 a dividend in respect of the quarter to 31 December 2022 of 1.0 pence per share was paid purely as Non Property Income Distribution.

Additional Information (unaudited)

EPRA Performance Measures

In October 2019, EPRA issued new best practice recommendations (BPR) for financial guidelines on its definitions of NAV measures: EPRA net tangible assets (NTA), EPRA net reinvestment value (NRV) and EPRA net disposal value (NDV). The rationale behind each of these measures is set out below the table. abrdn consider EPRA Net Tangible Assets (NTA) to be the most relevant NAV measure for the Group and report this as our primary non-IFRS NAV measure.

Rationale: EPRA Net Tangible Assets

The objective of the EPRA Net Reinstatement Value measure is to highlight the value of net assets on a long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value movements on financial derivatives and deferred taxes on property valuation surpluses are therefore excluded. Since the aim of the metric is to also reflect what would be needed to recreate the company through the investment markets based on its current capital and financing structure, related costs such as real estate transfer taxes should be included.

	31 December 2022 £	31 December 2021 £
EPRA earnings	11,471,770	14,680,188
EPRA earnings per share (pence per share)	2.94	3.69
EPRA Net Tangible Assets ("NTA")	319,498,889	401,415,502
EPRA NTA per share (pence per share)	83.8	101.1
EPRA Net Reinstatement Value ("NRV")	347,288,789	434,899,739
EPRA NRV per share (pence per share)	91.1	109.6
EPRA Net Disposable Value ("NDV")	322,830,926	400,451,035
EPRA NDV per share (pence per share)	84.7	100.9
EPRA Net Initial Yield	4.9%	4.2%
EPRA topped-up Net Initial Yield	5.2%	4.7%
EPRA Vacancy Rate	9.8%	9.7%
EPRA Cost Ratios – including direct vacancy costs	30.1%	31.3%
EPRA Cost Ratios – excluding direct vacancy costs	23.5%	24.4%

A. EPRA Earnings	31 December 2022 £	31 December 2021 £
Earnings per IFRS income statement	(51,053,487)	85,732,820
Adjustments to calculate EPRA Earnings, exclude:		
Net changes in value of investment properties	62,257,782	(72,188,550)
Loss on disposal of Investment properties	207,153	634,368
Net change in value of land	60,322	501,550
EPRA Earnings	11,471,770	14,680,188
Weighted average number of shares	389,565,276	398,041,380
EPRA Earnings per share (pence per share)	2.94	3.69

B. EPRA Net Tangible Assets	31 December 2022 £	31 December 2021 £
IFRS NAV	323,287,555	400,847,466
Fair value of financial instrument (assets)/liabilities	(3,788,666)	568,036
EPRA NTA	319,498,889	401,415,502
Basic number of shares	381,218,977	396,922,386
EPRA NTA per share (pence per share)	83.8	101.1

EPRA Performance Measures continued

EPRA Net Disposal Value

Shareholders are interested in understanding the full extent of liabilities and resulting shareholder value if company assets are sold and/or if liabilities are not held until maturity. For this purpose, the EPRA Net Disposal Value provides the reader with a scenario where deferred tax, financial instruments, and certain other adjustments are calculated as to the full extent of their liability, including tax exposure not reflected in the Balance Sheet, net.

C. EPRA Net Reinstatement Value	31 December 2022 £	31 December 2021 £
EPRA NTA	319,498,889	401,415,502
Real Estate Transfer Tax and other acquisition costs	27,789,900	33,484,237
EPRA NRV	347,288,789	434,899,739
EPRA NRV per share (pence per share)	91.1	109.6

D. EPRA Net Disposal Value	31 December 2022 £	31 December 2021 £
IFRS NAV	323,287,555	400,847,466
Fair value of debt	(456,629)	(396,431)
	322,830,926	400,451,035
EPRA NDV per share (pence per share)	84.7	100.9
Fair value of debt per financial statements	109,580,566	110,119,830
Carrying value	109,123,937	109,723,399
Fair value of debt adjustment	456,629	396,431

E. EPRA Net Initial Yield and 'topped up' NIY disclosure Completed property portfolio	31 December 2022 £	31 December 2021 £
Investment property – wholly owned	408,675,000	492,415,250
Allowance for estimated purchasers' costs	27,789,900	33,484,237
Grossed up completed property valuation	436,464,900	525,899,487
Annualised cash passing rental income	25,501,414	25,690,060
Property outgoings	(4,279,419)	(3,430,243)
Annualised net rents	21,221,995	22,259,817
Add: notional rent expiration of rent free periods or other lease incentives	1,550,927	2,243,687
Topped-up net annualised rent	22,772,922	24,503,504
EPRA NIY	4.9%	4.2%
EPRA "topped-up" NIY	5.2%	4.7%

F. EPRA Cost Ratios	31 December 2022 £	31 December 2021 £
Administrative / property operating expense line per IFRS income statement	8,043,241	8,299,803
EPRA Costs (including direct vacancy costs)	8,043,241	8,299,803
Direct vacancy costs	(1,765,552)	(1,828,982)
EPRA Costs (excluding direct vacancy costs)	6,277,689	6,470,821
Gross Rental income less ground rent costs	26,697,931	26,485,585
EPRA Cost Ratio (including direct vacancy costs)	30.1%	31.3%
EPRA Cost Ratio (excluding direct vacancy costs)	23.5%	24.4%

For the Period Ending 31 December 2021

G. Like-for-like rental growth reporting	Rental growth 2022 £	Portfolio value by sector 2022 £	Rental growth 2021 £	Portfolio value by sector 2021 £
Sector:				
Industrial	1,127,510	227,525,000	919,777	262,690,000
Offices	128,893	88,450,000	98,049	126,275,000
Retail	22,300	53,550,000	(54,400)	56,525,000
Other	83,400	34,600,000	(10,000)	36,050,000
Total portfolio value	1,362,103	404,125,000	953,426	481,540,000

* Rental growth figures have been computed based on the movement in estimated rental values from prior to current year-end. All properties held within the portfolio are located within the UK.

H. Property-related CapEx	2022 £	2021 £
Acquisitions	5,501,321	11,741,501
Development		
Investment properties:		
Incremental lettable space	–	–
No incremental lettable space	13,524,813	1,819,229
Tenant incentives	(162,619)	803,327
Other material non-allocated types of expenditure	–	–
Total capital expenditure incurred	18,863,515	14,364,057

I. LTV	2022 £	2021 £
Borrowings from Financial Institutions	109,123,937	109,723,399
Exclude		
Cash and Cash equivalents	15,871,053	13,818,008
Net Debt (a)	93,252,884	95,905,391
Investment properties at fair value	391,115,008	481,738,835
Land at Fair Value	7,500,000	7,500,000
Exclude IFRS16 adjustment	(899,572)	(901,129)
Properties under development	10,050,000	2,775,250
Net Receivables	8,722,475	5,639,901
Net Assets (b)	416,540,440	496,752,857
LTV (a/b)	22.4%	19.3%

ESG Performance

ESG Performance

This section details the Company's sustainability performance using the EPRA Sustainability Best Practice Recommendations Guidelines (sBPR). It also meets the requirements for Streamlined Energy and Carbon Reporting (SECR) under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Explanatory notes on methodology

Reporting period.

Sustainability data in this report covers the calendar years of 2021 and 2022.

Organisational boundary and data coverage.

For the purposes of sustainability reporting, we have included single-let assets within the organisational boundary even though operational control is limited and we have limited coverage of consumption data from tenant-managed utility supplies. It was judged that these should be included to enable the reporting of landlord consumption associated with any void units at these assets. The coverage numbers in the tables below therefore appear low due to the inclusion of all of the Company's assets in the totals. Where there is no data coverage for a sector (for example, water consumption for unit shops where there was no landlord consumption during the period), the sector is excluded from the table but the number of assets in the sector is included in the total possible coverage number.

The like-for-like portfolio is determined on the basis of assets that were held for two full reporting years and were not subject to major refurbishment or development during that time.

Note that the Company does not employ any staff and does not have its own premises; these corporate aspects fall within the scope of the Investment Manager.

Emissions calculation.

Emissions are calculated in line with the GHG Protocol using UK Government location-based conversion factors. Scope 1 emissions include emissions from gas consumption and F-gas losses, where applicable. Scope 2 emissions are those from landlord consumption of purchased electricity. Scope 3 emissions are those from electricity sub-metered to tenants and from the transmission and distribution of electricity. We collect data from tenants where they purchase their own energy but this exercise is undertaken later in the year to align with GRESB reporting. As such, tenant-procured energy is not included in this section.

Normalisation.

Net lettable area (NLA) is used as the denominator for all intensities reported in this section. This is the most appropriate choice for the Company's portfolio as it is the most widely available metric. It enables year-on-year comparisons within the portfolio to be made.

Renewable energy.

In the reporting period, all landlord-procured electricity was from 100% renewable sources. Natural gas consumed was not from renewable sources.

The Company is also continuing the roll-out of Solar PV installations across its portfolio. Further detail on this is included in the main body of the report on pages 29 to 41.

Auditing and assurance.

Our utilities data which feeds into our sustainability reporting is validated by our Utilities Bureau Consultant. The ESG data (including energy, GHGs, water and waste data) in this disclosure has also been subject to limited assurance by an external third-party consultant, in accordance with the International Standard on Assurance Engagements (UK) 3000 (ISAE3000). A copy of the assurance statement can be found on **www.abrdnpit.co.uk/en-gb/literature**

Materiality.

We have undertaken a review of materiality against each of the EPRA sBPR indicators. The table below indicates the outcome of the review.

Code	Performance measure	Review outcome
Environmental		
Elec-Abs	Total electricity consumption	Material
Elec-LfL	Like-for-like total electricity consumption	Material
DH&C-Abs	Total district heating & cooling consumption	Not material – none of the Company's assets are connected to district energy supplies
DH&C-LfL	Like-for-like total district heating & cooling consumption	
Fuels-Abs	Total fuel consumption	Material
Fuels-LfL	Like-for-like total fuel consumption	Material
Energy-Int	Building energy intensity	Material
GHG-Dir-Abs	Total direct greenhouse gas (GHG) emissions	Material
GHG-Indir-Abs	Total indirect greenhouse gas (GHG) emissions	Material
GHG-Int	Greenhouse gas (GHG) emissions intensity from building energy consumption	Material
Water-Abs	Total water consumption	Material
Water-LfL	Like-for-like total water consumption	Material
Water-Int	Building water intensity	Material
Waste-Abs	Total weight of waste by disposal route	Material
Waste-LfL	Like-for-like total weight of waste by disposal route	Material
Cert-Tot	Type and number of sustainably certified assets	Material

Social		
Diversity-Emp	Employee gender diversity	Not material – API does not have any employees
Diversity-Pay	Gender pay ratio	
Emp-Training	Employee training and development	
Emp-Dev	Employee performance appraisals	
Emp-Turnover	New hires and turnover	
H&S-Emp	Employee health and safety	
H&S-Asset	Asset health and safety assessments	Material
H&S-Comp	Asset health and safety compliance	Material
Comty-Eng	Community engagement, impact assessments and development programs	Material

Governance		
Gov-Board	Composition of the highest governance body	Material – see main body of report (pages 67 to 72 for content related to Governance)
Gov-Selec	Process for nominating and selecting the highest governance body	
Gov-Col	Process for managing conflicts of interest	

Environmental Indicators

Like-for-Like Energy Consumption

Landlord electricity consumption across like-for-like assets decreased by 3% year-on-year. This overall decrease was primarily driven by decreases in landlord consumption at Retail Warehouse and Office assets; albeit offset partially by increases in consumption at industrial business park and leisure assets. Landlord gas consumption across like-for-like assets decreased by 23%, due to the reduction in consumption at Offices.

Sub-metered electricity consumption (i.e. tenant electricity consumption at assets where landlord-procured electricity is sub-metered to tenants) increased by 1% overall. We have implemented a number of energy-saving initiatives across the portfolio and identified more for future roll-out as part of asset five-year plans. These include lighting upgrades, BMS optimisation and plant replacement.

		Landlord Electricity (kWh)			Occupier Electricity i.e. sub-metered to occupiers (kWh)			Total Landlord-obtained Electricity (kWh)			Landlord-obtained Gas (kWh)			Energy Intensity (kWh/m²)		
Indicator references		Elec-LfL			Elec-LfL			Elec-LfL			Fuels-LfL			Energy-Int		
Sector	Coverage (assets)	2021	2022	Change (%)	2021	2022	Change (%)	2021	2022	Change (%)	2021	2022	Change (%)	2021	2022	Change (%)
Industrial, Business Parks	2 of 3	4,325	14,211	229%	No sub-metered consumption		N/A	4,325	14,211	229%	No Landlord-consumption		N/A	0	1	229%
Industrial, Distribution Warehouse	1 of 21	6,699	No landlord-obtained consumption	N/A	No sub-metered consumption		N/A	6,699	No landlord-obtained consumption	N/A	No landlord-obtained consumption		N/A	1	No landlord-obtained consumption	N/A
Offices	8 of 8	2,184,039	2,132,235	-2%	1,723,705	1,748,060	1%	3,907,744	3,880,296	-1%	3,421,759	2,649,427	-23%	209	186	-11%
Leisure	2 of 2	51,943	52,362	1%	No sub-metered consumption		N/A	51,943	52,362	1%	No Landlord-consumption		N/A	5	6	1%
Retail, Warehouses	2 of 5	46,864	21,770	-54%	No sub-metered consumption		N/A	46,864	21,770	-54%	No Landlord-consumption		N/A	6	3	-54%
Totals	15 of 41	2,293,871	2,220,579	-3%	1,723,705	1,748,060	1%	4,017,575	3,968,639	-1%	3,421,759	2,649,427	-23%	99	88	-11%

Sustainability Certifications

Two assets in the portfolio have BREEAM ratings; 54 Hagley Road in Birmingham (BREEAM Rating: Very Good) and The Pinnacle in Reading (BREEAM Rating: Excellent). This asset accounts for 8% of the Company's assets by gross asset value.

Energy Performance Certificate (EPC) ratings for assets in England owned by the Company are shown below. This includes several draft F/G ratings for which a plan is in place to make improvements.

% Estimated Rental Value (ERV)

EPC Rating	Dec-22	Dec-21	Dec-20
A	4%	2%	0%
B	30%	21%	6%
C	48%	33%	31%
D	10%	35%	39%
E	7%	8%	9%
F	0%	0%	4%
G	1%	1%	1%

Like-for-Like and Absolute Waste Generation and Treatment

We are responsible for waste management at 11 multi-let assets across the Company. Our waste management consultant undertakes regular waste audits and works closely with our Property Manager to implement interventions to improve segregation of materials and ultimately increase recycling rates.

In total across the nine like-for-like assets at which we manage waste, 512 tonnes of non-hazardous waste was generated in 2022 with approximately 46% recycled and 54% recovered via energy from waste. A very small volume of non-recyclable waste (200kg) was sent to landfill (less than 0.1% of the total waste generated). Note that like-for-like and absolute waste generation figures are both presented in the tables below.

Indicator reference		Waste-Abs							
		Total Waste (tonnes)		Waste to Landfill (tonnes)		Waste Recovered (tonnes)		Waste Recycled (tonnes)	
Sector	Coverage 2022 (assets)	2021	2022	2022		2022		2022	
Offices	8 of 11	105	218	0.1%	0.2	53%	116	47%	102
Retail, High Street	1 of 1	30	27	0.0%	0	77%	21	23%	6
Leisure	2 of 3	291	290	0.0%	0	53%	154	47%	136
Totals	11 of 54	426	534	0%	0.2	54%	290	46%	244

Indicator reference		Waste-LfL							
		Total Waste (tonnes)		Waste to Landfill (tonnes)		Waste Recovered (tonnes)		Waste Recycled (tonnes)	
Sector	Coverage 2022 (assets)	2021	2022	2022		2022		2022	
Offices	6 of 8	77	195	0.1%	0.2	52%	102	47%	93
Retail, High Street	1 of 1	30	27	0.0%	0	77%	21	23%	6
Leisure	2 of 3	291	290	0.0%	0	53%	154	47%	136
Totals	9 of 41	398	512	0%	0.2	54%	277	46%	235

Social Indicators

Health & Safety.

Every asset in the portfolio (i.e. 100% coverage) was subject to a health and safety inspection during the reporting year, with no incidents of non-compliance with regulations identified.

Community Engagement.

Our community engagement activities are focused around development or construction projects that the Company implements. Our Property Manager regularly undertakes community and charity engagement activities, particularly at multi-let offices.

Governance Indicators

The Board is made up entirely from Non-Executive Directors. The average tenure of the Board is 4.4 years, with the longest serving Director being Mike Balfour at almost 7 years and the shortest being Mike Bane who was appointed on 1st February 2022. There is a clear succession plan in place so that no Director serves for more than 9 years.

The five Non-Executive Directors provide a variety of experience, from real estate, corporate banking, and finance and all have a keen focus on ESG matters and responsibilities of the Company, with all Directors being members of the newly created Sustainability Committee. In addition, the Audit Committee reviews the environmental risk of the Company's operations and the Valuation Committee also assesses the impact upon the portfolio.

Two of the six Directors are female, and all are independent of the Investment Manager.

Environmental Indicators continued

Like-for-Like Greenhouse Gas Emissions

Like-for-like Scope 1 emissions decreased by 33% year on year, driven by decreased gas consumption at office assets in 2022. In addition, the absence of any reported losses of F-gases from refrigerant plant in 2022 contributed to this decrease in Scope 1 emissions.

The like-for-like electricity consumption figures above translate into a 12% reduction in Scope 2 emissions and an 8% reduction in Scope 3 emissions; primarily driven by further improvements in the carbon-intensity of the grid.

		Scope 1 Emissions (tCO_2)			Scope 2 Emissions (tCO_2)			Scope 3 Emissions (tCO_2)			Emissions Intensity Scopes 1, 2 & 3 ($kgCO_2/m^2$)		
Indicator references		No relevant EPRA indicator											
Sector	Coverage (assets)	2021	2022	Change (%)	2021	2022	Change (%)	2021	2022	Change (%)	2021	2022	Change (%)
Industrial, Business Parks	2 of 3	No Landlord-consumption		N/A	0.9	2.7	199%	0.1	0.3	209%	0.1	0.2	200%
Industrial, Distribution Warehouse	1 of 21	No landlord-consumption		N/A	1.4	No landlord-consumption	N/A	0.1	No landlord-obtained consumption	N/A	0.2	–	N/A
Offices	8 of 8	708	477	-33%	464	412	-11%	439	407	-7%	46	37	-20%
Leisure	2 of 2	No meters		N/A	11	10	-8%	1.0	0.9	-5%	1.3	1.2	-8%
Retail, Warehouses	2 of 5	No meters		N/A	10	4	-58%	0.9	0.4	-56%	1.4	0.6	-58%
Totals	15 of 44	708	477	-33%	487	429	-12%	441	408	-8%	22	17	-20%

Absolute Energy Consumption

Absolute landlord electricity and gas consumption decreased by 3% and 22% in 2022, respectively. As noted above, the scale of this reduction is primarily driven by decreased energy consumption at Retail Warehouse and Office assets.

The variation from like-for-like consumption is due to the effect of acquisitions, disposals and development/refurbishment activity during 2021 and 2022. In the reporting period, all landlord-procured electricity was from 100% renewable sources. Natural gas consumed was not from renewable sources.

			Landlord Electricity (kWh)			Occupier Electricity i.e. sub-metered to occupiers (kWh)			Total Landlord-obtained Electricity (kWh)			Landlord-obtained Gas (kWh)			Energy Intensity (kWh/m²)		
Indicator references			Elec-Abs			Elec-Abs			Elec-Abs			Fuels-Abs			Energy-Int		
Sector	Coverage (assets) 2021	Coverage (assets) 2022	2021	2022	Change (%)	2021	2022	Change (%)	2021	2022	Change (%)	2021	2022	Change (%)	2021	2022	Change (%)
Industrial, Business Parks	2 of 8	2 of 3	4,325	14,211	229%	No sub-metered consumption		N/A	4,325	14,211	229%	No Landlord-consumption		N/A	0.3	0.9	229%
Industrial, Distribution Warehouse	1 of 18	1 of 23	6,699	No landlord-consumption	N/A	No sub-metered consumption		N/A	6,699	No landlord-obtained consumption	N/A	No landlord-consumption	874	N/A	1	No landlord-consumption	N/A
Offices	11 of 15	11 of 11	2,418,559	2,367,994	-2%	2,150,448	2,074,160	-4%	4,569,007	4,442,154	-3%	3,526,632	2,744,195	-22%	198	175	-11%
Leisure	2 of 2	2 of 2	51,943	52,362	1%	No sub-metered consumption		N/A	51,943	52,362	1%	No Landlord-consumption		N/A	5	6	1%
Retail, Warehouses	2 of 6	2 of 6	46,864	21,770	-54%	No sub-metered consumption		N/A	46,864	21,770	-54%	No Landlord-consumption		N/A	6	3	-54%
Totals	18 of 56	18 of 54	2,528,390	2,456,338	-3%	2,150,448	2,074,160	-4%	4,678,839	4,530,497	-3%	3,526,632	2,745,069	-22%	101	83	-18%

Environmental Indicators continued

Like-for-Like and Absolute Water Consumption

Water consumption decreased by 17% and 20% across like-for-like assets and across the whole portfolio, respectively. Note that data coverage is lower for water than for energy as it is uncommon to have landlord meters at assets with no internal common parts or shared services.

			Absolute Water Consumption (m^3)					LfL Water Consumption (m^3)					
Indicator references			Water-Abs; Water-Int					Water-LfL; Water-Int					
Sector	Coverage (assets) 2021	Coverage (assets) 2022	2021 (m^3)	2021 (litres/m^2)	2022 (m^3)	2022 (litres/m^2)	Change (%)	Coverage (assets)	2021 (m^3)	2021 (litres/m^2)	2022 (m^3)	2022 (litres/m^2)	Change (%)
Offices	9 of 15	7 of 11	18,903	510	15,740	425	-17%	7 of 8	18.341	522	14,735	419	-20%
Leisure	1 of 2	1 of 2	53	9	35	6	-33%	1 of 2	53	9	35	6	-33%
Totals	10 of 56	8 of 54	18,956	441	15,775	367	-17%	8 of 41	18,395	448	14,770	360	-20%

Streamlined Energy and Carbon Reporting (SECR)

For the purposes of Streamlined Energy and Carbon Reporting (SECR), total Scope 1 and 2 emissions are also summarised in the following table. Total Landlord Energy Consumption (kWh) used to calculate Scope 1 and 2 emissions is also outlined in the table below, and a breakdown of energy type is included in the Absolute Energy Consumption table above. Note that the Total Scope 1 and 2 Emissions reported below include emissions associated with refrigerant losses as well as energy consumption.

Please note that data has been included back to 2019, which has been chosen as the baseline year for reporting (primarily given that it was not influenced by energy/ carbon reductions associated with COVID-19 restrictions). Percentage change has been provided on a 2021 vs 2020 basis, and 2021 vs 2019 basis. Emissions intensity has increased over time due to the inclusion of landlord consumption associated with vacant units. It is important to include this data, given it forms part of the Company's Scope 1 and 2 emissions, but, when included in intensity calculations it has the effect of skewing the outcome at the portfolio level.

	2019	2020	2021	2022	% Change 2022 vs 2021	% Change 2022 vs 2019
Total Scope 1/2 Emissions (tCO_2e)	1,496	1,384	1,264	969	-23%	-35%
Emissions intensity ($kgCO_2e/m^2$ Net Lettable Area)	16.0	12.2	15.6	11.1	-29%	-31%
Total Landlord Energy Consumption (kWh)	6,401,310	6,211,751	6,055,022	5.201,407	-14%	-19%

Absolute Greenhouse Gas Emissions

Absolute Scope 1 emissions decreased by 32% in 2022. Note that emissions associated with refrigerants are included in this figure alongside natural gas (albeit there were only any recorded refrigerant losses in 2021). Total Scope 2 and 3 emissions both reduced by 12% year-on-year.

			Scope 1 Emissions (tCO_2)			Scope 2 Emissions (tCO_2)			Scope 3 Emissions (tCO_2)			Emissions Intensity Scopes 1, 2 & 3 ($kgCO_2/m^2$)		
Indicator references			GHG-Dir-Abs			GHG-Indir-Abs			GHG-Indir-Abs			GHG-Int		
Sector	Coverage (assets) 2021	Coverage (assets) 2022	2021	2022	Change (%)	2021	2022	Change (%)	2021	2022	Change (%)	2021	2022	Change (%)
Industrial, Business Parks	2 of 8	2 of 3	No Landlord-consumption		N/A	1	3	199%	0.1	0.3	209%	0.1	0.2	200%
Industrial, Distribution Warehouse	1 of 18	1 of 23	No landlord-consumption	0.2	N/A	1	No landlord-consumption	N/A	0.1	No landlord-obtained consumption	N/A	0.2	No landlord-obtained consumption	N/A
Offices	11 of 15	11 of 11	727	494	-32%	514	458	-11%	542	480	-12%	44	35	-22%
Leisure	1 of 3	2 of 2	No Landlord-consumption		N/A	11	10	-8%	1.0	0.9	-5%	1.3	1.2	-8%
Retail, Warehouses	2 of 6	2 of 6	No Landlord-consumption		N/A	10	4	-58%	0.9	0.4	-56%	1.4	0.6	-58%
Totals	18 of 56	18 of 54	727	494	-32%	537	475	-12%	545	481	-12%	22	7	-25%

Taskforce for Climate Related Financial Disclosures (TCFD)

In support of our clients' own TCFD obligations, core TCFD metrics for the Fund for the 2022 period are disclosed in the adjacent table.

	2022
Total Scope 1 Emissions	494
Total Scope 2 Emissions	475
Total Scope 1 + 2 Emissions	969
Total floor area (m^2)	87,216
Total FGAV (£million)	164
Scope 1 and 2 GHG Intensity (tCO_2e/m^2)	0.011
Scope 1 and 2 GHG Intensity (tCO_2e/£M)	5.9

Glossary

AIC	Association of Investment Companies. The trade body representing closed-ended investment companies.
Annual rental income	Cash rents passing at the Balance Sheet date.
Average debt maturity	The weighted average amount of time until the maturity of the Group's debt facilities.
Break option	A break option (alternatively called a 'break clause' or 'option to determine') is a clause in a lease which provides the landlord or tenant with a right to terminate the lease before its contractual expiry date, if certain criteria are met.
Contracted rent	The contracted gross rent receivable which becomes payable after all the occupied incentives in the letting have expired.
Covenant strength	This refers to the quality of a tenant's financial status and its ability to perform the covenants in a Lease.

Dividend cover
The ratio of the company's net surplus after tax (excluding capital items) to the dividends paid.

	2022	2021
Total comprehensive income/(loss) for the year	(49,539,625)	88,900,038
Add back:		
Unrealised (gains)/losses on investment properties	62,257,782	(72,188,550)
Realised losses on investment properties	207,153	634,368
Unrealised loss on land	60,322	501,550
(Gains)/losses on cash flow hedge	(1,513,862)	(3,167,218)
Profit for dividend cover	11,471,770	14,680,188
Annual dividend	15,610,827	15,018,379
Dividend cover	73%	98%

Dividend yield	Annual dividend expressed as a percentage of share price on any given day.
Earnings per share (EPS)	Surplus for the period attributable to shareholders divided by the weighted average number of shares in issue during the period.
EPRA European Public Real Estate Association	The industry body representing listed companies in the real estate sector.
ERV	The estimated rental value of a property, provided by the property valuers.
Fair value	Fair value is defined by IFRS 13 as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'.
Fair value movement	Fair value movement is the accounting adjustment to change the book value of an asset or liability to its market value, and subsequent changes in market value.
Financial resources	Uncommitted cash balances plus undrawn element of revolving credit facility.
Gearing ratio	Calculated as gross borrowings (excluding swap valuation) divided by total assets. The Articles of Association of the Company have a 65% gearing ratio limit (see page 115 for calculation).
Group	abrdn Property Income Trust Limited and its subsidiaries.
IFRS	International Financial Reporting Standards.
Index linked	The practice of linking the review of a tenant's payments under a lease to a published index, most commonly the Retail Price Index (RPI) but also the Consumer Price Index (CPI).
Loan-to-value	Calculated as net borrowings (gross borrowings less cash excluding swap valuation) divided by portfolio value. Swap valuations at fair value are not considered relevant in gearing calculations (see note 13 for calculation).
MSCI	An independent organisation supplying an expansive range of regional and global indexes, research, performance modelling, data metrics and risk analytics across direct property, listed and unlisted vehicles, joint ventures, separate accounts and debt.
MSCI Benchmark	Quarterly version of MSCI Monthly Index Funds.

NAV	Net Asset Value is the equity attributable to shareholders calculated under IFRS.
NAV total return The return to shareholders, expressed as a percentage of opening NAV, calculated on a per share basis by adding dividends paid in the period to the increase or decrease in NAV. Dividends are assumed to have been reinvested in the quarter they are paid, excluding transaction costs.	see table below

	2022	2021
Opening NAV	101.0	82.0
Closing NAV	84.8	101.0
Movement in NAV	(16.2)	19.0
% Movement in NAV	(16.0%)	23.2%
Impact of reinvested dividends	3.2%	5.4%
NAV total return	**(12.8%)**	**28.6%**

Net initial yield (NIY)	The net initial yield of a property is the initial net income at the date of purchase, expressed as a percentage of the gross purchase price including the costs of purchase.
Over-rented	Space where the passing rent is above the ERV.
Passing rent	The rent payable at a particular point in time.
Portfolio fair value	The market value of the Group's property portfolio, which is based on the external valuation provided by Knight Frank LLP.
Portfolio total return (including Portfolio capital return and Portfolio income return)	Combining the Portfolio Capital Return (the change in property value after taking account of property sales, purchases and capital expenditure in the period) and Portfolio Income Return (net property income after deducting direct property expenditure), assuming portfolio income is re-invested.
Portfolio yield	Passing rent as a percentage of gross property value.
Premium/Discount to NAV	The difference between the share price and NAV per share, expressed as a percentage of NAV. Premium representing a higher share price compared to NAV per share, discount the opposite.
Rack-rented	Space where the passing rent is the same as the ERV.
REIT	A Real Estate Investment Trust (REIT) is a single company REIT or a group REIT that owns and manages property on behalf of shareholders. In the UK, a company or group of companies can apply for 'UK-REIT' status, which exempts the company from corporation tax on profits and gains from their UK qualifying property rental businesses.
Rent Collection	The percentage of rents paid compared to the rents invoiced over a specified period.
Rent free	A period within a lease (usually from the lease start date on new leases) where the tenant does not pay any rent.
Reversionary yield	Estimated rental value as a percentage of the gross property value.
RICS	The Royal Institution of Chartered Surveyors, the global professional body promoting and enforcing the highest international standards in the valuation, management and development of land, real estate, construction and infrastructure.
Share price	The value of each of the company's shares at a point in time as quoted on the Main Market of the London Stock Exchange.
Share price total return The return to shareholders, expressed as a percentage of opening share price, calculated on a per share basis by adding dividends paid in the period to the increase or decrease in share price. Dividends are assumed to have been reinvested in the quarter they are paid, excluding transaction costs.	see table below

	2022	2021
Opening share price	81.5	60.0
Closing share price	62.4	81.5
Movement in share price	(19.1)	21.5
% Movement in share price	(23.4%)	35.8%
Impact of reinvested dividends	4.4%	7.6%
Share price total return	**(19.0%)**	**43.4%**

Void rate	The quantum of ERV relating to properties which are unlet and generating no rental income. Stated as a percentage of total portfolio ERV.

Investor Information

AIFMD/Pre-Investment Disclosure Document ("PIDD")

The Company has appointed abrdn Fund Managers Limited (formerly Aberdeen Standard Fund Managers Limited) as its alternative investment fund manager (the "AIFM") and Citibank UK Limited as its depositary under the Alternative Investment Fund Managers Directive ("AIFMD"). AIFMD requires the AIFM to make available to investors certain information prior to such investors' investment in the Company.

These pre-investment disclosures that are required to be made by the AIFM under AIFMD are included within a pre-investment disclosure document ("PIDD") which can be found on the Company's website at **www.abrdnpit.co.uk**. There have been no material changes to the disclosures contained within the PIDD since its last publication in June 2022.

Investor Warning: Be Alert to Share Fraud and Boiler Room Scams

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

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

abrdn does not "cold-call" investors in this way. If you have any doubt over whether a caller is genuine, do not offer any personal information, end the call and contact the Customer Services Department (see below for their contact details).

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

Share Register Enquiries

Shareholders who hold their shares in certificated form can check their shareholding with the Registrar.

Notifications of changes of address and all enquiries regarding certificates or dividend cheques should be sent in writing to the Registrar whose details are shown on page 140.

Keeping You Informed

The Company's shares are listed on the London Stock Exchange and the share price is quoted daily in the Financial Times.

Details of the Company may also be found on the Company's own dedicated website at: **www.abrdnpit.co.uk**

This provides information on the Company's share price performance, capital structure, stock exchange announcement and an Investment Manager's monthly factsheet. Alternatively you can call 0808 500 0040 (free when dialling from a UK landline) for trust information.

If you have any questions about your Company, the Investment Manager or performance, please telephone the Customer Services Department (direct private investors) on 0808 500 0040. Alternatively, please send an email to **inv.trusts@abrdn.com** or write to abrdn, PO Box 11020, Chelmsford, Essex CM99 2DB. In the event of queries regarding holdings of shares, lost certificates, dividend payments, registered details, shareholders holding their shares in the Company directly should contact the Registrar, Computershare Investor Services (Guernsey) Limited on +44 (0) 370 707 4040 or by writing to the address on page 140. Calls may be recorded and monitored randomly for security and training purposes. Changes of address must be notified to the Registrar in writing.

How To Invest In The Company

Individual investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for retail clients, shares can be bought directly through the abrdn Investment Plan for Children, Investment Trust Share Plan or Investment Trust ISA.

abrdn Investment Plan for Children.

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

abrdn Share Plan.

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

abrdn ISA.

abrdn operates an Investment Trust ISA ("ISA") through which an investment may be made of up to £20,000 in the tax year 2023/2024.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the Plan prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the Plan, from the sale of investments held in the Plan. Investors have full voting and other rights of share ownership. Under current legislation, investments in ISAs can grow free of capital gains tax.

abrdn ISA Transfer.

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

Literature Request Service

For literature and information on the abrdn Investment Plan for Children, Share Plan, ISA or ISA Transfer including application forms for the Company and the Manager's investment trust products, please contact:

abrdn Investments Trust Administration
PO Box 11020
Chelmsford
Essex CM99 2DB
Tel: 0808 500 00 40
(free when dialling from a UK landline)

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

Online Dealing Details

Investor Information.

There are a number of other ways in which you can buy and hold shares in this investment company outside of abrdn savings products.

Online Dealing.

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the company. Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice.

Discretionary Private Client Stockbrokers.

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

Independent Financial Advisers.

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

Regulation of Stockbrokers.

Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority:
Tel: 0800 111 6768 or at **www.register.fca.org.uk**
Email: **register@fca.org.uk**

Investor Information

Suitable for Retail/NMPI Status

The Company's shares are intended for investors, primarily in the UK, including retail investors, professionally-advised private clients and institutional investors who are seeking exposure to UK commercial property, and who understand and are willing to accept the risks of exposure to this asset class. Investors should consider consulting a financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

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

Effect Of Reit Status on Payment of Dividends

REITs do not pay UK corporation tax in respect of rental profits and chargeable gains relating to property rental business. However, REITs are required to distribute at least 90% of their qualifying income (broadly calculated using the UK tax rules) as a Property Income Distribution ("PID").

Certain categories of shareholder may be able to receive the PID element of their dividends gross, without deduction of withholding tax. Categories which may claim this exemption include: UK companies, charities, local authorities, UK pension schemes and managers of PEPs, ISAs and Child Trust Funds.

Further information and the forms for completion to apply for PIDs to be paid gross are available from the Registrar.

Where the Group pays an ordinary dividend, in addition to the PID, this will be treated in the same way as dividends from non-REIT companies.

Retail Distribution

On 1 January 2014, the FCA introduced rules relating to the restrictions on the retail distribution of unregulated collective investment schemes and close substitutes (non-mainstream investment products). UK investment trusts are excluded from these restrictions.

Note

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

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

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

	Gross method	Commitment method
Maximum level of leverage	500%	300%
Actual level at 31 December 2022	169%	135%

AIFMD Disclosures (unaudited).

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

- Information on the investment strategy, geographic and sector investment focus and principal exposures are included in the Strategic Report.
- None of the Company's assets are subject to special arrangements arising from their illiquid nature.
- The Strategic Report, note 3 to the Financial Statements and the PIDD together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected.
- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by the AIFM.
- All authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the AIFM's remuneration policy is available from abrdn Fund Managers Limited on request (see contact details on page 140) and the remuneration disclosures in respect of the AIFM's reporting period for the period ended 31 December 2021 are available on the Company's website.

Leverage.

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

There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There is no right of re-use of collateral or any guarantees granted under the leveraging arrangement.

Changes to the information contained either within this Annual Report or the PIDD in relation to any special arrangements in place, the maximum level of leverage which the AIFM may employ on behalf of the Company; the right of use of collateral or any guarantee granted under any leveraging arrangement; or any change to the position in relation to any discharge of liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

The information on pages 136 to 139 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by abrdn Investments Limited which is authorised and regulated by the Financial Conduct Authority.

Other Information

The Company is a member of the Association of Investment Companies. The Association publishes a Monthly Information Service which contains a wide range of detailed information including statistical and performance data on all its members.

A sample copy can be obtained free of charge from:

AIC
9th Floor, 24 Chiswell Street
London
EC1Y 4YY
Tel: 020 7282 5555

along with full details of other publications available from the AIC. Alternatively, visit their website on **www.theaic.co.uk**

Directors and Company Information

Directors
James Clifton-Brown
Mike Balfour
Jill May
Sarah Slater
Mike Bane

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Registered Number
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Administrator & Secretary
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Annual General Meeting

Notice of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of abrdn Property Income Trust Limited ('the Company') will be held at Wallacespace, 15 Artillery Lane, London, E1 7HA on Wednesday 14 June 2023, at 2.30pm, for the following purposes:

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

1. To receive and approve the Annual Report and Consolidated Financial Statements of the Company for the year ended 31 December 2022.
2. To receive and approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) for the year ended 31 December 2022.
3. To approve the Company's dividend policy to continue to pay a minimum of four quarterly interim dividends per year.
4. To re-appoint Deloitte LLP as Auditor of the Company until the conclusion of the next Annual General Meeting.
5. To authorise the Board of Directors to determine the Auditor's Remuneration.
6. To re-elect Mike Bane as a Director of the Company.
7. To re-elect Mike Balfour as a Director of the Company.
8. To re-elect James Clifton-Brown as a Director of the Company.
9. To re-elect Jill May as a Director of the Company.
10. To re-elect Sarah Slater as a Director of the Company.

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

11. To authorise the Company, in accordance with The Companies (Guernsey) Law, 2008, as amended to make market acquisitions of its own shares of 1 pence each (either for retention as treasury shares for future resale or transfer or cancellation) provided that;

    a. the maximum number of ordinary shares hereby authorised to be purchased shall be 14.99 percent of the issued ordinary shares on the date on which this resolution is passed;

    b. the minimum price which may be paid for an ordinary share shall be 1 pence;

    c. the maximum price (exclusive of expenses) which may be paid for an ordinary share shall be the higher of (i) 105 percent of the average of the middle market quotations (as derived from the Daily Official List) for the ordinary shares for the five business days immediately preceding the date of acquisition and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue on which the purchase is carried out; and

    d. unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, prior to such expiry, enter into a contract to acquire ordinary shares under such authority and may make an acquisition of ordinary shares pursuant to any such contract.

Annual General Meeting continued

Notice of the Annual General Meeting

12 That the Directors of the Company be and they are hereby generally empowered, to allot ordinary shares in the Company or grant rights to subscribe for, or to convert securities into, ordinary shares in the Company ("equity securities") for cash, including by way of a sale of ordinary shares held by the Company as treasury shares, as if any pre-emption rights in relation to the issue of shares as set out in the listing rules made by the Financial Conduct Authority under Part VI of the Financial Services and Markets Act 2000, as amended, did not apply to any such allotment of equity securities, provided that this power:

a. expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and

b. shall be limited to the allotment of equity securities up to an aggregate nominal value of £381,219 being approximately 10 percent of the nominal value of the issued share capital of the Company, as at 21 April 2023.

By Order of the Board

For and on behalf of
Northern Trust International Fund
Administration Services (Guernsey) Limited

Secretary
21 April 2023

Annual General Meeting

Notes to the notice of Annual General Meeting

1. A form of proxy is enclosed with this notice. A Shareholder entitled to attend, speak and vote is entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the Meeting. A proxy need not be a Shareholder of the Company. If you wish to appoint a person other than the Chair of the Meeting, please insert the name of your chosen proxy holder in the space provided on the enclosed form of proxy.

2. In the case of joint holders such persons shall not have the right to vote individually in respect of an ordinary share but shall elect one person to represent them and vote in person or by proxy in their name. In default of such an election, the vote of the person first named in the register of members of the Company tendering a vote will be accepted to the exclusion of the votes of the other joint holders.

3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different ordinary shares. You may not appoint more than one proxy to exercise rights attached to any one ordinary share. To appoint more than one proxy you may photocopy the enclosed form of proxy. Please indicate the proxy holder's name and the number of ordinary shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of ordinary shares held by you). Please also indicate if the proxy instruction is one of multiple instructions given by you. All hard copy forms of proxy must be signed and should be returned together in the same envelope.

4. The form of proxy should be completed and sent, together with the power of attorney or authority (if any) under which it is signed, or a notarially certified copy of such power or authority, so as to reach Computershare Investor Services (Guernsey) Limited, The Pavilions, Bridgwater Road, Bristol BS99 6ZY no later than 2.30pm on 12 June 2023.

5. Completing and returning a form of proxy will not prevent a member from attending the Meeting in person. If you have appointed a proxy and attend the Meeting in person your proxy appointment will remain valid and you may not vote at the Meeting unless you have provided a hard copy notice to revoke the proxy to Computershare Investor Services (Guernsey) Limited, The Pavilions, Bridgwater Road, Bristol BS99 6ZY not later than 6.00pm on 12 June 2023.

6. To have the right to attend, speak and vote at the Meeting (and also for the purposes of calculating how many votes a member may cast on a poll) a member must first have his or her name entered on the register of members not later than 6.00pm on 12 June 2023. Changes to entries in the register after that time shall be disregarded in determining the rights of any member to attend, speak and vote at such Meeting.

7. The Directors' letters of appointment will be available for inspection for fifteen minutes prior to the Meeting and during the Meeting itself.

8. By attending the Meeting a holder of ordinary shares expressly agrees they are requesting and willing to receive any communications made at the Meeting.

9. If you submit more than one valid form of proxy, the form of proxy received last before the latest time for the receipt of proxies will take precedence. If the Company is unable to determine which form of proxy was last validly received, none of them shall be treated as valid in respect of the same.

10. A quorum consisting of one or more Shareholders present in person, or by proxy, and holding five percent or more of the voting rights is required for the Meeting. If, within half an hour after the time appointed for the Meeting, a quorum is not present the Meeting shall be adjourned for seven days at the same time and place or to such other day and at such other time and place as the Board may determine and no notice of adjournment need be given at any such adjourned meeting. Those Shareholders present in person or by proxy shall constitute the quorum at any such adjourned meeting.

11. The resolutions to be proposed at the Meeting will be proposed as ordinary and special resolutions which, to be passed, must receive the support of a majority (in the case of the ordinary resolutions) and not less than seventy five percent (in the case of the special resolutions) of the total number of votes cast for, or against, the ordinary and special resolutions respectively.

12. As at 21 April 2023, the latest practicable date prior to publication of this document, the Company's issued share capital comprised 381,218,977 Ordinary shares of 1p excluding shares were held in treasury. Accordingly, the total number of voting rights in the Company at 21 April 2023 was 381,218,977 shares.

13. Any person holding 3% of the total voting rights in the Company who appoints a person other than the Chair as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the Disclosure Guidance and Transparency Rules.

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Images

1. 54 Hagley Road, Birmingham

Annual Report & Consolidated Accounts

Year ended 31 December 2022

abrdn Property Income Trust

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