Standard Life Investments Property Income Trust Limited

Annual Report & Consolidated Accounts
Year ended 31 December 2019

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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Performance Summary
2019 Financial Highlights

2019 NAV total return*
4.1 PERCENT

Strong NAV total return in the year of 4.1% (2018: 9.6%) above that of the Company's peer group, the AIC Property Direct – UK sector total return of 2.5%. Company has outperformed peer group over 1, 3, 5 and 10 years with a 10 year total return of 202.2% compared to peer group total return of 51.5% over the same period.

2019 Share price total return*
18.0 PERCENT

Share price total return in the year was 18.0% (2018: -8.3%) compared to peer group total return of 13.4%. Company's shares moved to a premium in the year. Over ten years the Company has delivered a share price total return of 162.2% compared with peer group average of 39.1% and FTSE All-Share REIT index of 149.0% and the FTSE All-Share Index of 118.3%.

Financial Resources
37 MILLION POUNDS

£37 million available for investment at year end which, when utilised, will further enhance earnings and dividend cover.

Loan to Value*
24.6 PERCENT

24.6% (2018: 24.4%) – Prudent Loan to Value remains one of the lowest in the Company's peer group and wider REIT sector.

Dividend cover*
100 PERCENT

A fully covered dividend in the year (2018: 89%) representing EPRA earnings per share of 4.76p (2018: 4.22p), an increase of 12.8% as successful asset management and investment activity boosted earnings.

Dividend yield*
5.2 PERCENT

Dividend yield - FTSE All-Share REIT Index
3.9 PERCENT

Dividend yield - FTSE All-Share Index
4.1 PERCENT

Yields based on stats at 31 December 2019
(based on share price at 31 December 2019 of 91.0p).

* These Alternative Performance Measures ("APMs") are defined in the glossary on pages 88 to 89.

Performance Summary

2019 Portfolio Highlights

Portfolio value*

493.2 MILLION POUNDS

Portfolio value of £493.2 million (2018: £499.1 million) with 51% of the portfolio in the favoured industrial sector and only 9% in the retail sector.

Occupancy rate

93.4 PERCENT

Occupancy rate of 93.4% (2018: 94.1%) compared to benchmark occupancy rate of 92.4% as successful asset management initiatives in the year maintained a relatively high occupancy rate in the year.

Carbon emissions

–13%

13% reduction in carbon emissions associated with landlord procured energy.

20 new lettings securing

£3.69m

per annum in rent.

Restructured 15 leases to secure longer term income on

£1.35m

per annum of rent.

Net initial yield*

5.2%

Reversionary yield*

6.7%

2019 Portfolio total return*

4.8%
(2018: 8.5%)

Portfolio total return of 4.8% (2018: 8.5%) significantly ahead of benchmark total return of 1.3% (2018: 6.8%).

1.3%
(2018: 6.8%)

IPD Benchmark

2019 Income return*

5.2%
(2018: 5.0%)

Income return of 5.2% (2018: 5.0%) compared to benchmark income return of 4.7% (2018: 4.6%) as diversified portfolio continued to generate positive income returns underpinned by a strong tenant base.

4.7%
(2018: 4.6%)

IPD Benchmark

2019 Capital return*

–0.4%
(2018: 3.3%)

While capital values fell in the year, the strategic overweight position to Industrials and underweight position to retail assisted relative performance.

–3.3%
(2018: 2.1%)

IPD Benchmark

Strategic Report
Performance Summary

Earnings & Dividends	31 December 2019	31 December 2018
IFRS earnings per share	3.98	7.68
EPRA earnings per share (p) (excluding capital items & swap movements)*	4.76	4.22
Dividends declared per ordinary share (p)	4.76	4.76
Dividend cover (%)	100	89
Dividend yield (%)**	5.2	5.9
FTSE All-Share Real Estate Investment Trusts Index Yield (%)	3.9	4.7
FTSE All-Share Index Yield (%)	4.1	4.5
Ongoing Charges***		
As a % of average net assets including direct property costs	2.0	2.0
As a % of average net assets excluding direct property costs	1.2	1.1

Capital Values & Gearing	31 December 2019	31 December 2018	Change %
Total assets (£million)	505.8	512.2	(1.2)
Net asset value per share (p) (note 20)	89.9	91.0	(1.2)
Ordinary Share Price (p)	91.0	81.1	12.2
Premium/(Discount) to NAV (%)	1.2	(10.9)	
Loan to Value (%)†	24.6	24.4	

Total Return	1 year % return	3 year % return	5 year % return	10 year % return
NAV‡	4.1	30.5	57.3	202.2
Share Price‡	18.0	23.1	52.1	162.2
FTSE All-Share Real Estate Investment Trusts Index	30.8	28.5	32.2	149.0
FTSE All-Share Index	19.2	22.0	43.8	118.3

Property Returns & Statistics (%)	31 December 2019	31 December 2018
Property income return	5.2	5.0
IPD Benchmark income return	4.7	4.6
Property total return	4.8	8.5
IPD Benchmark total return	1.3	6.8
Void rate	6.6	5.9

*
Calculated as profit for the period before tax (excluding capital items & swaps costs) divided by weighted average number of shares in issue in the period (see page 77 for further details). EPRA stands for European Public Real Estate Association.

**
Based on an annual dividend of 4.76p and the share price at 31 December 2019 of 91.0p.

***
Calculated as investment manager fees, auditor's fees, directors' fees and other administrative expenses divided by the average NAV for the year.

†
Calculated as bank borrowings less all cash as a percentage of the open market value of the property portfolio as at the end of each year.

‡
Assumes re-investment of dividends excluding transaction costs.

Sources: Aberdeen Standard Investments, MSCI.

Alternative Performance Measures ("APMs") including NAV total return, share price total return, dividend cover, Loan to Value, dividend yield and portfolio total return are defined in the glossary on pages 88 to 89.

Strategic Report
Chairman's Statement

Robert Peto

BACKGROUND

Since March 2020 the world has been enveloped in a global COVID-19 pandemic which, at the time of writing, has resulted in a huge human and economic cost. In the UK, lockdown measures are still in place/being eased slowly with unprecedented government support effectively underwriting up to 80% of wages plus interest rates being cut to an all-time low of 0.1%. The economic impact of this pandemic on most tenants cannot be understated with the ability to pay rent, at least in the short term, severely curtailed. As if this is not enough to concern us all, we have the added uncertainty of an unknown outcome to the next round of Brexit talks scheduled for completion by the end of the year at a time when the bandwidth available within the UK Government for considered thought is limited.

REVIEW OF 2019

In the light of these extraordinary circumstances, it seems that 2019 was a different and distant world, but it is incumbent upon me to report on the performance of your Company and its assets during the year.

For the majority of 2019 uncertainty prevailed as the ongoing negotiations around the UK's exit from the European Union caused political consternation. This fed directly into a weak UK economy as investment was held back until a clearer outcome was in sight. The clear election victory of the Conservative party in December 2019 did provide some measure of political certainty with a resultant bounce in economic activity in the short term.

Given this background, commercial real estate returns remained positive but were relatively muted compared to historical levels.

The Company's benchmark, the MSCI UK Monthly Index Funds Quarterly Property Index, produced a total return of 1.3% for the year as the strong income return generated by UK commercial real estate of 4.7% was partially offset by capital value falls of 3.3%. Continuing the theme from previous years, there was a sharp divergence of returns at a sector level with the industrial sector producing a total return of 6.8% as the structural change away from physical to online retailing continued. This is demonstrated by the -7.7% total return in the retail sector as more retailers continued to struggle, impacting rental levels and occupier demand. The office sector produced a positive total return of 4.3% underpinned by continued occupational demand across the UK and a limited supply pipeline.

Strategic Report
Chairman's Statement continued

POSITIVE PORTFOLIO AND CORPORATE PERFORMANCE - CONTINUED OUTPERFORMANCE

Your Company continued to produce above benchmark returns in the year. The portfolio produced a total return of 4.8% driven by the Company's strategic overweight position in the industrial sector which now accounts for 51% of the portfolio compared to the benchmark weighting of 30.7%. The Company's limited exposure to the retail sector (8.6% versus a benchmark weighting of 28.5%) also boosted relative returns. It is also pleasing to note that the portfolio produced a positive total return across all the sectors it invests in, including the retail sector, and this reflects well on stock selection decisions.

This portfolio performance, combined with the use of the Company's flexible gearing facilities, helped deliver a NAV total return of 4.1% in the year which compared favourably to the AIC Property – UK Commercial peer group of 2.5%. It should be highlighted that this total return was delivered despite a negative movement in the Company's interest rate swap valuation of £1.4 million which will reverse as the loan facilities approach maturity.

The total return to shareholders in the year was 18.0% as the discount at which the Company's shares traded to NAV moved to a premium of 1.2% at the year end. This return again compared favourably to the AIC Property – UK Commercial peer group total return of 13.4%. This move to a premium rating continued into 2020 allowing the Company to issue 1 million new shares at a price of over 6% above NAV in February 2020.

The Company has also produced positive relative returns over the longer term with a NAV total return of 57.3% over five years compared to the peer group total return of 39.4%. The share price has similarly outperformed with a share price total return of 52.1% which compares to the peer group total return of 31.0%, the FTSE All-Share REIT Index of 32.2% and the wider equity market FTSE All-Share Index return of 43.8%.

TIMBMET, SHELLINGFORD

4.1 PERCENT

Strong Net Asset Value (NAV) total return

5.2 PERCENT

Dividend yield

PINNACLE, READING

Strategic Report

Chairman's Statement continued

EARNINGS & DIVIDENDS

The Company produced EPRA earnings in the year of 4.76p, an increase of 12.8% compared to 2018. This equated to dividend cover of 100% in the year (2018: 89%). This increase has been achieved through successful asset management initiatives at various properties across the portfolio and annualised income coming on-stream from assets purchased in 2018. As mentioned in previous statements, a key focus of the Board has been a fully covered dividend and hence it is pleasing to see this was achieved in 2019, delivered with prudent gearing levels. Going forward, there will be inevitable fluctuations in earnings due to COVID-19 as well as both investment and occupational activity which may affect the Company's dividend strategy.

These earnings underpinned the attractive dividend paid by the Company of 4.76p in the year, equating to a yield on the Company's shares of 5.2% based on a year end share price of 91.0p. This compares to the yield on the FTSE All-Share REIT Index of 3.9% and FTSE All-Share Index of 4.1% on the same date.

Where possible, given the current environment, the Company's current policy is to pay four interim dividends quarterly in March, May, August and November.

FINANCIAL RESOURCES

One of the most pleasing aspects of the dividend being covered in 2019 was that it was achieved while gearing was kept relatively low. As at 31 December 2019, the Loan to Value was 24.6%, a marginal increase compared to the 24.4% at the end of December 2018, and at an attractive blended cost of 2.64%.

During the year the Company also increased its low cost revolving credit facility ("RCF") to £55 million with only £18 million of this drawn at the year end. This resulted in the Company having significant financial resources of £37 million to invest in income accretive opportunities.

BOARD CHANGES

In November 2019, the Board was pleased to announce the appointment of Sarah Slater as a Non-Executive Director. Sarah has over 25 years of experience in the real estate sector, including listed REIT experience, and will prove to be a valuable addition to the Board.

As previously announced it was my intention to retire from the Board at the AGM in 2020. However, the Board has identified there is a need for continuity in the current situation especially given the decisions that will need to be made later in the year relating to the dividend. It has therefore been agreed that I will stay on as Chair for the time being. Post my retirement James Clifton-Brown will succeed me as Chair and Sarah Slater will take over as the Chair of the Property Valuation Committee.

ANNUAL GENERAL MEETING

This year's Annual General Meeting will be held on 30 June 2020 at 10:30am at the offices of the Company's lawyer, Dickson Minto, 16 Charlotte Square, Edinburgh EH2 4DF.

Given current UK Government Guidelines surrounding the COVID-19 pandemic, Members are likely to be restricted from attending the Company's AGM in person or by attorney or by corporate representative this year. Only the formal business set out in the Notice will be considered, with no presentation by the Investment Manager and no refreshments. The Board, therefore, encourages all shareholders to exercise their votes in respect of the meeting in advance to ensure that your votes are registered and counted at the meeting.

However, the Board welcomes questions from our shareholders and, given the format and the prevailing circumstances, I would ask shareholders to submit their questions to the Board prior to the AGM (and in any event by no later than Friday, 26 June 2020).

The Board and/or the Investment Manager will respond to all such questions received. You may submit questions to the Board and Manager by email at Property.Income@aberdeen-asset.com.

OUTLOOK

The short-term outlook for the UK economy is exceptionally poor given the impact of COVID-19. Our Investment Manager forecasts a GDP decline of 14.2% in 2020, even given the unprecedented government intervention, although it is then forecast to grow by 11.8% in 2021. All this is before the outcome of Brexit is known and whether a satisfactory trade deal can be struck between the UK and the EU. The longer term impact remains the subject of much debate and depends on future government intentions on lockdowns, social distancing and the discovery of a vaccine for COVID-19.

The commercial real estate sector is one area where COVID-19 has the potential to hit the hardest. Before this crisis, the fundamentals underlying the sector remained strong with historically low gearing and muted vacancy. However, since the lockdown, the ability of tenants to pay rent has been curtailed with rent collection statistics across the sector for Quarter 2, 2020 under pressure and forecast to get worse if the lockdown continues in its current form. While government support will help, both vacancy and gearing levels are expected to rise in the short term and may accelerate the current trend of a move away from traditional high street retail to online retailing.

Your Company is not immune to the growing negative effect of COVID-19 especially if it leads to serious and widespread business defaults and hence increased voids and reduced rental income. On 23 April 2020 the Company announced that rental collections statistics for Quarter 2, 2020 were 66% (74% if ongoing monthly rents are included). The rent collection statistics for Q1 2020 were 95% plus. Cognisant of the importance of the dividend to our shareholders it was also announced that the dividend payable in May 2020 would be maintained at 1.19p for the quarter to 31 March 2020. Future dividends will be kept under constant review given expected rent collections statistics in Quarter 3 and beyond. Valuations as at 31 March were down by 4.9% on a like-for-like basis and included a material uncertainty clause by the valuer which is being included in all current commercial real estate valuations. Finally, as at 30 April the Company's shares traded on a 13.6% discount to the last published NAV, compared to the peer group average of 18.1%. However, it should be highlighted that the portfolio has good defensive characteristics, with diversification of risk in terms of geography, sector and tenant exposure. In addition, the Company remains prudently geared with an LTV of 24.4% and £47million of its RCF still to utilise with significant headroom on its loan covenants as at 31 March 2020.

In summary, there will undoubtedly be challenges ahead for your Company. The Board will work closely with the Company's various stakeholders to ensure it is able to manage its way through the current environment with the aim of continuing to deliver the outperformance that has been delivered over the last decade.

Robert Peto
Chairman
26 May 2020

54 HAGLEY ROAD, BIRMINGHAM

15 BASINGHALL STREET, LONDON

COSFORD POINT, RUGBY

Strategic Report
Stakeholder Engagement

The Board wishes to describe to the Company's shareholders how the Directors have discharged their duties and responsibilities over the course of the financial year. This section, which serves as the Company's section 172 statement as requested by the AIC Code on Corporate Governance, explains how the Directors have promoted the success of the Company for the benefit of its members as a whole during the financial year to 31 December 2019, 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 ROLE OF THE DIRECTORS

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

As set out in the Corporate Governance Report, the Board has delegated day-to-day management of the assets to the Investment Manager and either directly or through the Investment Manager, the Company employs key suppliers to provide services in relation to property management, health & safety, valuation, legal and tax requirements, auditing, depositary obligations and share registration, amongst others. All decisions relating to the Company's investment policy, investment objective, dividend policy, gearing, corporate governance and strategy in general are reserved for the Board. The Board meets quarterly, with numerous other ad-hoc meetings, and receives full information on the Company's performance, financial position and any other relevant information. At least once a year, the Board also holds a meeting specifically to review the Group's strategy.

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

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

STRATEGIC ACTIVITY DURING THE YEAR

The Investment Manager's Report on pages 20-30 details the key investment decisions taken during the year and subsequently. Notable transactions where the interests of stakeholders were actively considered include:

- the sale of the industrial unit in Milton Keynes, given the income risks to the Company, and the reinvestment of the sale proceeds into two buildings with rental income growth opportunities;
- the disposal of a logistics unit close to Derby to reduce the income concentration risk to the Company; and
- the extension of the Company's Revolving Credit Facility with The Royal Bank of Scotland International Limited (RBSI) by £20 million to take advantage of opportunities that might become available in the near future.

Subsequent to the financial year end, stakeholder considerations have been fundamental to the Board's decision making during the Company's response to the COVID-19 pandemic.

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

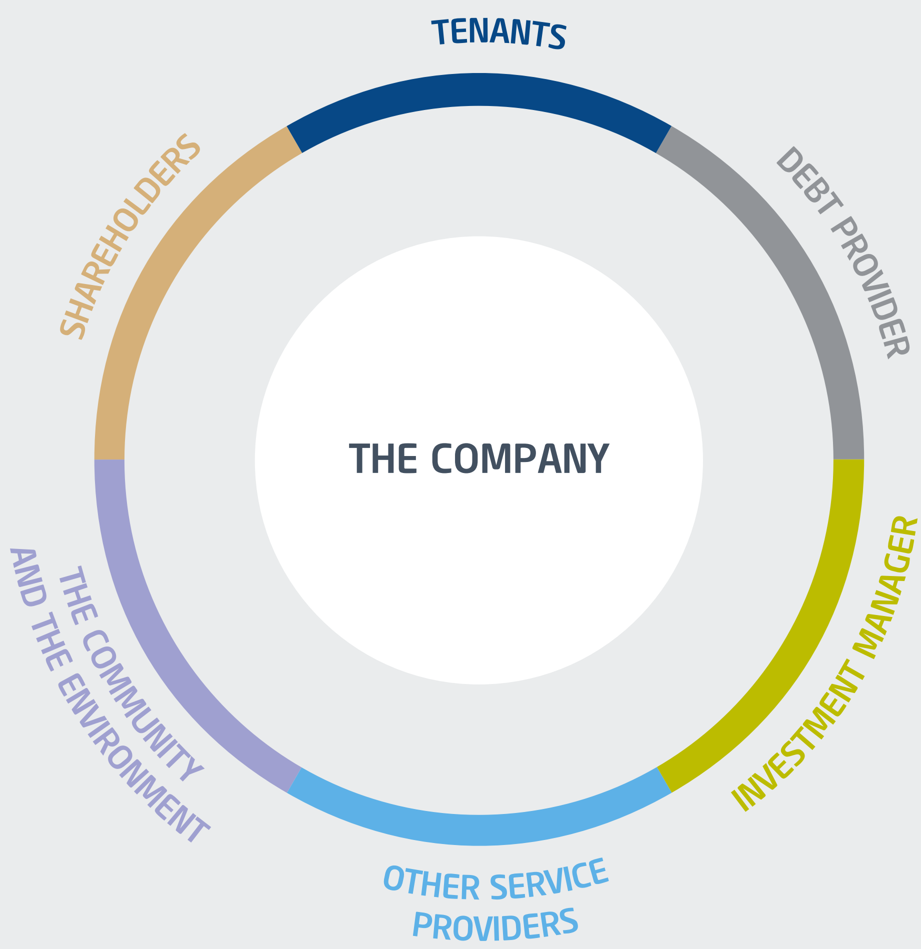
Robert Peto
Chairman
26 May 2020

PINNACLE, READING


31–32 QUEEN SQUARE, BRISTOL

Strategic Report

Stakeholder Engagement continued



SHAREHOLDERS

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

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

The Chair offers to meet with key shareholders at least annually, and other Directors are available to meet shareholders as required. This allows the Board to hear feedback directly from shareholders on the Company's ongoing strategy. During the financial year to 31 December 2019, the Investment Manager undertook several meetings with large shareholders to provide reports on the progress of the Company and receive feedback, which was then provided to the full Board.

The Company's AGM provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Investment Manager of the Company. The Board would ordinarily encourage as many shareholders as possible to attend the Company's AGM to engage directly with the Board. However, as set out in the Chair's Statement on page 8, in light of the COVID-19 pandemic, shareholders are discouraged from attending the AGM but are encouraged to engage with the Company and the Board. Details on how to submit a question in advance of the AGM are set out in the Chairman's Statement.

TENANTS

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

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

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

Following the outbreak of the COVID-19 pandemic, the Company's Investment Manager has worked closely with tenants to understand their needs. The Board believes that this is a crisis that impacts on individuals as much as companies and we take the Social aspects of ESG very seriously. The Board firmly believes that by helping tenants now and building relationships the Company will have better occupancy over future months and years, which will in turn benefit the Company's cash flow.

INVESTMENT MANAGER

The Chairman's Statement (pages 5-8) and Investment Manager's Report on pages 20-30 detail the key investment decisions taken during the year and subsequently. The Investment Manager has continued to manage the Company's assets in accordance with the mandate provided by shareholders, with the oversight of the Board. The Board receives presentations from the Investment Manager at every Board meeting to help it to exercise effective oversight of the Investment Manager and the Company's Strategy. The Board formally reviews the performance of the Investment Manager, and the fees it receives, at least annually. More details on the conclusions from the Board's review is set out on page 38.

THE COMMUNITY AND THE ENVIRONMENT

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

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

The Company aims to invest responsibly, to achieve environmental and social benefits alongside returns. By integrating ESG factors into the investment process, the Company aims to maximise the performance of the assets and minimise exposure to risk. Please see page 18, and the EPRA Financial and Sustainability Reporting starting on page 80, for more information on the Company's approach to ESG.

DEBT PROVIDER

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

OTHER SERVICE PROVIDERS

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, Investment Manager and other relevant stakeholders. Reviews will include those of the company secretary, broker, share registrar and auditor.

Strategic Report
Strategic Overview

OBJECTIVE

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

INVESTMENT POLICY AND BUSINESS MODEL

The Board intends to achieve the investment objective by investing in a diversified portfolio of UK commercial properties. The majority of the portfolio will be invested in direct holdings within the three main commercial property sectors of retail, office and industrial although the Group may also invest in other commercial property such as hotels, nursing homes and student housing. Investment in property development and investment in co-investment vehicles, where there is more than one investor, is permitted up to a maximum of 10% of the property portfolio.

In order to manage risk, without compromising flexibility, the Board applies the following restrictions to the property portfolio, in normal market conditions:

- No property will be greater by value than 15% of total assets.
- No tenant (excluding the Government) will be responsible for more than 20% of the Group's rent roll.
- Gearing, calculated as borrowings as a percentage of gross assets, will not exceed 65%. The Board's current intention is that the Group's Loan to Value ratio (calculated as borrowings less all cash as a proportion of property portfolio valuation) will not exceed 45%.

As part of its strategy, the Board has contractually delegated the management of the property portfolio, and other services, to Aberdeen Standard Fund Managers Limited ("the Investment Manager"). The Investment Manager was appointed in place of Standard Life Investments (Corporate Funds) Limited on 10 December 2018 following the merger of Standard Life plc and Aberdeen Asset Management PLC in August 2017. The Investment Manager was appointed on identical terms to the arrangements previously in place with Standard Life Investments (Corporate Funds) Limited, and there have been no changes to the way the investment management services are provided to the Group.

STRATEGY

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

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

ONE STATION SQUARE, BRACKNELL

At the property level, it is intended that the Group remains primarily invested in the commercial sector, while keeping a watching brief on other classes such as student accommodation and care homes. The Group is principally invested in office, industrial and retail properties and intends to remain so.

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

As part of this investment strategy, the Group recognises that tenants are a key stakeholder and aims to foster a culture whereby the experience of tenants is seen as paramount to the future success of the Group. The Investment Manager works closely with tenants to understand their needs through regular communication and visits to properties.

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

The Board continues to seek out opportunities for further, controlled growth in the Group. During 2019 and up to 31 March 2020, the Group raised an additional £960,000 through new share issues, as detailed in the Chairman's Statement.

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

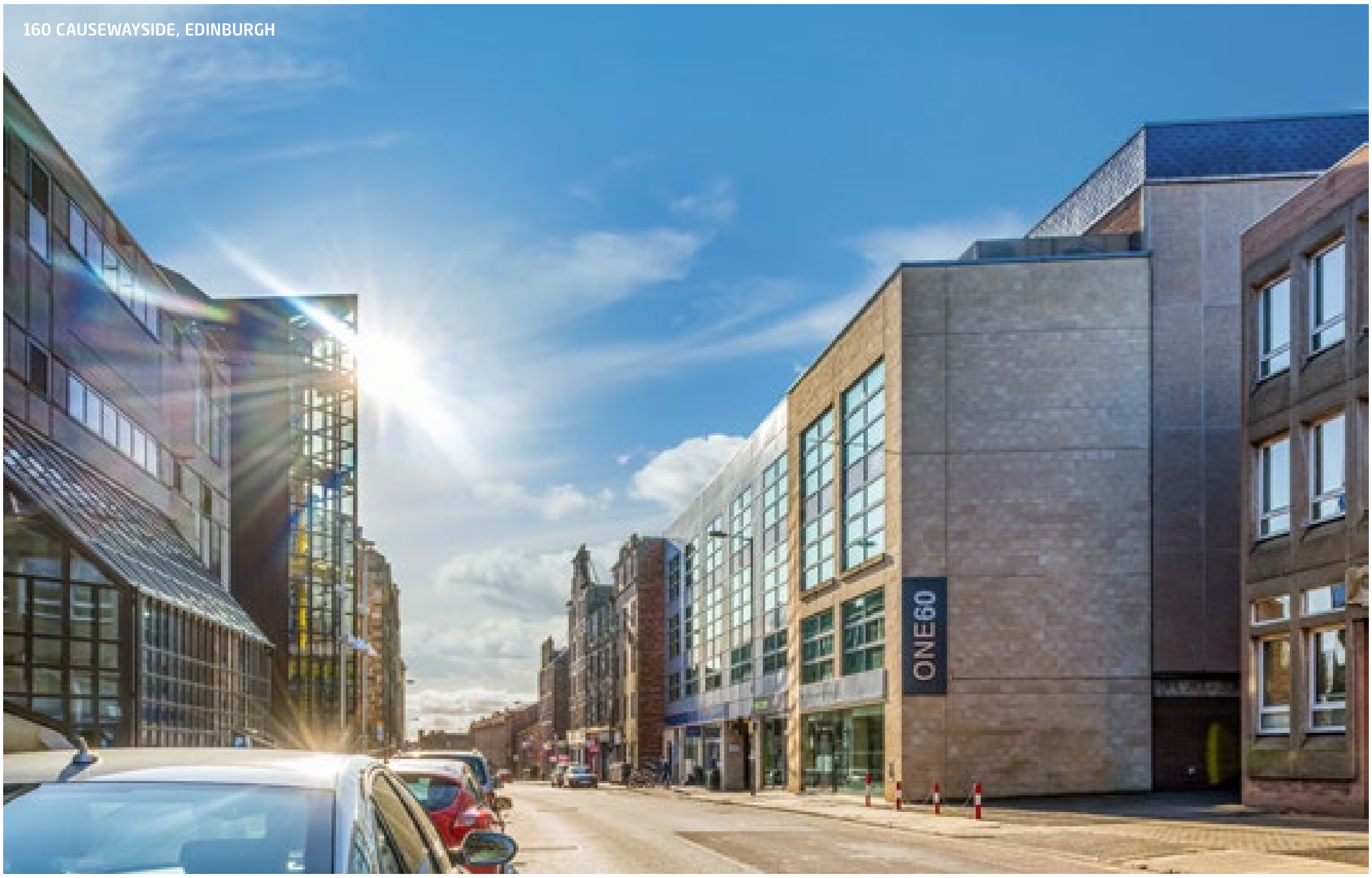
THE BOARD

As at 31 December 2019, the Board consisted of a non-executive Chairman and five non-executive Directors. The names and biographies of those directors who held office at 31 December 2019 and at the date of this report appear on pages 32 and 33 and indicate their range of property, investment, commercial and financial experience. There is also a commitment to achieve the proper levels of diversity.

To assist the Board with orderly succession planning, the Board announced the appointment of Sarah Slater as an additional non-executive Director on 27 November 2019. A resolution to elect Sarah Slater as a Director will be proposed to shareholders at the Annual General Meeting ("AGM") on 30 June 2020. As reported in the Chairman's Statement, Robert Peto intends to step down from the Board in due course. James Clifton-Brown will succeed Robert Peto as Chair of the Company.

NEXUS POINT, BIRMINGHAM

Strategic Report
Strategic Overview continued



160 CAUSEWAYSIDE, EDINBURGH

KEY PERFORMANCE INDICATORS

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

Property income and total return against the Quarterly Version of the IPD Balanced Monthly Funds Index ("the Index").

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

Property voids.

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

Rent collection dates.

The Board assesses rent collection by reviewing the percentage of rents collected within 21 days of each quarter end.

Net asset value total return.

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

Premium or discount of the share price to net asset value.

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

Dividend per share and dividend cover.

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

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

A record of these measures is disclosed in the Financial and Property Highlights, Chairman's Statement and Investment Manager's Report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

The Group's assets consist of direct investments in UK commercial property. Its principal risks are therefore related to the commercial property market in general, but also the particular circumstances of the properties in which it is invested, and their tenants. The Board and Investment Manager seek to mitigate these risks through a strong initial due diligence process, continual review of the portfolio and active asset management initiatives. All of the properties in the portfolio are insured, providing protection against risks to the properties and also protection in case of injury to third parties in relation to the properties.

The overarching risk that has emerged is COVID-19, the global pandemic that has impacted all areas of society in the UK and abroad. This pandemic has caused significant loss of life and global economic disruption. It arguably affects all areas of risk on which the Company reports and has increased the risk profile of the Company. In the section following, particular consideration has been given to how COVID-19 is impacting on the specific risks that are reviewed at each Board meeting.

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

This risk is mitigated through regular contact with shareholders, a regular review of share price performance and the level of the discount or premium at which the shares trade to net asset value and regular meetings with the Group's broker to discuss these points and address any issues that arise. COVID-19 has increased the volatility of the Company's share price and, reflecting wider market sentiment, has resulted in the Company's shares trading at a discount to prevailing NAV of 13.6%% as at 30 April 2020. The average discount of the peer group at this date was 18.1%.

Net revenue falls such that the Group cannot sustain its level of dividend, for example due to tenant failure or inability to let properties.

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

Contingency plans are put in place at units that have tenants that are believed to be in financial trouble. The Group subscribes to the Investment Property Databank Iris Report which updates the credit and risk ranking of the tenants and income stream, and compares it to the rest of the UK real estate market. An emerging risk in the year was the poor performance of the retail sector due to a number of high profile administrations and store closures in this sector.

The Group has partially mitigated this risk by having an underweight position to the retail sector with only 8.6% exposure to this sector against the benchmark weighting of 28.5% as at the end of December 2019.

The lockdown of many businesses as a result of COVID-19 has resulted in a significant fall of rental collection rates. As at 20 April, only 66% of rents billed for Quarter 2, 2020 had been collected. The usual rate is in excess of 95%. This trend is expected to continue and potentially worsen as long as the lockdown is in place. As a result of this net revenue will fall. On 23 April the Company announced it will be paying the full dividend relating to Quarter 1, 2020 but will keep its dividend policy under review given the likely continued fall in rental collection statistics.

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

This risk is managed through regular reporting from, and discussion with, the Investment Manager and other advisers. Macroeconomic conditions form part of the decision making process for purchases and sales of properties and for sector allocation decisions.

The result of the UK general election on 12 December eased the political uncertainty, and in the short term the economic uncertainty, with a bounce in economic activity pre COVID-19. The impact of COVID-19 on the macroeconomic picture both in the UK and abroad will be severe in the short term with our Investment

TETRON 93, SWADLINCOTE

Strategic Report
Strategic Overview continued

Manager forecasting a 14.2% fall in GDP in 2020 with an 11.8% increase in 2021. This macroeconomic impact has affected the UK commercial real estate sector. As well as having an impact on tenants' ability to pay rent, valuations have fallen with the Company reporting a 4.9% like-for-like valuation fall in Quarter 1, 2020. In addition a material uncertainty clause has been inserted in all Quarter 1, 2020 valuations. Looking further ahead, the long term impact on the real estate sector will be dependent on the length of the lockdown and any social distancing measures put in place post the lockdown being eased.

One other issue that could potentially affect the macroeconomic picture and hence property values is the result of the trade negotiations with the EU.

Breach of loan covenants.

This risk is mitigated by the Investment Manager monitoring the loan covenants on a regular basis and providing a quarterly certificate to the bank confirming compliance with the covenants. Compliance is also reviewed by the Board each quarter and there is regular dialogue between the Investment Manager and RBS, the lending bank, on Group activity and performance. As at 31 March, based on the rent collections statistics mentioned previously, the loan covenants were comfortably met with interest cover of 455% (limit of 175%) and a Loan to Value ratio of 28.4% (limit of 60%). In addition there were over £52 million of assets unencumbered at this date.

Environmental.

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

Other risks faced by the Group include the following:

- Strategic – incorrect strategy, including sector and property allocation and use of gearing, could all lead to a poor return for shareholders.
- Tax efficiency – the structure of the Group or changes to legislation could result in the Group no longer being a tax efficient investment vehicle for shareholders.
- Regulatory – breach of regulatory rules could lead to the suspension of the Group's Stock Exchange Listing, financial penalties or a qualified audit report.
- Financial – inadequate controls by the Investment Manager or third party service providers could lead to misappropriation of assets. Inappropriate accounting policies or failure to comply with accounting standards could lead to misreporting or breaches of regulations.
- Operational – failure of the Investment Manager's accounting systems or disruption to the Investment Manager's business, or that of third party service providers, could lead to an inability to provide accurate reporting and monitoring, leading to loss of shareholder confidence.
- Cyber Risk – Business continuity risk to any of the Company's service providers or properties, following a catastrophic event e.g. terrorist attack, cyber-attack, power disruptions or civil unrest, leading to disruption of service, loss of data etc.

The merger of Standard Life plc and Aberdeen Asset Management PLC has created additional operational risk for the Group. As highlighted on page 14, the Group appointed Aberdeen Standard Fund Managers Limited as its alternative investment fund manager ("AIFM") in December 2018. The appointment was on identical terms to the arrangements previously in place with Standard Life Investments (Corporate Funds) Limited. There have been no changes so far to the way the Investment Manager provides its services to the Group but the Board is keeping under close review any potential implications for the Group arising from the merger and the integration process.


SYMPHONY, ROTHERHAM

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

Details of the Group's internal controls are described in more detail in the Corporate Governance Report on pages 38 to 39.

SOCIAL, COMMUNITY AND EMPLOYEE RESPONSIBILITIES

The Group has no direct social, community or employee responsibilities. The Group has no employees and accordingly no requirement to report separately in this area as the management of the portfolio has been delegated to the Investment Manager. In light of the nature of the Group's business there are no relevant human rights issues and hence there is no requirement for a human rights policy. The Board, through its Investment Manager, does, however, closely monitor the policies of its suppliers to ensure that proper provision is in place.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

Approach to ESG

As set out in the Stakeholder Engagement section on pages 12 to 13, the Company adopts the Investment Manager's policy and approach to integrating ESG and this has been used as the basis for establishing the Company's ESG objectives.

The Investment Manager views the management of ESG issues as a fundamental part of its business. Whilst real estate investment provides valuable economic benefits and returns for investors it has – by its nature – the potential to affect environmental and social outcomes, both positively and negatively.

The Investment Manager's approach is underpinned by the following three overarching principles:

- **Transparency, Integrity and Reporting:** being transparent in the ways in which we communicate and discuss our strategy, approach and performance with our investors and stakeholders.
- **Capability and Collaboration:** drawing together and harnessing the capabilities and insights of our platforms, with those of our investment, supply chain and industry partners.
- **Investment Process and Asset Management:** integrating ESG into decision making, governance, underwriting decisions and asset management approach. This includes the identification and management of material ESG risks and opportunities across the portfolio.

Of particular focus is responding to climate change, both in terms of resilience to climate impacts and in reducing emissions from the Company's activities. The Investment Manager has committed to achieving net-zero emissions across its global portfolio by 2050 as part of the Better Building Partnership's

GRESB

GLOBAL REAL ESTATE SUSTAINABILITY BENCHMARK


KIRKGATE, EPSOM

Climate Change Commitment. Over the course of the next year the focus will be on benchmarking the Company's assets and appraising necessary improvement measures in the context of this goal.

EPRA Sustainability Best Practice Recommendations Guidelines

The Board, through its Investment Manager, has adopted the 2017 EPRA Sustainability Best Practice Recommendations Guidelines (sBPR) to inform the scope of indicators we report against. The Company has reported against all EPRA sBPR indicators that are material to the Company. Additional data has also been reported not required by the EPRA sBPR where we believe it to be relevant (e.g. like-for-like greenhouse gas emissions).

A full outline of the scope of reporting and materiality review in relation to EPRA sBPR indicators is included on pages 80 to 87.

Operational Performance Summary

Processes have been put in place to ensure operational sustainability performance is monitored and actions are implemented to drive continual improvement. Like-for-like landlord electricity and gas consumption reduced year-on-year across the Company's assets, by 4% and 10% respectively. This helped drive a 13% reduction in like-for-like greenhouse gas emissions associated with landlord-procured energy. Like-for-like water consumption increased by 12% year-on-year.

Full details of performance against material EPRA sBPR indicators are included on pages 80 to 87.

2019 GRESB Assessment

The GRESB Assessment is the leading global sustainability benchmark for real estate vehicles. The Company has submitted data to GRESB since 2012. In the 2019 assessment, its score improved to 74/100; a 4% improvement on 2018. The Company achieved a Green Star rating and a Three Star ranking.

HEALTH & SAFETY

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

VIABILITY STATEMENT

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

In terms of viability, the Board has considered the nature of the Group's assets and liabilities and associated cash flows and has determined that five years is the maximum timescale over which the performance of the Group can be forecast with a material degree of accuracy and so is an appropriate period over which to consider the Group's viability.

The Board has also carried out a robust assessment of the principal and emerging risks faced by the Group, as detailed on pages 17 to 18. The main risks which the Board considers will affect the business model are: future performance, solvency, liquidity, tenant failure leading to a fall in dividend cover and macroeconomic uncertainty. These risks have all been considered in light of the financial and economic impact arising from COVID-19. The Board takes any potential risks to the ongoing success of the Group, and its ability to perform, very seriously and works hard to ensure that risks are consistent with the Group's risk appetite at all times.

In assessing the Group's viability, the Board has carried out thorough reviews of the following:

- Detailed NAV, cash resources and income forecasts, prepared by the Company's Investment Manager, for a five year period under both normal and stressed conditions;
- Additional modelling that has been undertaken around the potential impact of COVID-19 on rent collection, cash flow, dividend cover, Net Asset Value and loan covenants;
- The Group's ability to pay its operational expenses, bank interest, tax and dividends over a five year period;
- Future debt repayment dates and debt covenants, in particular those in relation to LTV and interest cover;
- Demand for the Company's shares and levels of premium or discount at which the shares trade to NAV;
- Views of shareholders; and
- The valuation and liquidity of the Group's property portfolio, the Investment Manager's portfolio strategy for the future and the market outlook.

Despite the uncertainty in the UK regarding both the impact of the COVID-19 pandemic and also Brexit, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next five years. This assessment is based on the current financial position of the Company, its performance track record and feedback it receives from shareholders.

APPROVAL OF STRATEGIC REPORT

The Strategic Report comprises the Financial and Portfolio Highlights, Performance Summary, Chairman's Statement, Strategic Overview and Investment Manager's Report. The Strategic Report was approved by the Board and signed on its behalf by:

Robert Peto
Chairman
26 May 2020

Strategic Report
Investment Manager's Report

A lot has happened since the end of 2019. Set out below is our review of 2019 and some thoughts on how the events of the first quarter of 2020 might affect the market and the performance of your Company based on the knowledge available at the time of writing.

Jason Baggaley

MARKET REVIEW

UK GDP growth slowed materially in 2019 as Brexit-related uncertainty, the general election and slower global growth weighed on the UK economy. Despite an upward revision to third quarter GDP growth to 0.5%, UK GDP was flat in the final quarter of the year resulting in an annual growth rate of 1.1% in 2019.

The UK labour market remained at historically tight levels and the general election outcome removed one layer of uncertainty for the UK, resulting in a recovery in business and household sentiment towards the end of 2019.

Returns in the real estate market moderated in 2019, with a total return of 1.3% for the calendar year as capital growth turned negative over this period. However, returns were markedly different at the sector level with industrial real estate recording another strong year, delivering total returns of 6.8%, whilst offices returned 4.3%. Retail on the other hand continued to weigh on overall commercial property returns, with capital values declining 12.9% over the year and delivering a total return of -7.7% according to the MSCI IPD Quarterly Index.

The FTSE UK REIT index experienced a late relief rally towards the end of 2019 resulting in a total return of 30.8% for the year as the December election result was viewed positively by the market. This was markedly ahead of the wider stock market, where the FTSE 100 and FTSE All-Share indices returned 17.3% and 19.2% respectively. Whilst retail property orientated companies continued to trade at large discounts to net asset value (NAV), London office developers traded at closer to NAV. This was as a result of better than expected leasing activity and a modest upward movement in rents. Some income-focused and industrial orientated names traded at premiums to NAV.

Occupational markets had largely been unfazed by prevailing uncertainty and a lack of clarity on the UK's future trading relationships. Take-up in the office sector remained strong, with Central London leasing volumes falling only marginally short of the 10 year annual average level. Regionally, headline rents rose and vacancy rates fell across the 'Big Six' office markets. The retail sector remained the exception, as structural changes continued to hamper the outlook for the sector. The industrial sector, now driven by logistics rather than manufacturing, continued to be a key beneficiary of the structural changes playing out in the UK real estate sector.

The uncertainty created by ongoing Brexit negotiations and the UK general election was felt most acutely through the investment market in 2019. UK real estate investment volumes reached £52 billion in 2019 according to property data, down on the £63 billion recorded in 2018, but in line with the 10 year average. Once again, the alternative space (such as leisure, hotels, student accommodation, private residential schemes etc) gained investment market share on the previous year, accounting for one-third of all investment activity by value in 2019. Meanwhile, the office sector recorded investment volumes of £17.4 billion as a number of large deals in Central London bolstered the overall number.

Regional offices were the best performing part of the office sector in 2019, delivering a total return of 5.6%, followed by City offices returning 5.1%, West End offices 4.5%, and South East offices 3.4%. Occupational demand for London offices remained resilient in spite of the political uncertainty created by the general election and Brexit negotiations. Leasing activity was strong in the final quarter of the year which helped bring the full-year take-up total to 12.8 million square feet, marginally below the 10 year annual average of 13.1 million square feet according to CBRE. Availability of second hand and Grade A space both fell over the course of the year, with the squeeze being felt most acutely in newly constructed Grade A space. New lettings focussed on the best quality Grade A space, with secondary space becoming more challenging to let. Strong take-up, declining levels of availability and a limited forward supply pipeline supported rental value growth of 1.3% for London offices in 2019. In the regional office markets, the ‘Big Six’ in particular, corporate and public sector consolidation drove demand for the best quality space. In a similar vein to Central London offices, supply and pipeline of Grade A office buildings in the ‘Big Six’ remained well balanced. As the year drew to a close, the political clarity derived from the election result prompted a noticeable increase in the level of optimism from agents in the market, particularly towards Central London offices.

The retail sector returned -7.7% in 2019, with values falling by 12.9% and, anecdotally, some pricing continuing to fall in 2020. Shopping centres were in the eye of this retail storm, with values across the MSCI Quarterly Index sample falling by 15.7% in 2019, bringing the cumulative fall to 27% over the last two years. Retail warehouses lost 14.0% of their value in 2019 and have now fallen 21% since their last peak at the beginning of 2018. Regional shops fell by a similar amount over the year. Supermarkets, protected by long index-linked leases to strong covenants, and Central London shops were the only retail segments to show any stability. In line with the weak performance of large-format retail, liquidity was highly constrained in 2019. Less than £700 million of shopping centres transacted – comfortably the lowest volume on record – and retail warehouse activity only picked up with greater price transparency towards the end of the year.

Ultimately, sentiment was weak and rents, in aggregate, were under intense downward pressure as retailers sought to rationalise portfolios through lease events, direct negotiations with landlords or the more drastic option of company voluntary arrangements. Even before COVID-19, further falls in value were anticipated in 2020.

The industrial sector maintained its position as the best performing UK commercial real estate sector in 2019, outperforming the wider market by over 500 bps with a total return of 6.8%. This is the eighth consecutive year that the sector has outperformed the wider market. Despite moderating from the levels witnessed in 2018, rents grew by a robust 2.9% at the headline level in 2019, continuing to provide support for pricing in the sector. In a similar vein to last year, the more space constrained South East industrial market recorded the strongest rental value growth with rents growing by 3.8%, whilst rental growth in the regions grew by a more modest 1.6%. The structural transition to online retailing continues unabated, resulting in another strong year of take-up by third-party logistics providers and retailers. In fact, with more than 35 million square feet of positive net absorption, 2019 was the strongest year since 2015 according to CoStar. As a result, vacancy rates trended lower over the course of the year and ended 2019 at approximately 3%. Prior to COVID-19 market fundamentals remained supportive for continued rental value growth in the industrial sector, particularly in London, the South East and the best urban locations across the UK. At this stage it is unclear whether the effects of the virus will cause a short term delay to this rental growth, or have a larger impact.

The UK real estate investment market remained highly polarised in 2019, with the alternative sectors clearly in vogue once again. The sector, categorised as “Other Property” by MSCI IPD, outperformed the market average in 2019 with a total return of 4.5%. Alternative property types possess a number of appealing facets for income focused investors, most notably the long indexed leases which are common practice and values which tend to be less volatile than the traditional commercial sectors. The sector has grown in prominence in recent years and 2019 was no exception as alternative property types accounted for close to a third of all investment activity in UK real estate: the sector’s greatest share of the UK real estate market on record. The Purpose Build Student Accommodation (PBSA) and hotel sectors, the most established alternative sectors for institutional investors in the UK, accounted for over 50% of the £16.5 billion that was invested in alternative property types last year, with the former benefitting from a number of large portfolio transactions and M&A activity. There was a noticeable increase in interest in retirement living and the Build to Rent sectors during 2019. This follows a more general trend emerging in UK real estate where investors are increasing allocations to more operational sectors, which provides greater exposure to the underlying performance of income-generating assets. There remains a considerable weight of money targeting such assets and this is likely to put further downward pressure on yields.

> By investing in good quality assets that are in good locations and let to quality tenants we are less concerned about lease duration, as we manage the tenant relationships to maintain and grow income through lease events.
> **Jason Baggaley**

Strategic Report
Investment Manager's Report continued

MARKET OUTLOOK

The general election result removed one layer of uncertainty in the UK which resulted in a noticeable improvement in sentiment in early 2020. Near-term uncertainties facing businesses and households eased, surveys of business activity picked up, admittedly from a low base and investment intentions appeared to have improved. All other things being equal, we would have expected that a more stable political backdrop and increased levels of optimism, at least in the near-term, would have translated into a modest recovery in the UK real estate investment market throughout 2020.

As this is written, however, our everyday life has been thrown into turmoil as we grapple with COVID-19. Despite massive Government intervention, it is clear that COVID-19 is going to have a material impact on every part of the economy in 2020. It is still too early to provide a reliable guide to the next 12 – 18 months; however we do believe the recovery will be prolonged, as it will take some considerable time for a new "normal" life to become re-established. As easing of restrictions begins, and some shops start to reopen we are still going to have limited travel – either because of centrally imposed restrictions or reluctance to use public transport.

Retailers and leisure operators will see a protracted recovery with normal trading only possible once a vaccine is in place. The viability of many companies only operating at limited capacity is debatable, and with heightened unemployment and a reluctance to visit busy spaces, consumer spending is likely to remain subdued.

Office functions are being undertaken from home, with varying degrees of success (not least linked to the presence of young children in the house!) and home working is likely to remain popular. Early return to work will be in reduced numbers, and it is possible we will see longer term changes in occupier demand towards having a hub and spoke model where there is a greater diversity of workplace, and reduced commuting to a centralised point. We might even see a resurgence in out of town office parks, as the ability to drive to work, and experience fresh air without dense population at lunchtime becomes more appealing than a vibrant city centre.

The logistics sector is likely to be the first to recover, and if some projections of permanently increased online shopping are correct, there could be a shortage of accommodation. That is not to say challenges don't remain for the sector. Tenant failure in the short term is quite possible as logistics is a low margin business, and we have seen a significant reduction in freight movement, and some sectors, such as car manufacturing, are especially exposed to an economic downturn.

PERFORMANCE

There are a number of measures that can be used to consider the Company's performance.

At the most basic level investors can compare the performance of the Company's investment portfolio to the MSCI/IPD quarterly benchmark. This measure does not represent the return investors obtain, but it does demonstrate how the underlying portfolio is performing compared to the wider market on a like-for-like basis. We use the MSCI/IPD quarterly index as a benchmark for performance comparison only. We remain agnostic about the benchmark composition. Indeed, the Company's sector allocation is significantly different to the benchmark, reflecting our investment outlook and strategy. It is pleasing to note that the portfolio has outperformed the benchmark over 1, 3, 5, and 10 years.

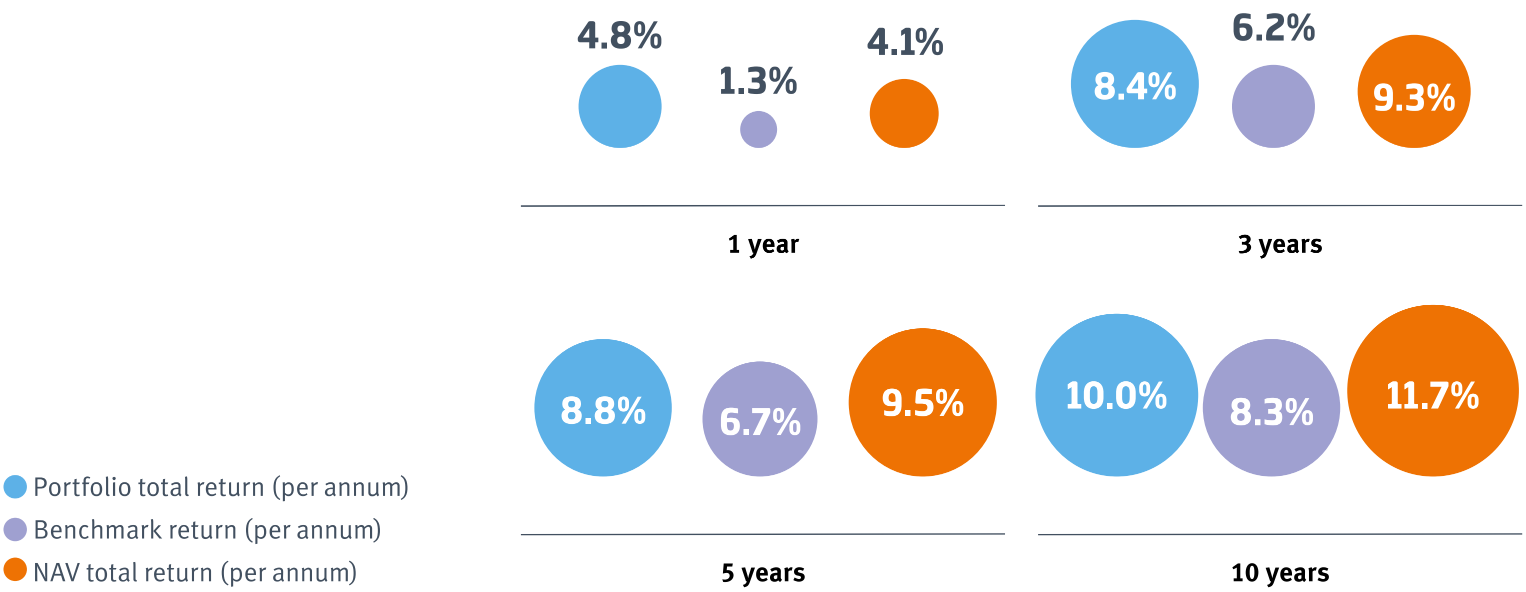
Perhaps a better reflection of performance is the NAV total return. The NAV total return takes into account all aspects of the Company – the impact of debt, management fees, costs of running the Company, as well as the costs of managing/refurbishing the assets. This is therefore the best measure of the performance that represents what is under the Board and manager's influence. The benchmark return has none of these additional costs in it.

In the table across we also compare the NAV total return of the company to the AIC property direct UK sector and to the open-ended property funds. Again, the NAV total return compares favourably to the investment company peer group and the Investment Association open-ended sector performance.

For shareholders the share price total return is potentially a more relevant measure. As Manager it is the one we can influence least as it is affected, sometimes quite materially, by movements in the premium/discount at which the company's shares trade compared to the NAV. The share price total return is shown in the table across against several other measures.

PORTFOLIO TOTAL RETURN

Source: Aberdeen Standard Investments, MSCI IPD



Both the Manager and the Board continuously monitor the share price and whether the Company is trading at a premium or a discount and how that compares to its peers. During the year the rating has fluctuated reflecting investor sentiment towards the sector often driven by wider uncertainties such as Brexit, the political situation, and the state of the economy.

NAV Total Returns to 31 December 2019	**1 year (%)**	**3 years (%)**	**5 years (%)**	**10 years (%)**
Standard Life Investments Property Income Trust	4.1	30.5	57.3	202.2
AIC Property Direct – UK sector (weighted average)	2.5	19.8	39.4	51.5
Investment Association Open Ended Commercial Property Funds sector	0.2	12.3	22.0	66.9
Company's ranking in AIC Property Direct sector	5	3	2	1

Source: AIC, Aberdeen Standard Investments

Share Price Total Returns to 31 December 2019	**1 year (%)**	**3 years (%)**	**5 years (%)**	**10 years (%)**
Standard Life Investments Property Income Trust	**18.0**	**23.1**	**52.1**	**162.2**
FTSE All-Share Index	19.2	22.0	43.8	118.3
FTSE All-Share REIT Index	30.8	28.5	32.2	149.0
AIC Property Direct – UK sector (weighted average)	13.4	14.1	31.0	39.1

Source: AIC, Aberdeen Standard Investments

VALUATION

The investment portfolio is valued quarterly by Knight Frank LLP. As at 31 December 2019 the portfolio was valued at £493.2 million (£499.1 million as at 31 December 2018). Cash stood at £6.5 million, compared to £8.3 million a year earlier. During the course of the year the amount drawn under the revolving credit facility varied, but at year end stood at £18 million compared to £20 million at 31 December 2018.

The report and accounts relate to the period to the end December 2019, however since then there has been a significant change to UK valuations such that all UK valuers applied a Material Uncertainty clause to their valuations in March 2020. This meant that open ended funds based on the fund NAV had to suspend trading, and reflected the lack of transactional evidence valuers could rely on. As at the valuation date of 31 March 2020 the Company's portfolio saw a like-for-like reduction of 4.9% from the end December valuation, with the NAV standing at 83.2p. Every asset in the portfolio reduced in value, demonstrating the scale of the impact of COVID-19, and the valuer's desire to reflect the market sentiment as well as to rely on transactional evidence.

BOURNE HOUSE, STAINES

Strategic Report
Investment Manager's Report continued

INVESTMENT STRATEGY

The Company has a clear investment strategy that the Board and Investment Manager use to focus their efforts.

The Company's objective is to provide investors with an attractive level of income with the prospect of income and capital growth, delivered through investing in a diversified portfolio of UK Commercial real estate. We believe that the dividend should be fully covered by rental income over the medium term.

When constructing the portfolio we start by looking at the macro themes and drivers affecting UK real estate to undertake a top down review of what sectors we want to be invested in. We believe that having the correct sector allocation is likely to enhance performance. An example would be identifying the changing consumer habits in the retail sector that led us to reduce our retail exposure and increase the industrial weighting a few years ago, and in the office sector it identified the changing ways offices are being and will be used.

The top down approach helps us focus our efforts, but no two properties are the same so it is vitally important that we take a bottom up approach to analysing every asset we own and every asset we consider investing in.

We seek to invest in assets that we believe will perform over the medium to long term and help meet the Company's income requirement. We look to acquire assets that will appeal to occupiers and future purchasers and are happy to invest in assets that require asset management and some investment, or have some vacancy, as we believe an active approach to managing assets generates superior returns. By investing in good quality assets that are in good locations and let to quality tenants we are less concerned about lease duration, as we manage the tenant relationships to maintain and grow income through lease events. Also key to this is Environmental, Social and Governance considerations which are set out in more detail later.

PURCHASES

During the reporting period the Company completed three purchases totalling £25.8 million. We had expected to be net investors over the year, however, with the high levels of uncertainty we took a cautious approach to appraising opportunities. We are strongly of the belief that it is better to only invest in assets we truly believe in rather than buying assets because we have the cash to do so.

BADENTOY, ABERDEEN

25.8 MILLION POUNDS

During the reporting period the Company completed three purchases for a total sum of £25.8 million (including purchase costs).

Broadoak, Manchester
The Company acquired a small industrial unit that is adjacent to an estate already owned by the Company, which means the holding now forms a site for potential future development on Trafford Park. The purchase price was £3.5 million and the property is let for a further 8 years, with good potential for rental growth.

160 Causewayside, Edinburgh
The Company acquired this asset for £8.8 million. The property is located to the South of Edinburgh City Centre close to the University. The ground floor is let to Tesco and a pharmacy, whilst the four floors of offices above are let to a variety of tenants. There is one vacant suite, which we have good interest in. The offices provide a good opportunity for rental growth through asset management.

Badentoy, Aberdeen
The Company acquired a single let industrial/logistics unit for £13.55 million. The unit only covers 22% of the site, which gives scope for future expansion, although at present the whole site is let on a lease with 9 years remaining to a strong covenant.

SALES

Four sales were undertaken during the year totalling £35.3 million, with a further sale completed in January 2020 for £10.7 million. Sales are undertaken where we believe an asset is not going to perform in line with our requirements, or if we think the risk profile is not suitable. We are happy to realise profits and reduce future risk. We regularly review our holdings to challenge our belief that they will continue to perform in line with expectations.

Silbury Court, Milton Keynes
We sold a small office for £6 million that we believed would require significant capital expenditure on expiry of the lease and potentially a prolonged void. Although we like the Milton Keynes office market, we felt this was a good example of taking a profit whilst mitigating risk.

Mansfield
We sold a small industrial unit for £920,000 to the tenant, who had an option on the unit. We had previously sold the remainder of the estate and this was the smallest asset in the fund.

Michigan Drive, Milton Keynes
Although the Milton Keynes market is strong for industrial units we sold this asset for £9.3 million due to serious concerns over the future viability of the tenant's business. We believed there was far greater downside risk than upside.

Denby 242, Derby
This asset represented the single largest tenant exposure and, although we liked the unit, we felt there was too much risk around the lease expiry in 5 years' time and the potential impact on the company's revenue account. The sale was timed to take advantage of the strength of demand for logistics investments to realise a profit.

Bourne House, Staines
In January 2020 we completed the sale of this single let office asset for £10.7 million. The property had recently been re-let and was fully valued. We were also cognisant of increased flood risk on future modelling for this location.

ASSET MANAGEMENT

Asset management is the bread and butter of the Company's activities, and we take a very active approach to interacting with our tenants to drive value. The Company benefits from having a dedicated and experienced team focused on asset management. They engage with tenants on a one to one basis, and ensure that the Company uses best in class agents where appropriate. One of the main focuses in 2019 has been to ensure the Company's office properties address tenants' needs. We have fully fitted several suites and developed shorter, more user friendly leases to ease the challenges of relocating for smaller businesses. This has started to reap rewards, with a noticeable pick up in viewings, especially from companies that have grown up in serviced offices but now want dedicated space.

Although many commentators refer to serviced offices as a threat to traditional landlords, we have found they have helped us attract new tenants. Companies typically only made decisions to move or expand if they had to in 2019 with so much negative press and uncertainty around UK politics and economic outlook. After the general election in December we saw a noticeable pick up in enquiries and viewings.

Highlights of the team's achievements are:

- Over the course of 2019, 20 new lettings were completed generating £3.69 million rent per annum.
- 7 lease renewals were completed securing £1.02 million per annum.
- 8 rent reviews agreed, showing an increase in annual rent of £330,600 per annum (14.2%) from the previously agreed rent.

DEBT

The Company utilises debt, with two facilities from the Royal Bank of Scotland. The main term loan is for £110 million and matures in April 2023. There is also a Revolving Credit Facility ("RCF") of £55 million which matures on the same date. At the year-end £18 million was drawn on the RCF, however, following the sale of Bourne House, Staines in January 2020 a further £10 million was repaid, leaving just £8 million drawn.

The LTV as at 31 December was 24.6% (December 2018: 24.4%). The all in-cost of the debt as at 31 December was 2.6%.

The Company entered into an interest rate swap when the term loan was taken out. At 31 December 2019 the interest rate swap had a liability of £2.2 million (2018 -£0.8 million) which is reflected in the NAV. This liability will reduce to zero on maturity.

Strategic Report
Investment Manager's Report continued

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

ESG is an integral part of how we manage the Company. That is of course a very easy statement to make, and we are continually refining what we do, and learning. We believe that "doing the right thing" in ESG terms, is increasingly aligned with the goals and ideals of our corporate occupiers, as well as the individuals who occupy and use our buildings. This is a relatively new phenomenon, and getting it right will be an essential part of delivering performance in the future. We report more fully on the ESG Metrics separately in the annual report, however within the Investment Manager's report we wanted to explain the practical approach we take when managing the portfolio as ESG can mean different things to different people.

Environmental

This element is related to energy efficiency and waste. Much of what we do is very simple, for example:

- We have worked with our managing agents to reduce waste to land fill through improved recycling in the buildings.
- We always use energy efficient lightbulbs (LED) in refurbishments to reduce consumption.
- We calibrate and monitor the operation of mechanical and electrical plant to ensure it runs as efficiently as possible.

These measures have helped the company achieve a 4% and 10% reduction in landlord like-for-like electricity and gas consumption respectively in 2019. All of the electricity purchased by the Company is designated as green energy. In addition there has been a 13% reduction in carbon emissions associated with landlord procured energy.

We have engaged with tenants on most of the assets in the portfolio about installing photo voltaic (PV) cells on the roof, where the Company pays for the installation and then sells the power to the tenant. We currently have 5 buildings where this has occurred (with a capacity of 241kWp) and are working on a further 4 schemes that could have a capacity of circa 2,000kWp.

Climate change presents both physical risks to real estate assets (e.g. from flooding) and transition risks associated with an asset's ability to decarbonise. We assess flood risk on all of our potential purchases and existing assets, and are fortunate to have in house expertise as well as utilising the Environment Agency data.

Aberdeen Standard Investments has recently partnered with Vivid Economics to better understand climate risks across all asset classes. As part of this work, we will assess the physical risk posed to assets in the Company's portfolio under a range of future climate scenarios out to 2040, ranging from a 1.5°C global temperature increase (i.e. consistent with the Paris Agreement) to a +4°C temperature increase. Results of this assessment will be available later in 2020.

Transition risk for real estate assets depends on their ability to transition to net-zero greenhouse gas emissions before 2050. Importantly, there is consensus in the UK real estate industry that it should not be possible to claim net-zero status by simply off-setting all emissions and that a standard of energy efficiency must be met first. Assessing transition risk at the asset level involves benchmarking energy performance and establishing the cost of improvements to meet levels consistent with a net-zero pathway. Where the Company (as landlord) is in control of utilities and has full energy data for office assets, our M&E/Sustainability consultants have started this benchmarking exercise.

This process will follow for other assets in due course and is dependent on obtaining energy consumption data from tenants.

Social

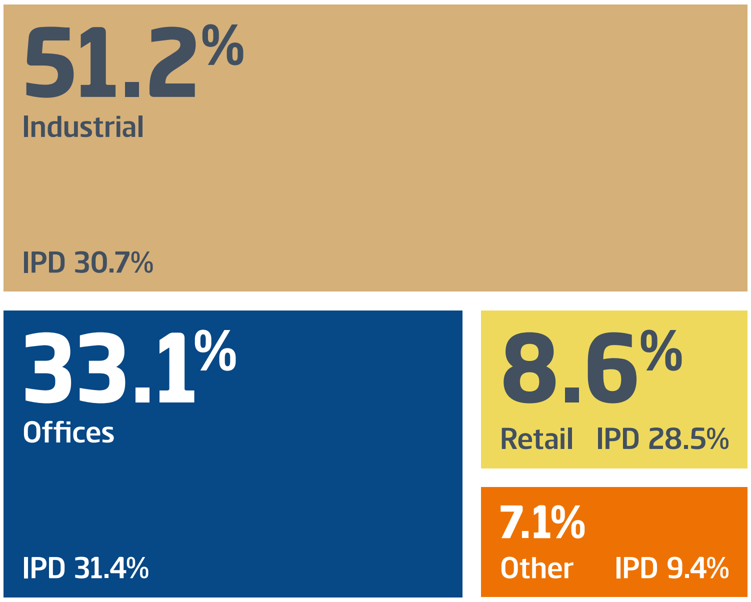
The Social aspect of ESG is not as easy to identify as the Environmental, but is an area of great focus for us, because it directly relates to how our buildings are used. It is most prevalent within our office portfolio as that is where we have more multi-let occupation.

We seek to invest in buildings where we can create amenities for the occupier, including things like high quality showers and changing rooms, secure bike racks, space for organised yoga classes, break out/relaxation space with coffee machines.

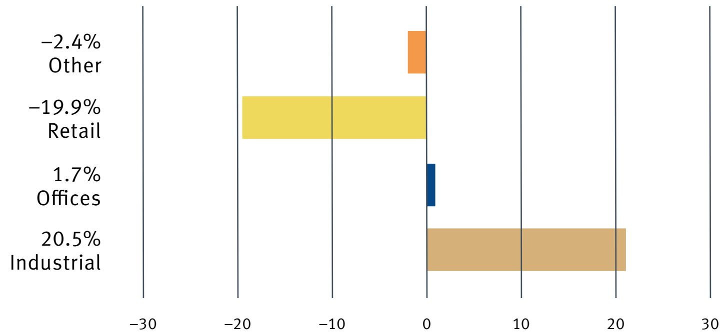
Our on-site reception teams seek to create a sense of community through tenant engagement. This includes organising food banks, competitions, local charity stalls etc, and in a couple of our buildings we have been able to assist tenants with provision of training and seminars to help people upskill.

We are convinced that we can improve the performance of our assets by getting the social aspect right. If we provide a working environment that resonates with the beliefs of the people who use our assets then that will increase the appeal to the corporates who employ them. We aim to provide accommodation that enhances productivity and therefore improves the cost efficiency for our tenants.

Portfolio allocation by sector



Relative Weighting versus IPD

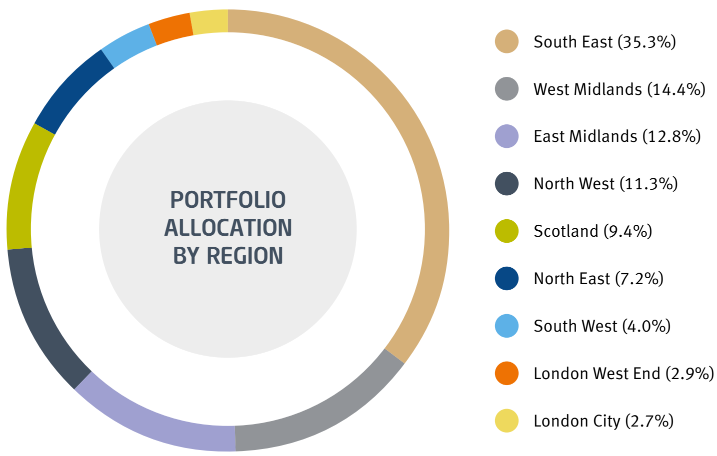


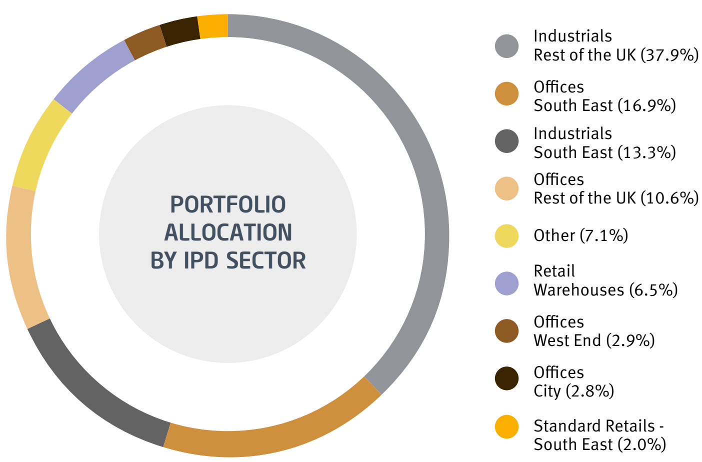
Governance

Engaging in the environmental and social aspects of ESG is in itself not enough. We need to be able to measure it, and provide tenants and investors with reliable information about our buildings. We subscribe to the GRESB benchmarking service and are looking at various forms of certification.

OUTLOOK AND FUTURE STRATEGY

The positive environment of early 2020 has quickly changed into what is likely to be a greater economic contraction than the Great Financial Crisis. We are fortunate to have a limited exposure to retail assets which are likely to continue to struggle, and we have a greater exposure to the industrial sector, which looks relatively resilient. In a market of sudden change, opportunities will arise. Our focus is to ensure longer term sustainability and positive progress for the Company; and hence we will look at opportunities as they arise. In the meantime, all our effort continues to be focused on providing tenants with accommodation that meets their needs. Our basic philosophy of investing in good quality assets, in strong locations, let to good tenants remains as valid now as it ever has.





Strategic Report
Investment Manager's Report continued

TOP TEN TENANTS

	Tenant	Passing Rent	%
1	BAE Systems	£1,257,640	4.5%
2	The Symphony Group Plc	£1,225,000	4.4%
3	Public sector	£1,158,858	4.2%
4	Schlumberger Oilfield UK PLC	£1,138,402	4.1%
5	Jenkins Shipping Group	£813,390	2.9%
6	Timbmet Limited	£799,683	2.9%
7	ATOS IT Services Ltd	£771,581	2.8%
8	CEVA Logistics Limited	£671,958	2.4%
9	GW Atkins	£625,000	2.2%
10	P&O Ferries	£479,090	1.7%

Total: £8,940,602
Total % of Total Rent: 32.1%

Total Group Passing Rent: £27,921,792

TOP TEN PROPERTIES

	Property	Location	Value	Sector
1	54 Hagley Road	Birmingham	£24m-£26m	Office (4.9%)
2	Symphony	Rotherham	£18m-£20m	Industrial (3.9%)
3	Pinnacle	Reading	£14m-£16m	Office (3.1%)
4	Hollywood Green	London	£14m-£16m	Other (3.1%)
5	Marsh Way	Rainham	£14m-£16m	Industrial (3.0%)
6	Timbmet	Shellingford	£14m-£16m	Industrial (3.0%)
7	New Palace Place	London	£14m-£16m	Office (2.9%)
8	15 Basinghall Street	London	£12m-£14m	Office (2.8%)
9	Badentoy	Aberdeen	£12m-£14m	Industrial (2.7%)
10	Atos Data Centre	Birmingham	£12m-£14m	Other (2.7%)

LEASE EXPIRY PROFILE

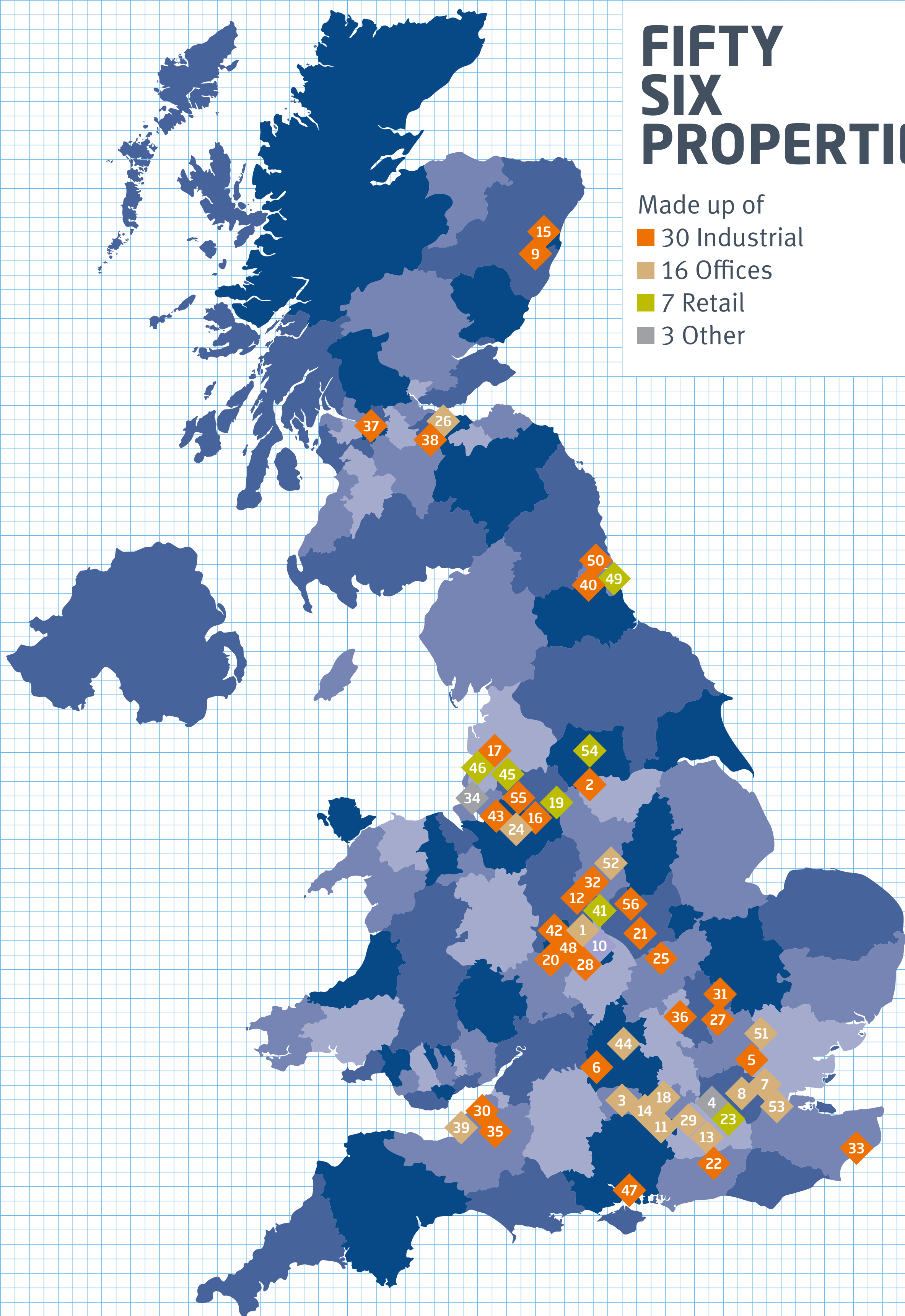
Total 5 year band	0–5 years	6–10 years	11–15 years	16–20 years	21–25 years
Initial rent £	27,921,792	–	–	–	–
Rent expiring £	16,297,943	7,955,122	1,473,873	1,301,665	893,183
Rent expiring %	58.4%	28.5%	5.3%	4.6%	3.2%

Strategic Report
Investment Manager's Report
Property Investments as at 31 December 2019

#	Name	Location	Sub-sector	Market value	Tenure	Area sq ft	Occupancy
1	54 Hagley Road	Birmingham	Office	£24m–£26m	Leasehold	141,436	62.8%
2	Symphony	Rotherham	Industrial	£18m–£20m	Leasehold	364,974	100%
3	Pinnacle	Reading	Office	£14m–£16m	Freehold	39,447	73.0%
4	Hollywood Green	London	Other	£14m–£16m	Freehold	64,503	100%
5	Marsh Way	Rainham	Industrial	£14m–£16m	Leasehold	82,090	100%
6	Timbmet	Shellingford	Industrial	£14m–£16m	Freehold	214,882	100%
7	New Palace Place	London	Office	£14m–£16m	Leasehold	18,721	98.9%
8	15 Basinghall Street	London	Office	£12m–£14m	Freehold	17,485	82.6%
9	Badentoy	Aberdeen	Industrial	£12m–£14m	Freehold	67,843	100%
10	Atos Data Centre	Birmingham	Other	£12m–£14m	Freehold	40,146	100%
11	Chester House	Farnborough	Office	£12m–£14m	Leasehold	49,861	100%
12	Tetron 141	Swadlincote	Industrial	£10m–£12m	Freehold	141,459	100%
13	Explorer 1 & 2 and Mitre Court	Crawley	Office	£10m–£12m	Freehold	43,533	84.2%
14	One Station Square	Bracknell	Office	£10m–£12m	Leasehold	42,429	83.7%
15	Ocean Trade Centre	Aberdeen	Industrial	£10m–£12m	Freehold	103,120	100%
16	Broadoak Business Park	Trafford	Industrial	£10m–£12m	Freehold	114,999	100%
17	Walton Summit Industrial Estate	Preston	Industrial	£10m–£12m	Freehold	147,946	100%
18	Bourne House	Staines	Office	£10m–£12m	Freehold	26,363	100%
19	Howard Town Retail Park	High Peak	Retail	£10m–£12m	Mixed	48,796	100%
20	Budbrooke Industrial Estate	Warwick	Industrial	£10m–£12m	Freehold	89,939	100%
21	CEVA Logistics	Corby	Industrial	£10m–£12m	Freehold	195,225	100%
22	Foundry Lane	Horsham	Industrial	£10m–£12m	Freehold	76,292	85.6%
23	82–84 Eden Street	Kingston upon Thames	Retail	£10m–£12m	Freehold	24,234	100%
24	101 Princess St	Manchester	Office	£8m–£10m	Freehold	41,096	100%
25	Shield	Kettering	Industrial	£8m–£10m	Freehold	216,753	100%
26	160 Causewayside	Edinburgh	Office	£8m–£10m	Freehold	39,522	86.7%
27	Foxholes Business Park	Hertford	Industrial	£8m–£10m	Freehold	41,527	75.4%
28	Cosford Point	Rugby	Industrial	£8m–£10m	Leasehold	100,564	100%
29	Kirkgate	Epsom	Office	£8m–£10m	Freehold	26,333	58.0%
30	Kings Business Park	Bristol	Industrial	£6m–£8m	Freehold	58,413	100%

Strategic Report
Investment Manager's Report
Property Investments as at 31 December 2019 continued

#	Name	Location	Sub-sector	Market value	Tenure	Area sq ft	Occupancy
31	Flamingo Flowers Limited	Sandy	Industrial	£6m–£8m	Freehold	125,774	100%
32	Tetron 93	Swadlincote	Industrial	£6m–£8m	Freehold	93,836	100%
33	P&O Warehouse	Dover	Industrial	£6m–£8m	Freehold	84,376	100%
34	Grand National Retail Park	Liverpool	Other	£6m–£8m	Freehold	38,223	100%
35	Wincanton	Bristol	Industrial	£6m–£8m	Leasehold	196,914	100%
36	Mount Farm	Milton Keynes	Industrial	£6m–£8m	Freehold	74,709	100%
37	Speedy Hire Unit	Glasgow	Industrial	£4m–£6m	Freehold	61,033	100%
38	Units 1 & 2 Cullen Square	Livingston	Industrial	£4m–£6m	Freehold	81,288	100%
39	31–32 Queen Square	Bristol	Office	£4m–£6m	Freehold	13,124	100%
40	Stephenson Industrial Estate	Washington	Industrial	£4m–£6m	Freehold	150,257	100%
41	Victoria Shopping Park	Hednesford	Retail	£4m–£6m	Leasehold	37,096	100%
42	Units H1, H2 & G, Nexus Point	Birmingham	Industrial	£4m–£6m	Freehold	46,495	100%
43	Opus 9 Industrial Estate	Warrington	Industrial	£4m–£6m	Freehold	54,904	100%
44	Endeavor House	Kidlington	Office	£4m–£6m	Freehold	23,414	100%
45	The Point Retail Park	Rochdale	Retail	£4m–£6m	Freehold	42,224	100%
46	Olympian Way	Bradford	Retail	£4m–£6m	Leasehold	31,781	100%
47	Unit 2	Fareham	Industrial	£4m–£6m	Leasehold	38,217	100%
48	21 Gavin Way	Birmingham	Industrial	£4m–£6m	Freehold	36,376	100%
49	Middle Engine Lane	North Shields	Retail	£2m–£4m	Freehold	16,361	100%
50	Unit 4 Monkton Business Park	Newcastle	Industrial	£2m–£4m	Freehold	33,021	100%
51	Anglia House	Bishop's Stortford	Office	£2m–£4m	Freehold	16,982	100%
52	Interfleet House	Derby	Office	£2m–£4m	Freehold	28,735	100%
53	Persimmon House	Dartford	Office	£2m–£4m	Freehold	14,957	100%
54	26–28 Valley Road	Bradford	Retail	£2m–£4m	Freehold	14,175	100%
55	Unit 4 Easter Park	Bolton	Industrial	£2m–£4m	Leasehold	35,534	100%
56	Unit 14 Interlink Park	Bardon	Industrial	£2m–£4m	Freehold	32,747	100%
	Total property portfolio			**493,200,000**			



FIFTY SIX PROPERTIES

Made up of
- 30 Industrial
- 16 Offices
- 7 Retail
- 3 Other

Governance

Board of Directors

Robert Peto

Chairman

Robert Peto is a UK resident. He is a non-executive director of Lend Lease Europe GP Limited (Retail Fund), Western Heritable Investment Company Ltd and the commercial subsidiary of the Royal Bath & West Society and is non-executive chairman of GCP Student Living Plc. He was Chairman of DTZ Investment Management Ltd until 31 December 2017, Global President of RICS in 2010 to 2011, a member of the Bank of England Property Advisory Group from 2007 to 2011, chairman of DTZ UK from 1998 to 2008 and a member of the board of DTZ Holdings Plc from 1998 to 2009.

James Clifton-Brown

Board member

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

Sarah Slater

Board member
(with effect from 27 November 2019)

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

Jill May
Board member
(with effect from 12 March 2019)

Jill May is a UK resident. She is an External Member of the Prudential Regulation Committee of the Bank of England and is also a non-executive Director of Sirius Real Estate Limited, JPMorgan Claverhouse Investment Trust plc and Ruffer Investment Company. Jill was a non-executive director of the CMA from its inception in 2013 until October 2016. Prior to this she spent 25 years in investment banking, 13 years in mergers and acquisitions with SG Warburg & Co. Ltd and 12 years at UBS AG.

Huw Evans
Board member

Huw Evans is a resident of Guernsey. He qualified as a Chartered Accountant with KPMG (then Peat Marwick Mitchell) in 1983. He subsequently worked for three years in the corporate finance department of Schroders before joining Phoenix Securities Limited in 1986. Over the next twelve years he advised a wide range of companies in financial services and other sectors on mergers and acquisitions and more general corporate strategy. Since moving to Guernsey in 2005, he has acted as a non-executive director for a number of Guernsey based funds. He is currently also a Director of Third Point Offshore International Limited and of VinaCapital Vietnam Opportunity Fund Limited.

Mike Balfour
Board member

Mike Balfour is a UK resident. He is a member of the Institute of Chartered Accountants of Scotland and was chief executive at Thomas Miller Investment Ltd from 2010 to January 2017. Prior to this, he was chief executive at Glasgow Investment Managers and chief investment officer at Edinburgh Fund Managers Limited. Mike has 30 years of investment management experience and was appointed to the Board on 10 March 2017. He is also a director of Perpetual Income and Growth Investment Trust Plc, Fidelity China Special Situations PLC and chairs the Investment Committee of TPT Retirement Solutions.

Governance
Directors' Report

The Directors of Standard Life Investments Property Income Trust Limited ("the Company") present their Annual Report and Audited Consolidated Financial Statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITY AND STATUS

The Company was incorporated in Guernsey on 18 November 2003 and commenced activities on 19 December 2003. The Company is a closed ended investment company and is registered under the provisions of The Companies (Guernsey) Law, 2008 (as amended). The principal activity and status of the Company's subsidiaries is set out in note 9 on page 71.

The Company's registered number is 41352.

On 1 January 2015 the Company migrated its tax residence to the UK and became a UK REIT.

LISTING

The Company is listed on the London Stock Exchange (premium listing).

The Company has complied with the relevant provisions of, and the requirements set out in, the United Kingdom Listing Authority ('UKLA') regulations throughout the year under review.

THE GROUP

At 31 December 2019, the Group consisted of the Company and five subsidiaries: Standard Life Investments Property Holdings Limited, a company with limited liability incorporated in Guernsey; Standard Life Investments (SLIPIT) Limited Partnership, a limited partnership established in England; Standard Life Investments SLIPIT (General Partner) Limited, a company with limited liability incorporated in England; Standard Life Investments SLIPIT (Nominee) Limited, a company with limited liability incorporated in England; and Hagley Road Limited, a company incorporated in Jersey.

RESULTS AND DIVIDEND

The Group generated an IFRS surplus of £16.1 million (2018: £30.9 million) in the year equating to earnings per share of 3.98p (2018: 3.98p). In addition the Group utilised cash of £1.8 million (2018: £6.1 million) in the year and had cash at the year-end of £6.5 million (2018: £8.3 million). The Group paid out dividends totalling £19.2 million (2018: £19.2 million) in the year which were fully covered by the net income of the Group.

SUBSTANTIAL SHAREHOLDINGS

As at 31 December 2019 and 30 April 2020, the following entities had a holding of 3% or more of the Company's issued share capital.

	Holdings (%)	
	31.12.19	**30.04.20**
Brewin Dolphin	11.5	14.4
Hargreaves Lansdown	7.9	7.4
Mattioli Woods	6.7	7.4
Interactive Investor	6.2	6.1
BlackRock	4.9	5.0
Heartwood Group	4.9	7.3
AJ Bell	4.4	4.4
Brewin Dolphin (ND)	3.6	0.1
Alliance Trust Savings	3.0	2.5

DIRECTORS

The names and short biographies of the Directors of the Group at the date of this Report, are shown on pages 32 and 33. Jill May was appointed on 12 March 2019 and Sarah Slater was appointed on 27 November 2019.

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

	Ordinary Shares held	
	31.12.19	**31.12.18**
Robert Peto *	57,435	57,435
Sally-Ann Farnon **	N/A	30,000
Huw Evans	60,000	60,000
Mike Balfour	84,260	84,260
James Clifton-Brown	21,500	21,500
Jill May ***	—	—
Sarah Slater †	—	—

* Includes 31,898 ordinary shares held by Mrs Peto
** Retired on 13 June 2019
*** Appointed on 12 March 2019
† Appointed on 27 November 2019

There have been no changes in the above interests between 31 December 2019 and 15 May 2020.

DIRECTORS' INDEMNITY

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

DISCLOSURE OF INFORMATION TO AUDITOR

In the case of each of the persons who are Directors at the time when the Annual Report and Consolidated Financial Statements are approved, the following applies:

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

GOING CONCERN

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

The Directors have reviewed detailed cash flow, income and expense projections in order to assess the Group's ability to pay its operational expenses, bank interest and dividends for the foreseeable future. The Directors have examined significant areas of possible financial risk including cash and cash requirements and the debt covenants, in particular those relating to LTV and interest cover. Additional work has been undertaken on the estimated impact of COVID-19 on the Company in relation to rent collection, cash flow, dividend cover, Net Asset Value and loan covenants.

They have not identified any material uncertainties, including COVID-19 or Brexit, which cast significant doubt on the ability to continue as a going concern for a period of not less than 12 months from the date of the approval of the consolidated financial statements.

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

CORPORATE GOVERNANCE

The Directors report on Corporate Governance is detailed on pages 36 to 39 and forms part of the Directors' Report.

CRIMINAL FINANCES ACT

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

SHARE CAPITAL AND VOTING RIGHTS

At 31 December 2019 there were 405,865,419 ordinary shares of 1p each in issue. On 4 February 2020, a further 1 million shares were issued under the Company's blocklisting facility resulting in the issued share capital of the Company being 406,865,419 as at 30 April 2020. All ordinary shares rank equally for dividends and distributions and carry one vote each. There are no restrictions concerning the transfer of ordinary shares in the Company, no special rights with regard to control attached to the ordinary shares, no agreements between holders of ordinary shares regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid.

ISSUE OF SHARES

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

INDEPENDENT AUDITOR

A resolution to re-appoint Deloitte LLP as the Group's auditor will be proposed to the shareholders at the AGM on 30 June 2020.

ANNUAL GENERAL MEETING

The notice of the Annual General Meeting, which will be held this year at 10.30am on 30 June 2020 may be found on pages 95 to 96.

The Board normally encourages as many shareholders as possible to attend the Company's AGM. However, due to social distancing and "stay at home" and "stay alert" measures implemented by the UK Government in response to the COVID-19 pandemic, public gatherings of more than two people are generally prohibited at the time of writing. Accordingly, Members are likely to be restricted from attending the Company's AGM in person or by attorney or by corporate representative this year. Members are encouraged to vote by proxy.
In the event that the situation surrounding COVID-19 should change the Company will update shareholders through an announcement to the London Stock Exchange and will provide further details on the Company's website.

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

Directors Fees (resolution 3)

At the November 2019 Board Meeting, the Board carried out a review of the level of directors' fees. The resulting increases, which took effect from 1 January 2020, are detailed in the Directors' Remuneration Report on page 42.

To ensure that the Board, which currently comprises six Directors, has ongoing flexibility to be able to appoint additional directors, Resolution 4, an ordinary resolution, will be put to shareholders at the 2020 AGM seeking approval to increase the maximum aggregate limit of remuneration of the directors each year in respect of their ordinary services as directors from £250,000 to £350,000.

Dividend policy (resolution 4)

As a result of the timing of payment of the Company's quarterly dividends in March, May, August and November, the Company's shareholders are unable to approve a final dividend each year. As an alternative, the Board will put the Company's dividend policy to shareholders for approval on an annual basis.

Resolution 4, which is an ordinary resolution, relates to the approval of the Company's dividend policy which is to pay four quarterly interim dividends.

Directors authority to buy back shares (resolution 13)

The Company did not purchase any shares for cancellation during the financial year ending 31 December 2019. Unless renewed, the current authority of the Company to make market purchases of shares expires at the end of the Annual General Meeting.

Consequently, resolution 13 as set out in the notice of the Annual General Meeting seeks authority for the Company to make market purchases of up to 14.99 percent of the issued ordinary share capital, such authority to last until the earlier of 30 December 2021 and the Annual General Meeting in 2021. Any buy back of ordinary shares will be made subject to Guernsey law, the UKLA's Listing Rules and within any guidelines established from time to time by the Board and the making and timing of any buy backs will be at the absolute discretion of the Board. Purchases of ordinary shares will only be made through the market for cash at prices below the prevailing net asset value of the ordinary shares (as last calculated) where the Directors believe such purchases will enhance shareholder value. The price paid will not be less than the nominal value of 1p per share. Such purchases will also only be made in accordance with the rules of the UK Listing Authority which provide that the price to be paid must not be more than the higher of; (i) 105 percent of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the ordinary shares for the five business days before the shares are purchased; and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue on which the purchase is carried out. Any shares purchased under the authority will be cancelled or held in treasury.

Directors authority to allot shares on a non pre-emptive basis (resolution 14)

Resolution 14 as set out in the notice of the Annual General Meeting gives the Directors, for the period until the conclusion of the annual general meeting in 2021 or if earlier on the expiry of 15 months from the passing of the resolution, the necessary authority to either allot securities or sell shares held in treasury, otherwise than to existing shareholders on a pro-rata basis, for cash, up to an aggregate nominal amount of £406,865. This is equivalent to approximately 10% of the issued ordinary share capital of the Company as at 15 May 2020. It is expected that the Company will seek this authority on an annual basis. The Directors will only exercise this authority if they believe it advantageous and in the best interests of shareholders and in no circumstances would result in a dilution to the net asset value per share.

The Directors believe that the resolutions being put to the shareholders at the Annual General Meeting are in the best interests of the shareholders as a whole. Accordingly the Directors recommend that shareholders vote in favour of all of the resolutions to be proposed at the Annual General Meeting.

Approved by the Board on

26 May 2020
Robert Peto, Chairman

Governance

Corporate Governance Report

INTRODUCTION

The Company is committed to high standards of corporate governance.

The Board has considered the Principles and Provisions of the AIC Code of Corporate Governance 2019 (AIC Code). The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the UK Code), as well as setting out additional Provisions on issues that are of specific relevance to the Company.

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

The Company has complied with the recommendations of the AIC Code, except as set out below:

- interaction with the workforce (provisions 2, 5 and 6);
- 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 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.

The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

THE BOARD

The Board comprises solely non-executive Directors of which Robert Peto is Chairman and Huw Evans is Senior Independent Director. Biographical details of each Director are shown on pages 32 and 33.

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

The Board has delegated day-to-day management of the assets to the Investment Manager. All decisions relating to the Group's investment policy, investment objective, dividend policy, gearing, corporate governance and strategy in general are reserved for the Board. The Board meets quarterly and receives full information on the Company's performance, financial position and any other relevant information. At least once a year, the Board also holds a meeting specifically to review the Group's strategy.

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

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

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

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

CHAIRMAN AND SENIOR INDEPENDENT DIRECTOR

The Chairman is responsible for providing effective leadership to the Board, 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 and ensures that all Directors understand shareholder views.

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

EXTERNAL AGENCIES

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

- the function of Alternative Investment Fund Manager, including management of the investment portfolio
- accounting services
- company secretarial and administration services
- shareholder registration services

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

BOARD COMMITTEES

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

Property Valuation Committee

The Property Valuation Committee, chaired by James Clifton-Brown, comprises the full Board and meets four times a year. Sarah Slater will assume the role of Chair of the Property Valuation Committee in due course. The Committee is convened for the purpose of reviewing the quarterly independent property valuation reports prior to their submission to the Board. The Chairman of the Property Valuation Committee meets with the independent property valuer at least annually.

Audit Committee

The Audit Committee, chaired by Mike Balfour, comprises the full Board, apart from the Board Chair Robert Peto who attends by invitation, and meets at least three times a year. The Audit Committee believes that given the size of Board, it is appropriate for all Directors to serve as members of the Audit Committee. Mike Balfour assumed the role of Chair of the Audit Committee on 13 June 2019, following Sally Ann-Farnon's retirement from the Board and as Chair of the Audit Committee. The Audit Committee has set out a formal report on pages 40 and 41.

Management Engagement Committee

The Management Engagement Committee is chaired by Huw Evans and comprises the full Board. The Committee meets at least twice a year to review the performance of the Investment Manager and other service providers, together with the terms and conditions of their appointments.

Nomination Committee

The Nomination Committee, chaired by Mike Balfour, comprises the full Board and meets at least once a year. The Nomination Committee believes that, given the size of Board, it is appropriate for all Directors to serve as members of the Nomination Committee. Appointments of new Directors are considered by the Committee taking account of the need to maintain a balanced Board. New Directors appointed to the Board receive a formal induction and appropriate training is arranged for new and current Directors as required. Although the Group does not have a formal policy on diversity, the Board and Committee are cognisant of the debate around the recommendations of the Davies Report on Women on Boards and the Hampton Alexander Review and recognises the benefits of diversity in its broadest sense and the value this brings to the Company in terms of skills, knowledge and experience.

During the year the Nomination Committee met four times. The Nomination Committee met to consider succession planning for the Chairman, resulting in the announcement that Mr Clifton-Brown would succeed Mr Peto as Chair of the Company in due course. The Nomination Committee also considered the appointment of an additional director to the Board, which culminated in the appointment of Sarah Slater on 27 November 2019. The recruitment process involved the appointment of Ferguson Partners, a recruitment consultant, who co-ordinated a thorough and independent process based on the guidance given to it by the Committee. The Company nor the individual Directors have any other connection to Ferguson Partners.

Remuneration Committee

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

Tenure Policy

The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board. The Board also takes the view that independence is not compromised by length of tenure on the Board. However, in accordance with corporate governance best practice and the need for regular refreshment and diversity on the Board, the Board does not expect any of the Group's Directors, including the Chairman, to serve on the Board for more than nine years.

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

Huw Evans was appointed as a Director on 11 April 2014, Robert Peto was appointed on 28 May 2014, Mike Balfour was appointed on 10 March 2016, James Clifton-Brown was appointed on 17 August 2016, Jill May was appointed on 12 March 2019 and Sarah Slater was appointed on 27 November 2019.

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

Huw Evans, Mike Balfour, James Clifton-Brown, Jill May and Robert Peto will stand for re-election at the forthcoming Annual General Meeting. Sarah Slater will stand for election having been appointed since the last General Meeting. The Board has reviewed the skills and experience of each Director and believes that each contributes to the long-term sustainable success of the Company. The Board has no hesitation in recommending their re-election/election to shareholders.

Governance
Corporate Governance Report continued

PERFORMANCE OF THE BOARD

During the year, the performance of the Board, the Committee and the individual Directors was evaluated through an assessment process, led by the Chairman. The performance of the Chairman was evaluated by the other Directors, led by the Senior Independent Director.

This evaluation process sought to identify whether the Board demonstrates sufficient collective skill and expertise, independence and knowledge of the Group and that each Director exhibits the commitment required for the Group to achieve its objective.

The Board is satisfied with the resulting performance evaluation of the Board, each individual Director and the Chairman.

MEETING ATTENDANCE

The table below sets out the Directors' attendance at each scheduled quarterly Board and Committee meetings. The number of meetings which the Directors were eligible to attend are shown in brackets.

In addition to the scheduled meetings detailed below, there were a further 9 ad-hoc board and committee meetings held during the year.

INVESTMENT MANAGEMENT AGREEMENT

Following the merger of Standard Life plc with Aberdeen Asset Management PLC in August 2017, the Company appointed Aberdeen Standard Fund Managers Limited as its AIFM with effect from 10 December 2018. The appointment is on identical terms to the arrangements previously in place with Standard Life Investments (Corporate Funds) Limited and the terms of the previous management agreement have been novated across to Aberdeen Standard Fund Managements Limited.

Under the terms of the Investment Management Agreement between the Investment Manager and the Company ("the IMA"), the Investment Manager was entitled to an annual fee equal to 0.75% of total assets up to £200 million, 0.70% of total assets between £200 million and £300 million and 0.65% of total assets in excess of £300 million until 30 June 2019. Effective from 1 July 2019, the fee basis changed to 0.70% of total assets up to £500 million and 0.60% of total assets over £500 million.

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

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

INTERNAL CONTROLS

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

	Board	Audit Committee	Property Valuation Committee	Management Engagement Committee	Nomination Committee	Remuneration Committee
Robert Peto	4 (4)	— *	4 (4)	2 (2)	4 (4)	1 (1)
Sally-Ann Farnon **	2 (2)	2 (2)	2 (2)	—	2 (2)	—
Huw Evans	4 (4)	4 (4)	4 (4)	2 (2)	4 (4)	1 (1)
Mike Balfour	4 (4)	4 (4)	4 (4)	2 (2)	4 (4)	1 (1)
James Clifton-Brown	4 (4)	4 (4)	4 (4)	2 (2)	4 (4)	1 (1)
Jill May ***	4(4)	3 (4)	4(4)	2 (2)	4 (4)	1 (1)
Sarah Slater †	1 (1)	1 (1)	1 (1)	1 (1)	—	1 (1)

* The Chairman is not a member of the Audit Committee.
** Sally-Ann Farnon retired from the Board on 13 June 2019.
*** Jill May was appointed to the Board on 12 March 2019.
† Sarah Slater was appointed to the Board on 27 November 2019.

This process has been in place for the year under review and up to the date of approval of this Annual Report and Consolidated Financial Statements and is regularly reviewed by the Board and accords with the FRC Guidance. The process is based principally on a risk-based approach to internal control whereby a risk matrix is created that identifies the key functions carried out by the Board, the Investment Manager and the other service providers, the individual activities undertaken within those functions, the risk associated with each activity and the controls employed to minimise those risks. A risk rating is then applied. The risk matrix is regularly updated and the Board is provided with regular reports highlighting any material changes to risk ratings and confirming action which has been, or is being, taken.

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

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

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

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

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

With effect from 7 July 2014, the Group entered into arrangements to comply with AIFMD. The Group appointed Standard Life Investments (Corporate Funds) Limited as its AIFM, which was replaced by Aberdeen Standard Fund Managers Limited on 10 December 2018, and Citibank Europe plc as its Depositary.

The Depositary's responsibilities include cash monitoring, safe keeping of any financial instruments held by the Group and monitoring the Group's compliance with investment limits and leverage requirements.

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

RELATIONS WITH SHAREHOLDERS

As set out in the Stakeholder Engagement Section on page 12, the Board welcomes correspondence from shareholders, addressed to the Company's registered office. This year's AGM is being held on 30 June 2020 at 10.30am at the offices of the Company's legal advisers, Dickson Minto, 16 Charlotte Square, Edinburgh EH2 4DF. As set out in the Chair's Statement and on page 8, in light of the ongoing COVID-19 pandemic and UK Government guidance, shareholders are likely to be restricted from attending Company's AGM in person but are encouraged to engage with the Company and the Board. Details on how to submit a question in advance of the AGM are set out in the Chairman's Statement.

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

The Chairman and the Investment Manager continues to offer individual meetings to the largest institutional and private client manager shareholders and reports back to the Board on these meetings.

ACCOUNTABILITY AND AUDIT

The Statement of Directors' Responsibilities in respect of the Consolidated Financial Statements is on page 44 and the Statement of Going Concern is included in the Directors' Report on page 34 and the Viability Statement can be found on page 19. The Independent Auditor's Report is on pages 46 to 52.

Approved by the Board on
26 May 2020
Robert Peto
Chairman

Governance
Audit Committee Report

ROLE OF THE AUDIT COMMITTEE

The main responsibilities of the Audit Committee are:

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

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

COMPOSITION OF AUDIT COMMITTEE

The Audit Committee comprises the full Board, except the Chairman of the Board, all of whom are independent at the year end and have recent and relevant financial experience. Two members of the Audit Committee are Chartered Accountants, one of whom, Mr Mike Balfour, chairs the Audit Committee following the retirement of Sally-Ann Farnon in June 2019.

REVIEW OF SIGNIFICANT ISSUES AND RISKS

In planning its work, and reviewing the audit plan with the Auditor, the Audit Committee takes account of the most significant issues and risks, both operational and financial, likely to impact on the Group's consolidated financial statements. This included an assessment of emerging risks, such as COVID-19, Brexit and Climate Change, and the impact these could have on the Group and its underlying portfolio.

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

Full details of the valuation methodology are contained in note 7 to the consolidated financial statements.

As rental income is the Group's major source of revenue and a significant item in the Statement of Comprehensive Income, a key risk relates to the recognition of rental income. Specifically the risk is that the Group does not recognise rental income in line with its stated policy on rental income recognition. The Audit Committee reviews the controls in place at the Investment Manager in respect of recognition of rental income on a six monthly basis and, along with the external auditor, reviews the rental income policy, the pattern of rental income received and the amount recognised in the consolidated financial statements at each year end.

REVIEW OF ACTIVITIES

The Audit Committee met four times during the year under review, in March, April, August and November 2019. Following the year end, the Audit Committee met in March 2020.

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

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

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

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

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

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

EXTERNAL AUDIT PROCESS

The Audit Committee meets twice a year with the external auditor. The audit partner for the Company is Mr John Clacy who is in his first year in the audit. The auditor provides a planning report in advance of the annual audit and a report on the annual audit. The Audit Committee has the opportunity to question and challenge the auditor in respect of these reports.

The Audit Committee Chair also meets the audit partner in person or by telephone at least twice a year.

At least once a year, the Audit Committee has the opportunity to discuss any aspect of the auditor's work with the auditor in the absence of the Investment Manager. Overall the Committee believes the external audit process has been effective.

AUDITOR ASSESSMENT AND INDEPENDENCE

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

The Audit Committee also reviews the provision of non-audit services by the external auditor. All non-audit work to be carried out by the external auditor has to be approved in advance by the Audit Committee, to ensure such services are not a threat to the independence and objectivity of the conduct of the audit.

The Group's external auditor is Deloitte LLP ("Deloitte"). The Company appointed Deloitte as auditor for the year ended 31 December 2019, following a tender process carried out during 2018. Shareholders approved the appointment of Deloitte LLP as the Group's auditors at the AGM in June 2019. In accordance with regulatory requirements Deloitte rotates the Senior Statutory Auditor responsible for the audit every five years. There are no contractual obligations which restrict the Audit Committee's choice of external auditor.

During the year ended 31 December 2019, Deloitte received fees of £nil in relation to non-audit services (2018: £nil).

AUDITOR

On the recommendation of the Audit Committee, it is the Board's intention to propose to shareholders at the AGM on 30 June 2020 that Deloitte LLP be re-appointed as the Group's auditor.

Mike Balfour
Audit Committee Chairman
26 May 2020

Governance
Directors' Remuneration Report

REMUNERATION COMMITTEE

The Remuneration Committee comprises the full Board and is chaired by Mike Balfour. The Committee considers, at least annually, the level of Directors' fees and makes recommendations to the Board. The Board determines the level of Directors' fees in accordance with Group's Remuneration Policy, as detailed below, and in accordance with the UK Corporate Governance Code and AIC Code on Corporate Governance.

REMUNERATION POLICY

The Group's Remuneration Policy is that fees payable to Directors should reflect the time spent by the Board on the Group's affairs and the responsibilities borne by the Directors and should be fair and comparable with those of similar companies. The level of fees should also be sufficient to attract and retain the high calibre of Directors needed to oversee the Group properly and to reflect its specific circumstances.

Directors are remunerated in the form of fees payable quarterly in arrears. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

The fees for the Directors are determined within the limit set out on the Company's Articles of Incorporation. The Board has not received any views from shareholders in respect of the aggregate or individual levels of Directors' remuneration.

Article 16 of the Company's Articles of Association currently limits the aggregate fees payable to the Board of Directors to a total of £250,000 per annum. This limit has been in place for a number of years during which time the Board has increased from five to six members and fees have gradually risen. Given this, it is proposed to change this limit at the General Meeting to £350,000 per annum as explained further in the Directors' Report on page 35.

The Board consists entirely of non-executive Directors and the Board has agreed that all Directors will retire annually and, if appropriate, seek re-election. There are no service contracts in existence between the Group and any Directors but each Director was appointed by a letter of appointment which sets out the main terms of his or her appointment. A Director may resign by notice in writing to the Board at any time; there are no set notice periods and no compensation payable to a Director on leaving office.

The Directors' Remuneration Policy and the level of Directors' fees are reviewed annually by the Remuneration Committee. This review includes consideration of the appropriate level of fees for each Director, taking into account the time, commitment and committee responsibilities of each Director and fees paid to directors of comparable companies invested in real estate.

The Directors' fees for 2020 have been agreed by the Board, on the recommendation of the Remuneration Committee, as follows: £46,000 for the Chairman (2019: £44,000), £40,000 for the Audit Committee Chairman (2019: £39,000) and £36,000 for each of the other Directors (2019: £35,000).

It is intended that the above Remuneration Policy will continue to apply for the forthcoming financial year and subsequent years. The Remuneration Policy was approved by shareholders at the Annual General Meeting on 13 June 2019. The Remuneration Policy will be put to a shareholder's vote at the AGM at least once every three years.

At the Annual General Meeting in June 2019 the results in respect of the resolution to approve the Group's Remuneration Report were as follows:

Percentage of votes cast for	Percentage of votes cast against or abstained
99.8	0.2

DIRECTORS' FEES

The Directors who served during the year received fees as shown in the table opposite (audited).

	2019 £	2018 £
Robert Peto	44,000	42,000
Sally-Ann Farnon *	17,850	37,500
Huw Evans	35,000	33,500
Mike Balfour	37,000	33,500
James Clifton-Brown	35,000	33,500
Jill May **	28,135	—
Sarah Slater ***	3,455	—
Employers national insurance contributions	16,276	12,363
	216,716	192,363
Directors' expenses	10,560	9,935
	227,276	202,298

* Retired from the Board on 13 June 2019.
** Appointed to the Board on 12 March 2019.
*** Appointed to the Board on 27 November 2019.

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

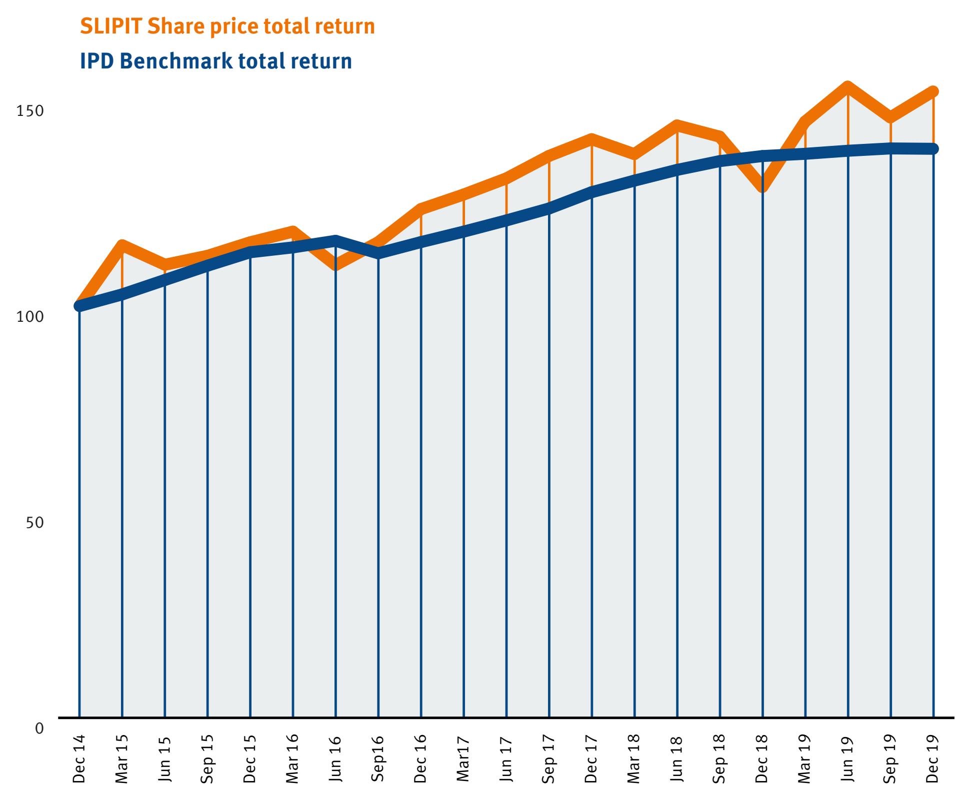
	31.12.19	31.12.18
Aggregate Directors' Remuneration	£216,716	£192,363
Aggregate Shareholder Distributions	£19,319,194	£19,235,894

DIRECTORS' SHAREHOLDINGS

The Directors' interests in the Company's ordinary shares are shown in the Directors' Report on page 34.

COMPANY PERFORMANCE

The Board is responsible for the Group's investment strategy and performance, although the management of the Group's investment portfolio is delegated to the Investment Manager through the investment management agreement, as referred to in the Corporate Governance Report on page 36. The graph to the right compares the total return (assuming all dividends re-invested) to ordinary shareholders compared with the total return on the IPD Quarterly Index over the five years to 31 December 2019.



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

Approved by the Board on

26 May 2020

Mike Balfour
Director

Governance

Statement of Directors' Responsibilities

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

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

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

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

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

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

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

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

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

Statement under the UK Corporate Governance Code.

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

Approved by the Board on

26 May 2020

Robert Peto
Chairman

Financial Statements

INDEPENDENT AUDITOR'S REPORT

Financial Statements
Independent Auditor's Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1 OPINION

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

- give a true and fair view of the state of the Group's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated balance sheet;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 24.

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

2 BASIS FOR OPINION

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

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

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

While the parent company is not a public interest entity subject to European Regulation 537/2014, the directors have decided that the parent company should follow the same requirements as if that Regulation applied to the parent company.

3 SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matters that we identified in the current year were: ‣ Investment property valuation; and ‣ Impact of COVID-19 post balance sheet event	Within this report, key audit matters are identified as follows: ! Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	‣ The materiality that we used for the Group financial statements in the current year was £3.6 million which was determined on the basis of 1% of Net Asset Value.	
Scoping	‣ All audit work for the Group was performed directly by the group engagement team. All of the Group's subsidiaries that were registered as Guernsey Companies are subject to full scope audits.	

4 CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

Going concern	We have reviewed the directors' statement in note 2.1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements. We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of the COVID-19 pandemic and Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment. We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.	**Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.** We confirm that we have nothing material to report, add or draw attention to in respect of these matters.
Principal risks and viability statement	Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to: ‣ the disclosures on pages 17-18 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated; ‣ the directors' confirmation on page 19 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or ‣ the directors' explanation on page 19 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	**Viability means the ability of the Group to continue over the time horizon considered appropriate by the directors.** We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Financial Statements
Independent Auditor's Report
continued

5 KEY AUDIT MATTERS

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

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

Investment Property Valuation

KEY AUDIT MATTER DESCRIPTION	HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE KEY AUDIT MATTER	KEY OBSERVATIONS
Valuation of investment properties is the key driver of the Group's net asset value. Valuations are inherently complex and require significant judgement and estimation around the key inputs and assumptions. We have pinpointed that the main judgements are around equivalent yields and estimated market rent, thus this was the focus of our key audit matter. Valuation of the investment property is the most judgemental area of the financial statements and therefore the most susceptible to fraudulent manipulation. Given the high level of judgement involved, we have determined that there was a potential for fraud through possible manipulation of this balance. Management's valuation is based on the external valuation provided by Knight Frank LLP, chartered surveyors. The valuation of the investment property portfolio at 31 December 2019 amounted to £478 million (2018: £495 million). Refer to note 2.2 of the Accounting policies on page 59 and note 7 on pages 68-71 of the notes to the Financial Statements. Also refer to the audit committee report pages 40-41.	**We have performed the following:** ▸ Obtained an understanding of the relevant controls in relation to the valuation process; ▸ Evaluated the competence, capabilities and objectivity of the external valuer's in order to obtain an understanding of the work of that expert; ▸ With involvement of our Deloitte Real Estate ("DRE") specialists, we challenged the external valuer on their valuation process and assumptions; ▸ Challenged the performance of the portfolio, significant assumptions and judgement areas by benchmarking valuation assumptions to relevant market evidence including specific property transactions and other external data; ▸ Performed audit procedures to assess the integrity of the information provided to the external valuer, including testing on a sample basis back to underlying lease agreements; ▸ Performed backtesting of management estimates using our work on property disposals, and reviewed any post balance sheet property transactions; ▸ Reviewed the financial statement disclosures and assessed whether the significant judgements and estimations are appropriately disclosed; and ▸ Assessed the disclosures around the potential valuation impact of the post year end COVID-19 outbreak, as a non-adjusting event.	We concluded that the fair value of the Group's investment property valuation as determined by management is appropriate.

Impact of COVID-19 post balance sheet event

KEY AUDIT MATTER DESCRIPTION

Subsequent to the balance sheet date a global pandemic of a new strain of Coronavirus has emerged. The virus, and responses taken by organisations and governments to manage its spread in markets to which the Group is exposed have led to increased volatility and economic disruption. The matter is a non-adjusting event since it is indicative of conditions that arose after the reporting period.

Management have reviewed the measurement of assets and liabilities to assess that their valuations only reflect the conditions that existed at the reporting date.

The 31 March 2020 valuation, disclosed in note 24, showed a like-for-like 4.9% decrease from 31 December 2019; this was following an external valuation report which included a material uncertainty clause surrounding the potential impact of COVID-19 on 31 March 2020 valuations.

Subsequent to the year end, management have performed procedures to assess the financial and operational impacts of COVID-19 on the Group, including:

- An assessment of operational resilience, challenging internal control and governance, critical business functions, crisis management, and the impact on key stakeholders;
- Considerations of solvency, and liquidity projections, including further assessment of financial resources, gearing, bank covenant assessment, rent collection and the portfolio valuation on the exposure across the Group.

The assessment of the impact of COVID-19 on the Group and the company, requires management judgement and consideration of a range of factors. Management have placed a particular focus on the level of cash and financial resources available through banking facilities that has been maintained post year end, the risks associated with liquidity and bank covenants, and the credit quality of the Group's tenants and the impact of COVID-19 on their trading.

Having considered the results of the activities described above and performed stress and scenario testing, management believe that the Group continues to be a going concern due to having a stable solvency position in respect of the levels of cash and financial resources available through banking facilities and appropriate plans to manage liquidity and credit risks. The Group's business continuity plans have also been initiated and management believe that these will enable them to continue to deliver critical business services across the Group.

The Group has made disclosures throughout the annual report and financial statements to reflect the results of its assessment, in line with applicable accounting standards, the company law and corporate governance code provisions. Due to the inherent management judgement in, and the increased level of audit effort focused on the appropriateness of, the financial statements disclosures, we considered these to be a key audit matter.
Refer to management's disclosure in notes 1 and 24 of the financial statements. Further detail is included on page 34 of the Strategic Report.

HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE KEY AUDIT MATTER

We evaluated management's approach to assessing the impact of COVID-19 on the Group, and challenged the financial statement disclosures by performing the following procedures:

- Evaluated management's stress and scenario testing, and challenged management's key assumptions by considering its consistency with other available information and our understanding of the business;
- Reviewed the actions that came out of the various board meetings which considered COVID-19 in advance of reporting;
- Evaluated management's assessment of the risks across the Group;
- Assessed the mitigating actions management have put in place and further plans they have if required, due to further deterioration of the wider UK and Global economy; and
- Assessed the post balance sheet event and going concern disclosures made by management in the financial statements, including working with our real estate specialists to review the 31 March 2020 Valuation report for reasonableness.

KEY OBSERVATIONS

We consider that the post balance sheet event and going concern disclosures in the financial statements are appropriate in relation to the potential impact of COVID-19.

Financial Statements
Independent Auditor's Report continued

6 OUR APPLICATION OF MATERIALITY

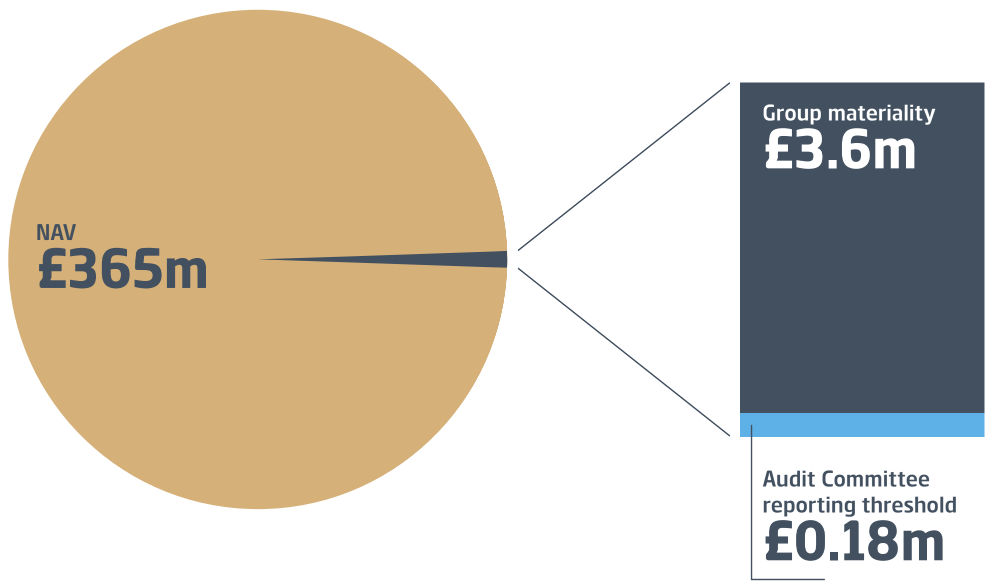
Materiality

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

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

Group Materiality	£3.6 million.
Basis for determining materiality	1% of the Net Asset Value.
Rationale for the benchmark applied	Net Assets is the key balance considered by the users of the financial statements which is consistent with the market approach for such entities. Net Assets was selected as investors are seeking capital appreciation in addition to dividend streams and the net asset value per share is an important indicator of performance to investors.

In addition to net assets, we consider EPRA Adjusted Profit After Tax as a critical performance measure for the Group and a measure which is widely used within the Real Estate industry. We applied a lower level materiality of £0.9 million which equates to 5% of that measure for testing all balances impacting that measure.



Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of group materiality for the 2019 audit. In determining performance materiality, we considered our risk assessment, including our assessment of the Group's overall control environment. We also considered that this is our first year audit, the Group is a listed entity and that we also considered the level of correct and uncorrected misstatements identified in the previous audit.

Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.18 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7 AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Scoping

The Group consists of Standard Life Investment Property Income Trust and its subsidiaries, which are all registered in Guernsey. Our Group audit was scoped by obtaining an understanding of the Group and its environment, including internal controls, and assessing the risks of material misstatement at the Group level. The Group is audited by one audit team, led by the Senior Statutory Auditor. The audit is performed centrally, as the books and records for each entity within the Group are maintained at head office. All of the Group's subsidiaries that are registered as Guernsey Companies are subject to full scope audits. We also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

As part of our risk assessment, we assessed the control environment in place at the investment manager, Aberdeen Standard Investments to the extent relevant to our audit.

8 OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code].

We have nothing to report in respect of these matters.

9 RESPONSIBILITIES OF DIRECTORS

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

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

10 AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

11 EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

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

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

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

Financial Statements
Independent Auditor's Report
continued

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

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

Audit response to risks identified

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12 OPINION ON OTHER MATTER PRESCRIBED BY OUR ENGAGEMENT LETTER

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

13 MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

14 OTHER MATTERS

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the board of directors on 13 June 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is one year, covering the year ending 31 December 2019

Consistency of the audit report with the additional report to the audit committee

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

15 USE OF OUR REPORT

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

John Clacy (Senior statutory auditor)
For and on behalf of Deloitte LLP
Recognised Auditor
St Peter Port, Guernsey

26 May 2020

FINANCIAL STATEMENTS

Financial Statements

Consolidated Statement of Comprehensive Income for the year ended 31 December 2019

	Notes	2019 £	2018 £
Rental income		29,878,646	27,773,205
Service charge income		3,313,463	1,665,737
Surrender premium		580,000	—
Valuation (loss)/gain from investment properties	7	(3,613,836)	12,057,044
Gain on disposal of investment properties	7	427,304	1,861,161
Investment management fees	4	(3,492,880)	(3,381,779)
Valuer's fees	4	(97,668)	(91,396)
Auditor's fees	4	(81,850)	(78,500)
Directors' fees and subsistence	22	(227,276)	(202,298)
Service charge expenditure		(3,313,463)	(1,665,737)
Other direct property expenses		(2,935,023)	(3,154,578)
Other administration expenses		(530,862)	(426,768)
Operating profit		**19,906,555**	**34,356,091**
Finance income	5	15,856	58,411
Finance costs	5	(3,778,280)	(3,468,125)
Profit for the period before taxation		**16,144,131**	**30,946,377**
Taxation			
Tax charge		—	—
Profit for the period, net of tax		**16,144,131**	**30,946,377**
Other Comprehensive Income			
Valuation (loss)/gain on cash flow hedge	14	(1,416,653)	1,440,836
Total other comprehensive gain/(loss)		**(1,416,653)**	**1,440,836**
Total comprehensive gain for the period, net of tax		**14,727,478**	**32,387,213**

Earnings per share		**2019 (p)**	**2018 (p)**
Basic and diluted earnings per share	18	3.98	7.68
EPRA earnings per share	18	4.76	4.22

All items in the above Consolidated Statement of Comprehensive Income derive from continuing operations.
The notes on pages 58 to 78 are an integral part of these Consolidated Financial Statements.

Financial Statements
Consolidated Balance Sheet as at 31 December 2019

ASSETS	Notes	2019 £	2018 £
Non-current assets			
Investment properties	7	477,855,299	495,245,556
Lease incentives	7	5,523,822	2,896,409
Rental deposits held on behalf of tenants		1,298,364	840,633
		484,677,485	**498,982,598**
Current assets			
Investment properties held for sale	8	10,700,000	—
Trade and other receivables	10	3,913,519	4,939,071
Cash and Cash equivalents	11	6,475,619	8,264,972
		21,089,138	**13,204,043**
Total Assets		**505,766,623**	**512,186,641**
LIABILITIES			
Current liabilities			
Trade and other payables	12	9,232,072	11,906,363
Interest rate swap	14	644,465	451,714
		9,876,537	**12,358,077**
Non-current liabilities			
Bank borrowings	13	127,316,886	129,249,402
Interest rate swap	14	1,576,151	352,249
Obligations under finance leases	15	904,121	—
Rent deposits due to tenants		1,298,364	840,633
		131,095,522	**130,442,284**
Total liabilities		**140,972,059**	**142,800,361**
Net assets		**364,794,564**	**369,386,280**

EQUITY		2019 £	2018 £
Capital and reserves attributable to Company's equity holders			
Share capital	17	227,431,057	227,431,057
Retained earnings	18	6,168,350	6,156,881
Capital reserves	18	33,356,785	37,959,970
Other distributable reserves	18	97,838,372	97,838,372
Total equity		**364,794,564**	**369,386,280**

Approved and authorised for issue by the Board of Directors on 26 May 2020 and signed on their behalf by Robert Peto, Chairman.
The accompanying notes on pages 58 to 78 are an integral part of these Consolidated Financial Statements. Company Number: 41352 (Guernsey)

Financial Statements

Consolidated Statement of Changes in Equity for the year ended 31 December 2019

	Notes	Share Capital £	Retained Earnings £	Capital Reserves £	Other Distributable Reserves £	Total equity £
Opening balance 1 January 2019		**227,431,057**	**6,156,881**	**37,959,970**	**97,838,372**	**369,386,280**
Profit for the year		—	16,144,131	—	—	16,144,131
Other comprehensive income		—	—	(1,416,653)	—	(1,416,653)
Total comprehensive income for the period		—	16,144,131	(1,416,653)	—	14,727,478
Ordinary shares issued net of issue costs	17	—	—	—	—	—
Dividends paid	20	—	(19,319,194)	—	—	(19,319,194)
Valuation loss from investment properties	7	—	3,613,836	(3,613,836)	—	—
Gain on disposal of investment properties	7	—	(427,304)	427,304	—	—
Balance at 31 December 2019		**227,431,057**	**6,168,350**	**33,356,785**	**97,838,372**	**364,794,564**

Consolidated Statement of Changes in Equity for the year ended 31 December 2018

	Notes	Share Capital £	Retained Earnings £	Capital Reserves £	Other Distributable Reserves £	Total equity £
Opening balance 1 January 2018		**217,194,412**	**8,364,603**	**22,600,929**	**97,838,372**	**345,998,316**
Profit for the year		—	30,946,377	—	—	30,946,377
Other comprehensive income		—	—	1,440,836	—	1,440,836
Total comprehensive income for the period		—	30,946,377	1,440,836	—	32,387,213
Ordinary shares issued net of issue costs	17	10,236,645	—	—	—	10,236,645
Dividends paid	20	—	(19,235,894)	—	—	(19,235,894)
Valuation gain from investment properties	7	—	(12,057,044)	12,057,044	—	—
Gain on disposal of investment properties	7	—	(1,861,161)	1,861,161	—	—
Balance at 31 December 2018		**227,431,057**	**6,156,881**	**37,959,970**	**97,838,372**	**369,386,280**

The notes on pages 58 to 78 are an integral part of these Consolidated Financial Statements.

Financial Statements
Consolidated Cash Flow Statement for the year ended 31 December 2019

Cash flows from operating activities	Notes	2019 £	2018 £
Profit for the year before taxation		16,144,131	30,946,377
Movement in lease incentives		(1,881,958)	(735,921)
Movement in trade and other receivables		(400,215)	16,441,217
Movement in trade and other payables		(2,216,558)	1,243,386
Finance costs	5	3,778,280	3,524,503
Finance income	5	(15,856)	(58,411)
Valuation loss/(gain) from investment properties	7	3,613,836	(12,057,044)
Gain on disposal of investment properties	7	(427,304)	(1,861,161)
Net cash inflow from operating activities		**18,594,356**	**37,442,946**
Cash flows from investing activities			
Interest received	5	15,856	58,411
Purchase of investment properties	7	(25,808,526)	(64,023,051)
Additions through business acquisition		—	(23,913,188)
Capital expenditure on investment properties	7	(4,628,353)	(8,170,795)
Net proceeds from disposal of investment properties	7	35,067,304	44,861,161
Net cash inflow/(outflow) from investing activities		**4,646,281**	**(51,187,462)**
Cash flows from financing activities			
Proceeds on issue of ordinary shares	16	—	10,314,000
Transaction costs of issue of shares	16	—	(77,355)
Bank borrowing	13	1,000,000	20,000,000
Repayment of RCF	13	(3,000,000)	—
Bank borrowing arrangement costs	13	(150,000)	(52,490)
Interest paid on bank borrowing	5	(2,986,775)	(2,546,435)
Payments on interest rate swaps	5	(574,021)	(726,842)
Dividends paid to the Company’s shareholders	20	(19,319,194)	(19,235,894)
Net cash (outflow)/inflow from financing activities		**(25,029,990)**	**7,674,984**
Net decrease in cash and cash equivalents		**(1,789,353)**	**(6,069,532)**
Cash and cash equivalents at beginning of year	11	8,264,972	14,334,504
Cash and cash equivalents at end of year	**11**	**6,475,619**	**8,264,972**

The notes on pages 58 to 78 are an integral part of these Consolidated Financial Statements.

Financial Statements

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

1 GENERAL INFORMATION

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

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

These audited Consolidated Financial Statements were approved for issue by the Board of Directors on 26 May 2020.

2 ACCOUNTING POLICIES

2.1 Basis of preparation

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

The Directors have considered the basis of preparation of the accounts given the COVID-19 pandemic and believe that it is still appropriate for the accounts to be prepared on the going concern basis.

Changes in accounting policy and disclosure

IFRS 16 Leases

IFRS 16 Leases ("IFRS 16") replaces IAS 17 Leases ("IAS 17") and is effective for annual periods beginning on or after 1 January 2019. The key changes are the lessee and lessor accounting models are no longer symmetrical.

For lessees, the accounting for leases will change to a new single lessee accounting model, requiring recognition of a right-of-use asset (right to use underlying leased asset) and a lease liability (obligation to make lease payments) for a lease with a term greater than 12 months, exclusion to recognition is if the underlying asset is of a low value when new.

For lessors, this remains relatively unchanged – IFRS 16 retains IAS 17's distinction of finance and operating lease however, IFRS 16 has introduced changes for the lessor where the lessor acts as an intermediate lessor in the lease contract.

The Group has made an assessment of the leases, where the Group acts as intermediate lessor in the lease agreement, and has identified that the Group has one investment property held on leased land which has a material impact on the accounts. The standard permits a modified retrospective approach in the year of adoption by recognising a cumulative catch up adjustment to opening retained earnings. The Group intends utilising this modified retrospective approach for this contract.

New and amended standards and interpretations not applied

IFRIC 23 Uncertainty over Income Tax Treatments ("IFRIC 23") is effective for annual periods beginning on or after 1 January 2019. IFRIC 23 clarifies the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The Group has made no adjustments to its financial statement following adoption of IFRIC 23 and hence not discussed further.

Annual Improvements to IFRS

The Group has made no adjustments to its financial statements following adoption of the amendments to the IFRS Standards detailed in the annual Improvements to IFRS 2015-2017 Cycle (1 January 2019). The amendments were not applicable to the Group and hence not discussed.

New standards, amendments and Interpretations not yet effective

There are a number of amended standards issued which are effective from annual periods beginning on or after 1 January 2020. The Group does not anticipate these to have a material impact on the annual consolidated financial statements of the Group and hence not discussed and are detailed below:

- Amendments to IAS 1 Presentation of Financial Statements ("IAS 1") and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") definition of material.
- An amendment of IFRS 3 Business combinations ("IFRS 3") definition of business.

2.2 Significant accounting judgements, estimates and assumptions

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

Fair value of investment properties

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

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

The sensitivity analysis on page 68 (note 7) details the decrease in the valuation of investment properties if equivalent yield increases by 50 basis points or rental rates (ERV) decreases by 5% which the Board believes are reasonable sensitivities to apply given historical movements in valuations.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the Consolidated Balance Sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair value. The judgements include considerations of liquidity and model inputs such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The models are calibrated regularly and tested for validity using prices from any observable current market transactions in the same instrument (without modification or repackaging) or based on any available observable market data.

The valuation of interest rate swaps used in the Balance Sheet is provided by The Royal Bank of Scotland. These values are validated by comparison to internally generated valuations prepared using the fair value principles outlined above.

The sensitivity analysis on page 63 (note 3) details the increase and decrease in the valuation of interest rate swaps if market rate interest rates had been 100 basis points higher and 100 basis points lower.

2.3 Summary of significant accounting policies
A Basis of consolidation

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

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

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

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

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

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

Financial Statements

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 continued

B Functional and presentation currency

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

C Revenue Recognition

Revenue is recognised as follows:

i) Bank interest

Bank interest income is recognised on an accruals basis.

ii) Rental income

Rental income from operating leases is net of sales taxes and value added tax ("VAT") recognised on a straight line basis over the lease term including lease agreements with stepped rent increases. The initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income. The cost of any lease incentives provided are recognised over the lease term, on a straight line basis as a reduction of rental income. The resulting asset is reflected as a receivable in the Consolidated Balance Sheet. The valuation of investment properties is reduced by the total of the unamortised lease incentive balances. Any remaining lease incentive balances in respect of properties disposed of are included in the calculation of the profit or loss arising at disposal.

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

The surrender premiums received for the year ended 2019 were £580,000 (2018: £nil) as detailed in the Statement of Comprehensive Income and related to a tenant break during the year.

iii) Property disposals

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

D Expenditure

All expenses are accounted for on an accruals basis. The investment management and administration fees, finance and all other revenue expenses are charged through the Consolidated Statement of Comprehensive Income as and when incurred. The Group also incurs capital expenditure which can result in movements in the capital value of the investment properties. The movements in capital expenditure are reflected in the Statement of Comprehensive Income as a valuation gain/(loss). In 2019, there were no non-income producing properties (2018: nil).

E Taxation

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

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

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

F Investment property

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

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

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

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

ii) Increased by the carrying amount of any liability to the superior leaseholder or freeholder (for properties held by the Group under operating leases) that has been recognised in the Balance Sheet as a finance lease obligation.

Acquisitions of investment properties are considered to have taken place on exchange of contracts unless there are significant conditions attached. For conditional exchanges acquisitions are recognised when these conditions are satisfied.

Investment properties are derecognised when they have been disposed of or permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of investment properties are recognised in the Consolidated Statement of Comprehensive Income in the year of retirement or disposal.

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

G Investment properties held for sale

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

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

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary (i.e. disposal group) are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

H Trade and other receivables

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

Financial Statements

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 continued

I 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.

J Borrowings and interest expense

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

K Accounting for derivative financial instruments and hedging activities

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

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

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

L Service charge

The Group has appointed a managing agent to deal with the service charge at the investment properties and the Group is acting as an agent for the service charge and not a principal. As a result the Group recognises net service charge and void expenses in the Consolidated Statement of Comprehensive Income.

M Other financial liabilities

Trade and other payables are recognised and carried at invoiced value as they are considered to have payment terms of 30 days or less and are not interest bearing. The balance of trade and other payables are considered to meet the definition of an accrual and have been expensed through the Income Statement or Balance Sheet depending on classification. VAT payable at the Balance Sheet date will be settled within 31 days of the Balance Sheet date with Her Majesty's Revenue and Customs ("HMRC") and deferred rental income is rent that has been billed to tenants but relates to the period after the Balance Sheet date. Rent deposits recognised in note 12 are those that are due within one year as a result of upcoming tenant expiries.

3 FINANCIAL RISK MANAGEMENT

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

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

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

Market risk

Market risk is the risk that the fair values of financial instruments will fluctuate because of changes in market prices. The financial instruments held by the Group that are affected by market risk are principally the interest rate swap.

i) Interest Rate risk

As described on page 64 the Group invests cash balances with RBS and Citibank. These balances expose the Group to cash flow interest rate risk as the Group's income and operating cash flows will be affected by movements in the market rate of interest. There is considered to be no fair value interest rate risk in regard to these balances.

The bank borrowings as described in note 13 also expose the Group to cash flow interest rate risk. The Group's policy is to manage its cash flow interest rate risk using interest rate swaps, in which the Group has agreed to exchange the difference between fixed and floating interest amounts based on a notional principal amount (see note 14). The Group has floating rate borrowings of £128,000,000. £110,000,000 of these borrowings has been fixed via an interest rate swap.

The bank borrowings are carried at amortised cost and the Group considers this to be a close approximation to fair value. The fair value of the bank borrowings is affected by changes in the market interest rate. The fair value of the interest rate swap is exposed to changes in the market interest rate as their fair value is calculated as the present value of the estimated future cash flows under the agreements. The accounting policy for recognising the fair value movements in the interest rate swaps is described in note 2.3.

Trade and other receivables and trade and other payables are interest free and have settlement dates within one year and therefore are not considered to present a fair value interest rate risk.

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

At 31 December 2019	Fixed Rate £	Variable Rate £	Interest Rate £
Cash and cash equivalents	—	6,475,619	0.020%
Bank borrowings	128,000,000	—	2.640%

At 31 December 2018	Fixed Rate £	Variable Rate £	Interest Rate £
Cash and cash equivalents	—	8,264,972	0.020%
Bank borrowings	130,000,000	—	2.650%

At 31 December 2019, if market rate interest rates had been 100 basis points higher, which is deemed appropriate given historical movements in interest rates, with all other variables held constant, the profit for the year would have been £115,244 lower (2018: £117,350 lower) as a result of the higher interest income on cash and cash equivalents off set by the higher interest expense on the RCF. Other Comprehensive Income and the Capital Reserve would have been £3,851,254 higher (2018: £3,136,020 higher) as a result of an increase in the fair value of the derivative designated as a cash flow hedge of floating rate borrowings.

At 31 December 2019, if market rate interest rates had been 100 basis points lower with all other variables held constant, the profit for the year would have been £115,244 higher (2018: £117,350 higher) as a result of the lower interest income on cash and cash equivalents off set by the lower interest expense on the RCF. Other Comprehensive Income and the Capital Reserve would have been £3,898,889 lower (2018: £4,985,212 lower) as a result of a decrease in the fair value of the derivative designated as a cash flow hedge of floating rate borrowings.

ii) Real estate risk

The Group has identified the following risks associated with the real estate portfolio. The risks following, in particular b and c and also credit risk have increased given the COVID-19 pandemic and the resultant effect on tenants' ability to pay rent:

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

b) A major tenant may become insolvent causing a significant loss of rental income and a reduction in the value of the associated property (see also credit risk on page 64). To reduce this risk, the Group reviews the financial status of all prospective tenants and decides on the appropriate level of security required via rental deposits or guarantees.

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

Financial Statements

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 continued

Credit risk

Credit risk is the risk that a counterparty will be unable to meet a commitment that it has entered into with the Group. In the event of default by an occupational tenant, the Group will suffer a rental income shortfall and incur additional related costs. The Investment Manager regularly reviews reports produced by Dun and Bradstreet and other sources, including the IPD IRIS report, to be able to assess the credit worthiness of the Group's tenants and aims to ensure that there are no excessive concentrations of credit risk and that the impact of default by a tenant is minimised. In addition to this, the terms of the Group's bank borrowings require that the largest tenant accounts for less than 20% of the Group's total rental income, that the five largest tenants account for less than 50% of the Group's total rental income and that the ten largest tenants account for less than 75% of the Group's total rental income. The maximum credit risk from the tenant arrears of the Group at the financial year end was £2,599,862 (2018: £2,937,105) as detailed in note 10 on page 72.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty bank with a maximum exposure equal to the carrying value of these instruments. As at 31 December 2019 £3,393,849 (2018: £5,709,167) was placed on deposit with The Royal Bank of Scotland plc ("RBS"), £3,081,770 (2018: £2,555,805) was held with Citibank. The credit risk associated with the cash deposits placed with RBS is mitigated by virtue of the Group having a right to off-set the balance deposited against the amount borrowed from RBS should RBS be unable to return the deposits for any reason. Citibank is rated A-2 Stable by Standard & Poor's and P-2 Stable by Moody's. RBS is rated A-3 Stable by Standard & Poor's and NP Positive by Moody's.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in realising assets or otherwise raising funds to meet financial commitments. The investment properties in which the Group invests are not traded in an organised public market and may be illiquid.

As a result, the Group may not be able to liquidate its investments in these properties quickly at an amount close to their fair value in order to meet its liquidity requirements.

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

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

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

Year ended 31 December 2019	On demand £	12 months £	1 to 5 years £	> 5 years £	Total £
Interest-bearing loans	—	20,387,418	115,371,691	—	135,759,109
Interest rate swaps	—	610,082	1,372,685	—	1,982,767
Trade and other payables	3,177,865	26,068	104,271	2,658,921	5,967,125
Rental deposits due to tenants	—	320,878	514,128	784,237	1,619,243
	3,177,865	**21,344,446**	**117,362,775**	**3,443,158**	**145,328,244**

Year ended 31 December 2018	On demand £	12 months £	1 to 5 years £	> 5 years £	Total £
Interest-bearing loans	—	22,435,855	117,792,177	—	140,228,032
Interest rate swaps	—	599,907	1,949,698	—	2,549,605
Trade and other payables	4,322,482	—	—	—	4,322,482
Rental deposits due to tenants	—	660,926	549,525	291,108	1,501,559
	4,322,482	**23,696,688**	**120,291,400**	**291,108**	**148,601,678**

Capital risk

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

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

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

The gearing ratios at 31 December 2019 and at 31 December 2018 were as follows:

	2019 £	2018 £
Total borrowings (excluding unamortised arrangement fees)	128,000,000	130,000,000
Gross assets	505,766,623	512,186,641
Gearing ratio (must not exceed 65%)	25.31%	25.38%

The Group also monitors the Loan to Value ratio which is calculated as gross assets divided by gross borrowings less cash. As at 31 December 2019 this was 24.6% (2018: 24.4%).

Fair values

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

	Carrying Amount		Fair Value	
Financial Assets	**2019 £**	**2018 £**	**2019 £**	**2018 £**
Cash and cash equivalents	6,475,619	8,264,972	6,475,619	8,264,972
Trade and other receivables	4,388,390	4,939,071	4,388,390	4,939,071
Financial Liabilities				
Bank borrowings	127,316,886	129,249,402	130,066,813	130,055,982
Interest rate swaps	2,220,616	803,963	2,220,616	803,963
Trade and other payables	5,320,162	5,824,041	5,320,162	5,824,041

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

- Cash and cash equivalents, trade and other receivables and trade and other payables are the same as fair value due to the short-term maturities of these instruments.
- The fair value of bank borrowings is estimated by discounting future cash flows using rates currently available for debt on similar terms and remaining maturities. The fair value approximates their carrying values gross of unamortised transaction costs. This is considered as being valued at level 2 of the fair value hierarchy and has not changed level since 31 December 2018.
- The fair value of the interest rate swap contract is estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument. This is considered as being valued at level 2 of the fair value hierarchy and has not changed level since 31 December 2018. The definition of the valuation techniques are explained in the significant accounting judgements, estimates and assumptions on page 59.

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

Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

Year ended 31 December 2019	Level 1	Level 2	Level 3	Total fair value
Interest rate swap	—	2,220,616	—	2,220,616

Year ended 31 December 2018	Level 1	Level 2	Level 3	Total fair value
Interest rate swap	—	803,963	—	803,963

4 FEES

Investment management fees

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

Until 30 June 2019, under the terms of the IMA the Investment Manager was entitled to 0.75% of total assets up to £200 million; 0.70% of total assets between £200 million and £300 million; and 0.65% of total assets in excess of £300 million. From 1 July 2019, under the terms of the IMA the Investment Manager is entitled to 0.70% of total assets up to £500 million; and 0.60% of total assets in excess of £500 million. The total fees charged for the year amounted to £3,492,880 (2018: £3,381,779). The amount due and payable at the year end amounted to £866,598 excluding VAT (2018: £875,512 excluding VAT).

Administration, secretarial fees

On 19 December 2003 Northern Trust International Fund Administration Services (Guernsey) Limited ("Northern Trust") was appointed administrator, secretary and registrar to the Group. Northern Trust is entitled to an annual fee, payable quarterly in arrears, of £65,000. Northern Trust is also entitled to reimbursement of reasonable out of pocket expenses. Total fees and expenses charged for the year amounted to £65,000 (2018: £65,000). The amount due and payable at the year end amounted to £16,250 (2018: £16,250).

Valuer's fee

Knight Frank LLP ("the Valuers"), external international real estate consultants, were appointed as valuers in respect of the assets comprising the property portfolio. The total valuation fees charged for the year amounted to £97,668 (2018: £91,396). The total valuation fee comprises a base fee for the ongoing quarterly valuation, and a one off fee on acquisition of an asset. The amount due and payable at the year end amounted to £20,960 excluding VAT (2018: £20,356 excluding VAT).

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

Auditor's fee

During the year, Ernst & Young LLP resigned as independent auditor of the Group and Deloitte LLP were appointed as independent auditor of the Group. The audit fees for the year amounted to £81,850 (2018: £78,500) and relate to audit services provided for the 2019 financial year. Deloitte LLP did not provide any non-audit services in the year (2018: nil).

5 FINANCE INCOME AND COSTS

	2019 £	2018 £
Interest income on cash and cash equivalents	15,856	58,411
Finance income	15,856	58,411
Interest expense on bank borrowings	2,986,775	2,546,435
Payments on interest rate swap	574,021	726,842
Amortisation of arrangement costs (see note 13)	217,484	194,848
Finance costs	3,778,280	3,468,125

Of the finance costs above, £532,829 of the interest expense on bank borrowings and £119,037 of payments on interest rate swaps were accruals at 31 December 2019 and included in Trade and other payables.

6 TAXATION

UK REIT Status

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

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

Accordingly, deferred tax is no longer recognised on temporary differences relating to the property rental business.

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

A reconciliation between the tax charge and the product of accounting profit multiplied by the applicable tax rate for the year ended 31 December 2019 and 2018 is as follows:

	2019 £	2018 £
Surplus before tax	16,144,131	30,946,377
Tax calculated at UK statutory corporation tax rate of 19% (2018: 19%)	3,067,385	5,879,812
UK REIT exemption on net income	(3,672,826)	(3,235,353)
Valuation (gain) in respect of investment properties not subject to tax	605,441	(2,644,459)
Current income tax charge	—	—

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7 INVESTMENT PROPERTIES

	UK Industrial 2019 £	UK Office 2019 £	UK Retail 2019 £	UK Other 2019 £	Total 2019 £
Market value at 1 January	259,150,000	159,630,000	46,530,000	33,800,000	499,110,000
Sector reallocation	—	—	—	—	—
Purchase of investment properties	17,025,471	8,783,055	—	—	25,808,526
Additions through business acquisition	—	—	—	—	—
Capital expenditure on investment properties	2,455,684	2,172,669	—	—	4,628,353
Opening market value of disposed investment properties	(29,540,000)	(5,100,000)	—	—	(34,640,000)
Valuation loss from investment properties	3,274,144	(3,644,062)	(4,256,539)	1,012,621	(3,613,836)
Movement in lease incentives receivable	434,701	1,463,338	(3,461)	(12,621)	1,881,957
Market value at 31 December	252,800,000	163,305,000	42,270,000	34,800,000	493,175,000
Investment property recognised as held for sale	—	(10,700,000)	—	—	(10,700,000)
Market value net of held for sale at 31 December	252,800,000	152,605,000	42,270,000	34,800,000	482,475,000
Right of use asset recognised on leasehold properties	—	904,121	—	—	904,121
Adjustment for lease incentives	(1,999,983)	(2,616,679)	(301,447)	(605,713)	(5,523,822)
Carrying value at 31 December	250,800,017	150,892,442	41,968,553	34,194,287	477,855,299

	UK Industrial 2018 £	UK Office 2018 £	UK Retail 2018 £	UK Other 2018 £	Total 2018 £
Market value at 1 January	213,135,000	150,450,000	69,625,000	—	433,210,000
Sector reallocation	—	—	(12,650,000)	12,650,000	—
Purchase of investment properties	32,038,597	12,740,385	(1,650)	19,245,719	64,023,051
Additions through business acquisition	—	23,913,188	—	—	23,913,188
Capital expenditure on investment properties	2,648,041	5,242,632	408	279,714	8,170,795
Opening market value of disposed investment properties	(5,600,000)	(32,100,000)	(5,300,000)	—	(43,000,000)
Valuation loss from investment properties	16,233,616	(586,989)	(5,113,656)	1,524,073	12,057,044
Movement in lease incentives receivable	694,746	(29,216)	(30,102)	100,494	735,922
Market value at 31 December	259,150,000	159,630,000	46,530,000	33,800,000	499,110,000
Investment property recognised as held for sale	—	—	—	—	—
Market value net of held for sale at 31 December	259,150,000	159,630,000	46,530,000	33,800,000	499,110,000
Adjustment for lease incentives	(1,787,864)	(1,153,339)	(304,908)	(618,333)	(3,864,444)
Carrying value at 31 December	257,362,136	158,476,661	46,225,092	33,181,667	495,245,556

The valuations were performed by Knight Frank LLP, accredited external valuers with recognised and relevant professional qualifications and recent experience of the location and category of the investment properties being valued. The valuation model in accordance with Royal Institute of Chartered Surveyors ('RICS') requirements on disclosure for Regulated Purpose Valuations has been applied (RICS Valuation – Professional Standards January 2014 published by the Royal Institution of Chartered Surveyors). These valuation models are consistent with the principles in IFRS 13. The market value provided by Knight Frank at the year end was £493,175,000 (2018: £499,110,000) however an adjustment has been made for lease incentives of £5,523,822 (2018: £3,864,444) that are already accounted for as an asset. In addition, as required under IFRS 16 which became effective from 1 January 2019, a right of use asset of £904,121 has been recognised in respect of the present value of future ground rents. As required under IFRS 16 an amount of £904,121 has also been recognised as an obligation under finance leases in the balance sheet. Valuation gains and losses from investment properties are recognised in the Consolidated Statement of Comprehensive Income for the period and are attributable to changes in unrealised gains or losses relating to investment properties held at the end of the reporting period.

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

	2019 £	2018 £
Opening market value of disposed investment properties	34,640,000	43,000,000
Gain on disposal of investment properties	427,304	1,861,161
Net proceeds from disposal of investment properties	35,067,304	44,861,161

Valuation methodology

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

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

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

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

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

The management group that determines the Company's valuation policies and procedures for property valuations is the Property Valuation Committee as detailed on page 37. The Committee reviews the quarterly property valuation reports produced by the valuers (or such other person as may from time to time provide such property valuation services to the Group) before its submission to the Board, focusing in particular on:

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

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

All investment properties are classified as Level 3 in the fair value hierarchy. There were no movements between levels during the year.

The table on page 70 outlines the valuation techniques and inputs used to derive Level 3 fair values for each class of investment properties. The table includes:

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

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Notes to the Consolidated Financial Statements for the year ended 31 December 2019 continued

Country & Class	Fair Value £	Valuation Technique	Key Unobservable Input	Range (weighted average)
UK Industrial Level 3	252,800,000	Capitalisation Rates	▸ Initial Yield ▸ Reversionary Yield ▸ Equivalent Yield ▸ Estimated rental value per sq ft	0.00% to 7.87% (5.16%) 4.26% to 9.33% (6.22%) 4.23% to 7.75% (6.07%) £2.75 to £218.50 (£187.78)
UK Office Level 3	163,305,000	Capitalisation Rates	▸ Initial Yield ▸ Reversionary Yield ▸ Equivalent Yield ▸ Estimated rental value per sq ft	0.00% to 10.75% (4.60%) 0.38% to 8.89% (6.95%) 4.78% to 8.38% (6.67%) £14.00 to £519.00 (£378.59)
UK Retail Level 3	42,270,000	Capitalisation Rates	▸ Initial Yield ▸ Reversionary Yield ▸ Equivalent Yield ▸ Estimated rental value per sq ft	4.79% to 8.49% (8.65%) 5.12% to 7.84% (8.10%) 5.63% to 8.05% (9.17%) £15.50 to £500.00 (£115.25)
UK Other Level 3	34,800,000	Capitalisation Rates	▸ Initial Yield ▸ Reversionary Yield ▸ Equivalent Yield ▸ Estimated rental value per sq ft	4.91% to 6.89% (5.45%) 5.03% to 6.90% (5.50%) 5.01% to 6.91% (5.58%) £18.68 to £120.50 (£41.68)
	493,175,000			

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

Estimated rental value (ERV)
The rent at which space could be let in the market conditions prevailing at the date of valuation.

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

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

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

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

	2019	2018
ERV p.a.	£34,224,876	£34,380,532
Area sq ft	4,102,486	4,374,342
Average ERV per sq ft	£8.34	£7.86
Initial Yield	5.2%	5.1%
Reversionary Yield	6.7%	4.5%

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

	2019 £	2018 £
Increase in equivalent yield of 50 bps	(53,790,866)	(40,717,916)
Decrease of 5% in ERV	(23,968,000)	(16,563,503)

Below is a list of how the interrelationships in the sensitivity analysis above can be explained. In both cases outlined in the sensitivity table the estimated fair value would increase (decrease) if:

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

8 INVESTMENT PROPERTIES HELD FOR SALE

As at 31 December 2019, the Group was actively seeking a buyer for Bourne House, Staines. The Group both exchanged contracts and completed this sale on 3 January 2020 for a price of £10,791,000.

As at 31 December 2018 the Group had no investment properties classified as held for sale.

9 INVESTMENT IN SUBSIDIARY UNDERTAKINGS

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

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

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

- Standard Life Investments Property Holdings Limited, a company with limited liability incorporated in Guernsey, Channel Islands.
- Standard Life Investments (SLIPIT) Limited Partnership, a limited partnership established in England.
- Standard Life Investments SLIPIT (General Partner) Limited, a company with limited liability incorporated in England.
- Standard Life Investments SLIPIT (Nominee) Limited, a company with limited liability incorporated and domiciled in England.
- Hagley Road Limited, a company with limited liability incorporated in Jersey, Channel Islands.

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10 TRADE AND OTHER RECEIVABLES

	2019 £	2018 £
Trade receivables	2,738,455	3,036,500
Less: provision for impairment of trade receivables	(138,593)	(99,395)
Trade receivables (net)	2,599,862	2,937,105
Rental deposits held on behalf of tenants	320,878	660,926
Other receivables	992,779	1,341,040
Total trade and other receivables	3,913,519	4,939,071

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

	2019 £	2018 £
Opening balance	(99,395)	(2,875)
Charge for the year	(39,198)	(96,520)
Reversal of provision	—	—
Closing balance	(138,593)	(99,395)

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

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

Amounts are considered impaired when it becomes unlikely that the full value of a receivable will be recovered. Movement in the balance considered to be impaired has been included in other direct property costs in the Consolidated Statement of Comprehensive Income. As of 31 December 2019, trade receivables of £138,593 (2018: £99,395) were considered impaired and provided for.

The ageing of these receivables is as follows:

	2019 £	2018 £
0 to 3 months	(118,416)	(55,115)
3 to 6 months	(1,427)	(21,619)
Over 6 months	(18,750)	(22,661)
Closing balance	(138,593)	(99,395)

As of 31 December 2019, trade receivables of £2,599,862 (2018: £2,937,105) were less than 3 months past due but considered not impaired.

11 CASH AND CASH EQUIVALENTS

	2019 £	2018 £
Cash held at bank	3,081,770	2,555,805
Cash held on deposit with RBS	3,393,849	5,709,167
	6,475,619	8,264,972

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

12 TRADE AND OTHER PAYABLES

	2019 £	2018 £
Trade and other payables	2,796,799	4,322,482
VAT payable	381,068	751,530
Deferred rental income	5,733,327	6,171,425
Rental deposits due to tenants	320,878	660,926
	9,232,072	11,906,363

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

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13 BANK BORROWINGS

	2019 £	2018 £
Loan facility and drawn down outstanding balance	128,000,000	130,000,000
Opening carrying value	129,249,402	109,107,044
Borrowings during the year	1,000,000	20,000,000
Repayment of RCF	(3,000,000)	—
Arrangements costs of additional facility	(99,997)	(52,520)
Amortisation of arrangement costs	167,481	194,878
Closing carrying value	127,316,886	129,249,402

On 28 April 2016 the Company entered into an agreement to extend £145 million of its existing £155 million debt facility with RBS. The debt facility consisted of a £110 million seven year term loan facility and a £35 million five year RCF which was extended by two years in May 2018 with the margin on the RCF now at LIBOR plus 1.45%. Interest is payable on the Term Loan at 3 month LIBOR plus 1.375% which equates to a fixed rate of 2.725% on the Term Loan.

In June 2019, the Company also entered into a new arrangement with the Royal Bank of Scotland International Limited (RBSI) to extend its Revolving Credit Facility (RCF) by £20 million. The Company currently has £18 million undrawn from its existing facility, and has not drawn the new facility, which has an expiry coterminous with the existing debt provided by RBSI, in April 2023. The new facility has a margin of 1.60% above LIBOR.

Under the terms of the loan facility there are certain events which would entitle RBS to terminate the loan facility and demand repayment of all sums due. Included in these events of default is the financial undertaking relating to the LTV percentage. The loan agreement notes that the LTV percentage is calculated as the loan amount less the amount of any sterling cash deposited within the security of RBS divided by the gross secured property value, and that this percentage should not exceed 60% for the period to and including 27 April 2021 and should not exceed 55% after 27 April 2021 to maturity.

	2019 £	2018 £
Loan amount	128,000,000	130,000,000
Cash	(6,475,619)	(8,264,972)
	121,524,381	121,735,028
Investment property valuation	493,175,000	499,110,000
LTV percentage	24.6%	24.4%

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

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

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

The loan facility is secured by fixed and floating charges over the assets of the Company and its wholly owned subsidiaries, Standard Life Investments Property Holdings Limited and Standard Life Investments (SLIPIT) Limited Partnership.

14 INTEREST RATE SWAP

As part of the refinancing of loans (see note 13), on 28 April 2016 the Group completed an interest rate swap of a notional amount of £110,000,000 with RBS. The interest rate swap effective date is 28 April 2016 and has a maturity date of 27 April 2023. Under the swap the Company has agreed to receive a floating interest rate linked to 3 month LIBOR and pay a fixed interest rate of 1.35%.

	2019 £	**2018 £**
Opening fair value of interest rate swaps at 1 January	(803,963)	(2,244,799)
Valuation (loss)/gain on interest rate swaps	(1,416,653)	1,440,836
Closing fair value of interest rate swaps at 31 December	(2,220,616)	(803,963)

The split of the swap liability is listed below.

	2019 £	**2018 £**
Current liabilities	(644,465)	(451,714)
Non-current liabilities	(1,576,151)	(352,249)
Interest rate swap with a start date of 28 April 2016 maturing on 27 April 2023	(2,220,616)	(803,963)

Please see page 80 for further EPRA disclosures.

15 OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments 2019 £	**Interest 2019 £**	**Present value of minimum lease payments 2019 £**
Less than one year	26,068	(24,592)	1,476
Between two and five years	104,271	(97,956)	6,315
More than five years	2,658,921	(1,762,591)	896,330
Total	2,789,260	(1,885,139)	904,121

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

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Notes to the Consolidated Financial Statements for the year ended 31 December 2019 continued

16 LEASE ANALYSIS

The Group has granted leases on its property portfolio. This property portfolio as at 31 December 2019 had an average lease expiry of six years and two months. Leases include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain options to break before the end of the lease term.

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

	2019 £	2018 £
Within one year	25,806,303	28,144,983
After one year, but not more than five years	79,140,128	75,726,933
More than five years	94,344,918	71,988,615
Total	199,291,349	175,860,531

The largest single tenant at the year end accounts for 4.5% (2018: 4.5%) of the current annual passing rent.

17 SHARE CAPITAL

Under the Company's Articles of Incorporation, the Company may issue an unlimited number of ordinary shares of 1 pence each, subject to issuance limits set at the AGM each year. As at 31 December 2019 there were 405,865,419 ordinary shares of 1p each in issue (2018: 405,865,419). All ordinary shares rank equally for dividends and distributions and carry one vote each. There are no restrictions concerning the transfer of ordinary shares in the Company, no special rights with regard to control attached to the ordinary shares, no agreements between holders of ordinary shares regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid.

In February 2020 the Company issued a further 1 million shares. As at 31 March 2020 the Company's issued share capital stood at 406,865,419.

Allotted, called up and fully paid:

	2019 £	2018 £
Opening balance	227,431,057	217,194,412
Shares issued	—	10,314,000
Issue costs associated with new ordinary shares	—	(77,355)
Closing balance	227,431,057	227,431,057

	2019 Number of shares	2018 Number of shares
Opening balance	405,865,419	394,865,419
Issued during the year	—	11,000,000
Closing balance	405,865,419	405,865,419

18 RESERVES

The detailed movement of the below reserves for the years to 31 December 2019 and 31 December 2018 can be found in the Consolidated Statement of Changes in Equity on page 56.

Retained earnings

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

Capital reserves

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

Other distributable reserves

This reserve represents the share premium raised on launch of the Company which was subsequently converted to a distributable reserve by special resolution dated 4 December 2003. This balance has been reduced by the allocation of preference share finance costs.

19 EARNINGS PER SHARE

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

The earnings per share for the year is set out in the table below. In addition one of the key metrics the Board considers is dividend cover. This is calculated by dividing the net revenue earnings in the year (surplus for the year net of tax excluding all capital items and the swaps breakage costs) divided by the dividends payable in relation to the financial year. For 2019 this equated to a figure of 100% (2018: 89%).

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

	2019 £	2018 £
Surplus for the year net of tax	16,144,131	30,946,377

	2019 £	2018 £
Weighted average number of ordinary shares outstanding during the year	405,865,419	403,172,131
Earnings per ordinary share (p)	3.98	7.68
Surplus for the year excluding capital items	19,330,662	17,028,172
EPRA earnings per share (p)	4.76	4.22

20 DIVIDENDS AND PROPERTY INCOME DISTRIBUTION GROSS OF INCOME TAX

Non Property Income Distributions	2019 £	2018 £
0.125p per ordinary share paid in March 2019 relating to the quarter ending 31 December 2018 (2018: 0.668p)	507,333	2,692,811
0.474p per ordinary share paid in November 2019 relating to the quarter ending 30 September 2019 (2018: 0.421p)	1,923,802	1,708,693
Property Income Distributions		
1.065p per ordinary share paid in March 2019 relating to the quarter ending 31 December 2018 (2018: 0.552p)	4,322,467	2,104,262
1.19p per ordinary share paid in May 2019 relating to the quarter ending 31 March 2019 (2018: 1.19p)	4,829,798	4,797,073
1.19p per ordinary share paid in August 2019 relating to the quarter ending 30 June 2019 (2018: 1.19p)	4,829,798	4,811,949
0.716p per ordinary share paid in November 2019 relating to the quarter ending 30 September 2019 (2018: 0.769p)	2,905,996	3,121,106
	19,319,194	19,235,894

On 31 March 2019 a dividend in respect of the quarter to 31 December 2019 of 1.19 pence per share was paid. This dividend was split as a property income dividend of 0.629 pence per share and a non property income dividend of 0.561 pence per share.

Financial Statements

Notes to the Consolidated Financial Statements
for the year ended 31 December 2019 continued

21 RECONCILIATION OF CONSOLIDATED NAV TO PUBLISHED NAV

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

	2019	2018
Number of ordinary shares at the reporting date	405,865,419	405,865,419

	2019 £	2018 £
Total equity per audited consolidated financial statements	364,794,564	369,386,280
NAV per share (p)	89.9	91.0

22 RELATED PARTY DISCLOSURES

Directors' remuneration

The remuneration of key management personnel is detailed opposite which includes pay as you earn tax and national insurance contributions. Further details on the key management personnel can be found in the Directors' Remuneration Report and the Corporate Governance Report.

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

	2019	2018
Robert Peto	44,000	42,000
Sally-Ann Farnon	17,850	37,500
Huw Evans	35,000	33,500
Mike Balfour	37,000	33,500
James Clifton-Brown	35,000	33,500
Jill May	28,135	—
Sarah Slater	3,455	—
Employers national insurance contributions	16,276	12,363
	216,716	192,363
Directors expenses	10,560	9,935
	227,276	202,298

23 SEGMENTAL INFORMATION

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

24 EVENTS AFTER THE BALANCE SHEET DATE

On 3 January 2020, the Company completed the sale of Bourne House, Staines for £10.8 million.

On 4 February 2020 the Company issued 1 million shares under its blocklisting authority.

Post Balance Sheet Event Disclosure

The outbreak of COVID-19 in 2020 has resulted in significant loss of life, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets.

The global impact of the outbreak evolved rapidly and on 11 March 2020, the World Health Organization declared a pandemic. Many countries have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. Businesses are also implementing similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity and are having a particularly adverse impact on transportation, hospitality, tourism, entertainment and other industries. The impact of COVID-19 has led to significant volatility and declines in the global public equity markets and it is uncertain how long this volatility will continue. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess.

The outbreak of COVID-19 and the resulting financial and economic market uncertainty could have a significant adverse impact on the Group, including the fair value of its investments. The most significant conditions arising from COVID-19 arose after the reporting period and as a result the Group considers the emergence of the COVID-19 pandemic to be a non-adjusting post balance sheet event. Any future impact on the Group is likely to be in connection with the assessment of the fair value of investments and stability of rental income at future dates. The Company announced a fall in like-for-like portfolio values of 4.9% as at 31 March 2020 with a NAV of 83.2p, a fall of 7.5% as announced on 12 May 2020. The independent valuation prepared by Knight Frank at 31 March 2020 also included a material uncertainty clause. At the date of reporting it is not possible to quantify the future financial impact of COVID-19 on the Company's investments or rental income with any degree of certainty. The Board will continue to closely analyse and review the impact of COVID-19 on the Company and will take appropriate action as required.

Additional Information

UNAUDITED EPRA PERFORMANCE MEASURES & ADDITIONAL INFORMATION

Additional Information
EPRA Performance Measures

	2019 £	2018 £
EPRA earnings	19,330,663	17,028,172
EPRA earnings per share (p)	4.76	4.22
EPRA NAV	367,015,180	370,190,243
EPRA NAV per share (p)	90.4	91.2
EPRA NNNAV	362,044,637	368,579,700
EPRA NNNAV per share (p)	89.2	90.8
EPRA Net Initial Yield	4.7%	4.7%
EPRA topped-up Net Initial Yield	5.4%	5.2%
EPRA Vacancy Rate	6.6%	5.9%
EPRA Cost Ratios – including direct vacancy costs	24.7%	26.4%
EPRA Cost Ratios – excluding direct vacancy costs	18.4%	18.5%

A. EPRA EARNINGS	2019 £	2018 £
Earnings per IFRS income statement	16,144,131	30,946,377
Adjustments to calculate EPRA Earnings, exclude:		
Net changes in value of investment properties	3,613,836	(12,057,044)
Gain on disposal of investment properties	(427,304)	(1,861,161)
Close-out costs of interest rate SWAP	—	—
EPRA Earnings	19,330,663	17,028,172
Basic number of shares (weighted average)	405,865,419	403,172,131
EPRA Earnings per share (p)	4.76	4.22

B. EPRA NET ASSET VALUE	2019 £	2018 £
IFRS NAV	364,794,564	369,386,280
Exclude:		
Fair value of financial instruments	2,220,616	803,963
EPRA NAV	367,015,180	370,190,243
Basic number of shares	405,865,419	405,865,419
EPRA NAV per share (p)	90.4	91.2

C. EPRA TRIPLE NET ASSET VALUE (NNNAV)	2019 £	2018 £
EPRA NAV	367,015,180	370,190,243
Fair value of financial instruments	(2,220,616)	(803,963)
Fair value of debt	(2,749,927)	(806,580)
EPRA NNNAV	362,044,637	368,579,700
EPRA NNNAV per share (p)	89.2	90.8
Fair value of debt per financial statements	127,316,886	130,055,982
Carrying value	130,066,813	129,249,402
Fair value of debt adjustment	2,749,927	806,580

D. EPRA NET INITIAL YIELD AND 'TOPPED UP' NIY DISCLOSURE	2019 £	2018 £
Investment property – wholly owned	493,175,000	499,110,000
Allowance for estimated purchasers' costs	33,535,900	33,939,480
Gross up completed property portfolio valuation	**526,710,900**	**533,049,480**
Annualised cash passing rental income	27,921,792	28,087,627
Property outgoings	(2,935,023)	-3,154,578
Annualised net rents	**24,986,769**	**24,933,049**
Add: notional rent expiration of rent free periods or other lease incentives	3,362,403	2,882,229
Topped-up net annualised rent	**28,349,172**	**27,815,278**
EPRA NIY	4.7%	4.7%
EPRA "topped-up" NIY	5.4%	5.2%

E. EPRA COST RATIOS	2019 £	2018 £
Administrative/property operating expense line per IFRS income statement	7,365,560	7,335,319
EPRA Costs (including direct vacancy costs)	7,365,560	7,335,319
Direct vacancy costs	(1,874,528)	(2,188,641)
EPRA Costs (excluding direct vacancy costs)	5,491,032	5,146,678
Gross Rental income less ground rent costs	29,878,646	27,773,205
EPRA Cost Ratio (including direct vacancy costs)	24.7%	26.4%
EPRA Cost Ratio (excluding direct vacancy costs)	18.4%	18.5%

Additional Information
ESG Performance

ESG PERFORMANCE

This section details the Company's sustainability performance using the EPRA Sustainability Best Practice Recommendations Guidelines (sBPR).

EXPLANATORY NOTES ON METHODOLOGY

Reporting period

Sustainability data in this report covers the calendar years of 2018 and 2019.

Organisational boundary and data coverage

For the purposes of sustainability reporting, we have included single-let assets within the organisational boundary even though operational control is limited and we do not generally have sight of tenant utility data. It was judged that these should be included to enable the reporting of consumption data associated with any void units at these assets. The coverage numbers in the tables following therefore appear low due to the inclusion of all of the Company's assets in the totals. Where there is no data coverage for a sector (for example, water consumption for unit shops where there was no landlord consumption during the period), the sector is excluded from the table but the number of assets in the sector is included in the total possible coverage number.

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

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

Normalisation

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

Renewable energy

There are landlord-owned solar PV installations at five assets in the portfolio. There is currently one large scheme (circa 800 kWp) due to be installed in 2020 and several more at feasibility stage. Most of these schemes are at single-let industrial assets where we have proactively engaged with occupiers to install PV and supply them with zero-carbon electricity.

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

Auditing and assurance

Our utilities data which feeds into our sustainability reporting is validated by our Utilities Bureau Consultant and checked by our Sustainability Consultant. We have not sought third party assurance for the sustainability data included in this report although this is something we are considering for future years.

Materiality

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

GRESB

GLOBAL REAL ESTATE SUSTAINABILITY BENCHMARK

Code	Performance measure	Review outcome
Environmental		
Elec-Abs	Total electricity consumption	Material
Elec-LfL	Like-for-like total electricity consumption	Material
DH&C-Abs	Total district heating & cooling consumption	Not material – none of the Company's assets are connected to district energy supplies
DH&C-LfL	Like-for-like total district heating & cooling consumption	
Fuels-Abs	Total fuel consumption	Material
Fuels-LfL	Like-for-like total fuel consumption	Material
Energy-Int	Building energy intensity	Material
GHG-Dir-Abs	Total direct greenhouse gas (GHG) emissions	Material
GHG-Indir-Abs	Total indirect greenhouse gas (GHG) emissions	Material
GHG-Int	Greenhouse gas (GHG) emissions intensity from building energy consumption	Material
Water-Abs	Total water consumption	Material
Water-LfL	Like-for-like total water consumption	Material
Water-Int	Building water intensity	Material
Waste-Abs	Total weight of waste by disposal route	Material
Waste-LfL	Like-for-like total weight of waste by disposal route	Material
Cert-Tot	Type and number of sustainably certified assets	Material
Social		
Diversity-Emp	Employee gender diversity	Not material – SLIPIT does not have any employees
Diversity-Pay	Gender pay ratio	
Emp-Training	Employee training and development	
Emp-Dev	Employee performance appraisals	
Emp-Turnover	New hires and turnover	
H&S-Emp	Employee Health & Safety	
H&S-Asset	Asset Health & Safety assessments	Material
H&S-Comp	Asset Health & Safety compliance	Material
Comty-Eng	Community engagement, impact assessments and development programs	Material
Governance		
Gov-Board	Composition of the highest governance body	Material – see main body of report (page 34 for content related to Governance)
Gov-Selec	Process for nominating and selecting the highest governance body	
Gov-Col	Process for managing conflicts of interest	

Additional Information
Environmental Indicators continued

LIKE-FOR-LIKE ENERGY CONSUMPTION

Landlord electricity consumption across like-for-like assets decreased by 9% year-on-year. This reduction was mainly driven by improvements made at Pinnacle, Reading and One Station Square, Bracknell. Like-for-like gas consumption also reduced by 10% in 2019.

We have implemented a number of energy saving initiatives across the portfolio and identified more for future roll-out as part of asset five year plans. These include lighting upgrades, BMS optimisation and plant replacement.

		Landlord Electricity (kWh)			Occupier Electricity i.e. sub-metered to occupiers (kWh)			Total Landlord obtained Electricity (kWh)			Landlord-obtained Gas (kWh)			Energy Intensity (kWh/m²)		
Indicator references		Elec-LfL			Elec-LfL			Elec-LfL			Fuels-LfL			Energy-Int		
Sector	**Coverage** (assets)	**2018**	**2019**	**Change** (%)	**2018**	**2019**	**Change** (%)	**2018**	**2019**	**Change** (%)	**2018**	**2019**	**Change** (%)	**2018**	**2019**	**Change** (%)
Industrial, Business Parks	4 of 12	23,854	50,921	113%	No sub-metered consumption		N/A	23,854	50,921	113%	8,602	6,507	−24%	0.9	1.7	77%
Industrial, Distribution Warehouse	1 of 13	44,061	No Landlord meters	N/A	No sub-metered consumption		N/A	44,061	No Landlord meters	N/A	19,949	No Landlord meters	N/A	2.5	No Landlord meters	N/A
Offices	6 of 11	741,036	682,452	−8%	1,398,172	1,387,583	−1%	2,139,208	2,070,035	−3%	1,057,717	965,845	−9%	96.7	91.9	−5%
Retail, Unit Shops	1 of 2	38,235	41,662	9%	No sub-metered consumption		N/A	38,235	41,662	9%	No landlord meters		N/A	6.4	7	9%
Retail, Warehouses	3 of 7	26,062	19,781	−24%	No sub-metered consumption		N/A	26,062	19,781	−24%	No meters		N/A	2.3	1.7	−24%
Totals	**15 of 44**	**873,248**	**794,816**	**−9%**	**1,398,172**	**1,387,583**	**−1%**	**2,271,420**	**2,182,399**	**−4%**	**1,086,268**	**972,352**	**−10%**	**30.3**	**28.5**	**−6%**

LIKE-FOR-LIKE WASTE GENERATION AND TREATMENT

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

In total across the four like-for-like assets at which we manage waste, 399 tonnes of non-hazardous waste was generated in 2019 with 30% recycled and 70% recovered via energy from waste. A very small volume of waste (70kg) was sent to landfill.

		Total Waste (tonnes)		Waste to Landfill (tonnes)		Waste Recovered (tonnes)		Waste Recycled (tonnes)	
Indicator references		Waste-LfL		Waste-LfL		Waste-LfL		Waste-LfL	
Sector	**Coverage** (assets)	**2018**	**2019**	**2019**		**2019**		**2019**	
Offices	4 of 11	61	75	0.1%	0.07	79%	59	21%	16
Retail, Unit Shops	1 of 2	305	324	0%	0	69%	222	31%	102
Totals	**5 of 44**	**366**	**399**	**0.04%**	**0.07**	**70%**	**281**	**30%**	**118**

LIKE-FOR-LIKE GREENHOUSE GAS EMISSIONS

The like-for-like energy consumption figures opposite translate into an 11% reduction in Scope 1 greenhouse gas (GHG) emissions and an 18% reduction in Scope 2 emissions. The reduction in Scope 2 emissions is driven by the reduction in landlord electricity consumption and also an improvement in the carbon intensity of the UK electricity grid between 2018 and 2019. Scope 3 emissions from energy sub-metered to occupiers and grid transmission and distribution losses reduced by 11%.

		Scope 1 Emissions (tCO_2)			Scope 2 Emissions (tCO_2)			Scope 3 Emissions (tCO_2)			Emissions Intensity Scopes 1, 2 & 3 ($kgCO_2/m^2$)		
Indicator references		**No relevant EPRA indicator**											
Sector	**Coverage** (assets)	**2018**	**2019**	**Change** (%)	**2018**	**2019**	**Change** (%)	**2018**	**2019**	**Change** (%)	**2018**	**2019**	**Change** (%)
Industrial, Business Parks	4 of 12	1.6	1.2	–24%	7	13	93%	0.6	1.1	92%	0.3	0.4	72%
Industrial, Distribution Warehouse	1 of 13	4	No Landlord meters	N/A	12	No Landlord meters	N/A	1.1	No Landlord meters	N/A	0.7	No Landlord meters	N/A
Offices	6 of 11	195	178	–9%	210	174	–17%	447	400	–11%	26	23	–12%
Retail, Unit Shops	1 of 2	No meters		N/A	10.8	10.6	–2%	0.9	0.9	–2%	2.0	1.9	–2%
Retail, Warehouses	3 of 7	No meters		N/A	7	5	–31%	0.6	0.4	–32%	0.7	0.5	–31%
Totals	**15 of 44**	**200**	**179**	**–11%**	**247**	**203**	**–18%**	**451**	**402**	**–11%**	**8**	**7**	**–13%**

ABSOLUTE WASTE GENERATION AND TREATMENT

There is landlord-managed waste at several assets acquired by the Company in 2018 and 2019 which are not yet in the like-for-like portfolio. In total, 695 tonnes of landlord-managed waste was generated across the portfolio in 2019. Of this, 35% was recycled and 65% was recovered via energy from waste. A very small volume of waste (70kg) was sent to landfill.

			Total Waste (tonnes)		Waste to Landfill (tonnes)		Waste Recovered (tonnes)		Waste Recycled (tonnes)	
Indicator references			**Waste-Abs**		**Waste-Abs**		**Waste-Abs**		**Waste-Abs**	
Sector	**Coverage 2018** (assets)	**Coverage 2019** (assets)	**2018**	**2019**	**2019**		**2019**		**2019**	
Offices	5 of 19	9 of 17	172	345	0.02%	0.07	61%	209	39%	136
Retail, Unit Shops	1 of 2	2 of 2	305	350	0%	0	69%	242	31%	108
Totals	**6 of 62**	**11 of 59**	**477**	**695**	**0.01%**	**0.07**	**65%**	**451**	**35%**	**244**

Additional Information
Environmental Indicators continued

ABSOLUTE ENERGY CONSUMPTION

Absolute landlord electricity and gas consumption increased by 65% and 31% respectively year-on-year. This was driven by the acquisition of several multi-let office assets in 2018 and 2019 where the Company is responsible for procuring energy. In particular, the acquisition of 54 Hagley Road, Birmingham in November 2018 contributed to this increase.

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

			Landlord Electricity (kWh)			Occupier Electricity i.e. sub-metered to occupiers (kWh)			Total landlord-obtained Electricity (kWh)			Landlord-obtained Gas (kWh)			Energy Intensity (kWh/m²)		
Indicator references			**Elec-Abs**			**Elec-Abs**			**Elec-Abs**			**Fuels-Abs**			**Energy-Int**		
Sector	**Coverage 2018** (assets)	**Coverage 2019** (assets)	**2018**	**2019**	**Change** (%)	**2018**	**2019**	**Change** (%)	**2018**	**2019**	**Change** (%)	**2018**	**2019**	**Change** (%)	**2018**	**2019**	**Change** (%)
Industrial, Business Parks	4 of 13	4 of 13	23,854	50,921	113%	No sub-metered consumption		N/A	23,854	50,921	113%	8,602	6,507	−24%	0.9	1.7	77%
Industrial, Distribution Warehouse	4 of 19	0 of 19	81,421	No Landlord meters	N/A	No sub-metered consumption		N/A	81,421	No Landlord meters	N/A	821,618	No Landlord meters	N/A	25.4	No Landlord meters	N/A
Offices	10 of 19	10 of 17	1,631,213	2,852,611	75%	1,605,239	2,630,411	64%	3,236,452	5,483,022	69%	1,796,127	3,429,829	91%	123.5	222.9	81%
Retail, Unit Shops	1 of 2	1 of 2	38,235	41,662	9%	No sub-metered consumption		N/A	38,235	41,662	9%	No landlord meters		N/A	6.4	7.0	9%
Retail, Warehouses	3 of 8	3 of 7	26,062	19,781	−24%	No sub-metered consumption		N/A	26,062	19,781	−24%	No landlord meters		N/A	2.3	1.7	−24%
Totals	**22 of 62**	**18 of 59**	**1,800,785**	**2,964,974**	**65%**	**1,605,239**	**2,630,411**	**64%**	**3,406,024**	**5,595,385**	**64%**	**2,626,347**	**3,436,336**	**31%**	**47.1**	**98.4**	**109%**

Note: There is a data centre asset that is excluded from the table as there is no landlord consumption but are included in the total possible coverage number.

WATER CONSUMPTION

Water consumption at like-for-like assets increased by 12% year-on-year. This was driven mainly by an increase at Pinnacle, Reading which recorded a 22% increase. This is currently being investigated. All water for the Company is sourced from mains supply.

Note that data coverage is lower for water than for energy as it is uncommon to have landlord meters at assets with no internal common parts or shared services.

			Absolute Water Consumption (m^3)					LfL Water Consumption (m^3)					
Indicator references			**Water-Abs; Water-Int**					**Water-LfL; Water-Int**					
Sector	**Coverage 2018** (assets)	**Coverage 2019** (assets)	**2018** (m^3)	**2018** (litres/m^2)	**2019** (m^3)	**2019** (litres/m^2)	**Change** (%)	**Coverage** (assets)	**2018** (m^3)	**2018** (litres/m^2)	**2019** (m^3)	**2019** (litres/m^2)	**Change** (%)
Offices	9 of 19	9 of 17	14,011	370	27,012	714	93%	4 of 11	11,823	411	13,260	461	12%
Retail, Unit Shops	1 of 2	1 of 2	91	15	73	12	−20%	1 of 2	91	15	73	12	−20%
Totals	**10 of 62**	**10 of 59**	**14,102**	**322**	**27,085**	**619**	**92%**	**5 of 44**	**11,914**	**343**	**13,333**	**384**	**12%**

ABSOLUTE GREENHOUSE GAS EMISSIONS

Absolute Scope 1 GHG emissions increased by 31% whilst absolute Scope 2 emissions increased by 49%. As noted above for absolute energy consumption, the increase in Scope 1 and 2 emissions is largely due to the effect of acquisitions.

			Scope 1 Emissions (tCO_2)			Scope 2 Emissions (tCO_2)			Scope 3 Emissions (tCO_2)			Emissions Intensity Scopes 1, 2 & 3 ($kgCO_2/m^2$)		
Indicator references			**GHG-Dir-Abs**			**GHG-Indir-Abs**			**GHG-Indir-Abs**			**GHG-Int**		
Sector	**Coverage 2018** (assets)	**Coverage 2019** (assets)	**2018**	**2019**	**Change** (%)	**2018**	**2019**	**Change** (%)	**2018**	**2019**	**Change** (%)	**2018**	**2019**	**Change** (%)
Industrial, Business Parks	4 of 13	4 of 13	1.6	1.2	−24%	6.8	13.0	93%	0.6	1.1	92%	0.3	0.4	72%
Industrial, Distribution Warehouse	4 of 19	0 of 19	151	No Landlord meters	N/A	23	No Landlord meters	N/A	2.0	No Landlord meters	N/A	5.0	No Landlord meters	N/A
Offices	10 of 19	10 of 17	330	631	91%	462	729	58%	532	791	49%	32.5	53.8	66%
Retail, Unit Shops	1 of 2	1 of 2	No meters		N/A	10.8	10.6	-2%	0.9	0.9	−2%	2.0	1.9	−2%
Retail, Warehouses	3 of 8	3 of 7	No meters		N/A	7.4	5.1	−31%	0.6	0.4	−32%	0.7	0.5	−31%
Totals	**22 of 62**	**18 of 59**	**483**	**632**	**31%**	**510**	**758**	**49%**	**537**	**794**	**48%**	**11.9**	**23.8**	**99%**

SUSTAINABILITY CERTIFICATIONS

Two office assets held by the Company in 2019 have BREEAM Very Good ratings: Bourne House in Staines and 54 Hagley Road in Birmingham. These assets account for 4% of the Company by net lettable area.

Energy Performance Certificate (EPC) ratings for assets in England owned by the Company are shown below. There is one G-rated unit in the portfolio for which there is a comprehensive plan to improve the rating before the next lease event in 2029.

EPC Rating	% Net Lettable Area
A	**0.7%**
B	**8.7%**
C	**65.9%**
D	**12.1%**
E	**12.7%**
F	**0%**
G	**0.6%**

SOCIAL INDICATORS

Health & Safety

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

Community Engagement

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

Information for Investors and Additional Performance Measures

Glossary

AIC	Association of Investment Companies. The trade body representing closed-ended investment companies.
Annual rental income	Cash rents passing at the Balance Sheet date.
Average debt maturity	The weighted average amount of time until the maturity of the Group's debt facilities.
Break option	A break option (alternatively called a 'break clause' or 'option to determine') is a clause in a lease which provides the landlord or tenant with a right to terminate the lease before its contractual expiry date, if certain criteria are met.
Contracted rent	The contracted gross rent receivable which becomes payable after all the occupied incentives in the letting have expired.
Covenant strength	This refers to the quality of a tenant's financial status and its ability to perform the covenants in a Lease.
Dividend	A sum of money paid regularly by the Company to its shareholders. The Company currently pays dividends to shareholders quarterly.
Dividend cover	The ratio of the company's net surplus after tax (excluding capital items) to the dividends paid.
Dividend yield	Annual dividend expressed as a percentage of share price on any given day.
Earnings per share (EPS)	Surplus for the period attributable to shareholders divided by the weighted average number of shares in issue during the period.
EPRA European Public Real Estate Association	The industry body representing listed companies in the real estate sector.
ERV	The estimated rental value of a property, provided by the property valuers.
Fair value	Fair value is defined by IFRS 13 as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'.
Fair value movement	Fair value movement is the accounting adjustment to change the book value of an asset or liability to its market value, and subsequent changes in market value.
Gearing ratio	Calculated as gross borrowings (excluding swap valuation) divided by total assets. The Articles of Association of the Company have a 65% gearing ratio limit (see page 65 for calculation).
Group	Standard Life Investments Property Income Trust Limited and its subsidiaries.
IFRS	International Financial Reporting Standards.
Index linked	The practice of linking the review of a tenant's payments under a lease to a published index, most commonly the Retail Price Index (RPI) but also the Consumer Price Index (CPI).
IPD	Investment Property Databank. An independent organisation supplying an expansive range of regional and global indexes, research, performance modelling, data metrics and risk analytics across direct property, listed and unlisted vehicles, joint ventures, separate accounts and debt.
IPD Benchmark	Quarterly version of IPD Monthly Index Funds.
Loan to Value	Calculated as net borrowings (gross borrowings less cash excluding swap valuation) divided by portfolio value. SWAP valuations at fair value are not considered relevant in gearing calculations (see note 13 for calculation).

NAV	Net Asset Value is the equity attributable to shareholders calculated under IFRS.
NAV total return	The return to shareholders, expressed as a percentage of opening NAV, calculated on a per share basis by adding dividends paid in the period to the increase or decrease in NAV. Dividends are assumed to have been reinvested in the quarter they are paid, excluding transaction costs.
Net initial yield (NIY)	The net initial yield of a property is the initial net income at the date of purchase, expressed as a percentage of the gross purchase price including the costs of purchase.
Over-rented	Space where the passing rent is above the ERV.
Passing rent	The rent payable at a particular point in time.
Portfolio fair value	The market value of the Group's property portfolio, which is based on the external valuation provided by Knight Frank LLP.
Portfolio total return	Combining the Portfolio Capital Return (the change in property value after taking account of property sales, purchases and capital expenditure in the period) and Portfolio Income Return (net property income after deducting direct property expenditure), assuming portfolio income is re-invested.
Portfolio yield	Passing rent as a percentage of gross property value.
Premium/Discount to NAV	The difference between the share price and NAV per share, expressed as a percentage of NAV. Premium representing a higher share price compared to NAV per share, discount the opposite.
Rack-rented	Space where the passing rent is the same as the ERV.
REIT	A Real Estate Investment Trust (REIT) is a single company REIT or a group REIT that owns and manages property on behalf of shareholders. In the UK, a company or group of companies can apply for 'UK-REIT' status, which exempts the company from corporation tax on profits and gains from their UK qualifying property rental businesses.
Rent free	A period within a lease (usually from the lease start date on new leases) where the tenant does not pay any rent.
Rent review	A rent review is a periodic review (usually five yearly) of rent during the term of a lease. The vast majority of rent review clauses require the assessment of the open market, or rack rental value, at the review date, in accordance with specified terms, but some are geared to other factors, such as the movement in an Index.
Reversionary yield	Estimated rental value as a percentage of the gross property value.
RICS	The Royal Institution of Chartered Surveyors, the global professional body promoting and enforcing the highest international standards in the valuation, management and development of land, real estate, construction and infrastructure.
Share price	The value of each of the company's shares at a point in time as quoted on the Main Market of the London Stock Exchange.
Share price total return	The return to shareholders, expressed as a percentage of opening share price, calculated on a per share basis by adding dividends paid in the period to the increase or decrease in share price. Dividends are assumed to have been reinvested in the quarter they are paid, excluding transaction costs.
Void rate	The quantum of ERV relating to properties which are unlet and generating no rental income. Stated as a percentage of total portfolio ERV.

Information for Investors

Information for Investors

AIFMD/PRE-INVESTMENT DISCLOSURE DOCUMENT ("PIDD")

The Company has appointed Aberdeen Standard Fund Managers Limited as its alternative investment fund manager and Citibank Europe plc as its depositary under the AIFMD. AIFMD requires Aberdeen Standard Fund Managers Limited, as the alternative investment fund manager ("AIFM") of Standard Life Investments Property Income Trust Limited, to make available to investors certain information prior to such investors' investment in the Company. Details of the leverage and risk policies which the Company is required to have in place under AIFMD are published in the Company's PIDD, which can be found on its website. The periodic disclosures required to be made by the AIFM under AIFMD are set out on page 93.

INVESTOR WARNING: BE ALERT TO SHARE FRAUD AND BOILER ROOM SCAMS

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

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

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

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

SHARE REGISTER ENQUIRIES

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

Notifications of changes of address and all enquiries regarding certificates or dividend cheques should be sent in writing to the Registrar whose details are shown on page 94.

KEEPING YOU INFORMED

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

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

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

If you have any questions about your Company, the Investment Manager or performance, please telephone the Customer Services Department (direct private investors) on 0808 500 0040. Alternatively, please send an email to inv.trusts@aberdeen-asset.com or write to Aberdeen Standard Investments, PO Box 11020, Chelmsford, Essex CM99 2DB. In the event of queries regarding holdings of shares, lost certificates, dividend payments, registered details, shareholders holding their shares in the Company directly should contact the Registrar, Computershare Investor Services (Guernsey) Limited on +44 (0) 370 707 4040 or by writing to the address on page 94. Calls may be recorded and monitored randomly for security and training purposes. Changes of address must be notified to the Registrar in writing.

HOW TO INVEST IN THE COMPANY

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

Aberdeen Standard Investments Plan for Children

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

Aberdeen Standard Investments Trust Share Plan

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

Aberdeen Standard Investments Trust ISA

Aberdeen Standard Investments operates an Investment Trust ISA ("ISA") through which an investment may be made of up to £20,000 in the tax year 2020/2021.

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

ISA transfer

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

LITERATURE REQUEST SERVICE

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

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

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

ONLINE DEALING DETAILS

Investor information

There are a number of other ways in which you can buy and hold shares in this investment company outwith Aberdeen Standard Investments savings products.

Online dealing

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

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

Discretionary private client stockbrokers

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

Independent Financial Advisers

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

Regulation of Stockbrokers

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

Information for Investors

Information for Investors continued

Suitable for Retail/NMPI Status

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

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

EFFECT OF REIT STATUS ON PAYMENT OF DIVIDENDS

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

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

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

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

RETAIL DISTRIBUTION

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

NOTE

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

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

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

AIFMD Disclosures (unaudited)

The Company has appointed Aberdeen Standard Fund Managers Limited as its alternative investment fund manager and Citibank Europe plc as its depositary under the AIFMD. The AIFM 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 www.slipit.co.uk. There have been no material changes to the disclosures contained within the PIDD since its last publication in December 2019.

	Gross method	Commitment method
Maximum level of leverage	400%	250%
Actual level at 31 December 2019	167%	137%

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

- Information on the investment strategy, geographic and sector investment focus and principal exposures are included in the Strategic Report.
- None of the Company's assets are subject to special arrangements arising from their illiquid nature.
- The Strategic Report, note 3 to the Financial Statements and the PIDD together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected.
- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by ASFML.
- All authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the AIFM's remuneration policy is available from Aberdeen Standard Fund Managers Limited on request (see contact details on page 94) and the remuneration disclosures in respect of the AIFM's reporting period for the period ended 31 December 2019 are available on the Company's website.

Leverage

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

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

The information on pages 90 to 94 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Standard Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority.

OTHER INFORMATION

The Company is a member of the Association of Investment Companies. The Association publishes a Monthly Information Service which contains a wide range of detailed information including statistical and performance data on all its members. A sample copy can be obtained free of charge from the AIC, 9th Floor, 24 Chiswell Street, London EC1Y 4YY (telephone: 020 7282 5555) along with full details of other publications available from the AIC. Alternatively, visit their website on www.theaic.co.uk.

Information for Investors
Directors and Company Information

DIRECTORS

Robert Peto [1]
Sally-Ann Farnon (retired 13 June 2019)[2]
Huw Evans [3]
Mike Balfour [4]
James Clifton-Brown [5]
Jill May (appointed 12 March 2019)
Sarah Slater (appointed 27 November 2019)

REGISTERED OFFICE

PO Box 255
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

REGISTERED NUMBER

41352

ADMINISTRATOR & SECRETARY

Northern Trust International Fund Administration Services (Guernsey) Limited

PO Box 255
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

REGISTRAR

Computershare Investor Services (Guernsey) Limited

Le Truchot
St Peter Port
Guernsey GY1 1WD

INVESTMENT MANAGER

Aberdeen Standard Fund Managers Limited

Bow Bells House
1 Bread Street
London EC4M 9HH

INDEPENDENT AUDITORS

Deloitte LLP
Regency Court
Glategny Esplanade
Guernsey
United Kingdom
GY1 3HW

SOLICITORS

Dickson Minto W.S.

16 Charlotte Square
Edinburgh EH2 4DF

Walkers (Guernsey) LLP

New Street
Guernsey GY1 2PF

BROKER

Winterflood Securities Limited

The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA

PRINCIPAL BANKERS

The Royal Bank of Scotland plc

135 Bishopsgate
London EC2M 3UR

PROPERTY VALUERS

Knight Frank LLP

55 Baker Street
London W1U 8AN

DEPOSITARY

Citibank Europe plc

Canada Square
London E14 5LB

1 Chairman of the Board
2 Chairman of the Audit Committee and Senior Independent Director up until retirement on 13 June 2019.
3 Chairman on the Management Engagement Committee and Senior Independent Director from 13 June 2019.
4 Chairman of the Nomination & Remuneration Committee and also the Audit Committee from 13 June 2019.
5 Chairman of the Property Valuation Committee

Annual General Meeting

Notice of the Annual General Meeting

Shareholders' attention is drawn to the Chair's Statement on page 8 concerning arrangements for the AGM in light of the UK Government's "stay at home" and "stay alert" measures.

Notice is hereby given that the Sixteenth Annual General Meeting of Standard Life Investments Property Income Trust Limited ('the Company') will be held at the offices of the Company's legal advisers, Dickson Minto, 16 Charlotte Square, Edinburgh EH2 4DF on 30 June 2020 at 10.30am for the following purposes:

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

1 To receive and approve the Annual Report and Consolidated Financial Statements of the Company for the year ended 31 December 2019.

2 To receive and approve the Directors' Remuneration Report for the year ended 31 December 2019.

3 That, with effect from 1 January 2020, the aggregate fees paid to the directors for their services as directors of the Company shall not exceed £350,000 per annum.

4 To approve the Company's dividend policy to continue to pay four quarterly interim dividends per year.

5 To re-appoint Deloitte LLP as Auditor of the Company until the conclusion of the next Annual General Meeting.

6 To authorise the Board of Directors to determine the Auditor's Remuneration.

7 To re-elect Mike Balfour as a Director of the Company.

8 To re-elect James Clifton-Brown as a Director of the Company.

9 To re-elect Huw Evans as a Director of the Company.

10 To re-elect Jill May as a Director of the Company.

11 To re-elect Robert Peto as a Director of the Company.

12 To elect Sarah Slater as a Director of the Company.

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

13 To authorise the Company, in accordance with The Companies (Guernsey) Law, 2008, as amended to make market acquisitions of its own shares of 1 pence each (either for retention as treasury shares for future resale or transfer or cancellation) provided that;

a. the maximum number of ordinary shares hereby authorised to be purchased shall be 14.99 percent of the issued ordinary shares on the date on which this resolution is passed;

b. the minimum price which may be paid for an ordinary share shall be 1 pence;

c. the maximum price (exclusive of expenses) which may be paid for an ordinary share shall be the higher of (i) 105 percent of the average of the middle market quotations (as derived from the Daily Official List) for the ordinary shares for the five business days immediately preceding the date of acquisition and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue on which the purchase is carried out; and

d. unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 30 December 2021 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2021, save that the Company may, prior to such expiry, enter into a contract to acquire ordinary shares under such authority and may make an acquisition of ordinary shares pursuant to any such contract.

14 That the Directors of the Company be and they are hereby generally empowered, to allot ordinary shares in the Company or grant rights to subscribe for, or to convert securities into, ordinary shares in the Company ("equity securities") for cash, including by way of a sale of ordinary shares held by the Company as treasury shares, as if any pre-emption rights in relation to the issue of shares as set out in the listing rules made by the Financial Conduct Authority under Part VI of the Financial Services and Markets Act 2000, as amended, did not apply to any such allotment of equity securities, provided that this power:

a. expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and

b. shall be limited to the allotment of equity securities up to an aggregate nominal value of £406,865 being approximately 10 percent of the nominal value of the issued share capital of the Company, as at 15 May 2020

By Order of the Board
For and on behalf of
Northern Trust International Fund Administration Services (Guernsey) Limited
Secretary
26 May 2020

Annual General Meeting

Notes to the notice of Annual General Meeting

Shareholders' attention is drawn to the Chair's Statement on page 8 concerning arrangements for the AGM in light of the UK Government's "stay at home" and "stay alert" measures.

1 A form of proxy is enclosed with this notice. A Shareholder entitled to attend, speak and vote is entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the Meeting. A proxy need not be a Shareholder of the Company. If you wish to appoint a person other than the Chairman of the Meeting, please insert the name of your chosen proxy holder in the space provided on the enclosed form of proxy.

2 In the case of joint holders such persons shall not have the right to vote individually in respect of an ordinary share but shall elect one person to represent them and vote in person or by proxy in their name. In default of such an election, the vote of the person first named in the register of members of the Company tendering a vote will be accepted to the exclusion of the votes of the other joint holders.

3 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different ordinary shares. You may not appoint more than one proxy to exercise rights attached to any one ordinary share. To appoint more than one proxy you may photocopy the enclosed form of proxy. Please indicate the proxy holder's name and the number of ordinary shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of ordinary shares held by you). Please also indicate if the proxy instruction is one of multiple instructions given by you. All hard copy forms of proxy must be signed and should be returned together in the same envelope.

4 The form of proxy should be completed and sent, together with the power of attorney or authority (if any) under which it is signed, or a notarially certified copy of such power or authority, so as to reach Computershare Investor Services (Guernsey) Limited, The Pavilions, Bridgwater Road, Bristol BS99 6ZY no later than 10.30am on Friday, 26 June 2020.

5 Completing and returning a form of proxy will not prevent a member from attending the Meeting in person. If you have appointed a proxy and attend the Meeting in person your proxy appointment will remain valid and you may not vote at the Meeting unless you have provided a hard copy notice to revoke the proxy to Computershare Investor Services (Guernsey) Limited, The Pavilions, Bridgwater Road, Bristol BS99 6ZY not later than 10.30am on Friday, 26 June 2020.

6 To have the right to attend, speak and vote at the Meeting (and also for the purposes of calculating how many votes a member may cast on a poll) a member must first have his or her name entered on the register of members not later than 10.30am on Friday, 26 June 2020. Changes to entries in the register after that time shall be disregarded in determining the rights of any member to attend, speak and vote at such Meeting.

7 The Directors' letters of appointment will be available for inspection for fifteen minutes prior to the Meeting and during the Meeting itself.

8 By attending the Meeting a holder of ordinary shares expressly agrees they are requesting and willing to receive any communications made at the Meeting.

9 If you submit more than one valid form of proxy, the form of proxy received last before the latest time for the receipt of proxies will take precedence. If the Company is unable to determine which form of proxy was last validly received, none of them shall be treated as valid in respect of the same.

10 A quorum consisting of one or more Shareholders present in person, or by proxy, and holding five percent or more of the voting rights is required for the Meeting. If, within half an hour after the time appointed for the Meeting, a quorum is not present the Meeting shall be adjourned for seven days at the same time and place or to such other day and at such other time and place as the Board may determine and no notice of adjournment need be given at any such adjourned meeting. Those Shareholders present in person or by proxy shall constitute the quorum at any such adjourned meeting.

11 The resolutions to be proposed at the Meeting will be proposed as ordinary and special resolutions which, to be passed, must receive the support of a majority (in the case of the ordinary resolutions) and not less than seventy five percent (in the case of the special resolutions) of the total number of votes cast for, or against, the ordinary and special resolutions respectively.

12 As at 15 May 2020, the latest practicable date prior to publication of this document, the Company had 406,865,419 ordinary shares in issue with a total of 406,865,419 voting rights.

13 Any person holding 3% of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the Disclosure Guidance and Transparency Rules.