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abrdn European Logistics Income plc

FULL YEAR RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

Improving macroeconomic backdrop and portfolio indexation provides platform for earnings growth

abrdn European Logistics Income plc ("ASLI" or the "Company"), the Continental European investor in modern warehouses, which is managed by abrdn, announces its full year results for the year to 31 December 2023.

NAV impacted by continued sector-wide asset re-pricing due to higher interest rate environment; low all-in cost of fixed debt underpinning balance sheet resilience

- Net asset value per ordinary share decreased by 21.4% to 93.4 cents (31 December 2022: 118.9 cents), primarily driven by market-wide outward yield movements as a result of the higher interest rate environment
- IFRS NAV total return of -17.1% (31 December 2022: -3.8%)
- EPRA net tangible assets 95.7 cents (31 December 2022: 123.7 cents)
- IFRS earnings per share of -19.8 cents (31 December 2022: -4.5 cents)
- Loan to Value of 38.7% (31 December 2022: 34.0%)
- Low all-in cost of fixed term debt of 2.00% (31 December 2022: 2.01%), with no major refinancings due until mid-2025

Indexation-driven, active management initiatives to drive improved portfolio occupancy and earnings growth; disposals of more mature assets proving asset class liquidity and strengthening cash position:

- Portfolio value of €634 million (31 December 2022: €759 million), including a like-for-like valuation decrease of 14.4%, largely driven by continued outward yield movement
- Completed the disposal of a warehouse in Leon, Northern Spain, for €18.5 million, reflecting a small premium to the 31 December 2022 valuation
- Post year-end, completed the disposal of a vacant French warehouse, previously occupied by Office Depot in Meung sur Loire, for €17.5 million, reflecting a small discount to the 30 September 2023 valuation and in line with the 31 December 2023 valuation
- Attractive WAULT of 8.4 years (31 December 2022: 8.9 years) and inflation linked lease profile, with 65% of the portfolio income subject to full indexation
- Annualised passing rent of €32.2 million (31 December 2022: €30.6 million), with like-for-like growth of 5% on held assets*
- Completed six lease events across 81,175 sqm, totalling €4.8 million of annualised rent, including:
    - 9.5 year lease with Dachser France at its La Creche, Niort, property, 3% ahead of previous annual rent payable
    - 12-year lease extension agreed with Biocoop on 28,500 sqm at its highly sustainable warehouse near Avignon, France, generating an annual contracted rent of €2.5 million
    - Five-year lease extension with AS Watson (Kruidvat) at its 39,840 sqm single-tenant warehouse in Ede, the Netherlands, reflecting a 4% increase on the previous passing rent
    - Post-period end, a new 3 plus 2 year lease with METHOD Advanced Logistics for 5,130 sqm of highly sustainable logistics space in Madrid, Spain, 8.7% above the previous passing rent
- 95% of expected annual rent due during the year collected
- Reflecting the modern, purpose built nature of the portfolio, the Company continued year-on-year improvement with a sector leading five stars out of five awarded in the Global Real Estate Sustainability Benchmark ('GRESB') survey
- In November, the Board announced the launch of a Strategic Review, enabling it to consider more fully the basis on which the Company might best deliver value to shareholders as a whole.

Tony Roper, Chairman, abrdn European Logistics Income, commented:

"While the market looks set to improve in the second half of 2024 and into 2025, and the post period transactions and letting activity achieved by the Investment Manager supports this, challenges will remain for the real estate sector, primarily as a result of higher for longer interest rates.

"The Board is continuing with its Strategic Review, as it considers all options available that offer maximum value for shareholders, and expects to issue a further update in May.

"The logistics market remains well-positioned in terms of its fundamentals. While vacancy rose across the sector in Europe in the last year, we believe that the worst of these increases has passed, with speculative development pipelines contracting. In addition, the portfolio remains well diversified by property, tenant and geography and our tenants' businesses are generally well positioned in areas which remain essential to the everyday operation of the modern economy."

Troels Andersen, Lead Fund Manager, abrdn European Logistics Income, added:
"Continental European logistics real estate is well placed to recover from a difficult market position due to the longer-term structural drivers underpinning the sector including ongoing e-commerce penetration, onshoring and supply chain modernisation. Whilst we have been encouraged by the resilience of the occupational market, rental growth is still expected to outperform historic averages and beat inflation in most European logistics hotspots. This will support our near-term focus to deliver earnings growth, principally through letting up the vacant space in Spain and capturing the portfolio's attractive indexation characteristics."

*excluding rent free incentives and vacant assets

-Ends-

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Highlights as at 31 December 2023

Net asset value total return (EUR) (%) [1]	IFRS net asset value (€'000)	Net asset value per share (¢)[1]
2022: (3.8)	2022: 489,977	2022: 118.9
(17.1)	**384,928**	**93.4**

Share price total return (GBP) (%)[1]	Discount to net asset value per share (%) [1]	Ordinary dividend paid per share (¢)
2022: (38.3)	2022: (35.0)	2022: 5.64
(3.5)	**(24.1)**	**5.64**

Ongoing charges ratio (%)[1]	IFRS earnings per share (¢)	Portfolio valuation (€'000)
2022: 1.3	2022: (4.5)	2022: 758,719
1.6	**(19.8)**	**633,806**

Number of properties	Average lease length excl breaks (Years)	Gearing[1] (%)
2022: 27	2022: 8.9	2022: 34.0
26	**8.4**	**38.7**

Average building size (sqm)	All-in fixed interest rate (%)	EPRA net tangible assets per share (¢)[1]
2022: 21,374	2022: 2.01	2022: 123.7
20,940	**2.00**	**95.7**

Chairman's Statement

Dear Shareholder,

I am pleased to present the Company's sixth Annual Report in respect of the year ended 31 December 2023.

2023 continued as 2022 ended, with global macro events driving market sentiment, a continued economic slowdown and high inflation. Rapidly rising interest rates saw the cost of debt increase which led to a decline in the flow of capital into the real estate sector and a significant softening of yields.

This contrasted with the strong market fundamentals at the Company's inception in 2017, a period which saw the sector attracting considerable amounts of capital, encouraged by supportive debt markets. This underpinned falling property yields and an increase in capital values. The recent sharp rise in interest rates to combat high levels of inflation has resulted in property yields moving out to reflect the higher cost of capital, with asset values subsequently falling. Such fluctuations are a reminder that real estate markets are inherently cyclical in nature. With investors fearing continued valuation falls and seeking to lower their risk profiles, share price discounts to NAV have been persistently wide, not only in the REIT sector but also the wider investment trust sector.

Whilst the logistics sector fundamentals remain compelling, a combination of this challenging backdrop and the lack of a clear pathway to reaching full dividend cover in the near future resulted in the Board launching a strategic review in November 2023. This is allowing us to look at all sensible options to deliver shareholders' value. At the time of writing, this review is still underway. It is too early to tell whether this will lead to any corporate activity for the Company, but the Board will communicate with shareholders as soon as it feels in a position to say further. In the meantime, the Company is required under its articles to hold a continuation vote at its forthcoming AGM in June, and at this stage the Board recommends that shareholders vote in favour of this resolution to enable the Board to continue to a sensible conclusion in seeking best value for all shareholders.

Market overview

December 2023 saw the end of seven consecutive months of falling Eurozone inflation figures, resulting in the money markets adjusting their expectations. However with the deposit rate held at 4%, valuations continue to come under pressure. Looking forward, our Investment Manager believes that the most significant value correction is behind us and the negative pressure on yields, which has lagged the UK, will plateau later this year.

Future occupational demand looks set to be determined by two key trends: stabilising growth amongst eCommerce operators and a continued trend towards onshoring amongst manufacturers. The logistics market is characterised by rising occupier demand, limited supply in core markets and high barriers to developing new assets in prime locations.

The onshoring of operations should be a long-term trend over the next decade. While it could lead to a tangible boost in take-up in the near term, we do not believe it will result in the same explosive growth that the increase in online shopping led to over the last decade. Data from a European Central Bank survey points to an increasing number of firms expecting to increase their sourcing of production inputs from within the EU, compared to a declining number of firms sourcing their inputs externally.

The prime logistics markets in Germany, Netherlands, France, and Spain, where the majority of the portfolio is focused, continue to witness near-historically low vacancy rates. With speculative development expected to remain low due to increased costs and regulation, we expect vacancy rates to remain tight, which will keep upward pressure on indexed rents.

Company overview

As at 31 December 2023, the Company's property portfolio was independently valued at €633.8 million (31 December 2022: €758.7 million), and consisted of 26 assets (2022: 27 assets) located across five European countries. The like-for-like portfolio valuation (excluding the sold Leon warehouse) fell over the year by 14.4% as a result of the impact of the higher interest rate backdrop on investor sentiment and debt costs.

In May 2023, the Company announced the completion of the first sale from its portfolio, the 32,645 sqm Decathlon- leased warehouse, in Leon, Northern Spain, to SCPI Iroko Zen, for €18.5 million. The disposal price reflected a small premium to the December 2022 valuation and crystalised a 20% gross profit. It generated an attractive IRR, improved the cash position, reduced gearing and the all-in-interest rate, whilst reducing our retail related exposure to a Spanish location which the Investment Manager felt could be more challenging in the future.

Pleasingly during the year the Investment Manager agreed a number of lease regears, more detail of which can be found in the Investment Manager's Report that follows. These included

- A new 9.5 year lease with Dachser France in La Creche, Niort, with the rent 3% ahead of the previous annual rent payable and significantly ahead of ERV. Importantly for revenue generation, uncapped annual ILAT indexation was agreed.
- A new 12 year lease with Biocoop over the Avignon, France, property generating annual contracted rent of €2.5 million, equating to €86 per sqm with full annual French ILAT indexation with no cap. Both of these facilities serve as strategically important locations for our tenants.

In March 2024 we sold the vacant Meung-sur-Loire warehouse for €17.5 million, reflecting a small discount to the September 2023 valuation and in line with the December 2023 valuation. As one of the portfolio's older assets and with an eye on location and the potential capital expenditure required to improve its sustainability credentials, the Board agreed with the Investment Manager that this was a sensible sale, with the proceeds strengthening the Company's balance sheet, which was one of the key 2023 priorities.

Shareholders should be aware of the situation the Company faced over the electric vehicle company Arrival's units located in Gavilanes, Madrid. Despite lengthy negotiations and continued legal proceedings, with the limited possibility of obtaining any surrender premium or rent due to Arrival's deteriorating financial situation, following the advice of the Investment Manager, the Company deemed it sensible to negotiate a surrender of the lease and to obtain possession of the units for re-leasing as quickly as possible. It is pleasing to note that the 5,130 sqm unit was quickly leased in March to Spanish company Method Logistics, at a rent 8.7% ahead of the Arrival passing rent. The Getafe area remains attractive to many companies and there is good interest being shown for the remaining units.

The Company's investment case is enhanced by the competitive advantage provided through the Investment Manager's relationships and market knowledge, with its local teams based in key markets in Europe, enabling it to originate and then execute on attractive acquisitions. It has built a portfolio of assets diversified by both geography and tenant, in established distribution hubs and within close proximity of cities that have substantial labour pools and excellent transport links, all important factors and underpinning the appeal of the assets for tenants and longer term valuations and revenue earning abilities.

Further details on the composition of the portfolio and lease renewals are provided in the Investment Manager's Report that follows.

Results

As at 31 December 2023 the audited Net Asset Value ("NAV") per Share was 93.4 euro cents (GBp – 81.2p), a decrease of 21.5% compared with the NAV per Share of 118.9 euro cents (GBp - 105.4p) at 31 December 2022. With the interim dividends declared, this reflected a NAV total return of -17.1% for the year in euro terms (-19.0% in sterling).

The closing Ordinary Share price at 31 December 2023 was 61.6p (31 December 2022 – 68.5p), representing a discount to NAV per Share of 24.1% (31 December 2022 - 35.0%).

Dividends

First, second and third interim dividends in respect of the year ended 31 December 2023 of 1.41 euro cents per Ordinary Share were paid to Shareholders on 23 June 2023, 22 September 2023 and 29 December 2023. These equated to 1.23 pence, 1.22 pence and 1.23 pence respectively.

In light of the initial response to the previously announced Strategic Review, the Board and its advisers were keen to ensure that the Company was optimally positioned, and that it maintains maximum flexibility to allow it to advance any particular proposal. As a result, the Board took the decision, announced on 19 February 2024, to forego declaring a fourth interim distribution in respect of the quarter ended 31 December 2023. With the Strategic Review ongoing and to maintain flexibility, it is likely that the Company will also forego paying a dividend in relation to the quarter ended March 2024.

Normally distributions may be made up of both dividend income and income which is designated as an interest distribution for UK tax purposes and therefore subject to the interest streaming regime applicable to investment trusts. Further details on this breakdown can be found on page 23 of the published Annual Report and financial statements for the year ended 31 December 2023 and are reflected within the Company's dividend announcements.

Financing

The Company's debt provided by our European partner banks remains fixed in nature and secured on certain assets or groups of assets within the portfolio. These non-recourse loans range in maturities between 1.4 (mid-2025) and 5.1 years with all-in interest rates ranging between 1.10% and 3.11% per annum. Full details can be found in note 14 on page 125 of the published Annual Report and financial statements for the year ended 31 December 2023.

The Company maintains an uncommitted master loan facility ("Facility") with Investec Bank plc for €70 million, which is currently undrawn. Under this Facility, the Company may make requests for drawdowns at selected short- duration tenors, as and when required, to fund acquisitions or for other liquidity requirements and this was used to good effect during the purchase of the Gavilanes, Madrid, assets. Within the Facility, Investec also makes available a £3.3 million committed revolving credit facility which is carved out of the total €70 million limit of the Facility. This facility sits at the parent company level and provides added flexibility. There were no drawdowns against this facility during 2023.

The year-end gearing level was 38.7% (2022 – 34.0%) with an average all-in interest rate of 2.0% (2022: 2.01%) on the total fixed term debt arrangements of €259.5 million (2022: 270.3 million).

GRESB and Asset Management

The Investment Manager continues to seek to improve the sustainability credentials of the portfolio and the results of the 2023 GRESB ('Global Real Estate Sustainability Benchmark') survey saw the Company's portfolio achieve another year-on-year increase, with a score of 89/100 representing continued improvement and an uplift on its 2022 GRESB survey score of 86/100. It also compares favourably versus the 81/100 average peer score and 75/100 overall average 2023 GRESB score.

The Company was awarded a maximum five stars in the 2023 GRESB awards, achieving a welcome first place in its peer group of diversified funds investing across Europe (European industrial: distribution warehouse).

In addition, the Company attained the top-rated gold level awarded by EPRA for compliance with its 'Best Practice Recommendations' in financial reporting.

The latest GRESB scoring continues to recognise the fundamental importance that the Investment Manager places on sustainability when acquiring and subsequently enhancing the Company's portfolio. The improved performance score rewards the progress made with regards to environmental, social and governance ("ESG") factors.

The Company has executed several sustainability-led initiatives during the period, building on the significant progress made improving the credentials of our portfolio of Grade-A, modern properties. These included:

- High tenant data coverage which has helped to inform carbon performance and feed into our net zero plans
- Ongoing assessment of the operational performance of the portfolio, through BREEAM In-Use assessments and sustainability audits identifying actions to improve performance
- A portfolio-wide occupier engagement programme
- 100% of landlord energy procured from renewable sources
- 34% of the portfolio by floor area with solar PV with ongoing reviews across the estate for further additions
- 96% of assets by floor area with EPC's A-B

The Company has set a net zero carbon target of 2050 across all emissions (Scopes 1, 2 and 3), and the Company's strategy for achieving net zero carbon is fully detailed on page 65 of the published Annual Report and financial statements for the year ended 31 December 2023. ESG is embedded within the Investment Manager's investment and asset management processes and although many of our assets were new when purchased, a programme of works continues to enhance areas where improvements can be made. The ESG section of the published Annual Report and Financial statements for the year ended 31 December 2023 gives further clarity on these processes.

Governance and Board Change

The Company is a member of the Association of Investment Companies and seeks to follow best practice regarding appropriate disclosure.

In accordance with good governance, the Directors offer to meet with our substantial shareholders during the year to hear their views on the Company and its performance. Following the announcement of the Strategic Review, Directors together with the Company's advisers have met with many of our larger shareholders to understand their views on the Company and how they would like to see it positioned. The Directors may be contacted through the Company Secretary.

The Board looks to undertake short annual site visits to view the properties owned, meet with tenants where possible and members of local staff and advisers of the Investment Manager. During the year the Board was pleased to visit the German assets helping to better understand their locations, site layouts and meeting with abrdn's local well-resourced Frankfurt-based real estate team which has a focus on managing these assets for us.

With the Company having been launched in December 2017, the Directors have been considering succession planning. With this in mind, Diane Wilde has confirmed that she will retire and not stand for re-election at the AGM in June. I would like to thank Diane for all her efforts since joining the Board. Following best practice, the remaining three Directors will stand for re-election at the forthcoming AGM and further details on each Director may be found on pages 80 and 81 of the published Annual Report and financial statements for the year ended 31 December 2023. No decision on a replacement Board member will be taken until the Strategic Review has been concluded and the direction of the Company is known.

Strategic Review

As at the date of this report, the Board is continuing to undertake a Strategic Review of the options available to the Company, and is being advised on this by the Company's broker, Investec, and by Savills, who have been retained to give strategic property advice. The Board is considering all options available that offer maximum value for shareholders including, but not limited to, continuing with the current investment objective, selling the entire issued share capital of the Company or a managed wind- down of the Company's portfolio and returning monies to shareholders.

The Company has received a number of indicative non-binding proposals. However, there can be no certainty at this stage that the final terms of any proposal will prove to be sufficiently attractive to merit a Board recommendation to the Company's shareholders.

All proposals received will be analysed and considered in the light of feedback received from shareholders and the value that could be best achieved when looking at current and forecast market conditions. The Board welcomes the support shown by shareholders, both before and during this process, and will update shareholders on the progress or the outcome of the Strategic Review as soon as the process allows.

Annual General Meeting and Continuation Vote

The Company's Annual General Meeting will be held in London on Monday, 24 June 2024 at 09:00 am at the offices of FTI Consulting, 200 Aldersgate, Aldersgate Street, London EC1A 4HD.

The formal Notice of AGM may be found on page 182 of the Annual Report and financial statements for the year ended 31 December 2023.

This year the Company is required by its Articles to hold a continuation vote. With the Strategic Review still ongoing, the Board recommends that shareholders vote in favour of the Company's continuation to ensure that the review can be completed properly and the optimal outcome for shareholders delivered. It is the Board's current expectation that the result of the Strategic Review will be announced ahead of the AGM, so shareholders should have the benefit of a clear picture of the proposed way forward by the time that they are asked to vote. Should the Board not be in a position to communicate the outcome (or likely outcome) of the Strategic Review ahead of the AGM, the Board would ensure that shareholders were provided with the opportunity to vote on the future direction of the Company as and when the Review was completed (unless the proposed course of action arising from the Strategic Review in and of itself required a shareholder vote).

Outlook

While the market looks set to improve in H2 2024 and into 2025, and the post period transactions and letting activity achieved by the Investment Manager supports this, challenges will remain for the real estate sector, primarily as a result of higher-for-longer interest rates. Crucially for us, the logistics market remains well-positioned in terms of its fundamentals. While vacancy rose across the sector in Europe in the last year, we believe that vacancy levels have settled with speculative development pipelines contracting.

Several factors are driving an increased focus among occupiers on the type of prime, modern and sustainable warehouses that our portfolio contains. Many occupiers have put a greater focus on more energy-efficient space following the energy price shock and modern warehouses are more suitable for implementing automation processes, whereas older warehouses often have specifications which are unsuitable for the machinery needed. In addition, they are more flexible and thoughtfully designed, built around integrating new supply chain management technologies like RFID (radio frequency identification technology).

The portfolio remains well diversified by property, tenant and geography and our tenants' businesses are generally well positioned in areas which remain essential to the everyday operation of the modern economy. A strong commitment to sustainability, demonstrated by the Company's increased GRESB rating with five Green stars awarded for 2023, together with the inflation-linked nature of the portfolio's leases, has provided a counterbalance to the yield expansion witnessed.

Positive tailwinds from structural demand drivers should continue to benefit the portfolio. The impact of increasing online shopping penetration, the need to build greater resilience into supply chains, and the aim of reducing the environmental impact of distribution operations will continue to generate strong demand for high-quality, sustainable warehouse space and the portfolio remains well positioned to benefit from these trends.

In parallel to the abovementioned Strategic Review process, the near-term focus for the Investment Manager is to continue improving the earnings position, principally through letting up the vacant space in Spain and capturing the portfolio's attractive indexation characteristics.

Whilst this has been a hugely frustrating period, the Board reiterates its thanks for the support shown by shareholders, both before and during this process. It hopes to update shareholders on the outcome as soon as a conclusion has been reached, which should be in advance of the Company's AGM.

Tony Roper
Chairman
25 April 2024

Overview of Strategy

The Company is a UK investment trust with a premium listing on the Main Market of the London Stock Exchange. The Company invests in European logistics real estate to achieve its investment objective noted below.

The Company was incorporated in England and Wales on 25 October 2017 with registered number 11032222 and launched on 15 December 2017.

As indicated in the Chairman's Statement, on 27 November 2023, the Board announced that it was undertaking a strategic review of the options available to the Company (the "**Strategic Review**"). The Board is considering all options available to the Company that offer maximum value for the shareholders including, but not limited to, undertaking some form of consolidation, combination, merger or comparable corporate action, selling the entire issued share capital of the Company (which would be conducted under the framework of a "formal sale process" in accordance with the City Code on Takeovers and Mergers (the "**Code**")), and selling the Company's portfolio and returning monies to shareholders. There is no certainty that any changes will result from the Strategic Review and, for the avoidance of doubt, a continuation of the Company's current investment strategy with a rebased target dividend level is a potential outcome of the Strategic Review.

Investment Objective

The Company aims to provide a regular and attractive level of income return together with the potential for long-term income and capital growth from investing in high quality European logistics real estate.

Investment Policy

The Company aims to deliver the investment objective through investment in, and active asset management of, a diversified portfolio of logistics real estate assets in Europe.

The Company will invest in a portfolio of single and multi-let assets diversified by both geography and tenant throughout Europe, predominantly targeting well-located assets at established distribution hubs and within population centres. In particular, the Investment
Manager will seek to identify assets benefiting from long- term, index-linked, leases as well as those which may benefit from structural change, and will take into account several factors, including but not limited to:

- the property characteristics and whether they are appropriate for the location (such as technical quality, ESG credentials, scale, configuration, layout, transportation links, power supply, data connectivity, manoeuvrability, layout flexibility, and overall operational efficiencies);
- the location and its role within European logistics (city, regional, national or international distribution), key fundamentals supporting logistics activity within the micro location such as proximity to airport, port, transport nodes, multimodal transport infrastructure, established warehousing hubs, transport corridors, population centres, labour availability and market dynamics such as supply (of both land and existing stock), vacancy rate and planned infrastructure upgrades;
- the terms of the lease(s) focusing on duration, inflation- linked terms, ESG criteria, level of passing rent relative to market rent, the basis for rent reviews, and the potential for capturing growth in market rental income;
- the strength of the tenant's financial covenant;
- the business model of the tenant and their commitment to the asset both in terms of capital expenditure and the role it plays in their operations; and
- the potential to implement active asset management initiatives to add value over the holding period.

The Company will invest either directly or through holdings in special purpose vehicles, partnerships, or other structures. The Company may invest in forward commitments when the Investment Manager believes that to do so would enhance risk adjusted returns for Shareholders and/or secure an asset at an attractive yield.

The Company's active asset management activities are expected to focus on adding value through:

- negotiating or renegotiating leases to increase/secure rental income, managing vacancies;
- undertaking refurbishments to maintain liquidity;
- managing redevelopments as assets approach obsolescence;
- adding solar panels to reduce carbon emissions and generate additional income streams;
- where appropriate, extending existing on-site buildings or developing adjacent plots;
- refurbishment and redevelopment activity will, amongst other things, focus on: enhancing occupier wellbeing; operational efficiencies; energy efficiency;
- reducing carbon emissions; and elevating technological provision as well as increasing lettable area.

The Company's active management of debt will effectively manage costs and risk seeking to enhance investment returns.

Diversification of Risk

The Company will at all times invest and manage its assets in a manner which is consistent with the spreading of investment risk. The following investment limits and restrictions will apply to the Company and its business which, where appropriate, will be measured at the time of investment:

- the Company will only invest in assets located in Europe;
- no more than 50 per cent. of Gross Assets will be concentrated in a single country;
- no single asset may represent more than 20 per cent. of Gross Assets;
- forward commitments will be wholly or predominantly pre-let and/or have the benefit of a rental guarantee and the Company's overall exposure to forward commitments and development activity will be limited to 20 per cent. of Gross Assets;
- the Company's maximum exposure to any single developer will be limited to 20 per cent. of Gross Assets;
- the Company will not invest in other closed-ended investment companies;
- the Company will predominantly invest in assets with tenants which have been classified by the Investment Manager's investment process, as having strong financial covenants. However, the Company may, on an exceptional basis, invest in an asset with a tenant with a lower financial covenant strength (and/or with a short lease term) where the Investment Manager believes that the asset can be leased on a longer term tenancy to a tenant with strong financial covenants within a reasonable time period; and
- no single tenant will represent more than 20 per cent. of the Company's annual gross income measured annually.

The Company will not be required to dispose of any asset or to rebalance the Portfolio as a result of a change in the respective valuations of its assets.

The Company intends to conduct its affairs so as to continue to qualify as an investment trust for the purposes of section 1158 and 1159 (and regulations made thereunder) of the Corporation Tax Act 2010.

Borrowing and Gearing

The Company uses gearing with the objective of improving shareholder returns. Debt is typically non- recourse and secured against individual assets or groups of assets with or without a charge over these assets, depending on the optimal structure for the Company and having consideration to key metrics including lender diversity, cost of debt, debt type and maturity profiles.

The aggregate borrowings are always subject to an absolute maximum, calculated at the time of drawdown for a property purchase, of 50 per cent. of Gross Assets. Where borrowings are secured against a group of assets, such group of assets will not exceed 25 per cent. of Gross Assets in order to ensure that investment risk remains suitably spread.

The Board has established gearing guidelines for the Alternative Investment Fund Manager ("AIFM") in order to maintain an appropriate level and structure of gearing within the parameters set out above. Under these guidelines, aggregate asset level gearing will sit, as determined by the Board, at or around 35 per cent of Gross Assets. This level may fluctuate as and when new assets are acquired until longer term funding has been established or whilst short-term asset management initiatives are being undertaken.

The Board will keep the level of borrowings under review. In the event of a breach of the investment guidelines and restrictions set out above, the AIFM will inform the Board upon becoming aware of the same, and if the Board considers the breach to be material, notification will be made to a Regulatory Information Service and the AIFM will look to resolve the breach with the agreement of the Board. The Directors may require that the Company's assets are managed with the objective of bringing borrowings within the appropriate limit while taking due account of the interests of shareholders. Accordingly, corrective measures may not have to be taken immediately if this would be detrimental to shareholders' interests.

Any material change to the Company's investment policy set out above will require the approval of shareholders by way of an ordinary resolution at a general meeting and the approval of the Financial Conduct Authority. Non-material reasonable changes to the investment policy may be approved by the Board.

Comparative Index

The Company does not have a benchmark.

Duration

Although the Company does not have a fixed life, under the Company's articles of association the Directors are required to propose an ordinary resolution for the continuation of the Company at the Annual General Meeting to be held in 2024 and then every third year thereafter. While the Board continues to evaluate the options resulting from the ongoing strategic review, a resolution proposing that the Company continue as an investment trust is included in the Notice for the Annual General Meeting scheduled to be held on 24 June 2024. Please also refer to the Going Concern section within the Directors' Report on page 85 of the published Annual Report and financial statements for the year ended 31 December 2023.

Key Performance Indicators (KPIs)

The Board uses a number of financial performance measures to assess the Company's success in achieving its objective and to determine the progress of the Company in pursuing its Investment Policy. The main KPIs identified by the Board in relation to the Company, which are considered at each Board meeting, are as follows:

KPI	Description
Net asset value total return (EUR)[1]	The Board considers the NAV total return to be the best indicator of performance over time and is therefore the main indicator of performance used by the Board. Performance for the year and since inception is set out on page 24 of the published Annual Report and financial statements for the year ended 31 December 2023. The Company is targeting, for an investor in the Company at launch, a total NAV return of 7.5 per cent. per annum (in € terms).
Share price total return (GBP)[1]	The Board also monitors the price at which the Company's shares trade on a total return basis over time. A graph showing the share price performance is shown on page 24 of the published Annual Report and financial statements for the year ended 31 December 2023.
Premium/(Discount)[1]	The premium/(discount) relative to the NAV per share represented by the share price is monitored by the Board. A graph showing the share price (discount)/premium relative to the NAV is shown on page 24 of the published Annual Report and financial statements for the year ended 31 December 2023.
Dividends per Share	The Board's aim is to pay a regular quarterly dividend enabling shareholders to rely on a consistent stream of income. Dividends paid are set out on page 23 of the published Annual Report and financial statements for the year ended 31 December 2023. The Company is targeting, for an investor in the Company at launch, an annual dividend yield of 5.0 per cent. per Ordinary Share (in € terms).
Ongoing charges ratio ("OCR")[1]	The OCR is the ratio of expenses as a percentage of average daily shareholders' funds calculated in accordance with the industry standard. The Board reviews the OCR regularly as part of its review of all expenses. The aim is to ensure that the Company remains competitive and is able to deliver on its yield target to Shareholders. The Company's OCR is disclosed on page 23 of the published Annual Report and financial statements for the year ended 31 December 2023.

[1] Alternative Performance Measure - see glossary on pages 161 to 165 of the published Annual Report and financial statements for the year ended 31 December 2023.

Manager

Under the terms of the Management Agreement, the Company has appointed abrdn Fund Managers Limited as the Company's alternative investment fund manager ("AIFM") for the purposes of the AIFM Rules. The AIFM has delegated portfolio management to the Danish Branch of abrdn Investments Ireland Limited which acts as Investment Manager.

Pursuant to the terms of the Management Agreement, the AIFM is responsible for portfolio and risk management on behalf of the Company and will carry out the on- going oversight functions and supervision and ensure compliance with the applicable requirements of the AIFM Rules. The AIFM and the Investment Manager are both legally and operationally independent of the Company.

Dividend Policy

Subject to compliance with all legal requirements the Company normally pays interim dividends on a quarterly basis. The Company declares dividends in Euros, but shareholders will receive dividend payments in Sterling unless electing to receive payments in Euros through the Equiniti Shareview Portfolio website or via CRESTPay.

If applicable, the date on which the Euro/Sterling exchange rate is set will be announced at the time the dividend is declared. Distributions made by the Company may take the form of either dividend income or "qualifying interest income" which may be designated as interest distributions for UK tax purposes. With the strategic review still underway, the Company announced the suspension of the fourth interim dividend for 2023 to maintain the maximum flexibility to allow it to advance any particular proposal.

Principal Risks and Uncertainties

There are a number of risks which, if realised, could have a material adverse effect on the Company and its financial condition, performance and prospects. The Board has carried out a robust assessment of the principal risks as set out below, ordered by category of risk, together with a description of the mitigating actions taken by the Board.

The Board confirms that it has a process in place for regularly reviewing emerging risks that may affect the Company in the future. The Board collectively discusses with the Manager areas where there may be emerging risk themes and maintains a register of these. Such risks may include, but are not limited to, future pandemics, the use of AI, cybercrime, and longer term climate change. In the event that an emerging risk has gained significant weight or importance, that risk is categorised and added to the Company's risk register and is monitored accordingly. The principal risks associated with an investment in the Company's shares can be found in the Company's latest Prospectus dated 8 September 2021, published on the Company's website.

The Board continues to be very mindful of ongoing geopolitical events which have caused significant market volatility across Europe and the World. There has been no discernible impact to date on our tenants across the wider region. The indicators below show how the Board's views on the stated risks have evolved over the last year.

Description	Mitigating Action	Risk
Strategic Risk: Strategic Objectives and Performance – The Company's strategic objectives and performance, both absolute and relative, become unattractive to investors leading to a widening of the discount, potential hostile shareholder actions and the Board fails to adapt the strategy and/or respond to investor demand.	• The Company's strategy and objectives are regularly reviewed by the Board to ensure they remain appropriate and effective. The Company announced in November 2023 a strategic review and this remains ongoing at the date of this report. • The Board receives regular presentations on the economy and also the property market to identify structural shifts and threats so that the strategy can be adapted if necessary. • There is regular contact with shareholders both through the Investment Manager and the broker with additional direct meetings undertaken by the Chairman and other Directors. • Board reports are prepared by the Investment Manager detailing performance, NAV return and share price analysis versus peers. • Cash flow projections are prepared by the Investment Manager and reviewed quarterly by the Board. • Shareholder/market reaction to Company announcements is monitored.	**Increasing**
Investment and Asset Management Risk: Investment Strategy – Poorly judged investment strategy, regional allocation, use of gearing, inability to deploy capital and the mis-timing of disposals and acquisitions, resulting in poor investment returns.	• abrdn has real estate research and strategy teams which provide performance forecasts for different sectors • and regions. • There is a team of experienced portfolio managers who have detailed knowledge of the markets in which they operate. • abrdn has a detailed investment process for both acquisitions and disposals that require to be signed off internally before the Board reviews any final decision. • The Board is very experienced with Directors having a knowledge of property markets.	**Stable**
Investment and Asset Management Risk: Developing and refurbishing property – Increased construction costs, construction defects, delays, contractor failure, lack of development permits, environmental	• abrdn has experienced investment managers with extensive development knowledge with in-depth research undertaken on each acquisition/development. • Development contracts are negotiated by experienced teams supported by approved	**Stable**

and third party damage can all impact the resulting capital value and income from investments.	lawyers. • Due diligence is undertaken on developers including credit checks and current pipelines. • Construction and risk insurance checked. • Post completion the developer is responsible for defects and monies are held in escrow for a period of time after handover.	
Investment and Asset Management Risk: Health and Safety - Failure to identify and mitigate major health and safety issues or to react effectively to an event leading to injury, loss of life, litigation and any ensuing financial and reputational impact.	• For new properties health and safety is included as a key part of due diligence. • Asset managers visit buildings on a regular basis. • Property managers are appointed by abrdn to monitor health and safety in each building and reports are made to the asset managers on a monthly basis. • Asset managers visit each building at least twice a year. • Tenants are responsible for day to day operations of the properties.	**Stable**
Investment and Asset Management Risk: Environment - Properties could be negatively impacted by hazardous materials (for example asbestos or other ground contamination) or an extreme environmental event (e.g. flooding) or the tenants' own operating activities could create environmental damage. Failure to achieve environmental targets could adversely affect the Company's reputation and result in penalties and increased costs and reduced investor demand. Legislative changes relating to sustainability could affect the viability of asset management initiatives.	• The Investment Manager undertakes in depth research on each property acquisition with environmental surveys and considers its impact on the environment and • local communities. • The Investment Manager has adopted a thorough environmental policy which is applied to all properties in the portfolio. • Experienced advisers on environmental, social and governance matters are consulted both internally (within the Investment Manager) and externally where required. • The Investment Manager in conjunction with specialist advisers has worked on a roadmap for the Company to reach a net zero emissions target date of 2050.	**Stable**
Financial Risks: Macroeconomic - Macroeconomic changes (e.g. levels of GDP, employment, inflation, interest rate and FX movements), political changes (e.g. new legislation) or structural changes (e.g. new technology or demographics) negatively impact commercial property values and the underlying businesses of tenants (market risk and credit risk). Falls in the value of investments could result in breaches of loan covenants and solvency issues. Interest rate increases from historical lows will impact strategy if unchanged when re-financings are required. Pressure on overall net revenue returns.	• abrdn research teams take into account macroeconomic conditions when collating forecasts. This research is fed into Investment Manager decisions on purchases/sales and regional allocations. • The portfolio is EU based and diversified across a number of different countries and also has a diverse tenant base seeking to minimise risk concentration. • There is a wide range of lease expiry dates within the portfolio in order to minimise re-letting risk. • The Company has no exposure to speculative development and forward funding is only undertaken where the development is predominantly pre-let. • Rigorous portfolio reviews are undertaken by the Investment Manager and presented to the Board on a regular basis. • Annual asset management plans are developed for each property and individual investment decisions are subject to robust risk versus return evaluation and approval. • Most leases are indexed to provide increases in line with movements in inflation and leverage is fixed to reduce the impact of interest rate rises.	**Stable**
Financial Risks: Gearing - Gearing risk	• Regular covenant reporting to banks is	**Increasing**

- an inappropriate level of gearing, magnifying investment losses in a declining market, could result in breaches of loan covenants and threaten the Company's liquidity and solvency. An inability to secure adequate borrowing with appropriate tenor and competitive rates could also negatively impact the Company. Earliest Company re-financing required in 2025 but current conditions expected to impact banks' willingness to lend or seek tighter covenants.	undertaken as required. • The gearing target is set at an indicative 35% asset level limit and an absolute Company limit of 50%. • The Company's diversified European logistics portfolio, underpinned by its tenant base, should provide sufficient value and income in a challenging market to meet the Company's future liabilities. • The portfolio attracted competitive terms and interest rates from lenders for the Company's fixed term loan facilities. • The Investment Manager has relationships with multiple funders and wide access to different sources of funding on both a fixed and variable basis. • Financial modelling is undertaken and stress tested annually as part of the Company's viability assessment and whenever new debt facilities are being considered. • Loan covenants are continually monitored and reported to the Board on a quarterly basis and would also be reviewed as part of the disposal process of any secured property.	
Financial Risks: Liquidity Risk and FX Risk - The inability to dispose of property assets in order to meet financial commitments of the Company or obtain funds when required for asset acquisition or payment of expenses or dividends. Movements in foreign exchange and interest rates or other external events could affect the ability of the Company to pay its dividends. Yield expansion witnessed as valuations impacted by global economic concerns.	• The diversified portfolio is geared towards an attractive sector. • A cash buffer is maintained and an overdraft facility is currently in place. • Investment is focused on mid-sized properties which is considered the more liquid part of the sector. • The assets of the Company are denominated in a non- sterling currency, predominantly the Euro. No currency hedging is planned for the capital, but the Board periodically reviews the hedging of dividend payments having regard to availability and cost.	**Increasing**
Financial Risks: Credit Risk - Credit Risk – the risk that the tenant/counterparty will be unable or unwilling to meet a commitment entered into by the Group: failure of a tenant to pay rent or failure of a deposit taker, future lender or a current exchange rate swap counterparty.	• The property portfolio has a balanced mix of investment grade tenants and reflects diversity across business sectors. • Rigorous due diligence is performed on all prospective tenants and their financial performance continues to be monitored during their lease. • Rent collection from tenants is closely monitored so that early warning signs might be detected. • Deposits are spread across various abrdn approved banks and AAA rated liquidity funds.	**Increasing**
Financial Risks: Insufficient Income Generation - Insufficient income generation due to macro-economic factors, and/or due to inadequate asset management resulting in long voids or rent arrears or insufficient return on cash; dividend cover falls to a level whereby the dividend needs to be cut and/or the Company becomes unattractive to investors. Level of ongoing charges becomes excessive.	• The Investment Manager seeks a good mix of tenants in properties. A review of tenant risk and profile is undertaken using, for example, the Dun & Bradstreet Failure Scoring method and tenant covenants are thoroughly considered before a lease is granted. • The abrdn team consists of asset managers on the ground who undertake asset management reviews and implementation and there is a detailed approval process within abrdn for lettings. The Investment Manager through its teams on the ground seeks to manage voids and any non-payment of rent.	**Increasing**

	• At regular Board meetings forecast dividend cover is considered. There is regular contact with the broker and shareholders to ascertain, where possible, views on dividend cover.	
Regulatory Risks: Compliance – The regulatory, legal and tax environment in which the Company's assets are located is subject to change and could lead to a sub-optimal corporate structure and result in increased tax charges or penalties. Failure to comply with existing or new regulation.	• The Company has an experienced Company Secretary and engages lawyers who will advise on changes once any new proposals are published. There is regular contact with tax advisers in relation to tax computations and transfer pricing. • Directors have access to updates on relevant regulatory changes through the Company's professional advisers. • The highest corporate governance standards are required from all key service providers and their performance is reviewed annually by the Management Engagement Committee.	**Stable**
Operational Risks: Service Providers – Poor performance/inadequate procedures at service providers leads to error, fraud, non- compliance with contractual agreements and/or with relevant legislation or the production of inaccurate or insufficient information for the Company (NAV, Board Reports, Regulatory Reporting) or loss of regulatory authorisation. Key service providers include the AIFM, Company Secretary, the Depositary, the Custodian, the managing agents, lending banks and the Company's Registrar.	• abrdn has an experienced Investment Manager and Asset Management Team. • The Company has engaged an experienced registrar: Equiniti is a reputable worldwide organisation. • All service providers have a strong control culture that is regularly monitored. • abrdn aims to meet all service providers once a year and the Management Engagement Committee reviews all major service providers annually. • The Company has the ability to terminate contracts.	**Stable**
Operational Risks: Business continuity – Business continuity risk to any of the Company's service providers or properties, following a catastrophic event e.g. pandemic, terrorist attack, cyber attack, power disruptions or civil unrest, leading to disruption of service, loss of data etc.	• abrdn has a detailed business continuity plan in place with a separate alternative working office if required and the ability for the majority of its workforce to work from home. • abrdn has a dedicated Chief Information Security Officer who leads the Chief Information Security Office covering the following functions: Security Operations & Delivery, Security Strategy, Architecture & Engineering, Data Governance & Privacy, Business Resilience, Governance & Risk, Security & IT. • Properties within the portfolio are all insured. • The IT environment of service providers is reviewed as part of the initial appointment and on an ongoing basis.	**Stable**

Promoting the Company

The Board recognises the importance of promoting the Company to prospective investors both for improving liquidity and enhancing the value and rating of the Company's shares. The Board believes an effective way to achieve this is through subscription to, and participation in, the promotional programme run by abrdn on behalf of a number of investment trusts under its management.

The Company's financial contribution to the programme is matched by abrdn. abrdn's marketing team reports quarterly to the Board giving analysis of the promotional activities as well as updates on the shareholder register and any changes in the make up of that register.

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

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 the Board to fulfil its obligations. The Board also recognises the benefits and is supportive of the principle of diversity in its recruitment of new Board members. The Board will not display any bias for age, gender, race, sexual orientation, religion, ethnic or national origins, or disability in considering the appointment of its Directors. The Board will continue to ensure that any future appointments are made on the basis of merit against the specification prepared for each appointment and, therefore, the Company does not consider it appropriate to set diversity targets. At 31 December 2023, there were two male Directors and two female Directors on the Board.

The Board commenced detailed discussions on succession planning in October 2023 before the announcement of the strategic review. The Board expects to consider succession planning fully once again when the result of the strategic review is known.

Sustainable and Responsible Investment Policy and Approach

Further details on abrdn's Sustainable and Responsible Investment Policy and Approach for Direct Real Estate are available at **abrdn.com.**

Environmental, Social and Human Rights Issues

The Company has no employees as the Board has delegated day to day management and administrative functions to abrdn Fund Managers Limited. There are therefore no disclosures to be made in respect of employees. The Company's socially responsible investment policy is outlined in the Investment Manager's Review.

Due to the nature of the Company's business, being a Company that does not offer goods and services to customers, the Board considers that it is not within the scope of the Modern Slavery Act 2015 ("MSA").

The Company is not required to make a slavery and human trafficking statement. The Board considers the Company's supply chains, dealing predominantly with professional advisers and service providers in the financial services industry, to be low risk in relation to this matter.

A copy of the Manager's statement in compliance with the Modern Slavery Act is available for download at **abrdn.com**

The bulk of emissions relating to properties owned by the Company are the responsibility of the tenants and any emissions relating to the Company's registered office are the responsibility of abrdn plc. The Company has no direct greenhouse gas emissions to report from the operations of its business, although it is responsible for low emissions generated at certain properties within its portfolio reportable under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013, see page 75 of the published Annual Report and financial statements for the year ended 31 December 2023.

Viability Statement

The Company does not have a formal fixed period strategic plan but the Board formally considers risks and strategy at least annually. The Board considers the Company, with no fixed life, to be a long-term investment vehicle, but for the purposes of this viability statement has decided that a period of three years is an appropriate period over which to report. The Board considers that this period reflects a balance between looking out over a long-term horizon and the inherent uncertainties of looking out further than three years.

In assessing the viability of the Company over the review period the Directors have conducted a robust review of the principal risks focusing upon the following factors:

- The status of the ongoing Strategic Review;
- The principal risks detailed in the Strategic Report;
- The ongoing relevance of the Company's investment objective in the current environment;
- The demand for the Company's shares evidenced by the historical level of premium or discount;
- The level of income generated by the Company and the stability of tenants;
- The level of gearing including the requirement to meet lending covenants, negotiate new facilities and repay or refinance future facilities;
- The continuation vote required to be put to shareholders at the AGM to be held in 2024; and
- The flexibility of the Company's bank facilities and putting these facilities in place in time to meet commitments.

The Directors have reviewed summaries from the portfolio models prepared by the Investment Manager which have been stress tested to highlight the performance of the portfolio in a number of varying economic conditions coupled with potential opportunities for mitigation. The Directors have also stress tested the financial position of the Company with attention on the proceeds from the disposal of the asset in France and refinancing of loans in 2025.

The Company has prepared cash flow forecasts which reflect the potential impact of reductions in rental income including reasonably possible downside scenarios.

The impact of reductions in rental income could be mitigated through a reduction in dividends to shareholders if considered necessary by the Board.

The Company has modelled severe but plausible downside scenarios, taking into account specific tenant risks. These scenarios modelled reduced rental income through to 2026 with the worst case scenario modelling to an overall 40% reduction of rental income per annum over that period.

The Board and Manager regularly monitor the permitted and 'hard breach' loan-to-value covenants on the Company's eight loan facilities. Further details on loan covenants are provided in Note 1(a) to the financial statements on page 110 of the published Annual Report and financial statements for the year ended 31 December 2023. There were no breaches of the loan-to-value covenants based upon the valuations adopted at year end. The Directors believe that the liquidity in the Group and £70m revolving credit facility could be used for partial repayment of a loan in the event of any future breaches.

Accordingly, taking into account the Company's current position and the potential impact of its principal risks and uncertainties, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of three years from the date of this Report subject to the material uncertainty and outcome of Strategic Review as outlined in note 1(a) and shareholders' approval of the continuation vote required under the articles to be put to the AGM to be held in 2024, noting that the Directors are unaware at this early stage of any shareholder intentions to vote against such a resolution. In making this assessment, the Board has considered that matters such as significant economic uncertainty, stock market volatility and changes in investor sentiment could have an impact on its assessment of the Company's prospects and viability in the future.

s172 Statement

The Board is required to describe to the Company's shareholders how the Directors have discharged their duties and responsibilities over the course of the financial year under section 172 (1) of the Companies Act 2006 (the "s172 Statement"). This s172 Statement requires the Directors to explain how they have promoted the success of the Company for the benefit of its members as a whole, taking 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.

The Board's philosophy is that the Company should operate in a transparent culture where all parties are treated with respect and provided with the opportunity to offer practical challenge and participate in positive debate which is focused on the aim of achieving the expectations of shareholders and other stakeholders alike. The Board reviews the culture and manner in which the Investment Manager operates at its regular meetings and receives regular reporting and feedback from the other key service providers.

Investment trusts are long-term investment vehicles, with no employees. The Company's Board of Directors sets the investment mandate as published in the most recent prospectus, monitors the performance of all service providers and is responsible for reviewing strategy on a regular basis.

Key Stakeholders

A key stakeholder and service provider for the Company is the **Alternative Investment Fund Manager** (the "Manager") and this relationship is reviewed at each Board meeting and relationships with other service providers are reviewed at least annually.

Shareholders are seen as key stakeholders in the Company. The Board seeks to meet at least annually with shareholders at the Annual General Meeting. This is seen as a very useful opportunity to understand the needs and views of the shareholders. In between AGMs the Directors and Investment Manager also conduct programmes of investor meetings with larger institutional, private wealth and other shareholders to ensure that the Company is meeting their needs. Such regular meetings may take the form of joint meetings or solely with a Director where any matters of concern may be raised directly.

Our **European partner lending banks** are also key stakeholders. We leverage off the Investment Manager's key relationships with a wide range of lending banks and the Investment Manager has regular contact with these banks updating them on the portfolio and valuations and also on plans for new acquisitions or disposals.

The other key stakeholder group is that of the **underlying tenants** that occupy space in the properties that the Company owns. The Board aims to conduct a site visit at least annually with the aim of meeting tenants locally and discussing their businesses and needs and assessing where improvements may be made or expectations managed. The Investment Manager's asset managers are tasked with conducting meetings with building managers and tenant representatives in order to ensure the smooth running of the day to day management of the properties. The Board receives reports on the tenants' activities at its regular Board meetings.

The Board via the Management Engagement Committee also ensures that the views of its service providers are heard and at least 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, Manager, Investment Manager and other relevant stakeholders. Reviews will include those of the Company depositary, custodian, share registrar, broker, legal adviser, lenders and auditor.

The Investment Manager's Report details the key investment decisions taken during the year and subsequently. The Investment Manager has continued to invest the Company's assets in accordance with the mandate provided by shareholders at launch, under the oversight of the Board. The Company aims to maintain gearing at asset level at or around 35% over the longer term. abrdn's dedicated treasury team has negotiated the debt facilities at competitive market rates, resulting in the Company's blended all-in interest rate across all its debt being 2.00% which is to the benefit of all shareholders. The Company has an uncommitted four year €70 million master facilities loan agreement with Investec Bank plc to provide additional flexibility which expires in October 2024. This facility increases the Company's ability to acquire new assets prior to any fresh equity raise and will reduce the impact of cash drag on investment returns.

Details of how the Board and Investment Manager have sought to address environmental, social and governance matters across the portfolio are disclosed from page 57 onwards of the published Annual Report and financial statements for the year ended 31 December 2023.

The Company is just over six years old having been launched at the end of 2017. However, it is a long-term investor and the Board has established the necessary procedures and processes to promote the long-term success of the Company. The Board will continue to monitor, evaluate and seek to improve these processes as the Company grows, to ensure that the investment proposition is delivered to shareholders and other stakeholders in line with their expectations.

Future

With exception of the Strategic Review, many of the non-performance related matters likely to affect the Company in the future are common across all closed ended investment companies, such as the attractiveness of investment companies as investment vehicles, geopolitical tensions and the impact of regulatory changes. These factors need to be viewed alongside the outlook for the Company, both generally and specifically, in relation to the portfolio. The Board's view on the general outlook for the Company can be found in my Chairman's Statement whilst the Investment Manager's views on the outlook for the portfolio are included on page 37 of the published Annual Report and financial statements for the year ended 31 December 2023.

Tony Roper
Chairman
25 April 2024

Results

Financial Highlights

	31 December 2023	31 December 2022
Total assets (€'000)	693,892	817,783
Total equity shareholders' funds (net assets) (€'000)	384,928	489,977
Net asset value per share (cents)[1]	93.4	118.9
Net asset value per share (pence)[1]	81.2	105.4
Share price – (mid market) (pence)	61.6	68.5
Market capitalisation (£'000)	253,899	282,339
Discount to net asset value per share (%)[1]	(24.1)	(35.0)
Dividends and earnings		
Net asset value total return per share (EUR) (%)[1]	(17.1)	(3.8)
Dividends declared per share	4.23c (3.68p)	5.64c (4.80p)
Revenue reserves (€'000)	22,766	20,083
Loss (€'000)	(81,801)	(18,442)
Operating costs		
Ongoing charges ratio (excluding property costs) (%)[1]	1.6	1.3
Ongoing charges ratio (including property costs) (%)[1]	2.4	1.7

Performance (total return)

	Year ended 31 December 2023 %	Year ended 31 December 2022 %	Since Launch %
Share price (GBP)[1]	(3.5)	(38.3)	(18.1)
Net asset value (EUR)[1]	(17.1)	(3.8)	7.2

Dividends declared in respect of the Financial Year to 31 December 2023

	Dividend distribution GBP pence	Dividend distribution Euro cents equivalent[2]	Qualifying interest GBP pence	Qualifying interest Euro cents equivalent[2]	ex-dividend date	Record date	Pay date
First interim	0.94	1.08	0.29	0.33	01/06/2023	02/06/2023	23/06/2023
Second interim	1.11	1.28	0.11	0.13	31/08/2023	01/09/2023	22/09/2023
Third interim	0.86	0.98	0.37	0.43	30/11/2023	01/12/2013	29/12/2023
Fourth interim[3]	–	–	–	–	–	–	–
Total	**2.91**	**3.34**	**0.77**	**0.89**			

[1] Considered to be an Alternative Performance Measure (see Glossary on pages 161 to 165 of the published Annual Report and financial statements for the year ended 31 December 2023 for more information).
[2] The interim distributions are paid in GBP to shareholders on the register. However, shareholders are able to make an election to receive distributions in euros.
[3] On 19 February 2024, the Board announced that the Company would forego the fourth interim distribution for the quarter ended 31 December 2023, which historically has been declared in February and paid in March each year. This was to give maximum flexibility during the strategic review process.

Investment Manager's Review

Having joined the investment management team responsible for managing the Company's portfolio in October 2022, it is my pleasure on behalf of the entire fund management team to present my second Investment Manager's Review, covering the financial year ending in December 2023.

2023 Market Overview

Short-term fundamentals

The European logistics sector experienced a tougher year in terms of occupier fundamentals and leasing activity, while capital markets also remained quiet. Although inflation cooled to 2.6% in the Eurozone in February 2024, the higher interest rate environment and fiscal drag in the economy have weighed on economic growth and investor sentiment.

Borrowing costs remain high for investors and tenants are taking a more cautious approach to leasing. This has meant the market has been slower than anticipated in rebuilding momentum.

Logistics leasing demand, which has been strong in recent years, cooled in 2023, with total take up of 29 million square metres representing a 24% year on year decrease. Although this indicates a deceleration in the market in-line with slower economic growth, take up was still 9% above the long-term average. 2023 quarter-on-quarter take up did gather some momentum, however, with over 8 million square metres of take up recorded in Q4, which was just a 7% reduction on the same quarter in 2022. With 2022 delivering the second highest take up volume on record, the Q4 2023 outcome can be considered a positive sign for the leasing market. With H2 coming in 17% above the first half of 2023, the occupier market is carrying improving momentum into 2024.

Regionally, there was a clear trend with more mature and larger logistics markets seeing the sharpest slowdowns in 2023, while smaller, less mature markets such as Belgium, Ireland and Italy saw the most resilient leasing activity. However, this hides the fact that the largest markets typically had very strong years in 2021 and 2022, so some of the slowdown can be considered a natural transition back to more typical levels of long-term demand. The UK, Germany, Netherlands and Spain all saw take up drop year-on-year by more than 20%.

The type of demand is also shifting. In most markets, newer entrants such as Amazon have established their bulk inbound distribution hubs and regional fulfilment centres and are now switching to focus on efficiencies in their Local or "last mile" delivery stations in city fringe locations. This has also contributed to a lower level of overall take up, as demand has switched to smaller 10,000 to 40,000 square metre mid-box units, from the larger units in high demand in previous years. The largest deal ever recorded in Poland was signed in 2023, with a Chinese e-commerce operator taking 265,000 square metres of space.

A lack of modern, fit for purpose stock also remains a limiting factor for take up in good locations. With rents continuing to rise, leasing tensions in Europe's logistics hotspots are still evident. While vacancy rates increased over the course of 2023, rising by 205 basis points to an average of 5.4%, there is clear evidence that a slowdown in construction activity is having a stabilising influence, evidenced by an 11 basis points decline in Q4 2023, significantly below the average for the year.

The highest vacancy rates are in Poland, Spain and the UK, where rates are all in excess of 6%, while the tightest supply situations are found in Ireland, Denmark, Czech Republic and Netherlands. However, at the city level and in the most desirable fringe city locations, supply of good quality and modern logistics properties remains very low and competition between tenants is pushing up rents.

We can see this relationship when comparing rental growth with vacancy rates. As vacancy declined through the pandemic, rents gradually increased at a faster pace with a strong correlation between the two. However, during 2023, prime rental growth has continued to exceed inflation and at the same time vacancy rates have increased. This is because competition for modern best- in-class logistics facilities remains strong, while secondary buildings in weaker locations typically represent the bulk of the increasing supply in the market. It is important to differentiate between the vacancy of increasingly obsolete older warehousing stock and modern logistics facilities in high demand.

According to data from Savills, prime rents increased by 11% in 2023 on average, sustaining the same rate seen in 2022. However, there was a slowdown in Q4 2023 when rents increased by 1.5% during the quarter.

Looking ahead, the undersupply of modern logistics space in good locations across the supply chain means that cashflows should be increasingly resilient and strong income growth should persist. For European logistics, the milder recession expectation is supportive given the link between economic growth and logistics activity.

Long-term fundamentals

Supply chains continue to move through a period of exceptional structural change, backed by four key demand drivers.

- The Covid pandemic accelerated many aspects of de- globalisation, stress-tested existing distribution networks, and increased the need for companies to diversify their supply chains.
- e-commerce remains an incremental demand driver for the long-term, despite a slowdown in the growth rate; some pull back in growth was naturally due after the e-commerce boom during the pandemic where online sales penetration rates were artificially boosted by lockdowns.
- On-shoring has been an incrementally more important driver of demand over the last decade, but this has recently accelerated as a result of supply chain disruption through the Gulf of Aden and the Suez Canal. Rising tensions in the Middle East doubled international shipping costs in late 2023, resulting in supply chains re-routing goods. Volatility in variable costs, rising fixed costs and increased supply chain risks as well as broader de- globalisation pressures, are increasing supply chain diversification and the need to be closer to end users.
- Lastly, ESG and "net zero" considerations are beginning to play a clearer role in logistics performance, where tighter regulations from the European Union's Energy Efficiency Directive combined with valuation guidance from the RICS, will push tenants and investors to upgrade buildings to deliver more efficient performance. This will further widen the gap between future-fit assets and those facing obsolescence. When markets are undergoing a transformation, such as in logistics, the choice of asset quality in the right location and the future relevance of the building are increasingly critical factors.

A large proportion of European stock is no longer appropriate for today's logistics requirements and requires modernisation, especially as regulatory deadlines around energy efficiency approach. Current total supply growth of c.8% for 2023 is expected to slow to c.4% p.a. in 2024 and likely level off in the longer term, according to Green Street. Two of the key drivers of the expected limitations of new supply are increased financing and development costs. 2023 saw development economics deteriorate, with estimated profit margins halving to c.15%, driven by higher construction input costs (up 25% in 2022).

The ESG factor cannot be underestimated as a further constraining factor on future-fit logistics supply. In preparation for the net zero transition, the Research and Energy Committee of the European Parliament is finalising its position on the Energy Performance of Buildings Directive which seeks to make the EU building sector carbon neutral by 2050. However, we are seeing more significant retrofitting and energy improvement costs factored into cash flows and this is being accounted for in purchase prices or valuations. Polarisation between prime and secondary assets will amplify as limited new supply in most sectors becomes evident, while secondary and tertiary properties begin to be penalised.

Values and capital flows

Industrial rents have experienced strong growth over the last two years, an aspect of Europe that has lagged the UK and US markets. While yields have come under pressure from higher debt costs, some of this has been partially offset by rental growth or rent indexation built into many European lease contracts. 2023 gradually saw a stabilisation in logistics yields in Continental Europe, with the sector experiencing more resilience than other sectors such as offices and the lagging residential sector.

Investment values have declined as interest rates increased. Prime logistics yields had tightened to 3% or below in the most sought-after locations. This was no longer supportable as debt costs spiked and relative pricing against bonds weakened. However, given the fundamentals and strength of investor sentiment towards long-term structural demand drivers, when interest rates stabilise and commercial real estate begins to attract increased investment again, we believe that the logistics sector is well placed to recover lost performance over the short to medium term.

Capital flows into European logistics real estate have increased to now regularly reach roughly 20% of total investment, up from 10% in 2013. The volume of transactions closed in 2023 was unsurprisingly down from the record set in 2021, and 50% below the level reached in 2022. The largest markets continue to be Germany, France, The Netherlands and Spain. Where markets have seen the sharpest repricing (the UK, Netherlands, Germany and Nordics) we are starting to see investor demand return and values stabilise. In the UK, yields have shown some signs of tightening under increased investor competition, although it is too early to tell if this is the start of a new phase in the cycle.

Well diversified, liquid portfolio with strong urban profile

Fully aligned with the Manager's research and strategy teams, the Company continues to pursue its high conviction strategy focusing on the most 'liquid' and in-demand part of the European logistics market where both capital and rental growth expectations are highest. Urban logistics and mid-sized ('mid-box') warehouses are the areas of the market where supply / demand dynamics are the strongest and the potential tenant base the largest. A typical mid-box warehouse sits between 10,000 – 50,000 square metres in size and for urban logistics, often called the 'final touch in the supply chain', building sizes are generally smaller and located in close proximity to dense population centres for speedier deliveries.

With our focus on long-term, sustainable income, the future-proofing or 'second life' of our warehouses is an important consideration when acquiring any new assets. Building specifications we consider important, amongst others, are the eaves' height, floor-load capacity, number of loading doors, manoeuvrability around the building, power supply and increasingly important, a building's sustainability credentials.

Buildings positioned alongside main transport corridors, close to seaports, infrastructural nodes, or in the case of urban logistics, close to large population concentrations, are important criteria in analysing new acquisition opportunities.

The Company's focus is solely on Continental Europe, which provides a deep pool of potential acquisition targets and strong diversification options, limiting single market risk. A standard lease agreement on the Continent often includes full annual CPI indexation of rents, thereby providing a strong hedge against inflation which has become particularly relevant in today's inflationary environment. Despite recent upward pressure, our investment strategy continues to benefit from lower financing costs fixed with European banks. Finally, e-commerce penetration is still at an earlier stage on the Continent with strong growth forecast, creating an attractive investment backdrop. Statista also forecasts strong growth in online sales in the food sector as more tech conscious generations become earners and consumers.

Growth is expected to be strongest in the urban logistics sub sector, especially those assets located in dominant cities that have warehousing supply constraints and where demand is coming from different land uses, resulting in higher land costs and ultimately underpinning higher rents. Parcel delivery specialists are continuing to improve their services by reducing delivery times and thereby transportation costs. Operating a logistics warehouse in close proximity to their ultimate customer base is the best way to reduce their cost base with rental and building costs materially less impactful than transportation costs.

Approximately 50% of the Company's portfolio by value comprises urban logistics warehouses in locations such as Madrid, Frankfurt, Warsaw, Barcelona and Den Hoorn located in the Netherlands between the cities of The Hague and Rotterdam.

As at the Company's year-end, 16 out of the 26 warehouses held in the portfolio were newly developed at the point of purchase and have been constructed since 2018. The portfolio specifications are therefore very modern and in line with tenant requirements. The portfolio is well diversified and spread across five different countries. As at 31 December 2023, the Netherlands represented the largest geographic exposure in the portfolio by value (30.2%), followed by Spain (29.8%), France (15.7%), Poland (14.3%) and Germany (10.0%).

Asset Management Initiatives

2023 was a hugely challenging year with valuation declines witnessed across all geographies and sub-sectors. Despite sector re-pricing and a weakening of investor sentiment, the markets remained active for the right stock.

In all for the Company, we completed eight transactions covering 144,000 square metres of space, involving €8.2 million in annualised rent. This comprised six lease extensions, one sale, and agreeing terms committing to another which was completed post year end.

During the first quarter the Company agreed a 9.5 year lease renewal with Dachser France in La Creche, Niort. The new rent achieved a 3% uplift on the previous annual rent payable and significantly ahead of ERV, reflecting the tenant-critical nature of the asset. The strategic significance of the location and the continued upward pressure on real rents also supported the tenant agreeing to uncapped annual ILAT indexation, with the next uplift effective January 2025.

Also in Q1, the Company secured a new 12 year lease re-gear with Biocoop at its Avignon property, generating annual contracted rent of €2.5 million, again with full annual French ILAT indexation with no cap. The 'HQE Excellent' climate-controlled facility serves as a strategically important location for Biocoop, which operates a unique multi-professional cooperative model, supporting a network of over 570 organic stores promoting local production in order to limit transportation and support local economies. The asset also generates €165,000 per annum of additional income from rooftop solar panels.

In May, the Company completed a 5-year lease extension at its single-tenant warehouse in Ede, the Netherlands. The new extended lease with pharmaceutical retailer AS Watson (trading as Kruidvat) moved the expiry out from 2028 to July 2033 and provides for future upward- only indexation capped at 4% per annum.

There was steady leasing activity in Poland, with two lease extensions agreed in Krakow. A lease extension for 3 years was agreed with MaxFliz home interiors at their 8,842 sq m facility, moves the expiry out to July 2027, reflecting their ongoing commitment to the strong location supporting their future operations. Also in Krakow, Chef's Culinar agreed to a 3-year extension moving the expiry at their 1,339 sq m unit out to November 2026.

In Lodz, Poland, a lease extension was agreed, with EGT Logistics, moving the lease expiry at their 1,634 sq m facility out to March 2027.

In May, the Company announced the sale of its 32,645 sqm warehouse, in Leon, northern Spain for €18.5 million. The price reflected a premium to the Q4 2022 valuation and crystalised a 20% gross profit. The Company had acquired the asset, let previously to Decathlon, in 2018 for €15.3 million.

Post year-end 2023 the Company sold its vacant French asset at Meung sur Loire, which completed on 25 March 2024. The price represented a modest discount to the Q3 2023 valuation, with the proceeds being used to further strengthen the Company's balance sheet.

This was a good result in exiting an asset that would require substantial capex, especially with an eye to our net zero emissions target.

In Madrid, the Company is now carrying 7% of the portfolio void at Phase 1B Gavilanes (which was vacated in August 2023) as well as accounting for the void following the surrender of the units occupied by Arrival.

Despite continued efforts to secure both a surrender premium, which had previously been agreed with Arrival, and the outstanding rental payments for 2023, we were unable to reach a satisfactory conclusion. The Company previously noted

Arrival's announcement and SEC filing regarding bridge financing and in the continued absence of a satisfactory conclusion, legal proceedings to recoup monies owed continued. Off the back of good occupier interest in the properties, the Company has secured the surrender of the lease agreement with Arrival to take full possession of the units. Whilst it is extremely disappointing, the Company took the decision to take full control of the assets in order to maximise revenue going forward. Reflecting the ongoing demand for Grade-A, highly sustainable logistics space in Spain, a new lease has been agreed for 5,131 sqm of the space, at a rent 8.7% above the previous passing rent, with Spanish transportation company METHOD Advanced Logistics.

In October 2023 the Company announced that it had been awarded a maximum five stars in the 2023 Global Real Estate Sustainability Benchmark ('GRESB') awards, achieving first place in its peer group of diversified funds investing across Europe (European industrial: distribution warehouse). This was a welcome achievement and progressively increased scoring over 2021 and 2022.

Property portfolio as at 31 December 2023

Country	Location	Built	WAULT incl breaks (years)	WAULT excl breaks (years)	2023 % of Portfolio
France	Avignon	2018	10.7	10.7	7.9
France	Meung sur Loire	2004	–	–	2.8
France	Bordeaux	2005	5.1	8.1	1.8
France	Dijon	2004	6.0	9.0	1.4
France	Niort	2014	8.0	11.0	1.8
Germany	Erlensee	2018	4.2	4.2	6.0
Germany	Florsheim	2015	4.3	4.3	4.0
Netherlands	Den Hoorn	2020	6.3	6.3	7.2
Netherlands	Ede	1999/ 2005	9.7	9.7	4.1
Netherlands	Horst	2005	8.7	8.7	1.4
Netherlands	Oss	2019	10.5	10.5	2.4
Netherlands	's Heerenberg	2009/ 2011	8.0	8.0	4.4
Netherlands	Waddinxveen	1983/ 1994/ 2002/ 2018 /2022	9.9	9.9	6.2
Netherlands	Zeewolde	2019	10.5	10.5	4.5
Poland	Krakow	2018	2.6	2.6	4.8
Poland	Lodz	2020	4.5	4.5	4.8
Poland	Warsaw	2019	4.2	4.2	4.7
Spain	Barcelona	2019	2.5	5.5	2.7
Spain	Madrid – Coslada	1999	3.0	7.0	1.6
Spain	Madrid – Gavilanes 1A	2019	6.1	6.1	4.4
Spain	Madrid – Gavilanes 1B	2019	–	–	2.1
Spain	Madrid – Gavilanes 2A	2020	2.6	12.6	2.0
Spain	Madrid – Gavilanes 2B	2020	1.5	1.5	1.5
Spain	Madrid – Gavilanes 2C	2020	1.5	3.5	1.5
Spain	Madrid – Gavilanes 3A/B/C	2019	–	–	5.0
Spain	Madrid – Gavilanes 4	2022	13.3	23.3	9.0
TOTAL			**7.0**	**8.4**	**100.0**

A strong tenant base with inflation linked income

Our key objective remains the generation of long-term sustainable income streams in order to pay an attractive quarterly dividend.

2023 saw the Company collect 95% of total expected rent, with the shortfall attributable to Arrival. With more than 50 lease agreements, the portfolio has a diversified tenant base across different sectors. In addition to the regular interaction of our asset and property managers with our tenants, their covenant strength is monitored on a regular basis using a variety of data sources including Dun & Bradstreet.

In terms of exposure by segment, third party logistics providers ("3PLs") represent the largest at 37% of total portfolio rent. The 3PL market continues to be buoyant, particularly those businesses specialising in parcel deliveries; our exposure comprises DHL, which occupies our assets in Madrid and Warsaw and Dachser occupying three assets in Niort, Dijon and Bordeaux, France.

The combination of both DHL and Dachser France accounts for 9.4% of rental income in aggregate, across 5 units and 3 countries. Manufacturers (20%) and companies related to the food industry (19%) complete the top three. Food related companies such as supermarkets like Biocoop or Carrefour and traders in food such as Combilo and Limax all performed well during the pandemic. The retail exposure (8.3% of total rent) is accounted for by Netherlands based drugstore Kruidvat (part of the A.S Watson group) operating its e-commerce platform. The direct exposure to e-commerce (9.1% of total rent) is accounted for by the holding of the state-of-the-art, last mile Amazon facility at Gavilanes, Madrid. This is the largest asset in the portfolio by value.

Standard lease agreements on the Continent typically have annual CPI indexation of rent. This is not the standard in the UK. Having this annual inflation protection has proved beneficial with rising energy prices and supply chain issues driving inflation well into double digits in the Eurozone towards the end of 2022 and throughout 2023. 65% of the portfolio's current income has full CPI or ILAT indexation, which undoubtedly helped to grow 2023 income.

The Company's existing leases have an average length of 7.0 years including break options and 8.4 years excluding breaks to lease expiry.

Top 10 tenants based on current rents

	Tenant	Property	Contracted rent (€000 p.a.)	Contracted rent (%)	WAULT incl. breaks (years)	WAULT excl. breaks (years)
1	A.G. van der Helm	Den Hoorn	3,435	10.7%	6.3	6.3
2	Amazon	Madrid - Gavilanes 4	2,647	8.2%	13.3	23.3
3	Combilo International B.V.	Waddinxveen	2,228	6.9%	9.9	9.9
4	Biocoop	Avignon	2,177	6.8%	10.7	10.7
5	JCL Logistics Benelux B.V.	's Heerenberg	1,744	5.4%	8.0	8.0
7	Aalberts integrated piping systems B.V.	Zeewolde	1,706	5.3%	10.5	10.5
6	A.S. Watson	Ede	1,664	5.2%	9.7	9.7
8	DHL	Madrid - Coslada; Warsaw	1,558	4.8%	3.7	4.4
9	DACHSER France	Bordeaux; Niort; Dijon	1,481	4.6%	6.5	9.5
10	Primera Línea Logística, S.L.	Madrid - Gavilanes 1A	1,361	4.2%	6.1	6.1
	Subtotal		**20,001**	**62.1%**		
	Other tenants		12,177	37.9%		
	Portfolio as at 31 December 2023		**32,178**	**100.0%**	**7.0**	**8.4**

Excludes income from Arrival in Madrid 3 where lease was surrendered in February 2024.

Loan portfolio 31 December 2023

Country	Property	Lender	Loan (€million)	End date	Duration (years)	Fixed interest rate (incl margin)
Germany	Erlensee	DZ Hyp	17.8	January 2029	10	1.62%
Germany	Florsheim	DZ Hyp	12.4	January 2026	7	1.54%
France	Avignon + Meung sur Loire	BayernLB	33.0	February 2026	7	1.57%
Netherlands	Ede + Oss + Waddinxveen	Berlin Hyp	44.2	June 2025	6	1.35%
Netherlands	's Heerenberg	Berlin Hyp	11.0	June 2025	6	1.10%

Netherlands	Den Hoorn + Zeewolde	Berlin Hyp	43.2	January 2028	8	1.38%
Spain	Madrid Gavilanes 4 + Madrid Coslada + Barcelona	ING Bank	53.9	September 2025	3	3.11%
Spain	Madrid Gavilanes 1 + 2 + 3	ING Bank	44.0	July 2025	3	2.72%
Total			**259.5**			**2.00%**

Well diversified debt portfolio

During 2023 interest rates have remained high across the continent. The Company's debt from its European partner banks remains fixed in nature and secured on certain assets or groups of assets within the portfolio. These non-recourse loans, which include no parent company guarantees, range in maturities between 1.4 and 5.1 years with all-in interest rates ranging between 1.10% and 3.11% per annum. During the year €10.8 million was repaid following the sale of Leon in April 2023.

At the end of 2023, the Company´s fixed debt facilities totalled €259.5 million at an average all-in rate of 2.0% and with a loan-to-value of 38.7%, slightly above the long- term target of 35%. The Company´s secured fixed rate debt supports its investment objective with the earliest re-financing of debt required in mid-2025.

The Company arranged asset level fixed rate bank debt financings in those local markets where all-in loan costs were the lowest, such as Germany, the Netherlands, France and Spain with dedicated real estate banks that are active in this lending space. Stress testing on the existing financial covenants such as Interest Cover Ratios and Loan-To-Value (LTV) is conducted on a regular basis. In order to diversify risk, the loan facilities have also been cross-collateralised with groups of single-tenanted buildings or have diversified risk thanks to multi-tenanted leasing structures.

The Company also benefits from its revolving credit facility agreement with Investec Bank for the amount of €70 million which provides further flexibility for the acquisition of new properties and / or for the implementation of asset management initiatives. At the end of 2023 the revolving credit facility agreement with Investec Bank was undrawn. Within the facility, Investec also makes available a £3.3 million committed revolving credit facility which is carved out of the total €70 million limit of the facility. This facility sits at the parent company level and provides added flexibility.

Outlook

We believe Continental European logistics real estate is well placed to recover from a difficult market position due to the robust market fundamentals. Backed by the tailwinds of low vacancies and structural demand drivers, rental growth is expected to outperform historic averages and beat inflation in most European logistics hotspots. While lingering economic, political, and financial markets uncertainties may disrupt investment trends in the short- term, the favourable underlying trends including ongoing e-commerce penetration, onshoring and supply chain reconfiguration/modernisation should remain important drivers for the sector.

We continue to prefer fringe city locations where land supply is more constrained, and where tenant and investor demand is active. Good quality assets in these locations are hard to source for tenants due to low levels of new builds over the last ten years and low construction activity going forwards. The development pipeline is also constrained by rapidly rising financing costs, together with high construction and labour costs, planning difficulties and more stringent controls over sustainability and efficiency ratings of new schemes.

The immediate focus for us is to continue improving the earnings position, principally through letting up the vacant space in Spain and capturing the portfolio's attractive indexation characteristics.

abrdn's large and established local network and reputation provides a competitive advantage when sourcing deals and implementing initiatives. abrdn is one of Europe's largest real estate investors, managing approximately £43 billion of real estate, with over £15 billion of logistics assets across 12 countries. Its eight offices across Europe - London, Edinburgh, Frankfurt, Amsterdam, Madrid, Paris, Brussels and Copenhagen – employ over 300 abrdn real estate colleagues including portfolio managers, local transaction and asset managers and researchers.

We are starting to see signs of interest returning to the sector with increased investment activity in those markets that have already seen strong pricing correction, such as in the UK and the Netherlands. Various successful capital raises targeting the sector exclusively, or as part of multi-sector strategies, have recently been announced providing evidence in the longer-term conviction for the sector.

Troels Andersen

Fund Manager, abrdn

25 April 2024

Property portfolio as at 31 December 2023

	Property	Tenure	Principal Tenant	2023 valuation (€m)
1	France, Avignon	Freehold	Biocoop	50.4
2	France, Meung sur Loire	Freehold	Vacant	17.5
3	France, Dijon	Freehold	Dachser	8.7
4	France, Niort	Freehold	Dachser	11.4
5	France, Bordeaux	Freehold	Dachser	11.5
6	Germany, Erlensee	Freehold	Bergler	38.1
7	Germany, Flörsheim	Freehold	Ernst Schmitz	25.1
8	Poland, Krakow	Freehold	Lynka	30.2
9	Poland, Lodz	Freehold	Compal	30.5
10	Poland, Warsaw	Freehold	DHL	29.7
11	Spain, Barcelona	Freehold	Mediapost	16.8
12	Spain, Madrid – Coslada	Freehold	DHL	10.0
13	Spain, Madrid – Gavilanes 1A	Freehold	Talentum	28.4
14	Spain, Madrid – Gavilanes 1B	Freehold	Vacant	13.3
15	Spain, Madrid – Gavilanes 2A	Freehold	Carrefour	12.5
16	Spain, Madrid – Gavilanes 2B	Freehold	MCR	9.8
17	Spain, Madrid – Gavilanes 2C	Freehold	Servicios Empresariales Ader	9.6
18	Spain, Madrid – Gavilanes 3A/B/C	Freehold	Arrival[2]	31.5
19	Spain, Madrid – Gavilanes 4 (2 buildings)	Freehold	Amazon	57.1
20	Netherlands, Den Hoorn	Leasehold	Van der Helm	45.5
21	Netherlands, Ede	Freehold	AS Watson (Kruidvat)	25.9
22	Netherlands, Horst	Freehold	Limax	8.8
23	Netherlands, Oss	Freehold	Orangeworks	15.4
24	Netherlands, 's Heerenberg	Freehold	JCL Logistics	28.0
25	Netherlands, Waddinxveen	Freehold	Combilo International	39.5
26	Netherlands, Zeewolde	Freehold	VSH Fittings	28.6
Market Value as at 31 December 2023				**633.8**
Less operating lease incentives				**(4.5)**
Total market value less operating lease incentive debtor				**629.3**
Add IFRS 16 leasehold asset[1]				**24.4**
Total per Balance Sheet (Investment properties & Investment property held-for-sale)				**653.7**

Directors' Report

The Directors present their Report and the audited financial statements for the year ended 31 December 2023.

Results and Dividends

Details of the Company's results and dividends are shown on page 23 of the published Annual Report and financial statements for the year ended 31 December 2023. The dividend policy is disclosed in the Strategic Report on page 14 of the published Annual Report and financial statements for the year ended 31 December 2023.

Investment Trust Status

The Company was incorporated on 25 October 2017 (registered in England & Wales No. 11032222) and has been accepted by HM Revenue & Customs as an investment trust subject to the Company continuing to meet the relevant eligibility conditions of Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements of Part 2 Chapter 3 Statutory Instrument 2011/2999 for all financial periods commencing on or after 15 December 2017. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 December 2023 so as to enable it to comply with the ongoing requirements for investment trust status.

Individual Savings Accounts

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

Share Capital

The Company's capital structure is summarised in note 16 to the financial statements. At 31 December 2023, there were 412,174,356 fully paid Ordinary shares of 1p each in issue. During the year no Ordinary shares were purchased in the market for treasury or cancellation and no Ordinary shares were issued or sold from Treasury.

Voting Rights, Share Restrictions and Amendments to Articles of Association

Ordinary shareholders are entitled to vote on all resolutions which are proposed at general meetings of the Company. The Ordinary shares carry a right to receive dividends. On a winding up, after meeting the liabilities of the Company, the surplus assets will be paid to Ordinary shareholders in proportion to their shareholdings.

There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a takeover bid. In accordance with the Companies Act, amendments to the Company's Articles of Association may only be made by shareholders passing a special resolution in general meeting.

Borrowings

A full breakdown of the Company's loan facilities is provided in note 14 to the financial statements.

Management Agreement

Under the terms of a Management Agreement dated 17 November 2017 between the Company and the AIFM, abrdn Fund Managers Limited (and amended by way of side letters dated 25 May 2018, 22 February 2019 and 24 January 2023), the AIFM was appointed to act as alternative investment fund manager of the Company with responsibility for portfolio management and risk management of the Company's investments. Under the terms of the Management Agreement, the AIFM may delegate portfolio management functions to the Investment Manager and is entitled to an annual management fee together with reimbursement of all reasonable costs and expenses incurred by it and the Investment Manager in the performance of its duties.

Pursuant to the terms of the Management Agreement, the AIFM is entitled to receive a tiered annual management fee (the "Annual Management Fee") calculated by reference to the Net Asset Value (as calculated under IFRS) on the following basis:

- On such part of the Net asset value that is less than or equal to €1.25 billion, 0.75 per cent. per annum.
- On such part of the Net asset value that is more than €1.25 billion, 0.60 per cent. per annum.

The annual management fee is payable in Euros quarterly in arrears, save for any period which is less than a full calendar quarter.

The Company or the AIFM may terminate the Management Agreement by giving not less than 12 months' prior written notice.

The AIFM has also been appointed by the Company under the terms of the Management Agreement to provide day-to-day administration services to the Company and provide the general company secretarial functions required by the Companies Act. In this role, the AIFM will provide certain administrative services to the Company which includes reporting the Net Asset Value, bookkeeping and accounts preparation. Effective from March 2020 accounting and administration services undertaken on behalf of the Company have been delegated to Brown Brothers Harriman.

The AIFM has also delegated the provision of the general company secretarial services to abrdn Holdings Limited.

Risk Management

Details of the financial risk management policies and objectives relative to the use of financial instruments by the Company are set out in note 22 to the financial statements.

The Board

The current Directors, Ms Gulliver, Mr Heawood, Mr Roper and Ms Wilde were the only Directors who served during the year. With the exception of Ms Wilde who will be retiring from the Board at the conclusion of the Annual General Meeting, in accordance with the Articles of Association, each Director will retire from the Board at the Annual General Meeting convened for 24 June 2024 and, being eligible, will offer himself or herself for re-election to the Board. In accordance with Principle 23 of the AIC's 2019 Code of Corporate Governance, each Director will retire annually and submit themselves for re-election at the AGM.

The Board considers that there is a balance of skills and experience within the Board relevant to the leadership and direction of the Company and that all the Directors contribute effectively.

In common with most investment trusts, the Company has no employees. Directors' & Officers' liability insurance cover has been maintained throughout the year at the expense of the Company.

Board Diversity

As indicated in the Strategic Report, 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 takes account of the targets set out in the FCA's Listing Rules, which are set out below.

As an externally managed investment company, the Board employs no executive staff, and therefore does not have a chief executive officer (CEO) or a chief financial officer (CFO) - both of which are deemed senior board positions by the FCA. However, the Board considers the Chair of the Audit Committee to be a senior board position and the following disclosure is made on this basis. Other senior board positions recognised by the FCA are chair of the board and senior independent director (SID). In addition, the Board has resolved that the Company's year end date be the most appropriate date for disclosure purposes.

The following information has been voluntarily disclosed by each Director and is correct as at 31 December 2023. The Company has initiated a search for a new non executive Director although the process is currently on hold. Following completion of, and subject to the conclusions of, the Strategic Review which is currently ongoing, the Board expects that, the Company will aim to be in compliance with the recommendations of the Parker Review on diversity in the UK boardroom by June 2025.

Board as at 31 December 2023

	Number of Board Members	Percentage of the Board	Number of Senior Positions on the Board[3]
Men	2	50%	1
Women[1]	2	50%	2
Prefer not to say	-		-
White British or other White (including minority-white groups)	4	100%	3
Minority Ethnic[2]	-	-	0
Prefer not to say	-	-	-

[1] Meets target that at least 40% of Directors are women as set out in LR 9.8.6R (9)(a)(i).

[2] Does not currently meet target that at least one Director is from a minority ethnic background as set out in LR 9.8.6R (9)(a)(iii).
[3] Senior positions defined as Chair, Audit Chair and Senior Independent Director.

The Role of the Chairman and Senior Independent Director

The Chairman is responsible for providing effective leadership to the Board, by setting the tone of the Company, demonstrating objective judgement and promoting a culture of openness and debate. The Chairman facilitates the effective contribution, and encourages active engagement, by each Director. In conjunction with the Company Secretary, the Chairman ensures that Directors receive accurate, timely and clear information to assist them with effective decision- making. The Chairman 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 Chairman also engages with major shareholders offering annual review meetings and ensures that all Directors understand shareholder views.

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

Corporate Governance

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good governance and this statement describes how the Company has applied the principles identified in the UK Corporate Governance Code as published in July 2018 (the "UK Code"), which is available on the Financial Reporting Council's (the "FRC") website: frc.org.uk.

The Board has also considered the principles and provisions of the AIC Code of Corporate Governance as published in February 2019 (the "AIC Code"). The AIC Code addresses the principles and provisions set out in the UK Code, as well as setting out additional provisions on issues that are of specific relevance to the Company. The AIC Code is available on the AIC's website: **theaic.co.uk.**

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the FRC, provides more relevant information to shareholders. The full text of the Company's Corporate Governance Statement can be found on the Company's website: **eurologisticsincome.co.uk.**

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

The UK Code includes provisions relating to:

- interaction with the workforce (provisions 2, 5 and 6);
- the need for an internal audit function (provision 26);
- the role and responsibility of the chief executive (provisions 9 and 14);
- previous experience of the chairman of a remuneration committee (provision 32); and
- executive directors' remuneration (provisions 33 and 36 to 40).

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

During the year ended 31 December 2023, the Board had four scheduled meetings and over 14 other ad hoc Board meetings as well as numerous update calls. In addition, the Audit Committee met three times and there was one meeting of the Management Engagement Committee and one meeting of the Nomination Committee. Between meetings the Board maintains regular contact with the Investment Manager. The Directors have attended the following scheduled Board meetings and Committee meetings during the year ended 31 December 2023 (with their eligibility to attend the relevant meeting in brackets):

Director	Board	Audit Committee	MEC	Nomination
T Roper[1]	4 (4)	N/A	1 (1)	2 (2)
C Gulliver	4 (4)	3 (3)	1 (1)	2 (2)
D Wilde	4 (4)	3 (3)	1 (1)	2 (2)
J Heawood	4 (4)	3 (3)	1 (1)	2 (2)

[1] Mr Roper is not a member of the Audit Committee but attended all meetings by invitation.

Policy on Tenure

The Board's policy on tenure is that Directors need not serve on the Board for a limited period of time only. The Board does not consider that the length of service of a Director is as important as the contribution he or she has to make, and therefore the length of service will be determined on a case-by-case basis. However, in accordance with corporate governance best practice and the future need to refresh the Board over time, it is currently expected that Directors will not typically serve on the Board beyond the Annual General Meeting following the ninth anniversary of their appointment.

Board Committees

Audit Committee

The Audit Committee Report is on pages 95 to 97 of the published Annual Report and financial statements for the year ended 31 December 2023.

Nomination Committee

All appointments to the Board of Directors are considered by the Nomination Committee which, due to the relatively small size of the Board, comprises all of the Directors and is chaired by the Chairman of the Company. The Nomination Committee advises the Board on succession planning, bearing in mind the balance of skills, knowledge and experience existing on the Board, and will make recommendations to the Board in this regard. The Nomination Committee also advises the Board on its balance of relevant skills, experience and length of service of the Directors serving on the Board. The Board's overriding priority when appointing new Directors in the future will be to identify the candidate with the best range of skills and experience to complement existing Directors. The Board recognises the benefits of diversity and its policy on diversity is disclosed in the Strategic Report and also on page 83 of the published Annual Report and financial statements for the year ended 31 December 2023.

The Committee has put in place the necessary procedures to conduct, on an annual basis, an appraisal of the Chairman of the Board, Directors' individual self evaluation and a performance evaluation of the Board as a whole and its Committees. In 2023 the Board conducted an evaluation based upon completed questionnaires covering the Board, individual Directors, the Chairman and the Audit Committee Chairman. The Chairman then met each Director individually to review their responses whilst the Senior Independent Director met with the Chairman to review his performance.

In accordance with Principle 23 of the AIC's Code of Corporate Governance which recommends that all directors of investment companies should be subject to annual re-election by shareholders, all the members of the Board with the exception of Ms Wilde, will retire at the forthcoming Annual General Meeting and will offer themselves for re-election. As part of the Board's succession planning, Ms Wilde will be retiring from the Board at the conclusion of the Annual General Meeting. In conjunction with the evaluation feedback, the Committee has reviewed each of the proposed reappointments and concluded that each of the Directors has the requisite high level and range of business and financial experience and recommends their re-election at the forthcoming AGM. Details of the contributions provided by each Director during the year are disclosed on pages 80 and 81 of the published Annual Report and financial statements for the year ended 31 December 2023.

The Board has initiated the search for a new independent non executive Director but the process is on hold whilst the strategic review is concluded. Succession planning will be considered again once the result of the review is known.

Management Engagement Committee

The Management Engagement Committee comprises all of the Directors and is chaired by Mr Heawood.

The Committee reviews the performance of the Manager and Investment Manager and its compliance with the terms of the management and secretarial agreement. The terms and conditions of the Manager's appointment, including an evaluation of fees, are reviewed by the Committee on an annual basis. Based upon the competitive management fee and expertise of the Manager, the Committee believes that the continuing appointment of the Manager on the terms agreed is in the interests of shareholders as a whole. The Committee also at least annually reviews the Company's relationships with its other service providers. These reviews aim to ensure that services being offered meet the requirements and needs of the Company, provide value for money and performance is in line with the expectations of stakeholders.

Remuneration Committee

Under the FCA Listing Rules, where an investment trust has only non-executive directors, the Code principles relating to directors' remuneration do not apply. Accordingly, matters relating to remuneration are dealt with by the full Board, which acts as the Remuneration Committee.

The Company's remuneration policy is to set remuneration at a level to attract individuals of a calibre appropriate to the Company's future development. Further information on remuneration is disclosed in the Directors' Remuneration Report on pages 91 to 93 of the published Annual Report and financial statements for the year ended 31 December 2023.

Terms of Reference

The terms of reference of all the Board Committees may be found on the Company's website **eurologisticsincome.co.uk** and copies are available from the Company Secretary upon request. The terms of reference are reviewed and re-assessed by the relevant Board Committee for their adequacy on an annual basis.

Going Concern

In accordance with the Financial Reporting Council's guidance the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern. The Board has set limits for borrowing and regularly reviews the level of any gearing, cash flow projections and compliance with banking covenants.

The Directors are mindful of the principal risks and uncertainties disclosed above and the Viability Statement on page 20 of the published Annual Report and financial statements for the year ended 31 December 2023 and have reviewed forecasts detailing revenue and liabilities and they believe that the Company has adequate financial resources to continue its operational existence for the foreseeable future and at least 12 months from the date of this Annual Report.

In coming to this conclusion, the Board has also considered the impact of geopolitical and economic turbulence on the Company's and its investments. The Investment Manager is in contact with tenants and third party suppliers and continues to have a constructive dialogue with all parties. A range of scenarios have been modelled looking at possible impact to cash flows in the short to medium term and this is kept under regular review.

While the Company is obliged under its articles to hold a continuation vote at the 2024 AGM, the Directors do not believe this should automatically trigger the adoption of a basis other than going concern in line with the Association of Investment Companies ("AIC") Statement of Recommended Practice ("SORP") which states that it is usually more appropriate to prepare financial statements on a going concern basis unless a continuation vote has already been triggered and shareholders have voted against continuation.

On 27 November 2023, the Board announced that it was undertaking a Strategic Review. The Board is considering all options available to the Company. There is no certainty that any changes will result from the Strategic Review and, for the avoidance of doubt, a continuation of the Company's current investment strategy with a rebased target dividend level is a potential outcome of the Strategic Review. The matters referred to above indicate existence of material uncertainty. Nevertheless, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements. Additional details about going concern are disclosed in note 1(a).

Management of Conflicts of Interest

The Board has a procedure in place to deal with a situation where a Director has a conflict of interest. As part of this process, the Directors prepare a list of other positions held and all other conflict situations that may need to be authorised either in relation to the Director concerned or his/her connected persons. The Board considers each Director's situation and decides on any course of action required to be taken if there is a conflict, taking into consideration what is in the best interests of the Company 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 that will need authorising by the Board. Authorisations given by the Board are reviewed at each Board meeting.

No Director has a service contract with the Company although Directors are issued with letters of appointment upon appointment. No Director had any interest in contracts with the Company during the year or subsequently.

The Board has adopted appropriate procedures designed to prevent bribery. The Company receives periodic reports from its service providers on the anti-bribery policies of these third parties. It also receives regular compliance reports from the Manager.

The Criminal Finances Act 2017 introduced the corporate criminal offence of "failing to take reasonable steps to prevent the facilitation of tax evasion". The Board has confirmed that it is the Company's policy to conduct all of its business in an honest and ethical manner. The Board takes a zero-tolerance approach to the facilitation of tax evasion, whether under UK law or under the law of any foreign country.

Accountability and Audit

The respective responsibilities of the Directors and the auditor in connection with the financial statements are set out on pages 94 and 105 of the published Annual Report and financial statements for the year ended 31 December 2023 respectively.

Each Director confirms that:

- so far as he or she is aware, there is no relevant audit information of which the Company's auditor is unaware; and,
- each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Additionally there have been no important events since the year end that impact this Annual Report.

The Directors have reviewed the level of non-audit services provided by the independent auditor during the year amounting to £nil (2022: £20,000 in respect of the production of a Supplementary Prospectus) and remain satisfied that the auditor's objectivity and independence is being safeguarded.

Independent Auditor

The auditor, KPMG LLP, has indicated its willingness to remain in office. The Directors will place a resolution before the Annual General Meeting to re-appoint KPMG LLP as auditor for the ensuing year, and to authorise the Directors to determine its remuneration.

Internal Control

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness and confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the year under review and up to the date of approval of this Annual Report and financial statements. It is regularly reviewed by the Board and accords with the FRC Guidance.

The Board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed the process for identifying and evaluating the significant risks affecting the Company and policies by which these risks are managed.

The Directors have delegated the investment management of the Company's assets to members of the abrdn Group within overall guidelines, and this embraces implementation of the system of internal control, including financial, operational and compliance controls and risk management. Internal control systems are monitored and supported by the abrdn Group's internal audit function which undertakes periodic examination of business processes, including compliance with the terms of the management agreement, and ensures that recommendations to improve controls are implemented.

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

The significant risks faced by the Company have been identified as being strategic; investment and asset management; financial; regulatory; and operational.

The key components of the process designed by the Directors to provide effective internal control are outlined below:

- the AIFM prepares forecasts and management accounts which allows the Board to assess the Company's activities and review its performance;
- the Board and AIFM have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board and there are meetings with the AIFM and Investment Manager as appropriate;
- as a matter of course the AIFM's compliance department continually reviews abrdn's operations and reports to the Board on a six monthly basis;
- written agreements are in place which specifically define the roles and responsibilities of the AIFM and other third party service providers and, where relevant, ISAE3402 Reports, a global assurance standard for reporting on internal controls for service organisations, or their equivalents are reviewed;
- the Board has considered the need for an internal audit function but, because of the compliance and internal control systems in place within abrdn, has decided to place reliance on the Manager's systems and internal audit procedures. At its April 2024 meeting, the Audit Committee carried out an annual assessment of internal controls for the year ended 31 December 2023 by considering documentation from the AIFM and the Depositary, including the internal audit and compliance functions and taking account of events since 31 December 2023. The results of the assessment, that internal controls are satisfactory, were then reported to the Board at the subsequent Board meeting.

Internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against mis-statement and loss.

Substantial Interests

The Board has been advised that the following shareholders owned 3% or more of the issued Ordinary share capital of the Company at 31 December 2023 (based upon 412,174,356 shares in issue):

Fund Manager	Shares at 31-Dec-2023	% at 31-Dec-2023
East Riding of Yorkshire	33,000,000	8.0

RBC Brewin Dolphin Ireland	29,494,068	7.2
Quilter Cheviot Investment Management	25,053,097	6.1
BlackRock	22,762,321	5.5
Investec Wealth & Investment	21,545,349	5.2
Hargreaves Lansdown, stockbrokers (EO)	18,562,445	4.5
RBC Brewin Dolphin, stockbrokers	16,494,252	4.0
Canaccord Genuity Wealth Management (Retail)	13,730,263	3.3
Interactive Investor (EO)	12,453,748	3.0

On 2 April 2024, Asset Value Investors Limited notified the Company that its total holding of Ordinary shares was 24,732,890 representing 6.0% of the issued class of capital. Save as disclosed, there have been no significant changes notified in respect of the above holdings between 31 December 2023 and 25 April 2024.

Relations with Shareholders

The Directors place a great deal of importance on communication with shareholders. The Annual Report will be widely distributed to other parties who have an interest in the Company's performance. Shareholders and investors may obtain up to date information on the Company through the freephone information service shown under Investor Information and on the Company's website **eurologisticsincome.co.uk.**

abrdn Holdings Limited (aHL) has been appointed Company Secretary to the Company. Whilst aHL is a wholly owned subsidiary of the abrdn Group, there is a clear separation of roles between the Manager and Company Secretary with different board compositions and different reporting lines in place. The Board notes that, in accordance with Market Abuse Regulations, procedures are in place to control the dissemination of information within the abrdn plc group of companies when necessary. Where correspondence addressed to the Board is received there is full disclosure to the Board. This is kept confidential if the subject matter of the correspondence requires confidentiality.

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

The Notice of the Annual General Meeting, included within the Annual Report and financial statements, is sent out at least 20 working days in advance of the meeting. In normal circumstances, all Shareholders have the opportunity to put questions to the Board or the Investment Manager, either formally at the Company's Annual General Meeting or at the subsequent buffet luncheon for Shareholders. Shareholders are, however, invited to send any questions for the Board and/or the Investment Manager on the Annual Report by email to **European.Logistics@abrdn.com.** The Company Secretary is available to answer general shareholder queries at any time throughout the year.

Annual General Meeting

The Annual General Meeting will be held on 24 June 2024 at the offices of FTI Consulting, 200 Aldersgate, Aldersgate Street London, EC1A 4HD at 9:00 a.m. In addition to the usual resolutions the following matters will be proposed at the AGM:

Special Business Directors' Authority to Allot Relevant Securities

Approval is sought in Resolution 9, an ordinary resolution, to renew the Directors' existing general power to allot shares but will also provide a further authority (subject to certain limits) to grant rights to subscribe for or to convert any security into shares under a fully pre-emptive rights issue. The effect of Resolution 9 is to authorise the Directors to allot up to a maximum of 272,035,075 shares in total (representing approximately 66% (as at the latest practicable date before publication of this Annual Report) of the existing issued share capital of the Company), of which a maximum of 136,017,537 shares (approximately 33% (as at the latest practicable date before publication of this Annual Report) of the existing issued share capital of the Company) may only be applied other than to fully pre-emptive rights issues. This authority is renewable annually and will expire at the conclusion of the next Annual General Meeting in 2025, or 30 June 2025, whichever is earlier. The Directors do not have any immediate intention to utilise this authority.

Special Business Disapplication of Pre-emption Rights

Resolution 10 is a special resolution that seeks to renew the Directors' existing authority until the conclusion of the next Annual General Meeting to make limited allotments of shares for cash of up to a maximum of 41,217,435 shares representing 10% of the issued share capital (as at the latest practicable date before publication of this Annual Report) other than according to the statutory pre-emption rights which require all shares issued for cash to be offered first to all existing shareholders.

This authority includes the ability to sell shares that have been held in treasury (if any), having previously been bought back by the Company. The Board has established guidelines for treasury shares and will only consider buying in shares for treasury at a discount to their prevailing NAV and selling them from treasury at or above the then prevailing NAV.

New shares issued in accordance with the authority sought in Resolution 10 will always be issued at a premium to the NAV per Ordinary share at the time of issue. The Board will issue new Ordinary shares or sell Ordinary shares from treasury for cash when it is appropriate to do so, in accordance with its current policy. It is therefore possible that the issued share capital of the Company may change between the date of this document and the Annual General Meeting and therefore the authority sought will be in respect of 10% of the issued share capital as at the date of the Annual General Meeting rather than the date of this document. This authority is renewable annually and will expire at the conclusion of the Annual General Meeting in 2025 or 30 June 2025, whichever is earlier.

Special Business Purchase of the Company's Shares

Resolution 11 is a special resolution proposing to renew the Directors' authority to make market purchases of the Company's shares in accordance with the provisions contained in the Companies Act 2006 and the Listing Rules of the Financial Conduct Authority. The minimum price to be paid per Ordinary share by the Company will not be less than £0.01 per share (being the nominal value) and the maximum price should not be more than the higher of (i) an amount equal to 5% above the average of the middle market quotations for an Ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Ordinary share is contracted to be purchased; and (ii) the higher of the price of the last independent trade and the current highest independent bid on the trading venue where the purchase is carried out.

The Directors do not intend to use this authority to purchase the Company's Ordinary shares unless to do so would result in an increase in NAV per share and would be in the interests of Shareholders generally. The authority sought will be in respect of 14.99% of the issued share capital as at the date of the Annual General Meeting rather than the date of this document.

The Company's shares have traded at a premium to NAV per share for the majority of the life of the Company since its launch, and therefore the Company has not bought back any shares for treasury or cancellation. However, the Board is very aware of the current wide share price discount to NAV and regularly monitors this. The Directors view buybacks as a very useful tool for seeking to assist in the management of the liquidity of the Company shares which could be used in the future as one of a number of methods to address imbalances of supply and demand which, arithmetically, can cause discounts to NAV per share. Shares bought back would be purchased at a discount to the prevailing NAV per share and the result would be accretive to the NAV for all on-going shareholders.

The authority being sought will expire at the conclusion of the Annual General Meeting in 2025 or 30 June 2025, whichever is earlier unless it is renewed before that date. Any Ordinary shares purchased in this way will either be cancelled and the number of Ordinary shares will be reduced accordingly or under the authority granted in Resolution 10 above, may be held in treasury.

If Resolutions 9 to 11 are passed then an announcement will be made on the date of the Annual General Meeting which will detail the exact number of Ordinary shares to which each of these authorities relates.

These powers will give the Directors additional flexibility going forward and the Board considers that it will be in the interests of the Company that such powers be available. Such powers will only be implemented when, in the view of the Directors, to do so will be to the benefit of Shareholders as a whole.

Special Business Notice of Meetings

Resolution 12 is a special resolution seeking to authorise the Directors to call general meetings of the Company (other than Annual General Meetings) on 14 days' clear notice. This approval will be effective until the Company's Annual General Meeting in 2025 or 30 June 2025 whichever is earlier. In order to utilise this shorter notice period, the Company is required to ensure that Shareholders are able to vote electronically at the general meeting called on such short notice. The Directors confirm that, in the event that a general meeting is called, they will give as much notice as practicable and will only utilise the authority granted by Resolution 12 in limited and time sensitive circumstances.

Special Business Continuation of Company

In accordance with Article 163.2 the Directors are required to propose an ordinary resolution that the Company continue its business as presently constituted (the "**Continuation Resolution**") at the sixth annual general meeting of the Company and every third annual general meeting thereafter. Accordingly, Resolution 13 is an ordinary resolution proposing that the Company continue its business as presently constituted. With the Strategic Review still ongoing, the Board recommends that shareholders vote in favour of the Company's continuation to ensure that the review can be completed properly and the best outcome for shareholders delivered. It is the Board's current expectation that the result of the Strategic Review will be announced ahead of the AGM, so shareholders should have the benefit of a clear picture of the proposed way forward by the time that they are asked to vote. Should the Board not be in a position to communicate the outcome (or likely outcome) of the Strategic Review ahead of the AGM, the Board would ensure that shareholders were provided with the opportunity to vote on the future direction of the Company as and when the Review was completed (unless the proposed course of action arising from the Strategic Review in and of itself required a shareholder vote).

If the Continuation Resolution is not passed, the Articles require the Directors to cease further investment, the properties in the Company's portfolio to be sold in an orderly fashion as market demand appears and the net funds, determined by the Directors as available for distribution, to be distributed to Shareholders.

Dividend Policy

As a result of the timing of the payment of the Company's quarterly dividends, the Company's Shareholders are unable to approve a final dividend each year. In line with good corporate governance, the Board therefore proposes to put the Company's dividend policy to Shareholders for approval at the Annual General Meeting and on an annual basis.

Resolution 13 is an ordinary resolution to approve the Company's dividend policy. The Company's dividend policy shall be that dividends on the Ordinary shares are payable quarterly in relation to periods ending March, June, September and December and the last dividend referable to a financial year end will not be categorised as a final dividend that is subject to Shareholder approval. It is intended that the Company will pay quarterly dividends consistent with the expected annual underlying portfolio yield. The Company has the flexibility in accordance with its Articles to make distributions from capital.

Shareholders should note that references to "dividends" are intended to cover both dividend income and income which is designated as an interest distribution for UK tax purposes and therefore subject to the interest streaming regime applicable to investment trusts.

Recommendation

Your Board considers Resolutions 9 to 13 to be in the best interests of the Company and its members as a whole and most likely to promote the success of the Company for the benefit of its members as a whole. Accordingly, your Board unanimously recommends that Shareholders should vote in favour of all Resolutions to be proposed at the AGM, as they intend to do in respect of their own beneficial shareholdings amounting to 347,187 Ordinary shares.

By order of the Board

abrdn Holdings Limited - Company Secretaries and Registered Office
280 Bishopsgate London EC2M 4AG

25 April 2024

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the parent Company financial statements, state whether applicable UK accounting standards
- have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report/Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board
Tony Roper
25 April 2024

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	Notes	Year ended 31 December 2023 Revenue €'000	Year ended 31 December 2023 Capital €'000	Year ended 31 December 2023 Total €'000	Year ended 31 December 2022 Revenue €'000	Year ended 31 December 2022 Capital €'000	Year ended 31 December 2022 Total €'000
REVENUE							
Rental income	2	33,435	–	33,435	29,686	–	29,686
Property service charge income		8,095	–	8,095	6,237	–	6,237
Other operating income		540	–	540	676	–	676
Total revenue		**42,070**	**–**	**42,070**	**36,599**	**–**	**36,599**
GAINS/(LOSSES) ON INVESTMENTS							
Gains on disposal of investment properties	9	–	133	133	–	–	–
Change in fair value of investment properties	9	–	(106,878)	(106,878)	–	(40,432)	(40,432)
Total income and gains / (losses) on investments		**42,070**	**(106,745)**	**(64,675)**	**36,599**	**(40,432)**	**(3,833)**
EXPENDITURE							
Investment management fee		(3,193)	–	(3,193)	(3,953)	–	(3,953)
Direct property expenses		(3,155)	–	(3,155)	(2,276)	–	(2,276)
Property service charge expenditure		(8,095)	–	(8,095)	(6,237)	–	(6,237)
SPV property management fees		(232)	–	(232)	(255)	–	(255)
Impairment loss on trade receivables		(1,237)	–	(1,237)	(225)	–	(225)
Other expenses	3	(3,583)	–	(3,583)	(2,797)	–	(2,797)
Total expenditure		(19,495)	–	(19,495)	(15,743)	–	(15,743)
Net operating return / (loss) before finance costs		**22,575**	**(106,745)**	**(84,170)**	**20,856**	**(40,432)**	**(19,576)**
FINANCE COSTS							
Finance costs	4	(8,002)	(110)	(8,112)	(5,676)	–	(5,676)
Gains arising from the derecognition of derivative financial instruments		–	313	313	–	–	–
Effect of fair value adjustments on derivative financial instruments		–	(1,706)	(1,706)	–	3,600	3,600
Effect of foreign exchange differences		(67)	(146)	(213)	(115)	461	346
Net return before taxation		14,506	(108,394)	(93,888)	15,065	(36,371)	(21,306)
Taxation	5	(1,327)	13,414	12,087	(1,029)	3,893	2,864
Net return for the year		**13,179**	**(94,980)**	**(81,801)**	**14,036**	**(32,478)**	**(18,442)**
Total comprehensive return / (loss) for the year		**13,179**	**(94,980)**	**(81,801)**	**14,036**	**(32,478)**	**(18,442)**
Basic and diluted earnings per share	7	**3.2¢**	**(23.0¢)**	**(19.8¢)**	**3.4¢**	**(7.9¢)**	**(4.5¢)**

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

The total column of the Consolidated Statement of Comprehensive Income is the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year.

Consolidated Balance Sheet

As at 31 December 2023

	Notes	As at 31 December 2023 €'000	As at 31 December 2022 €'000
NON-CURRENT ASSETS			
Investment properties	9	636,187	776,616
Deferred tax asset	5	4,896	3,754
Total non-current assets		**641,083**	**780,370**
CURRENT ASSETS			
Investment property held for sale	9	17,500	–
Trade and other receivables	10	14,682	12,570
Cash and cash equivalents	11	18,061	20,262
Other assets		876	687
Derivative financial assets	15	1,690	3,894
Total current assets		**52,809**	**37,413**
Total assets		**693,892**	**817,783**
CURRENT LIABILITIES			
Lease liability	12	659	550
Trade and other payables	13	16,353	15,006
Derivative financial instruments	15	–	185
Total current liabilities		**17,012**	**15,741**
NON-CURRENT LIABILITIES			
Bank loans	14	256,524	265,532
Lease liability	12	23,694	22,087
Deferred tax liability	5	11,734	24,446
Total non-current liabilities		**291,952**	**312,065**
Total liabilities		**308,964**	**327,806**
Net assets		**384,928**	**489,977**
SHARE CAPITAL AND RESERVES			
Share capital	16	4,717	4,717
Share premium	17	269,546	269,546
Special distributable reserve	18	152,099	164,851
Capital reserve	19	(64,200)	30,780
Revenue reserve		22,766	20,083
Equity shareholders' funds		**384,928**	**489,977**
Net asset value per share (cents)	**8**	**93.4**	**118.9**

The financial statements on pages 106 to 148 of the published Annual Report and financial statements for the year ended 31 December 2023 were approved and authorised for issue by the Board of Directors on 25 April 2024 and signed on its behalf by:

Caroline Gulliver
Independent Non-Executive Director

Company number: 11032222.
The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Notes	Share capital €'000	Share premium €'000	Special distributable reserve €'000	Capital reserve €'000	Revenue reserve €'000	Total €'000
Balance at 31 December 2022		4,717	269,546	164,851	30,780	20,083	489,977
Total comprehensive return for the year		–	–	–	(94,980)	13,179	(81,801)
Dividends paid	6	–	–	(12,752)	–	(10,496)	(23,248)
Balance at 31 December 2023		**4,717**	**269,546**	**152,099**	**(64,200)**	**22,766**	**384,928**

For the year ended 31 December 2022

	Notes	Share capital €'000	Share premium €'000	Special distributable reserve €'000	Capital reserve €'000	Revenue reserve €'000	Total €'000
Balance at 31 December 2021		4,309	225,792	178,207	63,258	15,939	487,505
Share Issue	16/17	408	44,513	–	–	–	44,921
Share issue costs	17	–	(759)	–	–	–	(759)
Total comprehensive return for the year		–	–	–	(32,478)	14,036	(18,442)
Dividends paid	6	–	–	(13,356)	–	(9,892)	(23,248)
Balance at 31 December 2022		**4,717**	**269,546**	**164,851**	**30,780**	**20,083**	**489,977**

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

Consolidated Statement of Cash Flows

For the period ended 31 December 2023

	Notes	Year ended 31 December 2023 €'000	Year ended 31 December 2022 €'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net return for the year before taxation		(93,888)	(21,306)
Adjustments for:			
Change in fair value of investment properties		106,878	40,432
Gains on disposal of investment properties		(133)	-
(Increase)/decrease in lease liability		272	267
(Increase)/Decrease in trade and other receivables		(2,300)	4,964
Increase/(Decrease) in trade and other payables		10	(1,554)
Change in fair value of derivative financial instruments		1,706	(3,600)
Result arising from the derecognition of derivative financial instruments		(313)	-
Finance costs	4	8,112	5,676
Tax paid		(1,092)	(1,070)
Cash generated by operations		19,252	23,809
Net cash inflow from operating activities		**19,252**	**23,809**
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure and cost of disposal		(898)	(133,523)
Disposal of investment properties		18,500	-
Net cash inflow/ (outflow) from investing activities		**17,602**	**(133,523)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	6	(23,248)	(23,248)
Bank loans interest paid		(5,202)	(3,050)
Early termination fees		(110)	-
Bank loans drawn		-	154,547
Bank loans repaid	14	(10,808)	(65,692)
Proceeds from derivative financial instruments	14	313	-
Proceeds from share issue	16/17	-	44,898
Issue costs relating to share issue	17	-	(759)
Net cash (outflow)/ inflow from financing activities		**(39,055)**	**106,696**
Net decrease in cash and cash equivalents		**(2,201)**	**(3,018)**
Opening balance 31 December 2022		**20,262**	**23,280**
Closing cash and cash equivalents		**18,061**	**20,262**
REPRESENTED BY			
Cash at bank	**11**	**18,061**	**20,262**

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

Notes to the Financial Statements

1. Accounting policies

The consolidated financial statements of the Group for the year ended 31 December 2023 comprise the results of abrdn European Logistics Income plc and its subsidiaries. The principal accounting policies adopted by the Group are set out below, all of which have been applied consistently throughout the year.

(a) Basis of accounting

The consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards ("UK-adopted IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee ('IASC') that remain in effect, and to the extent that they have been adopted by the United Kingdom, and the Listing Rules of the UK Listing Authority.

The consolidated financial statements of the Group have been prepared under the historical cost convention as modified by the measurement of investment property, investment property held for sale, and derivative financial instruments at fair value. The consolidated financial statements are presented in Euro.

In compliance with the AIC's Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts (Issued November 2014 and updated in October 2019 with consequential amendments), the consolidated statement of comprehensive income is separated between capital and revenue profits and losses.

Going Concern

Following the announcement on 27th November 2023 and as at the date of approval of the annual report, the Board is undertaking a strategic review of the options available to the Company (the "Strategic Review").

The Board is considering all options that offer maximum value for the shareholders including, but not limited to, undertaking some form of consolidation, combination, merger, or comparable corporate action, selling the entire issued share capital of the Company, and selling the Company's portfolio and returning monies to shareholders. In addition, the Company is required under its articles to hold a continuation vote at its forthcoming AGM in June 2024. The Board has recommended that shareholders vote in favour of the continuation of the Company to enable the Board to pursue a sensible conclusion in seeking the best value for all shareholders.

The Company has received a number of indicative non-binding proposals. There can be no certainty at this stage that the final terms of any proposal will prove to be sufficiently attractive to merit a Board recommendation to the Company's shareholders. A continuation of the Company's current investment strategy with a rebased target dividend level can be a potential outcome of the Strategic Review.

The Company has prepared cash flow forecasts, including severe but plausible downside scenarios taking into account specific tenant risks. The cash flow forecasts assumed a continuation of the Company's current investment strategy with a rebased target dividend level. The scenarios model reduced rental income through to 2024 and the worst case scenario models to an overall 40% reduction of rental income per annum over that period. The impact of reductions in rental income and increased costs in these scenarios could be mitigated through a reduction in dividends to shareholders if considered necessary by the Board.

The Group and Company meets its longer term funding and working capital requirements through a combination of cash balances, rental income and a number of bank loans with different banks.

The Group ended the year with €18.1 million cash in hand, with the Company's €70 million master revolving credit facility undrawn, €3.3m of which is committed and available on request to cover any short term liquidity gaps.

As detailed in note 14, there are currently eight bank facilities, none of which are due to expire before June 2025. Under the terms of the debt agreements, each debt obligation is "ring fenced" within a sub-group of property holding companies. These non-recourse loans range in maturities between 1.5 and 5.1 years with all-in interest rates ranging between 1.10% and 3.11% per annum. All debts have a fixed rate or fixed rate nature by entering into interest rate SWAPs and caps to manage exposure to potential interest rate fluctuations.

The permitted loan-to-value ratios in the debt arrangements as at 31 December 2023 are between 45% and 60% (soft breach limits). The "hard breach" loan-to-value ratio covenants which give the lenders to right to exercise their security are between 55% and 65%.

If the lenders were to adopt the valuations carried out for the purposes of these financial statements as at 31 December 2023, the ratios would be between 39% and 64%. For the year ended 31 December 2023, there were no breaches of loan-to-value ratio covenants. Based on the most recent covenant submissions to lenders, there is one facility with less than 5% headroom to soft breach. The Directors believe the liquidity within the Group and €70m revolving credit facility could be used for partial repayment of the loan in the event of a breach of LTV limits on this facility.

The permitted interest coverage ratios in the debt arrangements as at 31 December 2023 are between 200% and 300%. The "hard breach" interest coverage ratio covenants, which give the lenders to right to exercise their security are between 200% and 300%.

The latest calculated interest coverage ratios were between 236% and 1291%. For the year ended 31 December 2023, there were no breach of interest coverage ratios. Based on the most recent covenant submissions to lenders, there is one facility with ICR headroom of less than 50%. Due to the property being let to multiple tenants on long leases, the likelihood of further reduction in ICR on this loan is limited.

The Board recognises the 24% share price discount to NAV, as at 31 December 2023 (35% as at 31 December 2022). The valuation of investment property is the main driver of the NAV, and was determined by Savills as independent valuer. The Board is satisfied that the valuation exercise was performed in accordance with RICS Valuation – Global Standards. As such, the Board has full confidence in the level of the NAV disclosed in the financial statements at the reporting date.

The ongoing Russian invasion of Ukraine has not materially impacted the Group's portfolio. The Group has no assets or exposure to Russia or Ukraine but the potential impact of contagion in the European and Global economy could, however, impact the Group through a reduction in rental income, reduction in investment property valuation and increased costs. The Directors note that the real estate values have continued to decline in 2023 and in the event that the real estate market deteriorates and valuations fall further, certain loan-to-value ratio levels would rise closer to permitted ratio levels. However, the Directors consider this will have no impact on the Group's ability to continue as a going concern because:

- The Directors consider that in most cases there is sufficient or good headroom on covenant ratios.
- The Group has a substantial cash balance, with the ability to increase those amounts further with certain mitigating actions.
- The Group has substantial unsecured properties.
- The Parent Company is not itself a party to any of the debt contracts (in any capacity including as borrower, guarantor or security provider). The lenders would therefore not, in any event, have any recourse to the ultimate parent under the debt contracts.

While the Company cannot predict the outcome of the above matters, based on the financial forecasts prepared the Directors believe it remains appropriate to prepare the financial statements on a going concern basis.

Nevertheless, the ongoing Strategic Review referred to above indicates the existence of a material uncertainty related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern and that the Group and Company may therefore be unable to realise their assets and discharge their liabilities in the normal course of business. The financial statements do not include any adjustments that would be necessary if this basis were inappropriate.

New and revised standards and interpretations issued in the current year

The accounting policies adopted have been consistently applied throughout the year presented, unless otherwise stated. This includes the below noted Standards, Interpretations and annual improvements to IFRS that became effective during the year, which the group has incorporated in the preparation of the financial statements:

Annual Improvements to IFRS Standards 2018-2020 (effective 1 January 2023):

IFRS 17 Insurance Contracts - This standard replaced IFRS 4, which permitted a wide variety of practices in accounting for insurance contracts. IFRS 17 fundamentally changes the accounting by all entities that issue insurance contracts.

IAS 1 and IFRS Practice Statement 2 - The amendments aim to help entities provide accounting policy disclosures that are more useful by:

a) Replacing the requirement for entities to disclose their 'significant accounting policies' with a requirement to disclose 'material accounting policy information', and
b) adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

IAS 8 - The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction. These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

IAS 12 - International tax reform. These amendments give companies temporary relief from accounting for deferred taxes arising from the Minimum Tax Implementation Handbook international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

The Group has made no adjustments to its financial statements following the above amendments and hence these are not discussed further.

Standards and Interpretations issued by IASB but not adopted by the United Kingdom and not yet effective:

Amendment to IFRS 16 – Leases on sale and leaseback. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

Amendment to IAS 1 – Non-current liabilities with covenants. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendment to IAS 7 and IFRS 7 - Supplier finance. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

Amendments to IAS 21 - Lack of Exchangeability. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

The Group has not adopted any of these early and none are expected to have a material impact on the financial statements of the Group.

(b) Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires the directors to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements and contingent liabilities. However, uncertainty about these judgements, 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.

Key estimation uncertainties

Fair value of investment properties: Investment property is stated at fair value as at the balance sheet date as set out in note 9 to these financial statements.

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from the assets, estimated inflation, market rents, discount, capitalisation rates, estimated rental value and net initial and net equivalent property yields. The estimate of future cash flows includes consideration of the repair and condition of the property, lease terms, future lease events, as well as other relevant factors for the particular asset.

These estimates are based on local market conditions existing at the balance sheet date.

(c) Basis of consolidation

The consolidated financial statements comprise the accounts of the Company and its subsidiaries drawn up to 31 December 2023. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The Group acquires subsidiaries that own real estate properties. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made with regard to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the Group (e.g. maintenance, cleaning, security, bookkeeping, and the like).

The significance of any process is judged with reference to the guidance in IAS 40 on ancillary services. When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

(d) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Company and its subsidiaries operate ("the functional currency") which in the judgement of the Directors is Euro. The financial statements are also presented in Euro. All figures in the consolidated financial statements are rounded to the nearest thousand unless otherwise stated.

(e) Foreign currency

Transactions denominated in foreign currencies are converted at the exchange rate ruling at the date of the transaction. Monetary and non-monetary assets and liabilities denominated in foreign currencies held at the financial year end are translated using the foreign exchange rate ruling at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss to capital or revenue in the Consolidated Statement of Comprehensive Income as appropriate. Foreign exchange movements on investments are included in the Consolidated Statement of Comprehensive Income within gains on investments.

(f) Revenue recognition

Rental income, including the effect of lease incentives, arising from operating leases (including those containing fixed rent increases) is recognised on a straight line basis over the lease term.

Service charge income represents the charge to tenants for services the Group is obliged to provide under lease agreements. This income is recorded gross within Income on the basis the Group is acting as principal, with any corresponding cost shown within expenses.

Interest income is accounted for on an effective interest rate basis.

(g) Expenses

All expenses, including the management fee, are accounted for on an accruals basis and are recorded through the revenue column of the Consolidated Statement of Comprehensive Income. Gains or losses on investment properties are recorded in the capital column.

(h) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax is defined as the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Where corporation tax arises in subsidiaries, these amounts are charged to the Consolidated Statement of Comprehensive Income. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the balance sheet in the countries where the Group operates.

The Manager periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The carrying values of the Group's investment properties are assumed to be realised by sale at the end of use. The capital gains tax rate applied is that which would apply on a direct sale of the property recorded in the Consolidated Balance Sheet regardless of whether the Group would structure the sale via the disposal of the subsidiary holding the asset, to which a different tax rate may apply. The deferred tax is then calculated based on the respective temporary differences and tax consequences arising from recovery through sale, and accounted for through the capital reserve.

(i) Investment properties

Investment properties are initially recognised at cost, being the fair value of consideration given, including transaction costs associated with the investment property. Any subsequent capital expenditure incurred in improving investment properties is capitalised in the year during which the expenditure is incurred.

After initial recognition, investment properties are measured at fair value, with the movement in fair value recognised in the Consolidated Statement of Comprehensive Income and transferred to the Capital Reserve. Fair value is based on the external valuation provided by Savills (2022: Savills), chartered surveyors, at the balance sheet date undertaken in accordance with the RICS Valuation – Global Standards 2023, (Red Book), published by the Royal Institution of Chartered Surveyors. The assessed fair value is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments.

On derecognition, gains and losses on disposals of investment properties are recognised in the Consolidated Statement of Comprehensive Income.

Investment Property held for sale

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year. On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss.

(j) Distributions

Interim distributions payable to the holders of equity shares are recognised in the Statement of Changes in Equity in the year in which they are paid. An annual shareholder resolution is voted upon to approve the Group's distribution policy.

(k) Lease contracts

Operating lease contracts – the Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for leases as operating leases.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Operating and finance lease contracts - the Group as intermediate lessor

When the Group is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. The Group assesses all leases where it acts as an intermediate lessor, based on an evaluation of the terms and conditions of the arrangements.

Any head leases identified as finance leases are capitalised at the lease commencement present value of the minimum lease payments discounted at an applicable discount rate as a right-of-use asset and leasehold liability.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the Statement of Comprehensive Income over the lease period.

(l) Share issue expenses

Incremental external costs directly attributable to the issue of shares that would otherwise have been avoided are written off to share premium.

(m) Segmental reporting

The Group is engaged in property investment in Europe. Operating results are analysed on a geographic basis by country. In accordance with IFRS 8 'Operating Segments', financial information on business segments is presented in note 20 of the Consolidated financial statements.

(n) 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.

(o) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the Consolidated Statement of Comprehensive Income.

Financial assets

Financial assets are measured at amortised cost, financial assets 'at fair value through profit or loss' (FVTPL), or financial assets 'at fair value through other comprehensive income' (FVOCI). The classification is based on the business model in which the financial asset is managed and its contractual cash flow characteristics.
All purchases and sales of financial assets are recognised on the trade date basis.

Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables (including trade and other receivables, and others) are subsequently measured at amortised cost using the effective interest method, less any impairment. The Group holds the trade receivables with the objective to collect the contractual cash flows.

Impairment of financial assets

The Group's financial assets are subject to the expected credit loss model. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected loss rates are based on the payment profiles of tenants over a period of twelve months before the measurement date, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the liability of the tenants to settle the receivable.

Such forward-looking information would include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties. The Group's financial assets are subject to the expected credit loss model. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected loss rates are based on the payment profiles of tenants over a period of twelve months before the measurement date, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the liability of the tenants to settle the receivable.

Such forward-looking information would include:

- changes in economic, regulatory, technological and environmental factors, (such as industry outlook, GDP, employment and politics);
- external market indicators; and
- tenant base.

Financial liabilities

Financial liabilities are classified as 'other financial liabilities'.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(p) Derivative financial instruments

The Company used forward foreign exchange contracts to mitigate potential volatility of income returns and to provide greater certainty as to the level of Sterling distributions expected to be paid in respect of the year covered by the relevant currency hedging instrument. It does not seek to provide a long-term hedge for the Company's income returns, which will continue to be affected by movements in the Euro/Sterling exchange rate over the longer term.

The Company used interest rate SWAPs and interest rate caps to mitigate potential volatility in interest rates and income returns. Derivatives are measured at fair value calculated by reference to forward exchange rates for contracts with similar maturity profiles. Changes in the fair value of derivatives are recognised in the Statement of Comprehensive Income.

(q) Reserves

Share capital

This represents the proceeds from issuing Ordinary shares and is non-distributable.

Share premium

Share premium represents the excess consideration received over the par value of Ordinary shares issued and is classified as equity and is non-distributable. Incremental costs directly attributable to the issue of Ordinary shares are recognised as a deduction from share premium.

Special distributable reserve

The special reserve is a distributable reserve to be used for all purposes permitted by applicable legislation and practice, including the buyback of shares and the payment of dividends.

Capital reserve

The capital reserve is a distributable reserve subject to applicable legislation and practice, and the following are accounted for in this reserve:

- gains and losses on the disposal of investment properties;
- increases and decreases in the fair value of investment properties held at the year end, which are not distributable.

Revenue reserve

The revenue reserve is a distributable reserve and reflects any surplus arising from the net return on ordinary activities after taxation.

2. Rental Income

	Year ended 31 December 2023 €'000	Year ended 31 December 2022 €'000
Rental income	33,435	29,686
Total rental income	**33,435**	**29,686**

Included within rental income is amortisation of rent free periods granted.

3. Expenditure

	Year ended 31 December 2023 €'000	Year ended 31 December 2022 €'000
Professional fees	2,438	1,880
Audit fee for statutory services	412	317
Directors' fees	193	186
Depositary fees	122	44
Registrar fees	47	52
Stock exchange fees	37	20
Broker fees	93	54
Directors liability insurance expense	26	10
Employers NI	15	15
Other expenses	200	219
Total expenses	**3,583**	**2,797**

Audit fee for statutory services includes parent audit fee of £253,000 (2022: £220,000) and subsidiary audit fee of €24,100 (2022: €12,000).

Non-audit services' fees incurred in 2023 were £ nil (2022: £20,000 included in share issue costs).

4. Finance costs

	Year ended 31 December 2023 €'000	Year ended 31 December 2022 €'000
Interest on bank loans	5,478	4,262
Amortisation of loan costs	2,129	730
Other finance charges	395	684
Early loan repayment cost	110	-
Total finance costs	**8,112**	**5,676**

The early loan repayment costs of €110,000 relate to costs for repayment of loan following the sale of a warehouse in Leon during the year. This cost is classified as capital in the Consolidated Statement of Comprehensive Income.

5. Taxation

The Company is resident in the United Kingdom for tax purposes. The Company is approved by HMRC as an investment trust under sections 1158 and 1159 of the Corporation Tax Act 2010. In respect of each accounting year for which the Company continues to be approved by HMRC as an investment trust the Company will be exempt from UK taxation on its capital gains. The Company is, however, liable to UK Corporation tax on its income. The Company is able to elect to take advantage of modified UK tax treatment in respect of its "qualifying interest income" for an accounting year referred to as the "streaming" regime. Under regulations made pursuant to the Finance Act 2009, the Company may, if it so chooses, designate as an "interest distribution" all or part of the amount it distributes to Shareholders as dividends, to the extent that it has "qualifying interest income" for the accounting year. Were the Company to designate any dividend it pays in this manner, it would be able to deduct such interest distributions from its income in calculating its taxable profit for the relevant accounting year. The Company should in practice be exempt from UK corporation tax on dividend income received, provided that such dividends (whether from UK or non-UK companies) fall within one of the "exempt classes" in Part 9A of the CTA 2010. The Corporate tax rate increased from 19% to 25% on 1 April 2023.

(a) Tax charge in the Group Statement of Comprehensive Income

	Year ended 31 December 2023			Year ended 31 December 2022		
	Revenue €'000	Capital €'000	Total €'000	Revenue €'000	Capital €'000	Total €'000
Current taxation:						
Overseas taxation	1,327	440	1,767	1,029	–	1,029
Deferred taxation:						
Overseas taxation	–	(13,854)	(13,854)	–	(3,893)	(3,893)
Total taxation	**1,327**	**(13,414)**	**(12,087)**	**1,029**	**(3,893)**	**(2,864)**

Current taxation of €440,000 relates to tax paid on disposal of investment property.

Reconciliation between the tax charge and the product of accounting profit/(loss) multiplied by the applicable tax rate for the year ended 31 December 2023.

	Year ended 31 December 2023			Year ended 31 December 2022		
	Revenue €'000	Capital €'000	Total €'000	Revenue €'000	Capital €'000	Total €'000
Net result before taxation	14,506	(108,394)	(93,888)	15,065	(36,371)	(21,306)
Theoretical tax at UK corporation tax blended rate of 23.52% (19% to 1 April 2023 and 25% from 1 April 2023)	3,413	(25,495)	(22,082)	2,862	(6,910)	(4,048)
Effect of:						
Losses where no deferred taxes have been recognised	–	13,535	13,535	–	3,171	3,171
Impact of different tax rates on foreign jurisdictions	(1,460)	(1,855)	(3,315)	(1,090)	–	(1,090)
Expenses that are not deductible / income that is not taxable	459	401	860	151	(154)	(3)
Impact of UK interest distributions from the Investment Trust	(1,085)	–	(1,085)	(894)	–	(894)
Total taxation on return	**1,327**	**(13,414)**	**(12,087)**	**1,029**	**(3,893)**	**(2,864)**

(b) Tax in the Group Balance Sheet

	2023 €'000	2022 €'000
Deferred tax assets:		
On overseas tax losses	4,740	3,384
On other temporary differences	156	370
Total taxation on return	**4,896**	**3,754**

	2023 €'000	2022 €'000

Deferred tax liabilities:		
Differences between tax and derivative valuation	422	973
Differences between tax and property valuation	11,312	23,473
Total taxation on return	**11,734**	**24,446**

The Corporate tax rate increased from 19% to 25% on 1 April 2023.

The amount of unutilised tax losses and tax credits for which no deferred tax asset is recognised in the Profit & Loss account was €nil (2022: €nil).

No deferred tax asset has been recognised (2022: nil) on estimated UK tax losses.

The Group has subsidiaries in France, Germany, Netherlands, Poland and Spain. There are no changes to tax rates in each country expected to have a material impact on the Group.

Tax losses for which deferred tax asset was recognised expire as follows:

	2023			2022		
	Tax losses carried forward €'000	Deferred tax asset €'000	Expiry date	Tax losses carried forward €'000	Deferred tax asset €'000	Expiry date
Expire	2,645	563	2024-2027	2,564	432	2023-2027
Never expire	16,828	4,177	–	12,130	2,952	–
Total	**19,473**	**4,740**		**14,694**	**3,384**	

6. Dividends

	Year ended 31 December 2023 €'000	Year ended 31 December 2022 €'000
2022 Fourth Interim dividend of 1.41c /1.20p per share paid 24 March 2023 (2021 Fourth Interim: 1.41c /1.21p)	5,812	5,812
2023 First Interim dividend of 1.41c/1.23p per share paid 23 June 2023 (2022 First Interim: 1.41c /1.19p)	5,812	5,812
2023 Second Interim dividend of 1.41c/1.22p per share paid 22 September 2023 (2022 Second interim: 1.41c/1.20p)	5,812	5,812
2023 Third Interim dividend of 1.41c/1.23p per share paid 29 December 2023 (2022 Third interim: 1.41c/1.20p)	5,812	5,812
Total dividends paid	**23,248**	**23,248**

On 19 February 2024 the Board announced that the Company would forego payment of the fourth interim distribution for the quarter ended 31 December 2023, which has historically been declared in February and paid in March each year.

7. Earnings per share (Basic and Diluted)

	Year ended 31 December 2023	Year ended 31 December 2022
Revenue net return attributable to Ordinary shareholders (€'000)	13,179	14,036
Weighted average number of shares in issue during the year	412,174,356	408,956,423
Total revenue return per ordinary share	**3.2¢**	**3.4¢**

Capital return attributable to Ordinary shareholders (€'000)	(94,980)	(32,478)
Weighted average number of shares in issue during the year	412,174,356	408,956,423
Total capital return per ordinary share	**(23.0¢)**	**(7.9¢)**
Total return per ordinary share	**(19.8¢)**	**(4.5¢)**

Earnings per share is calculated on the revenue and capital loss for the year (before other comprehensive income) and is calculated using the weighted average number of shares in the period of 412,174,356 shares (2022: 408,956,423 shares).

8. Net asset value per share

	2023	2022
Net assets attributable to shareholders (€'000)	384,928	489,977
Number of shares in issue at 31 December	412,174,356	412,174,356
Net asset value per share	**93.4¢**	**118.9¢**

9. Investment properties

	2023 €'000	2022 €'000
Opening carrying value	776,616	683,878
Purchase at cost	–	128,278
Acquisition costs, disposal costs and capital expenditure	329	4,892
Proceeds from disposal of investment property	(18,500)	–
Realised gain on disposal	133	–
Right of use asset reassessment	1,988	–
Valuation losses	(106,935)	(40,304)
Movements in lease incentives	328	180
Decrease in leasehold liability	(272)	(308)
Transfer to Investment property held for sale	(17,500)	–
Total carrying value at 31 December	**636,187**	**776,616**

On 3 May 2023 the Company announced the sale of a warehouse, in Leon, Northern Spain, for €18,500,000 which generated a realised gain on disposal of €133,000.

The Meung-Sur-Loire warehouse in France was classified as held of sale as at 31 December 2023 and was valued at €17.5m (2022: €22.1m). The asset was disposed of on 25 March 2024.

Valuation methodology

The Investment Manager appoints a suitable valuer (such appointment is reviewed on a periodic basis) to undertake a valuation of all the direct real estate investments on a quarterly basis. The valuation is undertaken in accordance with the RICS Valuation – Global Standards ('Red Book Global Standards') effective from 31 January 2022, published by the Royal Institution of Chartered Surveyors.

Valuations were performed by Savills (2022: Savills), an accredited independent valuer with a recognised and relevant professional qualification. The valuer has sufficient current local and national knowledge of the particular property markets involved and has the skills and understanding to undertake the valuations competently.

The Investment Manager meets with the valuer on a quarterly basis to ensure the valuer is aware of all relevant information for the valuation and any change in the investments over the quarter. The Investment Manager then reviews and discusses draft valuations with the valuer to ensure correct factual assumptions are made prior to the valuer issuing a final valuation report. Where known, the property valuer takes account of deleterious materials included in the construction of the investment properties in arriving at its estimate of fair value when the Investment Manager advises of the presence of such materials. The majority of the leases are on a full repairing and insurance basis and as such the Group is not liable for costs in respect of repairs or maintenance to its investment properties.

The fair value of investment property is determined using either the discounted cash flow or traditional method. Choice of methodology for a particular jurisdiction is determined by the valuers independently, based on local market practices. Both valuation methodologies are in accordance with RICS guidelines and used in determining the fair value of investment properties.

Discounted cash flow methodology is based on the future annual net cash flow over a hold period of 10 years. The calculation of fair value using this method includes:

- Present value of the cashflow generated through the future net operating income from the investment property over the hold period.
- Present value of the exit value (sale price) at the end of the 10-year hold period.

The rate used to calculate the present value of cashflow is the Discount Rate. The rate used to calculate the exit value at the end of hold period is called the Capitalisation Rate (exit cap rate). Fair value is calculated using rates that the valuer considers appropriate for the specific investment property.

The traditional method requires an assessment of rental value (the market rent) and a market-based yield. The yield can be simply defined as the annual return on investment expressed as a percentage of capital value. The traditional method can reflect income streams which are under-rented and over-rented by incorporating risk within the yield choice (i.e., an all risks yield) and by structuring the calculation appropriately, for example a term and reversion for under-rented income streams and a hardcore and top-slice for over-rented income streams. This will require the valuer to reflect risk in each element of the calculation, e.g., increasing the yield above the market in the top-slice to reflect the added risk of an above market rent being paid for a specified period, or reducing the yield in the term to reflect that a below market rent is being paid until the reversion is due. These 'traditional' approaches are typically referred to as being growth implicit, meaning that rental growth is built into the choice of yield and not explicitly modelled within the calculation.

As at 31 December 2023 and 31 December 2022 the German, French, Polish and Spanish assets were valued using the discounted cash flow method, and Netherlands properties using the traditional method. The fair value of investment properties amounted to €633,806,000 (2022: €758,719,000).

The difference between the fair value and the value per the Consolidated Balance Sheet at 31 December 2023 consists of adjustments for the asset held for sale of €17.5million in Meung sur Loire, and for lease incentive assets and the Den Hoorn lease liability separately recognised in the balance sheet of €4,472,000 and €24,353,000 respectively (2022: €4,740,000 and €22,637,000). Further details of the Den Hoorn lease are disclosed in note 12.

The following disclosure is provided in relation to the adoption of IFRS 13 Fair Value Measurement. All properties are deemed Level 3 for the purposes of fair value measurement and the current use of each property is considered the highest and best use.

Country and sector	Fair Value 2023 €'000	Fair Value 2022 €'000	Valuation techniques	Key Unobservable inputs	Range (weighted average) 2023	Range (weighted average) 2022
Netherlands - Logistics	191,700	227,800	Traditional Method	ERV	€578,180 - €3,242,079 (€2,192,655)	€561,744 - €2,942,598 (€2,014,129)
				Equivalent yield	4.58% - 5.65% (4.98%)	3.70% - 4.71% (4.15%)
Germany - Logistics	63,200	68,170	Discounted Cash Flow	Capitalisation rate	4.60% - 4.65% (4.63%)	4.10% - 4.25% (4.16%)
				Discount rate	5.60% - 6.10% (5.80%)	4.95% - 5.20% (5.05%)
				ERV	€1,486,034 - €2,088,971 (€1,849,513)	€1,282,212 - €1,874,346 (€1,644,685)
France - Logistics	99,380	107,390	Discounted Cash Flow	Capitalisation rate	4.50% - 5.25% (4.75%)	3.50% - 4.30% (4.08%)
				Discount rate	6.00% - 8.00% (6.45%)	4.65% - 7.30% (5.90%)
				ERV	€430,900 - €2,590,794 (€1,704,072)	€430,900 - €2,016,869 (€1,380,297)
Poland - Logistics	90,390	93,600	Discounted Cash Flow	Capitalisation rate	6.10% - 6.50% (6.28%)	5.30% - 5.70% (5.48%)
				Discount rate	7.65% - 8.05% (7.80%)	6.80% - 7.35% (7.03%)
				ERV	€1,843,811 - €2,099,948 (€1,955,779)	€1,620,954 - €1,852,180 (€1,709,416)
Spain - Logistics	189,136	261,759	Discounted Cash Flow	Capitalisation rate	4.75% - 5.00% (4.89%)	3.75% - 6.00% (4.11%)
				Discount rate	6.25% - 7.50% (6.78%)	4.75% - 8.50% (5.53%)

		ERV	€486,749 - €2,568,852 (€1,546,589)	€464,624 - €2,568,852 (€1,503,010)

Sensitivity analysis

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

All non-current assets other than financial instruments, deferred tax assets and trade receivables are non-UK based.

Country and sector	Assumption	Movement	Effect on Valuation 2023 €'000	Effect on Valuation 2022 €'000
Netherlands - Logistics	Equivalent Yield	+100 basis points Equivalent Yield	(32,613)	(46,058)
		-100 basis points Equivalent Yield	49,116	73,665
	ERV	-10% ERV	(14,444)	(15,937)
		+10% ERV	14,571	15,691
Germany - Logistics France - Logistics Poland - Logistics Spain - Logistics	Capitalisation	+100 basis points	(46,886)	(67,483)
		-100 basis points	70,530	109,982
	Discount	+100 basis points	(32,213)	(39,516)
		-100 basis points	35,405	43,556
	ERV	-10% ERV	(25,854)	(17,454)
		+10% ERV	22,978	15,248

10.Trade and other receivables

	2023 €'000	2022 €'000
Trade debtors	11,197	8,070
Bad debt provisions	(1,821)	(634)
Lease incentives	4,472	4,740
Tax receivables	562	39
VAT receivable	270	270
Other receivables	2	85
Total receivables	**14,682**	**12,570**

Lease incentives include accrued income resulting from the spreading of lease incentives and/or minimum lease payments over the term of the lease. A proportion of this balance relates to period over 12 months.

The ageing of trade debtors is as follows:

	2023 €'000	2022 €'000
Less than 6 months	9,433	7,584
Between 6 & 12 months	1,493	486
Over 12 months	271	-
Total receivables	**11,197**	**8,070**

11.Cash and cash equivalents

	2023 €'000	2022 €'000
Cash at bank	18,061	20,262

Total cash and cash equivalents	**18,061**	**20,262**

12. Leasehold liability

	2023 €'000	2022 €'000
Maturity analysis - contractual undiscounted cash flows		
Less than one year	659	550
One to two years	659	550
Two to three years	659	550
Three to four years	659	550
Four to five years	659	550
More than five years	26,218	25,065
Total undiscounted lease liabilities	**29,513**	**27,815**
Lease liability included in the statement of financial position		
Current	659	550
Non - Current	23,694	22,087
Total lease liability included in the statement of financial position	**24,353**	**22,637**

On 15 January 2020 the Group acquired a logistics warehouse in Den Hoorn. The property is located on land owned by the local municipality and leased to the Group on a perpetual basis. The Group reserves the option to acquire the freehold ownership on 1 July 2044 for the total sum of €15,983,000. The annual ground lease payments amount to €659,000 per annum, the present value of these future payments (assuming the option to acquire the freehold is exercised) being €24,353,000 as at 31 December 2023.

13. Trade and other payables

	2023 €'000	2022 €'000
Trade payables	4,729	2,354
Tenant deposits	4,008	3,853
Rental income received in advance	3,994	4,035
VAT payable	1,172	1,221
Accruals	1,681	1,534
Management fee payable	729	1,937
Accrued acquisition and development costs	40	72
Total payables	**16,353**	**15,006**

14. Bank loans

	2023 €'000	2022 €'000
Bank borrowing drawn	259,462	270,270
Loan issue costs paid	(6,384)	(6,055)
Accumulated amortisation of loan issue costs	3,446	1,317
Total bank loans	**256,524**	**265,532**

	2023 €'000	2022 €'000
Maturity less than 1 year	–	–
Maturity above 1 year	256,524	265,532
Total receivables	**256,524**	**265,532**

The above loans are secured on the following properties on a non-recourse basis.

Country	Property	Lender	Loan (€'000)	Start date	End date	Fixed interest rate (including margin)
Germany	Erlensee	DZ Hyp	17,800	20/02/2019	31/01/2029	1.62%
Germany	Flörsheim	DZ Hyp	12,400	18/02/2019	30/01/2026	1.54%
France	Avignon + Meung Sur Loire	BayernLB	33,000	12/02/2019	12/02/2026	1.57%
Netherlands	Ede + Oss + Waddinxveen	Berlin Hyp	44,200	06/06/2019	06/06/2025	1.35%
Netherlands	's Heerenberg	Berlin Hyp	11,000	27/06/2019	27/06/2025	1.10%
Netherlands	Den Hoorn + Zeewolde	Berlin Hyp	43,200	15/01/2020	14/01/2028	1.38%
Spain	Madrid Gavilanes 4 + Madrid Coslada + Barcelona	ING Bank	53,862	26/09/2022	26/09/2025	3.11%
Spain	Madrid Gavilanes 1 + 2 + 3	ING Bank	44,000	07/07/2022	07/07/2025	2.72%
			259,462			**2.00%**

Reconciliation of movements of liabilities to cash flows arising from financing activities.

	Bank borrowings €'000	Bank interest €'000	Financial Derivatives €'000	Total €'000
Balance at 1 January 2023	265,532	–	3,709	269,241
Cash flow from financing activities:				
Bank loans interest repaid	–	(5,202)	–	(5,202)
Bank loans repaid	(10,808)	–	–	(10,808)
Non-cash movement:				
Amortisation of capitalised borrowing costs	2,129	–	–	2,129
Capitalised borrowing costs	(329)	–	–	(329)
Termination of derivative financial instruments	–	–	(313)	(313)
Changes in fair value of financial instruments	–	–	(1,706)	(1,706)
Change in creditors for loan interest payable	–	5,218	–	5,218
Balance at 31 December 2023	**256,524**	**16**	**1,690**	**258,230**

	Bank borrowings €'000	Bank interest €'000	Financial Derivatives €'000	Total €'000
Balance at 1 January 2022	175,947	326	109	176,382
Cash flow from financing activities:				
Bank loans interest paid	–	(3,050)	–	(3,050)
Bank loans drawn	154,547	–	–	154,547
Bank loans repaid	(65,692)	–	–	(65,692)

Non-cash movement:				
Amortisation of capitalised borrowing costs	730	–	–	730
Changes in fair value of financial instruments	–	–	3,600	3,600
Change in creditors for loan interest payable	–	2,724	–	2,724
Balance at 31 December 2022	**265,532**	**-**	**3,709**	**269,241**

15.Derivative financial instruments

	2023 €'000	2022 €'000
Forward foreign exchange contracts	–	(185)
Interest rate swap	1,690	3,894
	1,690	**3,709**

In 2022 the Company employed currency hedging to provide greater certainty as to the level of Sterling distributions paid in respect of the year. A forward FX contract was entered into fixing the EUR: GBP exchange rate at €1.17:£1.

Such currency hedging was not used during 2023.

During the 2022 financial year AELI Leon entered into an agreement with ING Bank N.V for a loan facility of€25.35 million at an interest rate payable of EURIBOR plus 1.9%. In order to mitigate the interest rate risk, it entered a fixed floating interest rate swap for the notional amount of €23.52 million against an all-in fixed rate of 3.05% over the three year loan term expiring September 2025. The remaining €1.83 million drawn on the loan facility is capped at all- in fixed rate of 4.15%. On 3 May 2023 the Company announced the sale Leon and repayment of loan of €10.81 million. Following repayment of the loan, the company terminated €8.98 million of interest rate swaps and €1.83 million cap realising a gain on termination of €313,000.

AELI Madrid Logistics 1 has an agreement with ING Bank N.V for a loan facility of €44 million at an interest rate payable of EURIBOR plus 1.15%. In order to mitigate the interest rate risk, it entered a fixed floating interest rate swap for the notional amount of €40 million against an all-in fixed rate of 2.57% over the three year loan term expiring July 2025.The remaining €4 million drawn on the loan facility is capped at all-in fixed rate of 4.15%.

AELI Madrid Logistics 2 has an agreement with ING Bank N.V for a loan facility of €39.3 million at an interest rate payable of EURIBOR plus 1.15%. In order to mitigate the interest rate risk, it entered a fixed floating interest rate swap for the notional amount of €36.5 million against an all-in fixed rate of 3.05% over the three year loan term expiring September 2025. The remaining €2.8 million drawn on the loan facility is capped at all-in fixed rate of 4.15%.

16.Share capital

	2023 €'000	2022 €'000
Opening balance	4,717	4,309
Ordinary shares issued	–	408
Balance as at 31 December	**4,717**	**4,717**

Ordinary shareholders participate in all general meetings of the Company on the basis of one vote for each share held.

Each Ordinary share has equal rights to dividends and equal rights to participate in a distribution arising from a winding up of the Company. The Ordinary shares are not redeemable.

The number of Ordinary shares authorised, issued and fully paid at 31 December 2023 was 412,174,356 (2022: 412,174,356).

The nominal value of each share is £0.01.

17. Share premium

	2023 €'000	2022 €'000

Opening balance	269,546	225,792
Premium arising on issue of new shares	–	44,513
Share issue costs deducted	–	(759)
Balance as at 31 December	**269,546**	**269,546**

18. Special distributable reserve

	2023 €'000	2022 €'000
Opening balance	164,851	178,207
Dividends paid	(12,752)	(13,356)
Balance as at 31 December	**152,099**	**164,851**

At a General Meeting held on 8 November 2017, a special resolution was passed authorising, conditional on the issue of Ordinary shares by the Company, the amount standing to the credit of the share premium account of the Company following issue to be cancelled. In order to cancel the share premium account the Company was required to obtain a Court Order, which was received on 13 March 2018. A Statement of Capital form was lodged at Companies House with a copy of the Court Order on 16 March 2018. With effect from that date the amount of the share premium account cancelled was credited as a special distributable reserve in the Company's books of account. Further details of the dividends paid from the special distributable reserve are provided in note 8 of the parent company accounts.

19. Capital reserves

	Realised capital reserve €'000	Unrealised gains/(losses) €'000	Total capital reserve €'000
Opening balance	(2)	30,782	30,780
Deferred taxation	1,124	12,730	13,854
Change in fair value of investments	1,933	(108,811)	(106,878)
Gains on disposal of investment properties	133	–	133
Taxation on disposal of investment properties	(440)	–	(440)
Early loan repayments costs	(110)	–	(110)
Movement in fair value gains on derivative financial instruments	–	(1,706)	(1,706)
Gains arising from the derecognition of derivative financial instruments	313	–	313
Currency gains during the year	–	(146)	(146)
Balance as at 31 December 2023	**2,951**	**(67,151)**	**(64,200)**

	Realised capital reserve €'000	Unrealised gains/(losses) €'000	Total capital reserve €'000
Opening balance	(2)	63,260	63,258
Deferred taxation	–	3,893	3,893
Fair value losses of investments	–	(40,432)	(40,432)
Movement in fair value gains on derivative financial instruments	–	3,600	3,600
Currency gains during the year	–	461	461
Balance as at 31 December 2022	**(2)**	**30,782**	**30,780**

20. Operating segments

The Group's reportable segments are the geographical areas in which it operates. These operating segments reflect the components of the Group that are regularly reviewed to allocate resources and assess performance.

2023	Netherlands €'000	Poland €'000	Germany €'000	Spain €'000	France €'000	Parent Company €'000	Total €'000
Total Assets	224,723	94,759	64,670	198,564	108,816	2,360	693,892
Total Liabilities	128,459	5,832	33,044	100,070	40,107	1,452	308,964
Total Comprehensive return for the year (Revenue)	3,588	1,623	182	(2,568)	197	10,157	13,179
Total Comprehensive return for the year (Capital)	(28,319)	(2,126)	(4,319)	(54,376)	(6,031)	191	(94,980)
Included in Total Comprehensive income							
Net change in fair value adjustment on investment property	(36,416)	(2,892)	(4,913)	(54,187)	(8,470)	–	(106,878)
Rental income	11,808	5,068	3,242	9,259	4,058	–	33,435

2022	Netherlands €'000	Poland €'000	Germany €'000	Spain €'000	France €'000	Parent Company €'000	Total €'000
Total Assets	258,324	97,947	69,431	275,129	115,160	1,792	817,783
Total Liabilities	134,913	6,564	33,663	111,143	39,083	2,440	327,806
Total Comprehensive return for the year (Revenue)	677	1,501	353	1,745	1,126	8,634	14,036
Total Comprehensive return for the year (Capital)	(19,933)	3,202	(1,634)	(11,337)	(2,941)	165	(32,478)
Included in Total Comprehensive income							
Net (loss)/gain from the fair value adjustment on investment property	(24,762)	3,901	(1,742)	(14,635)	(3,194)	–	(40,432)
Rental income	10,398	4,605	2,950	8,395	3,338	–	29,686

21. Financial instruments and investment properties

Fair value hierarchy

IFRS 13 requires the Group to classify its financial instruments held at fair value using a hierarchy that reflects the significance of the inputs used in the valuation methodologies. These are as follows:

Level 1 – quoted prices in active markets for identical investments;

Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments, credit risk, etc.); and

Level 3 – significant unobservable inputs.

The following table shows an analysis of the fair values of investment properties recognised in the balance sheet by level of the fair value hierarchy:

31 December 2023	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total fair value €'000
Investment properties	–	–	636,187	636,187
Investment property held-for-sale	–	–	17,500	17,500

31 December 2022	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total fair value €'000
Investment properties	–	–	776,616	776,616

The lowest level of input is the underlying yields on each property which is an input not based on observable market data.

31 December 2023	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total fair value €'000
Derivative financial asset	–	1,690	–	1,690

31 December 2022	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total fair value €'000
Derivative financial liability	–	(185)	–	(185)
Derivative financial asset	–	3,894	–	3,894

The lowest level of input is EUR:GBP exchange rate for forward foreign currency contracts. The lowest level of inputs for Interest rate SWAPs and Caps are current market interest rates and yield curve over the remaining term of the instrument.

31 December 2023	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total fair value €'000
Bank loans	–	253,667	–	253,667

31 December 2022	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total fair value €'000
Bank loans	–	257,449	–	257,449

Bank loans are measured at amortised cost. The fair value is estimated using discounted cash flows with the current interest rates and yield curve applicable to each loan. As at 31 December 2023 the estimated fair value of the Group's bank loans is €253,667,000 (2022: €257,449,000). The amortised cost is €256,524,000 (2022: €265,532,000).

22. Risk management

The Group's financial instruments comprise securities and other investments, cash balances, loans and debtors and creditors that arise directly from its operations; for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income. The Group also has the ability to enter into derivative transactions in the form of forward foreign currency contracts, futures and options, for the purpose of managing currency and market risks arising from the Group's activities. The Group also has the ability to enter into derivative transactions to hedge against fluctuations in the cost of borrowing as a result of changes in interest rates.

The main risks the Group faces from its financial instruments are (a) market price risk (comprising of (i) interest rate risk, (ii) foreign currency risk and (iii) other price risk), (b) liquidity risk and (c) credit risk.

(a) Market price risk

The fair value or future cash flows of a financial instrument held by the Group may fluctuate because of changes in market prices. This market risk comprises three elements – interest rate risk, foreign currency risk and other price risk.

(i) Market risk arising from interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits. The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment and borrowing decisions.

Interest risk profile

The interest rate risk profile of the portfolio of financial assets and liabilities at the year end were as follows:

As at 31 December 2023	Interest rate %	Local currency '000	Foreign exchange rate	Euro equivalent €'000
Assets:				
Euro	4.00	17,457	1.00	17,457
Pound Sterling	5.25	180	0.87	207
Polish Zloty	5.25	1,723	4.35	397
Total				**18,061**

As at 31 December 2022	Interest rate %	Local currency '000	Foreign exchange rate	Euro equivalent €'000
Assets:				
Euro	2.00	19,371	1.00	19,371
Pound Sterling	3.50	188	0.89	212
Polish Zloty	6.25	3,152	4.69	679
Total				**20,262**

The floating rate assets consist of cash deposits on call earning interest at prevailing market rates.

An increase of 100bps in interest rates as at the reporting date would have increased the reported profit and equity shareholders' funds by €180,610 (2022: €202,560). Other Comprehensive Income and Capital Reserves would have been €1,253,958 (2022: €2,480,934) higher as a result of an increase in the fair value of the derivative designated as interest rate swaps and €63,684 (2022: €156,769) higher as a result of an increase in the fair value of the derivative designated as interest rate caps on floating rate borrowings.

A decrease of 100bps in interest rates would have reduced the reported profit and equity shareholders' funds by €180,610 (2022: €202,560). Other Comprehensive Income and the Capital Reserve would have been €1,253,952 (2022: €2,528,315) lower as a result of a decrease in the fair value of the derivative designated as interest rate swaps and €29,261 (2022: €91,392) lower as a result of a decrease in the fair value of the derivative designated as interest rate caps on floating rate borrowings.

Other financial assets and liabilities (e.g. debtors, creditors) are not subject to interest rate risk. The rates of interest on the bank loans are fixed or hedged until the end of their term hence not subject to any interest rate risk. Further details are disclosed in Note 14.

(ii) Market risk arising from foreign currency risk

The income and capital value of the Groups investments and liabilities can be affected by exchange rate movements as some of the Group's assets and income are denominated in currencies other than Euro which is the Group's reporting currency.

The revenue account is subject to currency fluctuation arising from overseas income.

Foreign currency risk profile

Foreign currency risk exposure by currency of denomination:

As at 31 December 2023	Net monetary exposure €'000	Total currency exposure €'000
Pound Sterling	(680)	(680)
Polish Złoty	397	397
Total foreign currency	(283)	(283)
Euro	(268,476)	(268,476)
Total	**(268,759)**	**(268,759)**

As at 31 December 2022	Net monetary exposure €'000	Total currency exposure €'000

Pound Sterling	381	381
Polish Złoty	679	679
Total foreign currency	1,060	1,060
Euro	(287,699)	(287,699)
Total	**(286,639)**	**(286,639)**

The asset allocation between specific markets can vary from time to time based on the Investment Manager's opinion of the attractiveness of the individual markets.

Foreign currency sensitivity

The following table details the Group's sensitivity to a 10% increase and decrease in Sterling and Polish Zloty against the Euro and the resultant impact that any such increase or decrease would have on net return before tax and equity shareholders' funds. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign.

	As at 31 December 2023 €'000	As at 31 December 2022 €'000
Polish Zloty	40	68
Pound Sterling	(68)	38

(iii) Market risk arising from other price risk

Other price risks (i.e. changes in market prices other than those arising from interest rate or currency risk) may affect the value of the quoted investments. The carrying amount for financial assets approximates to the fair value of trade and other receivables (note 10) and trade and other payables (note 13).

Other price risk sensitivity

If the investment property valuation fell by 10% at 31 December 2023, the decrease in total assets and return before tax would be €63m (2022: €76m). If the investment property valuation rose by 10% at 31 December 2023, the increase in total assets and return before tax would be €63m (2022: €76m). Exposures vary throughout the year as a consequence of changes in the net assets of the Group arising out of the investment property and risk management processes.

(b) Liquidity risk

This is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. All creditors are payable within three months.

The Group's liquidity risk is managed by the Investment Manager placing cash in liquid deposits and accounts. Liquidity risk is the risk that the Group will encounter in realising assets or otherwise raising funds to meet financial commitments and also includes:

The level of dividends and other distributions to be paid by the Group may fluctuate and there is no guarantee that any such distributions will be paid.

The Group's target returns are targets only and are based on estimates and assumptions about a variety of factors all of which are beyond the Group's control and which may adversely affect the Group's ability to make its target returns. The Group may not be able to implement its investment policy and strategy in a manner that generates dividends in line with the target returns or the Group's investment objective. Liquidity risk is not considered to be significant.

(c) Credit risk

This is the risk of failure of the counterparty to a transaction to discharge its obligations under that transaction that could result in the Group suffering a loss.

The risk is not considered significant by the Board, and is managed as follows:

The Group has acquired a portfolio of European logistics properties and has a number of leases with tenants. In the event of default by a tenant, the Group will suffer a rental shortfall and incur additional costs until the property is re-let, including legal expenses, in maintaining, insuring and re-letting the property. The Board receives regular reports on concentrations of risk and any tenants in arrears. The Investment Manager monitors such reports in order to anticipate and minimise the impact of defaults by tenants. Cash is held only with reputable financial institutions with high quality external credit ratings.

None of the Group's financial assets is secured by collateral.

The maximum credit risk exposure as at 31 December 2023 was €28.3m (2022: €27.7m). This was due to trade receivables and cash as per notes 10 and 11.

All cash is placed with financial institutions with a credit rating of -A or above. Bankruptcy or insolvency may cause the Group's ability to access cash placed on deposit to be delayed or limited. Should the credit quality or the financial position of the financial institutions currently employed significantly deteriorate, the Investment Manager would move the cash holdings to another financial institution. There are no significant concentrations of liquidity risk within the Group.

(d) Taxation and Regulation risks

The Company must comply with the provisions of the Companies Act and, as the shares are admitted to the premium segment of the Official List, the Listing Rules and the Disclosure Guidance and Transparency Rules.

A breach of the Companies Act could result in the Company and/or the Board being fined or being the subject of criminal proceedings. Breach of the Listing Rules could result in the shares being suspended from listing.

Legal and regulatory changes could occur that may adversely affect the Company. The Company has obtained UK Investment Trust Company status. The Company must comply with the provisions of sections 1158 and 1159 of the Corporation Tax Act 2010 and Part 2 Chapter 1 of Statutory Instruments 2011/2999 to maintain this status. Breaching these regulations could result in the Company paying UK Corporation Tax it would otherwise be exempt from, adversely affecting the Company's ability to pursue its investment objective.

Capital management

The Group considers that capital comprises issued Ordinary shares and long-term borrowings. The Group's capital is deployed in the acquisition and management of subsidiaries in line with the Group's investment objective, specifically to provide a regular and attractive level of income return together with the potential for long-term income and capital growth from investing in high quality European logistics real estate. The following investment limits and restrictions apply to the Group and its business which, where appropriate, are measured at the time of investment and once the Group is fully invested:

- the Group will only invest in assets located in Europe;
- no more than 50 per cent. of Gross Assets will be concentrated in a single country;
- no single asset may represent more than 20 per cent. of Gross Assets;
- forward funded commitments will be wholly or predominantly pre-let and the Group's overall exposure to forward funded commitments will be limited to 20 per cent. of Gross Assets;
- the Group's maximum exposure to any single developer will be limited to 20 per cent. of Gross Assets;
- the Group will not invest in other closed-ended investment companies;
- the Group may only invest in assets with tenants which have been classified by the Investment Manager's investment process as having strong financial covenants; and
- no single tenant will represent more than 20 per cent. of the Group's annual gross income measured annually.

The Group's principal use of cash will be to fund investments in accordance with its investment policy, on-going operational expenses and to pay dividends and other distributions to shareholders, as set out in the Prospectus. The Group may from time to time have surplus cash (for example, following the disposal of an investment). Pending reinvestment of such cash, it is expected that any surplus cash will be temporarily invested in cash equivalents, money market instruments, bonds, commercial paper or other debt obligations with financial institutions or other counterparties having a single -A (or equivalent) or higher credit rating as determined by an internationally recognised rating agency; or "government and public securities" as defined for the purposes of the FCA rules.

The Group monitors capital primarily through regular financial reporting and also through a gearing policy. The Group intends to use gearing with the objective of improving shareholder returns. Debt will typically be secured at the asset level and potentially at the Group level with or without a charge over some or all of the Group's assets, depending on the optimal structure for the Group and having consideration to key metrics including lender diversity, cost of debt, debt type and maturity profiles. Borrowings will typically be non-recourse and secured against individual assets or groups of assets and the aggregate borrowings at asset level will always be subject to an absolute maximum, calculated at the time of drawdown for a property purchase, of 50 per cent. of Gross Assets. Where borrowings are secured against a group of assets, such group of assets shall not exceed 25 per cent. of Gross Assets in order to ensure that investment risk remains suitably spread. The Board has established gearing guidelines for the AIFM in order to maintain an appropriate level and structure of gearing within the parameters set out above. Under these guidelines, aggregate borrowings at asset level are expected to be at or around 35 per cent. of gross assets. The Board will keep the level of borrowings under review and the aggregate borrowings will always be subject to the absolute maximum set at the time of the Group's launch, calculated at the time of drawdown for a property purchase, of 50 per cent of Gross Assets. The fair value of the Groups bank borrowings as at 31 December 2023 was €259,462,000 (2022: €270,270,000).

Contractual undiscounted maturities

All financial liabilities presented as current are payable within 3 months. The analysis of financial liabilities is below:

As at 31 December 2023	Within 1 year €'000	1-2 years €'000	2-5 years €'000	Over 5 years €'000	Total €'000
Bank loans	5,182	156,823	90,759	17,824	270,588
Lease liability	659	659	1,977	26,218	29,513
Trade liabilities	16,353	–	–	–	16,353
Total	**22,194**	**157,482**	**92,736**	**44,042**	**316,454**

As at 31 December 2022	Within 1 year €'000	1-2 years €'000	2-5 years €'000	Over 5 years €'000	Total €'000
Bank loans	4,836	4,836	214,634	61,337	285,643
Lease liability	550	550	1,650	25,065	27,815
Derivative financial instruments	185	–	–	–	185
Trade liabilities	9,750	–	–	–	9,750
Total	**15,321**	**5,386**	**216,284**	**86,402**	**323,393**

23.Related party transactions

The Company's Alternative Investment Fund Manager ('AIFM') throughout the year was abrdn Fund Managers Limited ("aFML"). Under the terms of a Management Agreement dated 17 November 2017 the AIFM is appointed to provide investment management services, risk management services and general administrative services including acting as the Company Secretary. The agreement is terminable by either the Company or aFML on not less than 12 months' written notice.

Under the terms of the agreement portfolio management services are delegated by aFML to abrdn Investments Ireland Limited ('aIIL'). The total management fees charged to the Consolidated Statement of Comprehensive Income during the year were €3,193,000 (2022: €3,953,000), of which €729,000 (2022: €1,952,000) were payable at the year end. Under the terms of a Global Secretarial Agreement between aFML and abrdn Holdings Limited ('aHL'), company secretarial services are provided to the Company by aHL.

A Promotional and Marketing Budget fee of £214,000 (2022: £175,000) was approved for 2022/2023 at the November 2022 Board meeting which is payable to abrdn Investment Management Limited ('aIML').

The remuneration of Directors is detailed below. Further details on the Directors can be found on pages 80 to 81 of the published Annual Report and financial statements for the year ended 31 December 2023.

	2023 €'000	2022 €'000
Caroline Gulliver	49	47
John Heawood	41	41
Tony Roper	62	57
Diane Wilde	41	41
Balance as at 31 December	**193**	**186**

Please note the above figures are all Euro, while those in the Directors' Remuneration Report are stated in

GBP. The Directors' shareholdings are detailed below.

	31 December 2023 Ordinary shares	31 December 2022 Ordinary shares
T Roper	122,812	102,812
C Gulliver	90,000	72,500
J Heawood	60,000	60,000
D Wilde	74,375	74,375

During 2023 the Directors increased their shareholdings by: T Roper 20,000 on 24 May 2023 and C Gulliver 17,500 on 24 May 2023.

24. Lease analysis

The group leases out its investment properties under operating leases.

The future income under operating leases, based on the unexpired lease length at the year end was as follows (based on total rents and excluding annual CPI adjustments).

	2023 €'000	2022 €'000
Less than one year	33,884	34,087
Between one and two years	32,370	32,708
Between two and three years	29,584	31,298
Between three and four years	26,086	28,985
Between four and five years	23,689	27,111
Over five years	89,742	154,893
Total cash and cash equivalents	**235,355**	**309,082**

The largest single tenant at the year end accounted for 10.7 per cent of the annualised rental income at 31 December 2023.

The Group has entered into commercial property leases on its investment property portfolio. These leases have remaining lease terms of between 1 and 18 years.

25. Post balance sheet events

On 25 March 2024, the Group sold the Meung-Sur-Loire warehouse in France for €17.5m, realising a loss of €0.4m. As at 31 December 2023, the property was valued at €17.5m (2022: €22.1m). Following completion of sale, €11m was repaid to Bayern LB reducing the total loan balance to €248.5m and LTV to 37.7%.

26. Capital commitments

As at the 31 December 2023 the Group had capital commitments of €nil (2022: €nil).

27. Ultimate parent company

In the opinion of the Directors on the basis of shareholdings reviewed by them, the Company has no immediate or ultimate controlling party.

EPRA Financial Reporting (Unaudited)

Prepared in accordance with EPRA best practice recommendations (BPR) February 2022.

EPRA Performance Measures

	31 December 2023 Total	31 December 2022 Total
A. EPRA Earnings (€'000)	13,033	14,497
A. EPRA Earnings per share (cents)	3.2	3.5
B. EPRA Net tangible assets ("NTA") (€'000)	394,550	509,741
B. EPRA Net tangible assets per share (cents)[1]	95.7	123.7
C. EPRA Net reinstatement value ("NRV") (€'000)	430,527	546,326
C. EPRA Net reinstatement value per share (cents)	104.5	132.5
D. EPRA Net disposal value ("NDV")(€'000)	387,785	498,060
D. EPRA Net disposal value per share (cents)	94.1	120.8
E. EPRA Net initial yield (%)	4.4	4.0
E. EPRA topped-up net initial yield (%)	4.4	4.1
F. EPRA Vacancy rate (%)	6.0	3.6
G. EPRA Cost ratios – including direct vacancy costs (%)	34.1	32.0
G. EPRA Cost ratios – excluding direct vacancy costs (%)	32.4	31.0
H. EPRA Capital expenditure (€'000)	139	133,170
I. EPRA Like for like rental growth (%)	1.8	5.0
J. EPRA LTV (%)	40.0	34.6

[1] Defined as an Alternative Performance Measure.

A. EPRA Earnings (€000)		
Earnings per IFRS income statement	(81,801)	(18,442)
Adjustments to calculate EPRA Earnings, exclude:		
Changes in value of investment properties	106,878	40,432
Gains on disposal of investment properties	(133)	–
Tax on profits on disposals	440	–
Deferred tax	(13,854)	(3,893)
Gains on termination of financial instruments	(313)	–
Early loan repayment cost	110	–
Changes in fair value of financial instruments	1,706	(3,600)
EPRA Earnings	**13,033**	**14,497**
Weighted average basic number of shares	412,174	408,956
EPRA Earnings per share (cents)	**3.2**	**3.5**

	31 December 2023 Total	31 December 2022 Total
B. EPRA Net tangible assets ("NTA") (€'000)		
IFRS NAV	384,928	489,977
Exclude:		
Fair value of financial instruments	(1,690)	(3,709)
Deferred tax in relation to fair value gains of investment property[1]	11,312	23,473
	394,550	509,741
Shares in issue at end of year	412,174	412,174
EPRA Net tangible assets per share (cents)	**95.7**	**123.7***

[1] Excludes deferred tax adjustments on other temporary differences, recognised under IFRS.
* Restated following correction of treatment of fair value of financial instruments in calculation of this performance measure.

C. EPRA Net reinstatement value ("NRV") (€'000)		
EPRA NTA	394,550	509,741
Real estate transfer tax and other purchasers' costs EPRA	35,977	36,585
NRV	430,527	546,326
EPRA Net reinstatement value per share (cents)	**104.5**	**132.5***

* Restated following correction of treatment of fair value of financial instruments in calculation of this performance measure.

D. EPRA Net disposal value ("NDV") (€'000)		
IFRS NAV	384,928	489,977
Fair value adjustment for fixed interest debt EPRA	2,857	8,083
NDV	387,785	498,060
EPRA Net disposal value per share (cents)	**94.1**	**120.8**
E. EPRA Net initial yield and 'topped up' NIY disclosure (€'000)		
Investment property – wholly owned Less:	633,806	758,719
developments	–	–
Completed property portfolio	**633,806**	**758,719**
Allowance for estimated purchasers' costs **Gross up**	35,977	36,585
completed property portfolio valuation Annualised cash	**669,783**	**795,304**
passing rental income[2] Property outgoings	34,150	33,994
Annualised net rents	(4,392)	(2,501)
Add: notional rent expiration of rent free periods or other lease incentives	**29,758**	**31,493**
	–	778
Topped-up net annualised rent EPRA NIY		
(%)	**29,758**	**32,271**
EPRA "topped-up" NIY (%)	**4.4**	**4.0**
	4.4	**4.1**

[2] Calculated based on lease agreements as at the reporting date.

	31 December 2023 Total	31 December 2022 Total
F. EPRA Vacancy rate (€'000)		
Estimated rental value of vacant space	2,231	1,270
Estimated rental value of whole portfolio	37,420	35,176
EPRA Vacancy Rate (%)	**6.0**	**3.6**
EPRA vacancy rate corresponds to the vacancy rate at year-end. It is calculated as the ratio between the estimated market rental value of vacant spaces and potential rents for the operating property portfolio. EPRA vacancy rate does not include leases signed with a future effect date.		
G. EPRA Cost ratios (€'000)		
Administrative / property operating expense per IFRS income statement	19,495	15,743
Net service charge costs / fees	(8,095)	(6,237)
EPRA Costs (including direct vacancy costs)	11,400	9,506
Direct vacancy costs	(558)	(315)
EPRA Costs (excluding direct vacancy costs)	10,842	9,191
Gross Rental income less ground rent costs	33,435	29,686
EPRA Cost Ratio (including direct vacancy costs) (%)	**34.1**	**32.0**
EPRA Cost Ratio (excluding direct vacancy costs) (%)	**32.4**	**31.0**
Overhead and operating expenses capitalised	–	–
H. Property related capital expenditure for the Group (€'000)		
Acquisitions	–	132,754
Investment properties:		
Non incremental lettable space	139	416
Incremental lettable space	–	–
Total CapEx	139	133,170
Conversion from accrual to cash basis	378	353
Total CapEx on cash basis	517	133,523

There is no capital expenditure associated with Joint Ventures.
Capital expenditure recognised by the Group that has not resulted in increase of the lettable area.
Please see details in note 9 of consolidated financial statements.
The difference in comparison to note 9 is disposal costs on sale of assets which are not included in above table.

	31 December 2023 Total	31 December 2022 Total
I. Like for like rental growth		
Rental income growth (%):		
Germany	2.1	10.3
Poland	7.9	7.6
France	1.3	4.9
Spain	(5.2)	2.4
Netherlands	4.5	4.2
	1.8	5.0
Rental income total[1] (€000):		
Germany	3,367	3,298
Poland	5,820	5,393
France	4,098	4,044
Spain	8,560	9,025
Netherlands	12,305	11,775
	34,150	33,535

[1] Calculated based on lease agreements as at the reporting date.

	31 December 2023 Total	31 December 2022 Total
Total portfolio value on which the like-for-like rental growth is based (€000):		
Germany	63,200	68,170
Poland	90,390	93,600
France	99,380	107,390
Spain	189,136	243,781
Netherlands	191,700	227,800
	633,806	740,741
J. EPRA LTV (€'000)		
Borrowings from financial institutions	259,462	270,270
Net payables[2]	16,353	15,006
Exclude:		
Cash and cash equivalents	(18,061)	(20,262)
Net debt (a)	257,754	265,014
Investment properties at fair value[3]	633,806	758,719
Net receivables (excluding lease incentives)[4]	10,210	7,829
Total property value (b)	644,016	766,548
LTV (a/b) (%)	**40.0**	**34.6**

[2] Refer to note 13 for details.
[3] Based on independent property valuation. Includes Investment property held for sale.
[4] Refer to note 10 for details.

Alternative Investment Fund Managers Directive Disclosures (Unaudited)

abrdn Fund Managers Limited and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ('AIFMD'). Those disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ('PIDD') which can be found on the Company's website **eurologisticsincome.co.uk**. There have been no material changes to the disclosures contained within the PIDD since its last publication in September 2023.

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

- Information on the investment strategy, geographic and sector investment focus and principal stock exposures 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 22 to the financial statements and the PIDD together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected.
- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by aFML.
- All authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the Company's AIFM remuneration policy is available from the Company Secretaries, abrdn Holdings Limited on request (see contact details on page 153 of the published Annual Report and financial statements for the year ended 31 December 2023) and the numerical remuneration in the disclosures in respect of the AIFM's reporting period for the year ended 31 December 2023 are available on the Company's website.

Leverage

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

	Gross method	Commitment method
Maximum level of leverage	365.0%	185.0%
Actual level at 31 December 2023	164.7%	164.7%

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 aFML may employ on behalf of the Company; the right of use of collateral or any guarantee granted under any leveraging arrangement; or any change to the position in relation to any discharge of liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

The information above has been issued by abrdn Investments Limited, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom. abrdn Investments Limited is entered on the Financial Services Register under registration number 121891.

The Annual Report will be posted to shareholders in early May 2024 and additional copies will be available from the registered office of the Company and on the Company's website, eurologisticsincome.co.uk*

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

**Neither the content of the Company's website nor the content of any website accessible from hyperlinks on the Company's website (or any other website) is (or is deemed to be) incorporated into, or forms (or is deemed to form) part of this announcement.*