Standard Life Investments Property Income Trust Limited

Annual Report and Financial Statements Year ended 31 December 2016

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Standard Life Investments Property Income Trust Limited

Strategic Report

Financial Highlights

- Robust Net Asset Value ("NAV") total return of 4.4% in the year, driven by positive investment activity and successful asset management set against a background of volatility in the commercial property market.
- Strong share price total return over the year of 7.0% compared to total return on FTSE All Share REIT Index of -7.0% with the Company's shares standing at a premium to NAV of 6.8% as at 31 December 2016.
- Prudent Loan to Value ("LTV") at year end of 26.0% (2015 – 28.1%) with debt at an attractive interest rate of 2.6%.
- The Company had cash of £13million at year end plus £20million available to utilise of its Revolving Credit Facility ("RCF") which will enable the Company to take advantage of opportunities as and when they arise.
- Dividend cover of 117% in 2016 as the acquisition of the Pearl portfolio in December 2015, and the opportunities this presented, boosted income generation over the year.
- Following the 2.5% dividend increase in 2016, the yield on the Company's share price as at 31 December stood at 5.5% which compares favourably to the FTSE All-Share REIT Index (3.7%) and the FTSE All-Share Index (3.5%) at the same date.
- Overall, the Company has a secure balance sheet, significant financial resources and a portfolio of assets which is continuing to provide strong income generation for shareholders.

Property Highlights

- As at 31 December 2016, the portfolio was valued at £429.9million.
- Portfolio total return for the year was 5.8%, significantly ahead of the IPD Quarterly version of Monthly Index total return ("the Company's benchmark") of 2.2%. The capital return of -0.7% and the income return of 6.5% from the portfolio both outperformed the comparative benchmark figures (-2.5% and 4.8% respectively).
- Sales totalling £20.2million in the year undertaken to realise profit, remove future underperformance risk and reduce gearing in a time of market volatility. Post the year end this trend continued with £30million being sold, including the Company's largest asset at White Bear Yard.
- A number of successful asset management initiatives, contributing to income and capital values, completed during the year including:
    - 8 new lettings completed during the year securing £907,000 of new rent pa; and
    - 11 lease renegotiations agreed with existing tenants securing income of £1.38million pa.
- Void rate of 3.3% at 31 December 2016, significantly below the benchmark figure of 7.1%.
- Positive rent collection rates of 99% within 21 days highlighting the continued strength of tenant covenants in an environment where income is likely to be the key component of returns going forward.
- The Company's investment portfolio has an initial yield of 6.3%, and given the nature of the investments and the leases in the portfolio this yield is expected to trend upwards (based on the current valuation) to 7.2% over the next five years.

Standard Life Investments Property Income Trust Limited

Strategic Report

Performance Summary

Earnings & Dividends		31 December 2016	31 December 2015
Revenue earnings per share (excluding capital items & swaps breakage costs)		5.56	4.74
Dividends declared per ordinary share (p)		4.76	4.644
Dividend cover (%)*		117	104
Dividend Yield (%)**		5.5	5.5
FTSE Real Estate Investment Trusts Index Yield (%)		3.7	3.0
FTSE All-Share Index Yield (%)		3.5	3.7
Ongoing Charges* **			
As a % of average net assets including direct property costs		1.7	1.5
As a % of average net assets excluding direct property costs		1.3	1.1

Capital Values & Gearing	31 December 2016	31 December 2015	% Change
Total assets (£million)	445.7	467.3	(4.6)
NAV per share (p) (note 21)	81.0	82.2	(1.5)
Ordinary Share Price (p)	86.5	84.5	2.4
Premium to NAV (%)	6.8	2.8	
LTV****	26.0	28.1	

Total Return	1 year % return	3 year % return	5 year % return
NAV*****	4.4	48.6	80.4
Share Price*****	7.0	46.8	129.8
FTSE Real Estate Investment Trusts Index	(7.0)	27.3	98.8
FTSE All-Share Index	16.8	19.3	61.8

Property Returns & Statistics (%)		31 December 2016	31 December 2015
Property income return		6.5	6.1
IPD benchmark income return		4.8	4.9
Property total return		5.8	13.1
IPD benchmark total return		2.2	13.0
Void rate		3.3	1.1

* Calculated as revenue earnings per share (excluding capital items & swaps breakage costs) as a percentage of dividends declared per ordinary share.

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

*** Calculated as investment manager fees, auditor's fees, directors' fees and other administrative expenses divided by the average NAV for the year. In respect of the annual management fee for the year ended 31 December 2015, the Investment Manager agreed to rebate £400,000 of the fee following the successful completion of the fund raising and new property portfolio acquisition in December 2015.

**** 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: Standard Life Investments, Investment Property Databank ("IPD").

Standard Life Investments Property Income Trust Limited

Strategic Report
Chairman's Statement

Robert Peto
Chairman

In my first annual report as your Chairman I am pleased to report that your Company has continued to deliver above benchmark performance set against a background of considerable political upheaval which has provided a challenging background for the UK commercial property market.

Background

The past twelve months have proved to be a watershed year with unexpected referenda and election results in both the UK and the United States resulting in heightened uncertainty as to what the future holds. The decision by the UK electorate to leave the European Union in June 2016, followed by the ensuing political fallout, impacted both the financial markets and, in particular, real estate markets, as REIT share prices fell and open ended funds closed to redemptions. In addition, the vote was expected to impact immediately the wider economy as it was anticipated both investment and consumer spending would be adversely affected. At the time of writing, the reality has been somewhat different with the UK economy growing by 0.6% in both Q3 and Q4 of 2016. This was bolstered by the service sector as the economy continued to rely on the consumer although this may not continue as inflationary pressures increase.

The election of President Trump in the United States followed the lead set by the UK with disenfranchised voters making themselves heard and producing a surprise result, contrary to opinion poll forecasts. President Trump has made an immediate impact, issuing a number of executive orders on healthcare, oil and gas pipelines and, somewhat more controversially, immigration. Perhaps encouraged by the above, "populism" is gaining traction across the developed nations as a number of elections in Europe approach, increasing geopolitical risk and resulting in an environment that is fraught with uncertainty. From a UK perspective, the main focus will be on whether the new US President's policies boost the performance of the US economy, thereby providing a fillip to the world economy, and whether the UK can quickly negotiate trade deals upon the UK's exit from the EU.

Performance

Against such a background the Company has performed well in the year. Even without the political machinations, it was anticipated that real estate returns would moderate in 2016, especially after the Chancellor announced a 1% rise in stamp duty in the March budget. Following the EU referendum, the direction of valuations has been volatile, falling in September but recovering somewhat by December. Overall, your Company delivered a robust NAV total return of 4.4%. This was driven by a relatively strong performance from the portfolio which delivered a total return of 5.8% compared to the IPD benchmark return of 2.2%, with both capital and income delivering above benchmark returns. The capital performance was boosted by positive investment activity as five assets were sold for £20.2million after costs which, in aggregate, was 5.6% ahead of December 2015 valuations. This trend

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Strategic Report

Chairman's Statement (continued)

continued after the year end where a further two assets have been sold at prices in-line with their December 2016 valuations, including the Company's largest asset, White Bear Yard in London thereby removing the Company's only exposure to the City of London office sector.

The share price total return in the year was 7.0% as the share price premium to NAV increased to 6.8% at the year end reflecting the ongoing demand for the Company's shares as investors' appetite for attractive and sustainable income returns continued. This return compares favourably to the return on the FTSE All-Share REIT index which returned -7.0% in the calendar year.

In order to ensure the Company's share price premium over its NAV does not become excessive, in January 2017 the Company applied for, and was granted, a blocklisting of 19 million shares, approximately 5% of the issued share capital. To date 7.275 million of shares have been issued under this blocklisting to meet excess market demand. All shares have been issued at a premium to NAV and hence have been accretive to existing shareholders.

Dividends

As indicated at the time of the acquisition of the Pearl portfolio in December 2015, the Company increased its dividend by 2.5% for 2016 to 4.76p. This represents an attractive yield of 5.5% as at 15 March 2017, significantly higher than that produced by the FTSE All-Share REIT Index (3.8%) and also other mainstream asset classes such as equities (FTSE All Share Index yield of 3.2%) and gilts (Ten Year Gilt yield of 1.2%) at the same date. Importantly, it should also be highlighted that this dividend has been fully covered by net income with a healthy dividend cover of 117% for the calendar year.

Debt

As described in the Interim Report, the Company refinanced its debt facilities in April 2016. A new £110million seven year facility at a fixed rate of 2.725% and, in order to introduce flexibility to the capital structure, a RCF of £35million were taken out with the Royal Bank of Scotland. At the year end the Company, having used sales proceeds to pay down debt, had a prudent LTV of 26.0% (net of all cash) and an attractive all-in rate of financing of 2.6%.

Board Changes

As mentioned in the Interim Report, Dick Barfield, my predecessor as Chairman, retired from the Company at the AGM in June 2016 and I would like to thank him for his strong and dedicated leadership as the Company more than doubled in size over the course of his tenure. In addition, James Clifton-Brown was appointed to the Board in August 2016. In his short time on the Board, James, who has taken my place as Chairman of the Property Valuation Committee, has proved to be a great asset and the Company will benefit from his many years of experience working in the commercial property sector.

Investment Manager

The Board has noted the recent announcement relating to a proposed merger between Standard Life and Aberdeen Asset Management. It is too early to comment on the potential implications for the Company of the proposed merger and we will monitor the progress of the transaction with interest.

Outlook

2017 is expected to be an eventful year in the UK and abroad. The UK's economic landscape is expected to be dominated by the continued political debate over the Article 50 process for exiting the European Union. The twists and turns of politics are expected to dominate the headlines elsewhere in the world as the year progresses. How this impacts the wider UK economy remains to be seen with the Bank of England forecasting growth of 2.0% in 2017, the same as that achieved in 2016. Any temptations to increase interest rates are likely to be muted by the negative impacts on consumer spending resulting from externally generated inflation, and the historically modest level of anticipated economic growth –"lower for longer" in terms of interest rates continues to be the most likely scenario.

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Strategic Report
Chairman's Statement (continued)

However, despite the unprecedented levels of uncertainty, real estate still has some significant attractions as an asset class. The sector has considerably lower void rates, speculative development and gearing levels compared to previous cycles which should help reduce volatility. In addition, there remains a significant gap between the attractive and historically stable yields currently being produced on real estate and those produced by other mainstream asset classes. This provides a buffer against any modest increases in interest rates.

Within the framework outlined above, the Company has a number of defensive qualities that makes it well positioned for the current market. While secondary assets may not be as resilient in the anticipated risk averse environment expected in the next twelve months, the portfolio of 57 assets is well diversified both in terms of sector and geography and currently has a bias towards the Industrial sector which is expected to be the strongest performing sector in 2017. The sale of White Bear Yard has removed an asset whose value may have come under pressure given the potential for a "hard" Brexit and where there was letting risk in 2019 which may have required significant capital expenditure. Secondly, in an environment where income will be the main driver of returns, the Company also has a strong tenant base, low void rate (3.3%) and a strong rent collection rate (99% within 21 days) which helps underpin the strong income return and attractive dividend yield paid to shareholders. In the UK, where historically low interest rates are fast becoming the norm, the demand for products that produce an attractive and sustainable level of income is high and this is one of the reasons your Company continues to trade at a premium rating. Finally, the Company has a prudent LTV level and a debt structure that allows gearing to be managed appropriately while still providing resources to invest further in the portfolio. Taking all these factors together, I believe that your Company is well placed to continue delivering value for shareholders.

Robert Peto
Chairman
22 March 2017

Standard Life Investments Property Income Trust Limited

Strategic Report
Strategic Overview

Objective

The objective of the Company 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 Company 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 Company'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 Company's LTV 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 Standard Life Investments (Corporate Funds) Limited ("Investment Manager").

Strategy

During the year, the Board reassessed its strategy, 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.

At property level, it is intended that the Company remains primarily invested in the commercial sector, while keeping a watching brief on other classes such as student accommodation and care homes. The Company is principally invested in office, industrial and retail properties and intends to remain so. In all sectors, poor secondary and tertiary locations are regarded as high risk and will be avoided.

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 within the Investment Manager can be used to beneficial effect. The Board will continue to have very careful regard to tenant profiles.

The Board continues to seek out opportunities for further, controlled growth in the Company. Since the year end, the Company has raised an additional £6.2million through new share issues, as detailed in the Chairman's Statement.

The Company 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

The Board currently consists of a non-executive Chairman and four non-executive Directors. The names and biographies of those Directors who held office at 31 December 2016 and at the date of this report appear on page 19 and indicate their range of property, investment, commercial and professional experience. There is also a commitment to achieve the proper levels of diversity. At the date of this report, the Board consists of one female and four male Directors. The Company does not have any employees.

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Strategic Report

Strategic Overview (continued)

Key Performance Indicators

The Board meets quarterly and at each meeting reviews performance against a number of key measures:

- 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 Company's property portfolio and enables the Board to assess how the portfolio is performing relative to the market. A comparison is made of the Company'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 Company'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 proper priority is being given by the Investment Manager to maintaining the Company's income.

- Rent collection dates

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

- NAV total return

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

- Premium or discount of the share price to NAV

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

- Dividend per share and dividend cover

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

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

A record of these measures is disclosed in the Financial 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 Company's business on a regular basis. During the year, the Board carried out an assessment of the risk profile of the Company, including consideration of risk appetite, risk tolerance and risk strategy. The Board regularly reviews the principal risks of the Company, seeking assurance that these risks are appropriately rated and that appropriate risk mitigation is in place.

Strategic Report

Strategic Overview (continued)

The Company'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 Board has also identified a number of other specific risks that are reviewed at each Board meeting. These are as follows:

- The Company and its objectives become unattractive to investors, leading to a widening 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 NAV and regular meetings with the Company's broker to discuss these points and address any issues that arise.

- Net revenues fall such that the Company 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, regular contact with shareholders and regular review 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 Company subscribes to the IPD 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.

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

  Macroeconomic uncertainty increased during 2016, following the UK's decision to leave the EU and the US presidential election. The Board continues to closely monitor the effect of this on property values and also the impact of any resultant regulatory changes that may impact the Company.

- 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 the bank on Company activity and performance.

- Loss on financial instruments.

  The Company has entered into an interest rate swap arrangement. This swap instrument is valued and monitored on a monthly basis by the counterparty bank. The Investment Manager checks the valuation of the swap instrument internally to ensure this is accurate. In addition, the credit rating of the bank that the swap is taken out with is assessed regularly.

Other risks faced by the Company include the following:

- Strategic – incorrect strategy, including sector and property allocation and use of gearing, could all lead to poor return for shareholders.

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Strategic Report
Strategic Overview (continued)

- Tax efficiency – the structure of the Company or changes to legislation could result in the Company no longer being a tax efficient investment vehicle for shareholders.
- Regulatory – breach of regulatory rules could lead to the suspension of the Company'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.
- Economic – inflation or deflation, economic recessions and movements in interest rates could affect property valuations and also bank borrowings.

The implementation of AIFMD during 2014 and the conversion of the Company to a UK REIT on 1 January 2015 introduced additional regulatory risks to the Company in the form of ensuring compliance with the respective regulations. In relation to AIFMD, the Board receives regular reporting from the AIFM and the depositary to ensure both are meeting their regulatory responsibilities in respect of the Company. In relation to UK REIT status, the Board has put in place a system of regular reporting to ensure that the requirements of the UK REIT regime are being adequately monitored and fully complied with.

A new regulatory risk arose in 2016 with the introduction of the EU's Market Abuse Regulations ("MAR") which apply to UK listed companies. The Company has updated its policies and procedures to ensure that it is compliant with the requirements of MAR.

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 Company's property portfolio, levels of gearing and the overall structure of the Company.

Details of the Company's internal controls are described in more detail in the Corporate Governance Report on page 26.

Social, Community and Employee Responsibilities

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

Sustainable Real Estate Investment Policy

The Investment Manager acquires, develops and manages properties on behalf of the Company. It is recognised that these activities have both direct and indirect environmental and social impacts. The Board has adopted the Investment Manager's own Sustainable Real Estate Investments Policy and associated Environmental Management Systems and is committed to environmental management in all phases of an asset's cycle – from acquisition through demolition, redevelopment and operational management to disposal. The focus is on energy conservation, mitigating greenhouse gases emissions, maximising waste recycling and water conservation. To facilitate this, the Investment Manager works in partnership with contractors, suppliers, tenants and consultants to minimise those impacts, seeking continuous improvements in environmental performance and conducting regular reviews.

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Strategic Report

Strategic Overview (continued)

The Investment Manager's approach to monitoring and improving the sustainability performance of the assets held by the Company has been highly successful. Energy consumption and greenhouse gas emissions for managed assets in the Company reduced by 8% and 11% respectively in 2015/16 compared with the year before. The Company also achieved its zero waste to landfill target, recovering value from all waste produced.

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

Viability Statement

The Board considers viability as part of its ongoing programme of monitoring risk. The Board considers five years to be a reasonable time horizon over which to review the continuing viability of the Company.

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

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

- Detailed NAV, cash resources and income forecasts, prepared by the Investment Manager, for a five year period under both normal and stressed conditions;
- The Company's ability to pay its operational expenses, bank interest and dividends over a five year period;
- Future debt repayment dates and debt covenants, in particular those in relation to LTV and interest cover; and
- The valuation and liquidity of the Company's property portfolio, the Investment Manager's portfolio strategy for the future and the market outlook.

The Board has also carried out a robust assessment of the principal risks faced by the Company, as detailed on page 7. The Board takes any potential risks to the ongoing success of the Company, and its ability to perform, very seriously and works hard to ensure that risks are kept to a minimum at all times.

Based on the results of the analysis outlined above, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of its assessment.

Approval of Strategic Report

The Strategic Report comprises the Financial Highlights, 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
22 March 2017

Standard Life Investments Property Income Trust Limited

Strategic Report
Investment Manager's Report

Jason Baggaley

Fund Manager

UK Real Estate Market

2016 was an eventful year many of us will not forget. The decision by the UK to leave the EU was not the result we had expected, and it had a dramatic and immediate impact on the UK real estate market. In the six months since the vote we have seen a return to more normal market conditions, although there is still a very uncertain outlook for the market, with heightened political and economic uncertainty likely to remain for the next couple of years.

Over the twelve months to the end of December 2016, all property recorded a total return of 2.6% against 13.9% in the twelve months to the end of December 2015. The sharp capital decline following the EU Referendum was the main contributor to the fall in returns although market conditions and sentiment have stabilised in recent months. Capital values fell by -2.8% in the year to the end of December (against a 7.8% increase over 2015), whilst rental growth fell to 2.0% in 2016 compared to 4.3% in 2015. As for the equity markets, the FTSE All Share and the FTSE 100 total returns rose by 16.8% and 19.1% respectively over the calendar year 2016. For listed real estate equities, total returns declined by 8.5% over 2016.

In times of market uncertainty it is easy to apply a broad brush approach, but in reality the UK commercial real estate market is made up of many sub markets with different drivers of returns. The retail market has, of course, been going through a period of change for several years, but this has created opportunity in one of our favoured markets; industrial/logistics. The industrial sector was the strongest performing in 2016, and this looks likely to continue with the devalued sterling supporting greater demand for industrial space in the UK for export led companies. With low levels of supply in most industrial areas we are seeing rental growth, as increasing build costs push up the economic rent for delivery of new accommodation. Central London offices face some challenges given the unknown shape of Brexit, but in many parts of the UK, supply of good quality accommodation is scarce and demand has remained fairly resilient.

UK economic growth over the course of 2016 was 2% which was better than was anticipated by economists following the referendum uncertainty and was only a marginal decline on the 2.2% growth recorded in 2015. Growth over the year has been heavily reliant on private consumption. Consumers have been resilient to date, with strong retail sales reported recently compared to last year although discounting is likely to be a key factor. There are also suggestions that consumers may be using credit facilities to bring forward big-ticket purchases in anticipation of higher inflation in 2017. As a result of sterling's significant decline post the referendum and higher commodity prices over the year, inflationary pressures are rising going into 2017.

Investment Outlook

2017 is expected to be another eventful year both in the UK and abroad. The UK's economic landscape is expected to be dominated by the continued political wrangling over the Article 50 process for exiting the European Union in the UK and the twists and turns of politics are expected to dominate the headlines elsewhere in the world as the year progresses.

Standard Life Investments Property Income Trust Limited

Strategic Report

Investment Manager's Report (continued)

Despite the uncertainty associated with the political wrangling, UK real estate continues to provide an elevated yield compared to other assets. Furthermore, lending to the sector is at a lower level than in 2007/2008, and, unlike in the Financial Crisis, liquidity remains reasonable. Additionally, development continues to be relatively constrained by historic standards and existing vacancy rates are below average levels in most markets, which should all help to continue to stabilise the market. In an environment where the economic fundamentals are expected to soften and with uncertainty remaining above "normal" levels, we expect lower returns from property than has been the case over the last few years. Location and asset quality will be crucial determinants of how markets respond to pressures in the year ahead. Furthermore, the steady secure income component generated by the asset class is likely to be the key driver of returns going forward. The market is likely to be sentiment driven in the short term as the politics continues to evolve, which will further affect capital values, while the medium term impact will continue to hinge on the economic effects. From a sector perspective, we continue to favour industrial and logistics property, although they are not likely to be immune to the ongoing uncertainty, they are expected to be comparatively resilient. As for the retail sector, inflationary pressures may prove to be a significant headwind as they impact not only the retailer's cost base, but also consumers' ability to spend, and further polarisation within the market is likely to be more pronounced. We continue to expect Central London offices to be the most impacted sector given the linkages to European markets via cross border trading.

Overall, investor appetite is expected to be sustained and the retention of the UK's safe haven status should also ensure the asset class is better placed longer term.

Investment Management Strategy

The investment strategy remains to invest in a diversified portfolio of UK commercial real estate assets that will support an attractive income return with some prospect for capital and rental growth. It is important to the Board and manager that the Company has a covered dividend, which it did again in 2016 (117% covered for the year) despite an increase in the dividend in Q1 2016.

In order to generate enough income to pay a covered dividend (Dividend yield 5.5% as at year end) the Company invests in a diversified portfolio, focused mainly on the industrial and office sector, and in good quality assets in strong locations, let to secure tenants who are able to pay the rent. Also we have a lower than average lease length in order to get a bit more yield. We are structurally underweight to retail as good quality retail is low yielding, and also to Central London offices which are more volatile and also low yielding.

The Investment Manager seeks to reduce risk at lease expiry by entering into early discussions with tenants about renewing their leases or removing break options, and has thus maintained a high occupancy rate (96.7% at year end).

2016 was a year of consolidation for the Company having completed the purchase of a portfolio of 22 assets in December 2015 for £165million. I am pleased to say that the properties have generally performed ahead of our assumptions with only one exception, where a tenant we had assumed would renew its lease is not going to. The new portfolio has made a positive contribution to the Company's performance.

The decision of the UK to leave the EU following the referendum has not had a significant impact on the Company's strategy as we believed the UK was relatively advanced in its real estate cycle before June, and had already reduced risk in the portfolio. The decision to leave has, however, made us continue to have a cautious stance. A demonstration of this caution is the reduction in the LTV throughout the year by using sale proceeds to reduce the drawn RCF. Just after the year end the LTV stood at 24.1%, down from 28.1% as at December 2015, with just £5m of the RCF remaining drawn.

Standard Life Investments Property Income Trust Limited

Strategic Report
Investment Manager's Report (continued)

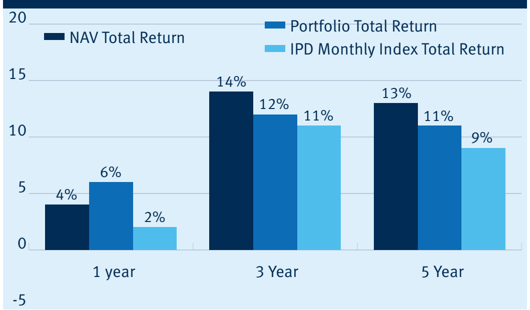
Performance

2016 was another good year for the Company, especially at the underlying portfolio level.

The investment portfolio had an income return of 6.5% for the year ended December 2016, and saw a slight decline of 0.7% in capital, compared to the IPD benchmark figure of 4.8% and -2.5% respectively, meaning the Company had a total return of 5.8% for the year versus the benchmark 2.2%. The Company also outperformed the benchmark at a property level over 3 and 5 years, as shown in the chart below.

As shareholders are aware, the Company utilises debt in its structure. As reported later in this report the Company entered into a new debt facility and interest rate swap in April 2016, and during the course of the year the mark to market value of the interest rate swap has had a major impact on the NAV – as at the end of the year the liability on the swap was £3.6million. The gearing also had a negative impact on the NAV with the decline in capital values. The chart below shows the impact of the debt on the NAV during 2016, but over the longer term it remains a positive. The chart also highlights the outperformance of the portfolio compared to the benchmark over both the short and long term.

NAV Total Return v Portfolio Total Returns



Source: SLI Annualised performance to 31 December 2016.

Against its peer group the Company had a moderate year on a NAV total return basis, but remains strong over the longer term.

NAV Total Returns to 31 December 2016	1 year (%)	3 years (%)	5 years (%)
Picton Property	10.8	72.0	75.0
Ediston	5.6	n/a	n/a
Custodian	5.3	n/a	n/a
F&C Commercial Property	4.7	48.7	75.8
Standard Life Investments Property Income	**4.4**	**48.6**	**80.4**
UK Commercial Property	3.8	35.5	51.9
Schroder Real Estate	3.0	48.9	70.3
F&C UK Real Estate	2.3	48.7	75.3

The chart below shows the share price total return (with dividends reinvested) for the Company and its peer group. The Company has continued to trade on a wider premium than the peer group average, apart from a short lived blip shortly after the referendum. The total return of 7.0% outperformed the peer group average and real estate index, but the chart below clearly shows how real estate fell out of favour compared to the general equity market.

Share Price Total Returns	1 year (%)
FTSE All-Share Index	16.8
Picton Property	11.0
Custodian	8.8
Standard Life Investments Property Income	**7.0**
F&C Commercial Property	6.4
Ediston	4.6
UK Commercial Property	3.8
F&C UK Real Estate	2.5
Schroder Real Estate	0.1
FTSE All-Share REIT Index	-7.0

The Company continues to pay a fully covered dividend, representing a yield of 5.5% on the year end share price. Again, this compares well with the peer group.

Standard Life Investments Property Income Trust Limited

Strategic Report
Investment Manager's Report (continued)

Valuation

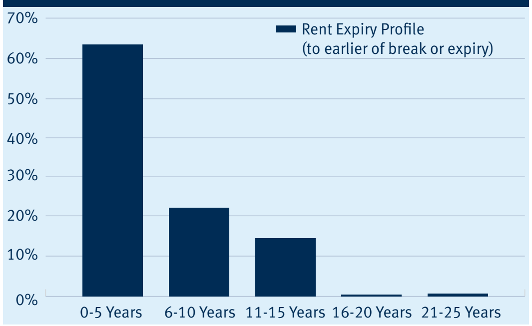
The Company's investment portfolio was valued on a quarterly basis throughout 2016 by JLL (on the original portfolio) and by Knight Frank on the "new" portfolio acquired in December 2015. At the year end the portfolio was valued at £429.9million and the Company held £13.1million cash. This compares to £452.0million and £12.4million respectively as at December 2015 (the difference is mainly due to the sale of five assets for £20.2million over the period, with sale proceeds used to reduce debt by £20million).

Lease expiry Profile

The Company has an average unexpired lease term to the earliest of lease end or tenant break of 5.5 years. The IPD index has a slightly longer average of 7.4 years (excluding leases over 35 years). Although the Company has, as at the end of December, 62.5% of leases expiring in the next five years asset management initiatives and sales already underway will reduce this by about 6.7%. In 2017 approximately 6.5% of the rent is due to expire and 9.4% in 2018. The peak of expiries is in 2020/ 2021 giving the asset management team time to regear leases, although we are finding many tenants are delaying making decisions on occupational needs until they really have to.

In times of uncertain outlook we have often found that a greater number of tenants renew as the cost and disruption of moving is significant, and the choice of decent accommodation to move to is very limited due to a lack of new development over the last ten years.

Lease Expiry/Break Profile



Purchases

The Company made no purchases during 2016 as it sought to bed in the portfolio bought in December 2015 and to use sale proceeds to reduce borrowings.

After the period end (in February 2017) the Company did however complete the purchase of a 150,000sqft industrial unit for £5.5million, reflecting an initial yield of 6.3%. The property is located close to the Nissan plant in Sunderland, and is let to a Nissan supplier for another 5 years. The property has scope to be extended, and we hope to be able to regear the lease and increase the rent.

Sales

The Company completed five sales during the period for a total of £20.2million after costs, and a further two sales post the year end for £30million. The sales reflected the Company's policy of reducing risk and future capex/void where it can do so at an attractive price. Two of the sales were of vacant properties, two were offices with short leases and buildings in need of major capex with void risk in the near future, and the remainder were assets that we did not expect to perform in line with the Company's requirements in the short to medium term.

Asset Management

The investment manager seeks to protect and enhance the future income stream from the Company's assets through an active approach to asset management. We consider it important to understand our tenants' needs and business to ensure we provide buildings that work for them. If we can do that we can retain tenants at lease expiry. We have maintained a high occupancy rate again in 2016, at 96.7% at the year end (compared to 98.9% in December 2015). The voids are dominated by a logistics unit in Oldham, which represents half the total void by rent. The benchmark occupation level is about 93%.

During the course of 2016, 11 lease regears or extensions were completed, along with 8 new lettings. Needless to say for a period after the June referendum it was harder to complete asset management deals as everyone took a

Strategic Report
Investment Manager's Report (continued)

step back to consider what the result meant for them. We are beginning to see a number of companies make decisions to commit to new or longer leases again, and at the end of February, have 3 of our vacant units under offer out of a total of 11 available to let, and a higher level of viewings on the others than we had in the reporting period.

Debt

In April 2016 the Company put in place a new debt facility with RBS which replaced the short term facility it had due to expire in June 2017. The new facility gives the Company greater flexibility in its capital structure by having a new term facility for £110million until April 2023, and a RCF for £35million. As at mid-January 2017, £5million of the RCF remained drawn, giving the Company an LTV of 24.1% against a covenant of 60%.

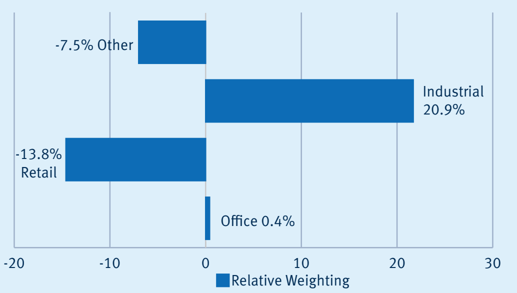
The Company has an interest rate swap in place for the duration of the term loan to give certainty of its cost of debt. As at the end of December the Company's all in cost of debt was 2.6%. As a result of the movement in swap rates following the referendum, the Company had a liability on the mark to market value of the swap of £3.6million as at the year end. It should be noted that this will revert to zero at maturity.

Portfolio allocation by Region	%
South East	40
Scotland	5
South West	5
North West	12
London West End	3
East Midlands	15
London City	5
North East	9
West Midlands	6

Portfolio allocation by IPD Sector	%
Standard Retails – South East	6
Standard Retails – Rest of UK	0
Retail Warehouses	16
Offices – City	4
Offices – West End	3
Offices – South East	22
Offices – Rest of UK	6
Industrials – South East	12
Industrials – Rest of UK	31

Portfolio allocation by sector – including cash	%
Office	34
Retail	22
Industrial	41
Other	–
Cash	3

Relative Weighting versus IPD



Standard Life Investments Property Income Trust Limited

Top Ten Properties

Rank	Property Name	Market Value Band £	Sector
1	Whitebear Yard, London	›£18m	Office
2	Elstree Tower, Borehamwood	£16m – £18m	Office
3	Denby 242, Denby	£16m – £18m	Industrial
4	DSG, Blackpool Road, Preston	£16m – £18m	Retail
5	Symphony, Sheffield Road, Rotherham	£16m – £18m	Industrial
6	Chester House, Farnborough	£14m – £16m	Office
7	Charter Court, Slough	£12m – £14m	Industrial
8	3B-3C, Michigan Drive, Milton Keynes	£10m – £12m	Retail
9	Howard Town Retail Park, Glossop	£10m – £12m	Retail
10	Hollywood Green, London	£10m – £12m	Retail

Note – the top ten properties represent 34.5% of the total portfolio value.

Top Ten Tenants

Tenant Group	Passing Rent £	As % of Total Rent
Sungard Availability Services (UK)	1,320,000	4.5%
BAE Systems	1,257,640	4.3%
Techno Cargo Logistics Ltd	1,242,250	4.3%
DSG	1,177,677	4.1%
The Symphony Group Plc	1,080,000	3.7%
Bong UK	727,240	2.5%
Euro Car Parts Ltd	703,430	2.4%
Royal Bank of Scotland Plc	700,000	2.4%
Ricoh UK Limited	696,995	2.4%
Matalan	696,778	2.4%
Total	**9,602,010**	**33.0%**
Total Fund Passing Rent	**29,078,528**	

Standard Life Investments Property Income Trust Limited

Strategic Report
Investment Manager's Report (continued)

Property Investments as at 31 December 2016

Name	Location	Sub-sector	Market Value £	Tenure	Area sq ft	Occupancy rate % (by rent)
White Bear Yard	London	Offices – City	>£18m	Freehold	21,232	100%
Elstree Tower	Borehamwood	Offices – South East	£16m-£18m	Freehold	80,713	100%
Denby 242	Denby	Industrials – Rest of UK	£16m-£18m	Freehold	242,766	100%
DSG, Blackpool Road	Preston	Retail Warehouses	£16m-£18m	Freehold	40,997	100%
Symphony, Sheffield Road	Rotherham	Industrials – Rest of UK	£16m-£18m	Leasehold	364,974	100%
Chester House	Farnborough	Offices – South East	£14m-£16m	Leasehold	49,861	100%
Charter Court	Slough	Offices – South East	£12m-£14m	Freehold	45,554	93%
3B-3C, Michigan Drive	Milton Keynes	Industrial – South East	£10m-£12m	Freehold	128,011	100%
Howard Town Retail Park	Glossop	Retail Warehouses	£10m-£12m	Mixed	51,239	98%
Hollywood Green	London	St Retails – South East	£10m-£12m	Freehold	64,003	100%
Bourne House	Staines	Offices – South East	£10m-£12m	Freehold	26,363	100%
Ocean Trade Centre	Aberdeen	Industrials – Rest of UK	£10m-£12m	Freehold	103,120	98%
82-84 Eden Street	Kingston-upon-Thames	St Retails – South East	£10m-£12m	Freehold	24,234	95%
New Palace Place	London	Offices – West End	£10m-£12m	Leasehold	18,596	98%
The Quadrangle	Cheltenham	Offices – Rest of UK	£10m-£12m	Freehold	58,920	100%
CEVA Logistics	Corby	Industrials – Rest of UK	£8m-£10m	Freehold	195,225	100%
Tetron 141	Swadlincote	Industrials – Rest of UK	£8m-£10m	Freehold	141,450	100%
Budbrooke Industrial Estate	Warwick	Industrials – Rest of UK	£8m-£10m	Leasehold	88,551	84%
Explorer 1 & 2, Mitre Court	Crawley	Offices – South East	£8m-£10m	Freehold	46,205	100%
Walton Summit Industrial Estate	Preston	Industrials – Rest of UK	£8m-£10m	Freehold	147,946	100%
Foxholes Business Park	Hertford	Industrials – South East	£8m-£10m	Freehold	42,175	60%
The Kirkgate	Epsom	Offices – South East	£6m-£8m	Freehold	26,454	100%
Swift House	Rugby	Industrials – Rest of UK	£6m-£8m	Leasehold	100,564	100%
Foundry Lane	Horsham	Industrials – South East	£6m-£8m	Freehold	76,535	100%
Marsh Way	Rainham	Industrials – South East	£6m-£8m	Leasehold	82,090	100%
P&O Warehouse, Honeywood Parkway	Dover	Industrials – South East	£6m-£8m	Freehold	84,376	100%
Victoria Shopping Park	Hednesford	Retail Warehouses	£6m-£8m	Leasehold	37,096	100%
Tetron 93	Swadlincote	Industrials – Rest of UK	£6m-£8m	Freehold	93,836	100%
Bathgate Retail Park	Bathgate	Retail Warehouses	£4m-£6m	Freehold	45,168	100%
The Point Retail Park	Rochdale	Retail Warehouses	£4m-£6m	Freehold	42,224	100%
Dorset Street	Southampton	Offices – South East	£4m-£6m	Freehold	25,101	100%

Standard Life Investments Property Income Trust Limited

Strategic Report

Investment Manager's Report (continued)

Property Investments as at 31 December 2016 (continued)

Name	Location	Sub-sector	Market Value £	Tenure	Area sq ft	Occupancy rate % (by rent)
26-28 Valley Road	Bradford	Retail Warehouses	£4m-£6m	Mixed	28,915	100%
Broadoak Business Park	Manchester	Industrials – Rest of UK	£4m-£6m	Freehold	66,955	87%
Garanor Way, Portbury	Bristol	Industrials – Rest of UK	£4m-£6m	Leasehold	196,884	100%
Middle Engine Lane	North Shields	Retail Warehouses	£4m-£6m	Freehold	21,846	100%
Units 1 & 2 Olympian Way	Leyland	Retail Warehouses	£4m-£6m	Leasehold	31,781	100%
Silbury House	Milton Keynes	Offices – South East	£4m-£6m	Freehold	25,205	100%
Matalan, Blackfriar's Road	Kings Lynn	Retail Warehouses	£4m-£6m	Leasehold	33,991	100%
Endeavour House	Kidlington	Offices – South East	£4m-£6m	Freehold	23,414	100%
The Range	Southend-on-Sea	Retail Warehouses	£4m-£6m	Freehold	30,427	100%
Mount Farm	Milton Keynes	Industrials – South East	£4m-£6m	Freehold	74,712	100%
Interfleet House	Derby	Offices – Rest of UK	£4m-£6m	Freehold	28,735	100%
Unit 6 Broadgate, Broadway Business Park	Oldham	Industrials – Rest of UK	£4m-£6m	Leasehold	103,605	0%
Anglia House Bishops	Bishops Stortford	Offices – South East	£4m-£6m	Freehold	16,982	100%
Units 1 & 2, Cullen Square	Livingston	Industrials – Rest of UK	£4m-£6m	Freehold	81,735	100%
The IT Centre, Innovation Way	York	Offices – Rest of UK	£4m-£6m	Leasehold	25,419	100%
31/32 Queen Square	Bristol	Offices – Rest of UK	£4m-£6m	Freehold	13,124	100%
Unit 1-4, Opus 9 Industrial Estate	Warrington	Industrials – Rest of UK	£4m-£6m	Freehold	54,904	100%
Persimmon House, Crossways Business Park	Dartford	Offices – South East	£4m-£6m	Freehold	14,957	100%
Matalan, Mayo Avenue	Bradford	Retail Warehouses	£4m-£6m	Leasehold	25,282	100%
Unit 2, Brunel Way	Fareham	Industrials – South East	£2m-£4m	Leasehold	38,217	100%
Unit 4, Monkton Business Park	Newcastle Upon Tyne	Industrials – Rest of UK	£2m-£4m	Freehold	33,021	100%
21 Gavin Way, Nexus Point	Birmingham	Industrials – Rest of UK	£2m-£4m	Freehold	36,376	100%
Unit 4, Easter Park	Bolton	Industrials – Rest of UK	£2m-£4m	Leasehold	35,534	100%
Unit 14 Interlink Park	Bardon	Industrials – Rest of UK	£2m-£4m	Freehold	32,747	100%
Travis Perkins	Cheltenham	Industrials – Rest of UK	£1m-£2m	Freehold	51,148	100%
Windsor Court & Crown Farm	Mansfield	Industrials – Rest of UK	£0m-£1m	Leasehold	23,574	100%
Total property portfolio			**429,945,000**			

Standard Life Investments Property Income Trust Limited

Governance

Board of Directors

Robert Peto, is a UK resident. He is Chairman of DTZ Investment Management Ltd, 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 Global President of RICS in 2010 – 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.

Sally Ann (Susie) Farnon, is a resident of Guernsey. She is a chartered accountant and was a banking and finance Partner with KPMG Channel Islands from 1990 until 2001, Head of Audit KPMG Channel Islands and a former member of The States of Guernsey Public Accounts Committee. She was Vice-Chairman of The Guernsey Financial Services Commission until 31 March 2015 and is a non-executive Director of Ravenscroft Ltd, Breedon Group plc, HICL Infrastructure Company Ltd, Threadneedle UK Select Trust Ltd and Apax Global Alpha Ltd.

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, including BH Macro Ltd and VinaCapital Vietnam Opportunity Fund Limited.

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 2016. 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 2016. He is also a Director of Martin Currie Global Portfolio Trust Plc and Murray Income Trust Plc. Mike chairs the Investment Committee at TPT Retirement Solutions.

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, a position he still holds today. In his role as UK CIO at CBRE, James has responsibility for the firm's UK house strategy, 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, European and Asian Investment Committees of CBRE and Chairman of CBRE's Global Separate Accounts team. James was appointed to the Board on 18 August 2016.

Standard Life Investments Property Income Trust Limited

Governance
Directors' Report

The Directors of Standard Life Investments Property Income Trust Limited ("the Company") present their Annual Report and Audited Financial Statements for the year ended 31 December 2016.

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 property 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 2016, 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 Huris (Farnborough) Limited, a company incorporated in the Cayman Islands.

Substantial Shareholdings

As at 31 December 2016 and 28 February 2017 the following entities had a holding of 3% or more of the Company's issued share capital.

	% holding	
	31/12/2016	28/2/2017
Brewin Dolphin	10.3%	10.4%
Heartwood Group	8.3%	8.5%
Alliance Trust Savings	8.2%	8.2%
Hargreaves Lansdown	5.4%	5.4%
Mattioli Woods	4.2%	4.3%
Blackrock	4.1%	4.2%
Standard Life	4.0%	4.0%

Directors

The names and short biographies of the Directors of the Company at the date of this Report, all of whom served throughout the year ended 31 December 2016, save for Mike Balfour who was appointed on 10 March 2016 and James Clifton-Brown who was appointed on 17 August 2016, are shown on page 19.

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

	Ordinary Shares held	
	31/12/2016	31/12/2015
Robert Peto	57,435*	57,435*
Sally-Ann Farnon	30,000	30,000
Huw Evans	60,000	60,000
Mike Balfour (appointed 10 March 2016)	24,260	n/a
James Clifton-Brown (appointed 17 August 2016)	0	n/a
Richard Barfield (retired 2 June 2016)	n/a	83,128

*includes 31,898 ordinary shares held by Mrs Peto.

There have been no changes in the above interests between 31 December 2016 and 22 March 2017.

Directors' Indemnity

The Company maintains insurance in respect of Directors' and Officers' liabilities in relation to their acts on behalf of the Company. The Company's Articles of Association provide, subject to the provisions of Guernsey legislation, for the Company 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.

Standard Life Investments Property Income Trust Limited

Governance

Directors' Report (continued)

Disclosure of Information to Auditor

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

- so far as the Director is aware, there is no relevant audit information of which the Company'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 Company's auditor is aware of that information.

Going Concern

The Company'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 Company'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. They have not identified any material uncertainties 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 financial statements. The Directors have satisfied themselves that the Company 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 financial statements.

Corporate Governance

The Directors report on Corporate Governance is detailed on pages 23 to 28 and forms part of the Directors' Report.

Share Capital and Voting Rights

As at 31 December 2016 there were 380,690,419 ordinary shares of 1p each in issue. Between 31 December 2016 and 15 March 2017, the Company issued 7,275,000 new ordinary shares, resulting in 387,965,419 ordinary shares in issue at 15 March 2017. 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 NAV 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

The independent auditor, Ernst and Young LLP, has indicated its willingness to continue in office, and a resolution that it will be reappointed will be proposed at the Annual General Meeting.

Annual General Meeting

The notice of the Annual General Meeting, which will be held this year at 10.30am on 7 June 2017, may be found on pages 88 to 91.

The following resolutions are being proposed in relation to the Directors' authorities to buy back and allot shares.

Governance

Directors' Report (continued)

Directors Authority to Buy Back Shares (resolution 10)

The Company did not purchase any shares for cancellation during the financial year ended 31 December 2016. 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 10 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 per cent. of the issued ordinary share capital, such authority to last until the earlier of 7 December 2018 and the Annual General Meeting in 2018. 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 NAV 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 per cent 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 11)

Resolution 11 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 2018 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, up to an aggregate nominal amount of £387,965. This is equivalent to approximately 10% of the issued ordinary share capital of the Company as at 15 March 2017. 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 NAV 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 22 March 2017
Robert Peto
Chairman

Standard Life Investments Property Income Trust Limited

Governance

Corporate Governance Report

Introduction

As a company incorporated in Guernsey with a premium listing of equity shares on the London Stock Exchange, the Company is required to comply with the UK Corporate Governance Code 2014 (the "UK Code") or explain any non-compliance. The Board believes that the Company has complied throughout the accounting period with the provisions set out in the UK Code, subject to the statements made in the Corporate Governance Report below.

The Guernsey Financial Services Commission published its Code of Corporate Governance (the "Guernsey Code") in September 2011. This code came into effect on 1 January 2012. By complying with the UK Code, the Company is deemed to have met the requirements of Guernsey Code and has therefore not reported further on its compliance with that code.

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance (the "AIC Code") and follows the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide"), which provides a framework of best practice for investment companies. The Financial Reporting Council has confirmed that, by following the AIC Guide, investment company boards should fully meet their obligations in relation to the UK Code.

The AIC Code and the AIC Guide are available on the AIC's website, www.theaic.co.uk. The UK Code is available on the Financial Reporting Council's website, www.frc.org.uk. The Guernsey Code is available on the Guernsey Financial Services Commission's website, www.gfsc.gg.

The Board considers that it is appropriate to report against the principles and recommendations of the AIC Code by reference to the AIC Guide (which incorporates the UK Code). Except as disclosed below, the Company complied throughout the year with the recommendations of the AIC Code and the relevant provisions of the UK Code.

The UK Code contains provisions in relation to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function

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

The Board

The Board comprises solely non-executive Directors of whom Robert Peto is Chairman and Sally-Ann Farnon has been designated the Senior Independent Director. Biographical details of each Director are shown on page 19. 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.

Mike Balfour was appointed as a Director on 10 March 2016. Richard Barfield retired from the Board on 2 June 2016 and was replaced as Chairman by Robert Peto. James Clifton-Brown was appointed as a Director on 17 August 2016.

The Board has delegated day-to-day management of the assets to the Investment Manager. 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 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 Company's strategy.

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

Governance

Corporate Governance Report (continued)

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 Company and whether the Director's ability to act in accordance with his or her wider duties is affected.

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 Company. These contracts are reviewed by the Management Engagement Committee annually. 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, hosted by the Investment Manager, at www.slipit.co.uk.

Property Valuation Committee

The Property Valuation Committee was chaired by Robert Peto and from 17 August 2016 is chaired by James Clifton-Brown. The Committee comprises the full Board and meets four times a year. The Committee is convened for the purpose of reviewing the quarterly independent property valuation reports prior to their submission to the Board. The Chairman of the Property Valuation Committee meets with the independent property valuers at least annually.

Audit Committee

The Audit Committee, chaired by Sally-Ann Farnon, comprises the full Board and meets at least three times a year. The Audit Committee has set out a formal report on pages 29 to 31.

Standard Life Investments Property Income Trust Limited

Governance

Corporate Governance Report (continued)

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 Robert Peto, comprises the full Board and meets at least once a year. 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 Company does not have a formal policy on diversity, consideration of Board diversity forms part of the responsibilities of the Committee.

Remuneration Committee

The Remuneration Committee was chaired by Huw Evans and from November 2016 is chaired by Mike Balfour. The Committee comprises the full Board and meets at least once a year. 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 and, as all Directors will be subject to re-election on an annual basis, it is not appropriate for the Board to have a limit on the overall length of service of any of the Company's Directors, including the Chairman. The Board also takes the view that independence is not compromised by length of tenure on the Board. In relation to this, the Board considered a number of factors including experience, integrity and judgement of character. However, the Board has a clear strategy in place to refresh the Board on an ongoing basis.

There are no service contracts in existence between the Company 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.

Sally-Ann Farnon was appointed on 16 July 2010, Huw Evans was appointed on 11 April 2013 and Robert Peto was appointed on 28 May 2014. Mike Balfour was appointed on 10 March 2016 and James Clifton-Brown was appointed on 17 August 2016.

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 and the UK Code, the Board has agreed that all Directors will retire annually and, if appropriate, will seek re-election.

Sally-Ann Farnon, Huw Evans, Robert Peto and Mike Balfour will stand for re-election at the forthcoming Annual General Meeting. The Board has reviewed the skills and experience of each and has no hesitation in recommending their re-election to shareholders. James Clifton-Brown, who was appointed to the Board on 17 August 2016, will stand for election at the forthcoming Annual General Meeting. The Board has reviewed the skills and experience of Mr Clifton-Brown and has no hesitation in recommending his election to shareholders.

In relation to the appointments of Mike Balfour and James Clifton-Brown, the Board carried out the search and selection process for each appointment itself and did not use an external search consultancy. The Board was able to draw on its extensive network of contacts to identify potential candidates with the required levels of skill and expertise.

Governance

Corporate Governance Report (continued)

Performance of the Board

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

This sought to identify whether the Board demonstrates sufficient collective skill and expertise, independence and knowledge of the Company and that each Director exhibits the commitment required for the Company 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 Board and Committee meetings. The number of meetings which the Directors were eligible to attend is shown in brackets.

	Board	Audit Committee	Property Valuation Committee	Management Engagement Committee	Nomination Committee	Remuneration Committee
Robert Peto	4 (4)	3 (3)	4 (4)	2 (2)	2 (2)	1 (1)
Sally-Ann Farnon	4 (4)	3 (3)	4 (4)	2 (2)	2 (2)	1 (1)
Huw Evans	4 (4)	3 (3)	4 (4)	2 (2)	2 (2)	1 (1)
Mike Balfour	4 (4)	3 (3)	4 (4)	2 (2)	2 (2)	1 (1)
James Clifton-Brown	2 (2)	2 (2)	2 (2)	2 (2)	1 (1)	1 (1)
Richard Barfield (retired 2 June 2016)	2 (2)	1 (1)	2 (2)	n/a	1 (1)	n/a

In addition to the scheduled meetings detailed above, there were a further 14 board and committee meetings held during the year, which were attended by those Directors available at the time.

Investment Management Agreement

Since December 2003, investment management services have been provided to the Company by Standard Life Investments (Corporate Funds) Limited. Up to 7 July 2014, this appointment was under the terms of an Investment Management Agreement ("IMA") dated 19 December 2003.

A new IMA was entered into on 7 July 2014, appointing Standard Life Investments (Corporate Funds) Limited as the Company's Alternative Investment Fund Manager ("AIFM"), as required by the Alternative Investment Fund Managers Directive ("AIFMD").

Under the terms of the IMA, the Investment Manager is 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.

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 the Company.

Internal Controls

The Board is ultimately responsible for the Company's system of internal controls and risk management and for reviewing its effectiveness. The Board confirms that there is

Standard Life Investments Property Income Trust Limited

Governance

Corporate Governance Report (continued)

an on-going process for identifying, evaluating and managing the significant risks faced by the Company in accordance with the Financial Reporting Council publication – Guidance on Risk Management, Internal Control and Related Financial and Business Reporting ("the FRC Guidance").

This process has been in place for the year under review and up to the date of approval of this Annual Report and 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 Audit Committee reviewed the AAF 01/06 internal controls report issued by the Investment Manager, for the period from 1 October 2015 to 30 September 2016 along with additional confirmation for the period to 31 December 2016. This report sets out the Investment Manger's internal control policies and procedures with respect to the management of their clients' assets and contains a report from independent external accountants.

At each Board meeting, the Board monitors the investment performance of the Company in comparison to its stated objective and against comparable companies. The Board also reviews the Company'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 Company.

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 Company entered into arrangements to comply with AIFMD. The Company appointed Standard Life Investments (Corporate Funds) Limited as its AIFM and Citibank Europe plc as its Depositary.

The Depositary's responsibilities include cash monitoring, safe keeping of any financial instruments held by the Company and monitoring the Company'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

The Board welcomes correspondence from shareholders, addressed to the Company's registered office. All shareholders have the opportunity to put questions to the Board at the Annual General Meeting. This year's AGM is being held on Wednesday 7 June 2017 at 10.30am at the Investment Manager's offices at 30 St Mary Axe, London EC3A 8EP. The Board hopes that as many shareholders as possible will be able to attend the meeting, which will include a 'Meet the Manager' session.

Governance
Corporate Governance Report (continued)

To promote a clear understanding of the Company, its objectives and financial results, the Board aims to ensure that information relating to the Company 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 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 Financial Statements is on page 35 and the Statement of Going Concern is included in the Directors' Report on page 21 and the Viability Statement can be found on page 10. The Independent Auditor's Report is on pages 36 to 43.

Robert Peto
Chairman
22 March 2017

Standard Life Investments Property Income Trust Limited

Governance
Audit Committee Report

Role of the Audit Committee

The main responsibilities of the Audit Committee are:

- monitoring the integrity of the financial statements of the Company and any public announcements relating to the Company's financial performance and reviewing significant reporting judgements contained in them;
- reviewing the effectiveness of the Company's internal financial controls and risk management systems and bringing material issues to the attention of the Board;
- 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 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 financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's 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, all of whom are independent and have recent and relevant financial or sector experience. Three members of the Audit Committee are Chartered Accountants.

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 Company's financial statements.

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 Company'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 Jones Lang LaSalle and 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 financial statements.

As rental income is the Company'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 Company does not recognise rental income in line with its stated policy on rental income recognition.

Standard Life Investments Property Income Trust Limited

Governance

Audit Committee Report (continued)

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 financial statements at each year end.

Review of Activities

The Audit Committee met three times during the year under review, on 10 March 2016, 17 August 2016 and 30 November 2016. Following the year end, the Audit Committee met on 2 March 2017 and 17 March 2017.

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

- a review of the Company'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 Company;
- a review of Investment Manager's internal controls report;
- a review of the Company's anti-bribery policy and those of its service providers; and
- a review of the Investment Manager's arrangements for staff to escalate concerns, in confidence, of possible improprieties.

At each March meeting, the Audit Committee reviews the Annual Report and 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 Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model 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 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 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 four times a year.

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

Auditor assessment and independence

The Audit Committee reviews the performance, cost effectiveness 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.

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.

Standard Life Investments Property Income Trust Limited

Governance

Audit Committee Report (continued)

The Company's external auditor is Ernst & Young LLP ("EY"). The Company first appointed EY as auditor for the year ended 31 December 2009, following a tender process carried out during 2009. In accordance with regulatory requirements EY rotates the 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 2016, EY received fees of £4,500 in relation to non-audit services (2015: £159,050). This was for tax advice. The Audit Committee does not consider that the provision of such non-audit services is a threat to the objectivity and independence of the conduct of the audit.

On the recommendation of the Audit Committee, the Board has concluded that the external auditor is independent of the Company and that a resolution should be put to the shareholders at the AGM on 7 June 2017 for the re-appointment of Ernst & Young LLP, as external auditor.

Sally-Ann Farnon
Audit Committee Chairman
22 March 2017

Standard Life Investments Property Income Trust Limited

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 Company's Remuneration Policy, as detailed below, and in accordance with the UK Corporate Governance Code.

Remuneration Policy

The Company's Remuneration Policy is that fees payable to Directors should reflect the time spent by the Board on the Company'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 Company 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 current limit is an aggregate of £250,000 per annum and may not be changed without seeking shareholder approval at general meeting. The Board has not received any views from the Company's shareholders in respect of the levels of Directors' remuneration.

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 Company 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.

It is intended that the above Remuneration Policy will continue to apply for the forthcoming financial year and subsequent years.

The Directors' fees for the forthcoming financial year have been agreed by the Board, on the recommendation of the Remuneration Committee, as follows: £40,000 for the Chairman (2016: £35,000 up to 30 June 2016, £40,000 from 1 July 2016), £36,000 for the Audit Committee Chairman (2016: £30,500 up to 30 June 2016, £36,000 from 1 July 2016) and £32,000 for each of the other Directors (2016: £28,000 up to 30 June 2016, £32,000 from 1 July 2016).

The Remuneration Policy was approved by shareholders at the Annual General Meeting on 2 June 2016 and it is the Board's intention that the Remuneration Policy will be put to a shareholder's vote at least once every three years.

At the Annual General Meeting in June 2016 the results in respect of the resolution to approve the Company's Remuneration Policy were as follows:

Percentage of votes cast for	Percentage of votes cast against
99.9	0.1

Standard Life Investments Property Income Trust Limited

Governance

Directors' Remuneration Report (continued)

Directors' Fees (audited)

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

	Year to 31 December 2016	Year to 31 December 2015
Robert Peto (Chairman)	£34,558	£26,000
Sally Ann Farnon (Audit Committee Chairman)	£33,250	£28,500
Huw Evans	£30,000	£26,000
Mike Balfour (appointed 10 March 2016)	£24,723	n/a
James Clifton-Brown (appointed 17 August 2017)	£12,061	n/a
Richard Barfield (retired 2 June 2016)	£14,808	£33,000
Total	**£149,400**	**£113,500**

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

	Year to 31 December 2016	Year to 31 December 2015
Aggregate Directors' Remuneration	£149,400	£113,500
Aggregate Shareholder Distributions	£17,067,124	£12,745,106

At the Annual General Meeting in June 2016 the results in respect of the resolution to approve the Directors' Remuneration Report were as follows:

Percentage of votes cast for	Percentage of votes cast against
99.9	0.1

Directors' Shareholdings

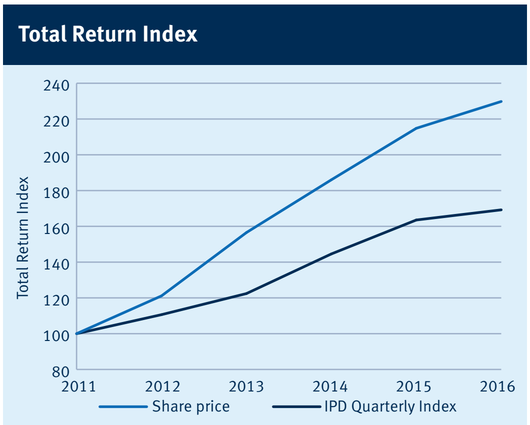
The Director's interests in the Company's ordinary shares are shown in the Director's Report on page 20.

Standard Life Investments Property Income Trust Limited

Governance
Directors' Remuneration Report (continued)

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Investment Manager through the investment management agreement, as referred to in the Corporate Governance Report on page 26. The graph below 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 2016.



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 22 March 2017
Mike Balfour
Director

Standard Life Investments Property Income Trust Limited

Governance

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the 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.

The Directors are required to prepare Company Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and of the financial performance and cash flows of the Company for that period. In preparing those 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 financial statements; and
- prepare the Group 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 Financial Statements.

The Directors are responsible for keeping adequate accounting records, that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time, the financial position of the Company 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; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any change that may have occurred to the Financial Statements since they were initially presented on the website. Legislation in Guernsey governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors' in respect of the Consolidated Annual Report

Statement 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 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 performance, business model and strategy.

Approved by the Board on 22 March 2017
Robert Peto
Chairman

Standard Life Investments Property Income Trust Limited

Financial Statements

Independent Auditor's Report to the Members of Standard Life Investments Property Income Trust Limited

Our opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2016 and of the Group's profit for the year then ended;

- the financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and

- the financial statements have been prepared in accordance with the requirements of the Companies (Guernsey) Law 2008.

What we have audited

Standard Life Investments Property Income Trust Limited's financial statements comprise:

- Consolidated Statement of Comprehensive Income for the year ended 31 December 2016
- Consolidated Balance Sheet as at 31 December 2016
- Consolidated Statement of Changes in Equity for the year ended 31 December 2016
- Consolidated Cash Flow Statement for the year ended 31 December 2016
- Related notes 1 to 25 to the financial statements

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Overview of our audit approach

Risks of material misstatement	• Incorrect recognition of rental income including incorrect accounting for lease incentives and rental uplifts. • Incorrect property fair value.
Audit scope	• All audit work was performed directly by the audit engagement team
Materiality	• Materiality of £3.1m which represents 1% of total equity (2015: £3.1m)

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those with the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Financial Statements

Independent Auditor's Report to the Members of Standard Life Investments Property Income Trust Limited (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incorrect recognition of rental income including incorrect accounting for lease incentives and rental uplifts (as described on page 29 in the Audit Committee Report) During the year, the Group recognised £30.4m of rental income (2015: £20.1m). Of this, £0.4m (2015: £0.8m) related to the rent adjustment in the year which is required by SIC-15 in relation to IAS 17 Leases. The rental income receivable by the Group during the year directly affects the Group's ability to pay property and non-property income distributions to shareholders. There is the opportunity to incorrectly account for lease incentives and rental uplifts through incorrect interpretation or manipulation of the clauses detailed in signed rental agreements.	We have performed the following procedures: We performed a walkthrough of the rental income and lease incentives recognition process and assessed the relevant controls in the Manager's controls report over the recognition of rental income and lease incentives for the period from 1 January to 30 September 2016 (which is the date of the controls report). We made enquiries of management and observed the year end rental income process to confirm that no substantive changes had occurred in the period from 1 October to 31 December 2016. We performed a detailed analytical review of rental income, comparing expected income to actual income recorded during the year. We agreed a sample of rental rates to tenancy agreements. We recalculated a sample of lease incentives and rental uplifts based on the terms within the lease agreements and review the accounting treatment. We held discussions with the Manager to confirm our understanding of rental income and tenancy agreements as appropriate.	The results of our procedures are: We have no matters to communicate with respect to the walkthrough of the rental income and lease incentives recognition process or our assessment of the relevant controls in the Manager's controls report over the recognition of rental income and lease incentives for the period from 1 January to 30 September 2016. We have no matters to communicate with respect to our enquiries of management or observations of the year end rental income process and we have confirmed that there had been no substantive changes in period from 1 October to 31 December 2016. We noted no movements in the detailed analytical review of rental income which could not be explained. We noted no issues in agreeing a sample of rental rates to tenancy agreements. We noted no issues in recalculating a sample of lease incentives and rental uplifts based on terms within lease agreements or with the accounting treatment adopted. We have no matters to communicate with respect to our discussions with the Manager to confirm our understanding of rental income and tenancy agreements.

Financial Statements

Independent Auditor's Report to the Members of Standard Life Investments Property Income Trust Limited (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incorrect property fair value (as described on page 29 in the Audit Committee Report). The Group's investment portfolio consists of UK properties, freehold and leasehold, with a combined fair value of £395.8m, net of adjustments for lease incentives (2015: £448.6m). In addition, there are investment properties held for sale with a combined fair value of £30.0m (2015: nil). The lease incentive adjustment was £4.2m (2015: £3.5m). The valuation of the properties held in the investment portfolio is the key driver of the Group's net asset value and total return. Incorrect property valuation could have a significant impact on the portfolio's valuation and, therefore, the return generated for shareholders.	We performed the following procedures: We performed a walkthrough of the property valuation process and assessed the relevant controls in the Manager's controls report over property valuation for the period from 1 January to 30 September 2016 (which is the date of the controls report). We made enquiries of management and observed the year end property valuation process to confirm that no substantive changes had occurred in the period from 1 October to 31 December 2016. We agreed the value of all of the properties held at 31 December 2016 to the open market valuations included in the valuation reports provided by the Group's independent valuers. We reviewed the third party valuation reports to agree the appropriateness and suitability of the reported values. We assessed the independence and competence of the valuers. We engaged our own property valuation specialists to discuss and challenge the valuation of a sample of properties by assessing the reasonableness of the valuation methodologies used and to challenge the key inputs and assumptions relating to equivalent yield and rental rates with reference to published market data and comparable transaction evidence through market activity.	The results of our procedures are: We have no matters to communicate with respect to the walkthrough of the property valuation process or our assessment of the relevant controls in the Manager's controls report over property valuation for the period from 1 January to 30 September 2016. We have no matters to communicate with respect to our enquiries of management or observations of the year end property valuation process and we have confirmed that there had been no substantive changes in period from 1 October to 31 December 2016. For all properties, we noted no differences in agreeing the open market value to the independent valuers' reports. There were no issues noted following our review of the third party valuation reports. We noted no issues when assessing the independence and competence of the valuers. We noted no issues in the valuation methodologies used, or in the key inputs and assumptions used relating to equivalent yield and rental rates.

There are no changes in our reported risks from the prior year.

Standard Life Investments Property Income Trust Limited

Financial Statements

Independent Auditor's Report to the Members of Standard Life Investments Property Income Trust Limited (continued)

The scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Group. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined planning materiality for the Group to be £3.1m (2015: £3.1m), which is 1% of total equity. We derived our materiality calculation from a proportion of equity as that is the most important financial metric on which shareholders judge the performance of the Group.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 75% of planning materiality, being £2.3m (2015: £2.3m). We have set performance materiality at this percentage due to our past experience of the audit that indicated a lower risk of misstatements, both corrected and uncorrected.

Reporting threshold

An amount below which identified misstatements are considered to be clearly trivial.

We agreed with the Audit Committee that we would report all audit differences in excess of £0.2m (2015: £0.2m) which is 5% of planning materiality as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

Standard Life Investments Property Income Trust Limited

Financial Statements

Independent Auditor's Report to the Members of Standard Life Investments Property Income Trust Limited (continued)

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 35 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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 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.

Standard Life Investments Property Income Trust Limited

Financial Statements

Independent Auditor's Report to the Members of Standard Life Investments Property Income Trust Limited (continued)

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial information in the annual report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the Directors' statement 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 performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the Audit Committee that we consider should have been disclosed.	We have no exceptions to report.
Companies (Guernsey) Law, 2008 reporting	We are required to report to you if, in our opinion: • proper accounting records have not been kept by the Group; • the Company's Financial Statements are not in agreement with the accounting records and returns; or • we have not received all the information and explanations we require for our audit.	We have no exceptions to report.

Standard Life Investments Property Income Trust Limited

Financial Statements

Independent Auditor’s Report to the Members of Standard Life Investments Property Income Trust Limited (continued)

Listing Rules review requirements	We are required to review: • the Directors’ statement in relation to going concern set out on page 21, and longer-term viability, set out on page 10; and • the part of the Corporate Governance Statement relating to the Group’s compliance with the provisions of the UK Corporate Governance Code specified for our review	We have no exceptions to report.

Standard Life Investments Property Income Trust Limited

Financial Statements

Independent Auditor's Report to the Members of Standard Life Investments Property Income Trust Limited (continued)

Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: • the Directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated; • the Directors' statement in 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 entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and • the Directors' explanation in the annual report as to how they have assessed the prospects of the entity, 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 entity 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 have nothing material to add or to draw attention to.

Andrew Dann (FCA)
for and on behalf of Ernst & Young LLP
Guernsey, Channel Islands

22 March 2017

Standard Life Investments Property Income Trust Limited

Financial Statements

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2016

	Notes	2016 £	2015 £
Rental income		30,414,862	20,142,180
Surrender premium income		81,500	120,000
Valuation (loss)/gain from investment properties	7	(5,300,992)	17,636,973
Cost on business acquisition	10	–	(1,942,498)
Loss on asset acquisition		–	(75,181)
Profit on disposal of investment properties		1,067,395	3,024,748
Investment management fees	4	(3,157,399)	(2,105,104)
Valuers' fees	4	(99,001)	(92,324)
Audit fees	4	(73,695)	(82,308)
Directors' fees and subsistence	23	(164,225)	(124,296)
Other direct property expenses		(1,372,597)	(929,165)
Other administration expenses		(445,144)	(376,776)
Operating profit		**20,950,704**	**35,196,249**
Finance income	5	30,536	68,186
Finance costs	5	(4,047,594)	(3,324,782)
Loss on derecognition of interest rate swaps	15	(2,735,000)	–
Profit for the year before taxation		**14,198,646**	**31,939,653**
Taxation			
Tax charge	6	–	–
Profit for the year, net of tax	19	**14,198,646**	**31,939,653**
Other comprehensive income			
Net change in fair value of swaps reclassified to profit and loss	15	2,735,000	–
Valuation (loss)/gain on cash flow hedge	15	(4,212,250)	589,647
Total other comprehensive income		**(1,477,250)**	**589,647**
Total comprehensive income for the year, net of tax		**12,721,396**	**32,529,300**
Earnings per share		pence	pence
Basic and diluted earnings per share	19	3.73	11.39
Adjusted (EPRA) earnings per share	19	5.56	4.05

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

The notes on pages 50 to 84 are an integral part of these Consolidated Financial Statements.

Standard Life Investments Property Income Trust Limited

Financial Statements
Consolidated Balance Sheet
as at 31 December 2016

	Notes	2016 £	2015 £
ASSETS			
Non-current assets			
Investment properties	7	395,782,781	448,616,754
Lease incentives	7	4,187,219	3,457,588
		399,970,000	452,074,342
Current assets			
Investment properties held for sale	7	29,975,000	–
Trade and other receivables	11	2,723,757	2,858,851
Cash and cash equivalents	12	13,054,057	12,395,516
		45,752,814	15,254,367
Total assets		**445,722,814**	**467,328,709**
LIABILITIES			
Current liabilities			
Trade and other payables	13	8,784,217	12,788,999
Interest rate swap	15	1,341,101	908,751
		10,125,318	13,697,750
Non-current liabilities			
Bank borrowings	14	124,001,828	139,048,848
Interest rate swap	15	2,221,441	1,176,541
Rent deposits due to tenants		936,668	622,283
		127,159,937	140,847,672
Total liabilities		**137,285,255**	**154,545,422**
Net assets		**308,437,559**	**312,783,287**

Standard Life Investments Property Income Trust Limited

Financial Statements

Consolidated Balance Sheet (continued)

as at 31 December 2016

	Notes	2016 £	2015 £
EQUITY			
Capital and reserves attributable to Company's equity holders			
Share capital	17	204,820,219	204,820,219
Retained earnings	18	7,532,448	6,167,329
Capital reserves	18	(1,753,480)	3,957,367
Other distributable reserves	18	97,838,372	97,838,372
Total equity		**308,437,559**	**312,783,287**
NAV per share (pence)			
NAV	21	81.0	82.2
EPRA NAV	21	82.0	82.7

Approved by the Board of Directors on 22 March 2017 and signed on its behalf by:

Robert Peto
Director

The notes on pages 50 to 84 are an integral part of these Consolidated Financial Statements.

Standard Life Investments Property Income Trust Limited

Financial Statements

Consolidated Statement of Changes in Equity

for the year ended 31 December 2016

	Notes	Share capital £	Retained earnings £	Capital reserves £	Other distributable reserves £	Total equity £
Opening balance 1 January 2016		204,820,219	6,167,329	3,957,367	97,838,372	312,783,287
Profit for the year		–	14,198,646	–	–	14,198,646
Other comprehensive income		–	–	(1,477,250)	–	(1,477,250)
Total comprehensive income for the year		–	14,198,646	(1,477,250)	–	12,721,396
Dividends paid	20	–	(17,067,124)	–	–	(17,067,124)
Valuation loss from investment properties	7	–	5,300,992	(5,300,992)	–	–
Profit on disposal of investment properties		–	(1,067,395)	1,067,395	–	–
Balance at 31 December 2016		**204,820,219**	**7,532,448**	**(1,753,480)**	**97,838,372**	**308,437,559**

The notes on pages 50 to 84 are an integral part of these Consolidated Financial Statements.

Standard Life Investments Property Income Trust Limited

Financial Statements

Consolidated Statement of Changes in Equity (Continued)

for the year ended 31 December 2015

	Notes	Share capital £	Retained earnings £	Capital reserves £	Other distributable reserves £	Total equity £
Opening balance 1 January 2015		96,188,648	7,634,503	(17,294,001)	97,838,372	184,367,522
Profit for the year		–	31,939,653	–	–	31,939,653
Other comprehensive income		–	–	589,647	–	589,647
Total comprehensive income for the year		–	31,939,653	589,647	–	32,529,300
Ordinary shares issued net of issue costs	17	108,631,571	–	–	–	108,631,571
Dividends paid	20	–	(12,745,106)	–	–	(12,745,106)
Valuation gain from investment properties	7	–	(17,636,973)	17,636,973	–	–
Profit on disposal of investment properties		–	(3,024,748)	3,024,748	–	–
Balance at 31 December 2015		**204,820,219**	**6,167,329**	**3,957,367**	**97,838,372**	**312,783,287**

The notes on pages 50 to 84 are an integral part of these Consolidated Financial Statements.

Standard Life Investments Property Income Trust Limited

Financial Statements

Consolidated Cash Flow Statement

for the year ended 31 December 2016

	Notes	2016 £	2015 £
Cash flows from operating activities			
Profit for the year before taxation		14,198,646	31,939,653
Movement in non-current lease incentives		(816,862)	270,464
Movement in trade and other receivables		135,094	1,230,084
Movement in trade and other payables		(3,690,397)	3,735,996
Loss on derecognition of interest rate swaps		2,735,000	–
Finance costs	5	4,047,594	3,324,782
Finance income	5	(30,536)	(68,186)
Valuation loss/(gain) from investment properties	7	5,300,992	(17,636,973)
Loss on asset acquisition		–	75,181
Profit on disposal of investment properties	7	(1,067,395)	(3,024,748)
Net cash inflow from operating activities		20,812,136	19,846,253
Cash flows from investing activities			
Interest received	5	30,536	68,186
Purchase of investment properties	7	–	(52,198,123)
Business acquisition net of cash acquired	10	–	(165,060,458)
Capital expenditure on investment properties	7	(1,479,788)	(1,144,434)
Net proceeds from disposal of investment properties	7	20,192,395	57,854,848
Net cash inflow/(outflow) from investing activities		18,743,143	(160,479,981)
Cash flows from financing activities			
Proceeds on issue of ordinary shares	17	–	110,462,680
Transaction costs of issue of shares	17	–	(1,831,109)
Repayment of bank borrowing	14	(139,432,692)	–
Bank borrowing	14	145,000,000	55,000,000
Repayment of RCF	14	(20,000,000)	–
Bank borrowing arrangement costs	14	(1,138,458)	(173,450)
Interest paid on bank borrowing	5	(2,594,070)	(1,869,338)
Payments on interest rate swap	5	(929,394)	(1,213,528)
Swaps breakage costs	15	(2,735,000)	–
Dividends paid to the Company's shareholders	20	(17,067,124)	(12,745,106)
Net cash (outflow)/inflow from financing activities		(38,896,738)	147,630,149
Net increase in cash and cash equivalents		**658,541**	**6,996,421**
Cash and cash equivalents at beginning of year	12	12,395,516	5,399,095
Cash and cash equivalents at end of year	**12**	**13,054,057**	**12,395,516**

The notes on pages 50 to 84 are an integral part of these Consolidated Financial Statements.

Standard Life Investments Property Income Trust Limited

Financial Statements

Notes to the Consolidated Financial Statements

for the year ended 31 December 2016

1 GENERAL INFORMATION

Standard Life Investments 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 Trafalgar Court, Les Banques, St Peter Port, Guernsey.

These audited Consolidated Financial Statements were approved for issue by the Board of Directors on 22 March 2017.

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.

Changes in accounting policy and disclosure

The accounting policies adopted are consistent with those in the previous financial year. The following amendments to existing standards and interpretations were effective for the year, but were either not applicable to or did not have a material impact on the Group:

- Amendments to IAS 1: Disclosure Initiative
- Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying Consolidation Exception
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Annual Improvements to IFRSs 2012 – 2014 Cycle

New and amended standards and interpretations not applied

The following new and amended standards in issue are adopted by the EU but are not yet effective and have not been applied by the Group:

	Effective date
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018

IFRS 9 – Financial Instruments

In July 2014, the IASB published the final version of IFRS 9 'Financial Instruments' which replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. The IFRS 9 requirements represent a change from the existing requirements in IAS 39 in respect of financial assets.

The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value.

The standard eliminates the existing IAS 39 categories of held to-maturity, available-for-sale and loans and receivables.

For financial liabilities, IFRS 9 largely carries forward without substantive amendment the guidance on classification and measurement from IAS 39. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss.

The standard introduces new requirements for hedge accounting that align hedge accounting more closely with risk management and establishes a more principles-based approach to hedge accounting. The standard also adds new requirements to address the impairment of financial assets and means that a loss event will no longer need to occur before an impairment allowance is recognised.

The standard will be effective for annual periods beginning on or after 1 January 2018, and is required to be applied retrospectively with some exemptions. The Group has assessed IFRS 9's full impact and it does not currently anticipate that this standard will have any material impact on the Group's financial statements as presented for the current year.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 specifies how and when an entity should recognise revenue from contracts and enhances the nature of revenue disclosures.

The Group notes lease contracts within the scope of IAS 17 'Leases' are excluded from the scope of IFRS 15. Rental income derived from operating leases is therefore outwith the scope of IFRS 15, and the Group therefore does not anticipate IFRS 15 having a material impact on the Group's Financial Statements as presented for the current year.

The Group notes under specific circumstances, certain elements of contracts the Group may enter (for example, rental guarantees provided when selling a property) potentially fall within the scope of IFRS 15. The Group does not have any contracts in place at 31 December 2016 that it believes meet these specific criteria, but will review again in advance of implementing IFRS 15.

The standard permits a modified retrospective approach in the year of adoption (from 1 January 2018) by recognising a cumulative catch up adjustment to opening retained earnings. The Group intends utilising this modified retrospective approach should any contracts fall within scope, but has not and does not intend implementing the standard in advance of the effective date.

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.

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 70 (note 7) details the decrease in the valuation of investment properties if equivalent yield increases by 25 basis points or rental rates (ERV) decreases by 5%.

Fair value of financial instruments

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

The valuation of interest rate swaps 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 58 (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.

Business Combinations

During the year ended 31 December 2015, the Group acquired subsidiaries that own real estate. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition of the property. More specifically, consideration is made of the extent to which significant processes are acquired and, in particular, the extent of services provided by the subsidiaries. The Group assessed the acquisition of Standard Life Investments SLIPIT Unit Trust (formerly Aviva Investors UK Real Estate Recovery II Unit Trust), a Jersey Property Unit Trust, as detailed in note 10, in 2015 as a purchase of a business because the strategic management function and associated processes were purchased along with the investment properties.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

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.

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Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2016

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

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

B Functional and presentation currency

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

C Revenue recognition

Revenue is recognised as follows;

i) Bank interest

Bank interest income is recognised on an accruals basis.

ii) Rental income

Rental income from operating leases is net of sales taxes and value added tax ("VAT") recognised on a straight line basis over the lease term including lease agreements with stepped rent increases. The initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income. The cost of any lease incentives provided are recognised over the lease term, on a straight line basis as a reduction of rental income. The resulting asset is reflected as a receivable in the Consolidated Balance Sheet. 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 2016 were £81,500 (2015: £120,000) 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 2016, there were no non-income producing properties (2015: Portrack Interchange in Stockton on Tees did not earn any income until it was sold on 2 September 2015).

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.

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Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2016

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 it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its 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 Non-current assets 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.

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

Derivatives 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 Company has appointed a managing agent to deal with the service charge at the investment properties and the Company 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. The table in note 22 is a summary of the service charge during the year. It shows the amount the service charge has cost the tenants for the 12 months to 31 December 2016, the amount the tenants have been billed based on the service charge budget and the amount the Group has paid in relation to void units over the year. The table also shows the balancing service charge that is due from the tenants as at the Balance Sheet date.

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 13 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, other than derivatives, 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 derivative financial instruments.

i) Interest Rate risk

As described on page 59 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 14 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 15). The Group has floating rate borrowings of £125,000,000. £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.

Standard Life Investments Property Income Trust Limited

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for the year ended 31 December 2016

The following tables set out the carrying amount of the Group's financial instruments excluding the amortisation of borrowing costs as outlined in note 14. Bank borrowings have been fixed due to an interest rate swap and is detailed further in note 15:

As at 31 December 2016	Fixed rate	Variable rate	interest rate
	£	£	£
Cash and cash equivalents	–	13,054,057	0.212%
Bank borrowings	110,000,000	–	2.725%
Bank borrowings	–	15,000,000	1.567%

As at 31 December 2015	Fixed rate	Variable rate	interest rate
	£	£	£
Cash and cash equivalents	–	12,395,516	0.402%
Bank borrowings	72,000,000	–	3.302%
Bank borrowings	12,432,692	–	3.021%
Bank borrowings	–	55,000,000	1.753%

At 31 December 2016, if market rate interest rates had been 100 basis points higher with all other variables held constant, the profit for the year would have been £19,459 lower (2015: £183,654 higher) as a result of the higher interest income on cash and cash equivalents offset by the higher interest expense on the RCF. Other Comprehensive Income and the Capital Reserve would have been £6,806,871 higher (2015: £2,266,614 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 2016, 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 £19,459 higher (2015: £183,654 lower) as a result of the lower interest income on cash and cash equivalents offset by the lower interest expense on the RCF. Other Comprehensive Income and the Capital Reserve would have been £7,285,802 lower (2015: £2,350,900 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:

a) The cost of the 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 59). To reduce this risk, the Group reviews the financial status of all prospective tenants and decides on the appropriate level of security required via rental deposits or guarantees.

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

Credit risk

Credit risk is the risk that a counterparty will be unable to meet a commitment that it has entered into with the Group. In the event of default by an occupational tenant, the Group will suffer a rental income shortfall and incur additional related costs. The Investment Manager regularly reviews reports produced by Dun and Bradstreet and other sources, including the 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 £958,147 (2015: £1,696,704) as detailed in note 11 on page 73.

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 2016 £3,489,002 (2015:£7,821,163) was placed on deposit with The Royal Bank of Scotland plc ("RBS"), £9,565,055 (2015: £1,193,437) was held with Citibank. In the prior year, £3,380,916 was held with RBS on behalf of Standard Life Investments SLIPIT Unit Trust and Standard Life Investments (SLIPIT) Limited Partnership, two wholly owned subsidiaries as mentioned in note 9. 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.

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for the year ended 31 December 2016

Year ended 31 December 2016

	On demand	12 months	1 to 5 years	>5 years	Total
	£	£	£	£	£
Interest-bearing loans	–	2,151,250	8,605,000	127,689,063	138,445,313
Interest rate swaps	–	1,081,300	4,325,200	1,351,625	6,758,125
Trade and other payables	1,642,956	–	–	–	1,642,956
Rental deposits due to tenants	–	186,673	492,576	444,092	1,123,341
	1,642,956	3,419,223	13,422,776	129,484,780	147,969,735

Year ended 31 December 2015

	On demand	12 months	1 to 5 years	>5 years	Total
	£	£	£	£	£
Interest-bearing loans	–	2,565,213	140,715,298	–	143,280,511
Interest rate swaps	–	1,201,368	2,398,705	–	3,600,073
Trade and other payables	5,309,804	–	–	–	5,309,804
Rental deposits due to tenants	–	173,072	611,458	10,825	795,355
	5,309,804	3,939,653	143,725,461	10,825	152,985,743

The disclosed amounts for interest-bearing loans and interest rate swaps in the above 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.

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 net debt divided by gross assets. Net debt is calculated as total borrowings (excluding unamortised arrangement fees) less cash and cash equivalents. Gross assets is calculated as non-current and current assets, as shown in the Consolidated Balance Sheet.

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for the year ended 31 December 2016

The gearing ratios at 31 December 2016 and at 31 December 2015 were as follows:

	2016 £	2015 £
Total borrowings (excluding unamortised arrangement fees)	125,000,000	139,432,692
Less: cash and cash equivalents	(13,054,057)	(12,395,516)
Net debt	111,945,943	127,037,176
Gross assets	445,722,814	467,328,709
Gearing ratio (must not exceed 65%)	25%	27%

The Board's current intention is that the Company's LTV ratio (calculated as borrowings less all cash as a proportion of the property portfolio valuation) will not exceed 45% (see note 14).

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	
	2016 £	2015 £	2016 £	2015 £
Financial Assets				
Cash and cash equivalents	13,054,057	12,395,516	13,054,057	12,395,516
Trade and other receivables	2,723,757	2,858,851	2,723,757	2,858,851
Financial Liabilities				
Bank borrowings	124,001,828	139,048,848	124,440,019	139,415,524
Interest rate swaps	3,562,542	2,085,292	3,562,542	2,085,292
Trade and other payables	2,766,297	6,105,159	2,766,297	6,105,159

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 2015.

- 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 2015. The definition of the valuation techniques are explained in the significant accounting judgements, estimates and assumptions on page 51.

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

Year ended 31 December 2016	Level 1	Level 2	Level 3	Total fair value
Interest rate swap	–	3,562,542	–	3,562,542

Year ended 31 December 2015	Level 1	Level 2	Level 3	Total fair value
Interest rate swaps	–	2,085,292	–	2,085,292

*Explanation 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.

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").

Under the terms of the IMA the Investment Manager is 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. The total fees charged for the year amounted to £3,157,399 (2015: £2,105,104). The amount due and payable at the year end amounted to £772,290 excluding VAT (2015: £400,767 excluding VAT).

Administration, secretarial and registrar fees

On 19 December 2003 Northern Trust International Fund Administration Services (Guernsey) Limited ("Northern Trust") was appointed administrator, secretary and registrar to the Group. Northern Trust is entitled to an annual fee, payable quarterly in arrears, of £65,000. Northern Trust is also entitled to reimbursement of reasonable out of pocket expenses. Total fees and expenses charged for the year amounted to £75,472 (2015: £82,046). The amount due and payable at the year end amounted to £nil (2015:£18,331).

Valuers' fee

JLL and Knight Frank ("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 £99,001 (2015: £92,324) of which minimum fees of £2,500 per property (2015: £2,500) were incurred due for new properties added to the portfolio. The amount due and payable at the year end amounted to £18,458 excluding VAT (2015: £12,727 excluding VAT).

Auditor's fee

At the year end date Ernst & Young LLP continued as independent auditor of the Group. The audit fees for the year amounted to £73,695 (2015: £82,308) and relate to audit services provided for the 2016 financial year. Ernst & Young LLP also provided non-audit services in 2016 in respect of taxation advice amounting to £4,500 (2015; £1,100). In 2015 Ernst & Young LLP also provided tax advice in relation to the UK REIT distribution rules amounting to £950. Ernst & Young LLP also provided non-audit services in respect of due diligence costs for asset acquisitions and tax accounting advice for the prospectus in 2015 amounting to £110,000 and £47,000 respectively. Total non-audit fees incurred up to the Balance Sheet date amounted to £4,500 (2015: £159,050) and are included within other administration expenses in the Statement of Comprehensive Income.

5 FINANCE INCOME AND COSTS

	2016 £	2015 £
Interest income on cash and cash equivalents	30,536	68,186
Finance income	30,536	68,186
Interest expense on bank borrowings	2,594,070	1,869,338
Payments on interest rate swap	929,394	1,213,528
Amortisation of arrangement costs (see note 14)	524,130	241,916
Finance costs	4,047,594	3,324,782

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.

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 2016 and 2015 is, as follows:

	2016	2015
	£	£
Profit before tax	14,198,646	31,939,653
Tax calculated at UK statutory corporation tax rate of 20% (2015: 20.25%)	2,839,729	6,467,780
UK REIT exemption on net income and gains	(3,963,833)	(3,304,893)
Valuation loss/(gain) in respect of investment properties not subject to tax	1,060,198	(3,571,487)
Profit on disposal of investment properties not subject to tax	–	15,244
Expenditure not allowed for corporation tax/income tax purposes	63,906	393,356
Current income tax charge	–	–

7 INVESTMENT PROPERTIES

Country Class	UK Industrial 2016 £	UK Office 2016 £	UK Retail 2016 £	Total 2016 £
Market value as at 1 January	187,070,000	164,065,000	100,850,000	451,985,000
Capital expenditure on investment properties	969,776	53,563	456,449	1,479,788
Opening market value of disposed investment properties	(7,950,000)	(8,675,000)	(2,500,000)	(19,125,000)
Valuation loss from investment properties	1,261,400	(4,868,783)	(1,693,609)	(5,300,992)
Movement in lease incentives receivable	383,824	(99,780)	622,160	906,204
Market value at 31 December	181,735,000	150,475,000	97,735,000	429,945,000
Investment property recategorised as held for sale	–	(29,975,000)	–	(29,975,000)
Market value net of held for sale at 31 December	181,735,000	120,500,000	97,735,000	399,970,000
Adjustment for lease incentives	(721,099)	(2,212,708)	(1,253,412)	(4,187,219)
Carrying value at 31 December	181,013,901	118,287,292	96,481,588	395,782,781

The valuations were performed by JLL and Knight Frank, 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 JLL and Knight Frank at the year end was £429,945,000 (2015: £451,985,000) however an adjustment has been made for lease incentives of £4,187,219 (2015: £3,368,246) that are already accounted for as an asset. 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.

Standard Life Investments Property Income Trust Limited

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for the year ended 31 December 2016

Country	UK	UK	UK	
Class	Industrial 2015 £	Office 2015 £	Retail 2015 £	Total 2015 £
Market value as at 1 January	108,660,000	114,265,100	47,125,000	270,050,100
Purchase of investment properties	11,217,775	19,005,390	21,974,958	52,198,123
Acquired through business combination (note 10)	69,050,000	59,850,000	36,100,000	165,000,000
Capital expenditure on investment properties	1,034,205	72,989	37,240	1,144,434
Opening market value of disposed investment properties	(11,405,000)	(38,325,100)	(5,100,000)	(54,830,100)
Valuation gain from investment properties	8,404,316	8,529,645	703,012	17,636,973
Movement in lease incentives receivable	108,704	666,976	9,790	785,470
Market value at 31 December	187,070,000	164,065,000	100,850,000	451,985,000
Adjustment for lease incentives*	(353,854)	(2,383,140)	(631,252)	(3,368,246)
Carrying value at 31 December	186,716,146	161,681,860	100,218,748	448,616,754

*In 2015, lease incentives are split between non-current assets of £3,457,588 and current liabilities of £89,342 (note 13).

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

	2016 £	2015 £
Opening market value of disposed investment properties	19,125,000	54,830,100
Profit on disposal of investment properties	1,067,395	3,024,748
Net proceeds from disposal of investment properties	20,192,395	57,854,848

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.

Standard Life Investments Property Income Trust Limited

Financial Statements

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2016

The management group that determines the Company's valuation policies and procedures for property valuations is the Property Valuation Committee as detailed on page 24. The Committee reviews the quarterly property valuation reports produced by the valuers (or such other person as may from time to time provide such property valuation services to the Company) before its submission to the Board, focusing in particular on:

- significant adjustments from the previous property valuation report
- reviewing the individual valuations of each property
- compliance with applicable standards and guidelines including those issued by RICS and the 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.

There are currently no restrictions on the realisability of investment properties or the remittance of income and proceeds of disposal.

The table on page 69 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.

Country & Class	Fair Value £	Valuation Technique	Key Unobservable input	Range (weighted average)
UK Industrial Level 3	181,735,000	Income Capitalisation	Initial Yield	0% to 9.26% (5.88%)
			Reversionary Yield	5.52% to 10.92% (6.89%)
			Equivalent Yield	5.73% to 8.74% (6.55%)
			Estimated rental value per Sq. m	£20.20 to £152.78 (£61.34)
UK Office Level 3	150,475,000	Income Capitalisation	Initial Yield	4.86% to 8.89% (6.67%)
			Reversionary Yield	5.57% to 8.86% (7.05%)
			Equivalent Yield	5.19% to 8.74% (6.43%)
			Estimated rental value per Sq. m	£138.98 to £669.67 (£280.15)
UK Retail Level 3	97,735,000	Income Capitalisation	Initial Yield	4.87% to 8.96% (6.56%)
			Reversionary Yield	3.87% to 7.93% (5.81%)
			Equivalent Yield	5.37% to 7.94% (6.49%)
			Estimated rental value per Sq m.	£95.24 to £281.94 (£158.49)
	429,945,000			

Descriptions and definitions

The table on page 69 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.

	2016	2015
ERV p.a.	£31,037,488	£32,111,174
Area sq. ft.	3,745,069	3,933,195
Average ERV per sq. ft.	£8.29	£8.16
Initial Yield	6.3%	6.0%
Reversionary Yield	7.2%	7.2%

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

	2016	2015
	£	£
Increase in equivalent yield of 25 bps	(17,901,800)	(18,600,000)
Decrease in rental rates of 5% (ERV)	(21,464,055)	(17,700,000)

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 2016 the Group had exchanged contracts with third parties for the sale of The Quadrangle, Cheltenham for a price of £11,075,000. The sale of The Quadrangle completed on 10 January 2017. As at 31 December 2016, the Group was actively seeking a buyer for White Bear Yard. The Group both exchanged contracts and completed this sale on 22 March 2017 for a price of £19,000,000.

As at 31 December 2015 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.

The Group, through its subsidiary, owns 100 per cent of the issued ordinary share capital of Huris (Farnborough) Limited, a company incorporated in the Cayman Islands whose principal business is property investment.

The acquisitions of Huris (Farnborough) Limited and HEREF Eden Main Limited were accounted for as acquisitions of assets in 2014 which generated a loss of £nil (2015: £75,181 loss) in the year ended 31 December 2016 as detailed in the Consolidated Statement of Comprehensive Income on page 44. During the year to 31 December 2016, HEREF Eden Main Limited was liquidated. The Group intends to liquidate Huris (Farnborough) Limited in the next financial year.

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 holds, 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 (see note 10).

During the year ended 31 December 2016, the Group liquidated the following entities:

- Standard Life Investments SLIPIT Unit Trust.
- Ceres Court Properties Limited, a company with limited liability incorporated and domiciled in the United Kingdom.
- HEREF Eden Main Limited, a company incorporated in Jersey, Channel Islands.

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.
- Huris (Farnborough) Limited, a company incorporated in the Cayman Islands.

10 BUSINESS COMBINATIONS

On 23 December 2015, the Group acquired 100% of the shares of Standard Life Investments SLIPIT Unit Trust (formerly Aviva Investors UK Real Estate Recovery II Unit Trust), a Jersey Property Unit Trust, through the Group's property subsidiary, Standard Life Investments Property Holdings Limited. The acquisition included the entire issued share capital of Standard Life Investments SLIPIT (General Partner) Limited which holds, through a Limited Partnership, a portfolio of 22 UK real estate assets. Standard Life Investments (SLIPIT) Limited Partnership (previously Aviva Investors UK Real Estate Recovery II Limited Partnership) holds a portfolio of retail, office and industrial buildings let under operating leases and the acquisition was made to give the Group access to those assets. The existing strategic management function and associated processes were acquired with the property and, as such, the Directors consider this transaction as an acquisition of a business, rather than an asset acquisition.

The fair value of the identifiable assets and liabilities of Standard Life Investments SLIPIT Unit Trust as at the date of acquisition were:

	Fair value recognised on acquisition 2015 £
Investment property	165,000,000
Trade receivables	1,428,495
Cash and cash equivalents	132,045
	166,560,540
Trade payables	(1,368,037)
	165,192,503

The purchase consideration of £165,192,503 for the 100% interest acquired consisted of £75,027,974 raised from issuing new shares net of costs, borrowings of £54,826,550 net of loan arrangement costs and £35,337,979 from cash reserves. The due diligence costs of £1,942,498 incurred in connection with the acquisition have been expensed and were included in the 2015 Consolidated Statement of Comprehensive Income on page 44. In 2015, from the date of acquisition, Standard Life Investments SLIPIT Unit Trust contributed £582,685 to the profit after tax of the Group and revenues of £350,212 in the form of property rental income. If the acquisition had occurred on 1 January 2015 the Standard Life Investments SLIPIT Unit Trust would have contributed £29,053,934 to the profit after tax of the Group and £11,013,373 revenues in the form of property rental income.

11 TRADE AND OTHER RECEIVABLES

	2016 £	2015 £
Trade receivables	992,099	1,710,199
Less: provision for impairment of trade receivables	(33,952)	(13,495)
Trade receivables (net)	958,147	1,696,704
Rental deposits held on behalf of tenants	1,123,341	795,355
Other receivables	642,269	366,792
Total trade and other receivables	2,723,757	2,858,851

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

	2016 £	2015 £
Opening balance	(13,495)	(6,941)
Charge for the year	(33,952)	(13,495)
Reversal of provision	13,495	6,941
Closing balance	(33,952)	(13,495)

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 2016, trade receivables of £33,952 (2015: £13,495) were considered impaired and provided for.

The ageing of these receivables is as follows:

	2016 £	2015 £
0 to 3 months	8,625	12,905
3 to 6 months	5,625	352
Over 6 months	19,702	238
	33,952	13,495

As of 31 December 2016, trade receivables of £958,147 (2015: £1,696,704) were less than 3 months past due but considered not impaired.

12 CASH AND CASH EQUIVALENTS

	2016 £	2015 £
Cash held at bank	9,565,055	4,574,353
Cash held on deposit with RBS (see note 14)	3,489,002	7,821,163
	13,054,057	12,395,516

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

13 TRADE AND OTHER PAYABLES

	2016 £	2015 £
Trade and other payables	1,642,956	5,309,804
VAT payable	888,553	680,674
Deferred rental income	6,066,035	6,536,107
Rental deposits due to tenants	186,673	173,072
Lease incentives due within one year	–	89,342
	8,784,217	12,788,999

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

14 BANK BORROWINGS

	2016 £	2015 £
Loan facility and drawn down outstanding balance	125,000,000	139,432,692
Opening carrying value	139,048,848	83,980,382
Repayment of 2015 loan	(139,432,692)	–
Borrowings during the year	145,000,000	55,000,000
Repayment of RCF	(20,000,000)	–
Arrangements costs of additional facility	(1,138,458)	(173,450)
Amortisation of arrangement costs	524,130	241,916
Closing carrying value	124,001,828	139,048,848

On 20 January 2012 the Company completed the drawdown of £84,432,692 loan with The Royal Bank of Scotland plc ("RBS"). The facility was repayable on 16 December 2018, however this date was re-negotiated during the year to 31 December 2015 as detailed below. Interest was payable at a rate equal to the aggregate of 3 month LIBOR, a margin of 1.65% (below 40% LTV) or 1.75% (40% to 60% LTV inclusive) or 1.95% (above 60% LTV) until 21 December 2015.

On 22 December 2015, the Company increased its borrowing facilities from £84,432,692 to £139,432,692 and completed the drawdown of an additional £55,000,000 loan with RBS. The additional borrowing was in the form of an additional term loan of £40,567,308 and a RCF of £14,432,692 (with the potential to draw a further £15,567,308 of the RCF). The entire debt facility and the drawn down balance of £139,432,692 were then repayable on 27 June 2017. Interest from 22 December 2015 was payable at a rate equal to the aggregate of 3 month LIBOR and a margin of 1.25%

On 28 April 2016 the fully drawn down balance of £139,432,692 was repaid.

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 consists of a £110 million seven year term loan facility and a £35 million five year RCF. The RCF may by agreement be extended by one year on two occasions. During the year £20 million of the RCF was repaid, with the balance of £15 million remaining drawn down by the Group at 31 December 2016. Interest is payable on the Term Loan at 3 month LIBOR plus 1.375% and on the RCF at LIBOR plus 1.2%. This equates to a rate of 2.725% on the Term Loan and 1.58% on the RCF which together give an attractive blended rate of 2.6%.

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 new 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.

	2016 £	2015 £
Loan amount	125,000,000	139,432,692
Cash deposited within the security of RBS	(3,489,002)	(7,821,163)
	121,510,998	131,611,529
Investment property valuation	429,945,000	451,985,000
LTV percentage	28.3%	29.1%
LTV percentage covenant	60.0%	65.0%
LTV percentage if all cash is deposited within the security of RBS	26.0%	28.1%

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 did not default on any of 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.

15 INTEREST RATE SWAP

On 20 January 2012 the Company completed an interest rate swap of a notional amount of £12,432,692 with RBS. This interest rate swap had a maturity of 16 December 2018. Under the swap the Company had agreed to receive a floating interest rate linked to 3 month LIBOR and pay a fixed interest rate of 1.77125%.

On 20 January 2012 the Company completed an interest rate swap of a notional amount of £72,000,000 with RBS which replaced the interest rate swap entered into on 29 December 2003. This interest rate swap effective date was 29 December 2013 and had a maturity date of 16 December 2018. Under the swap the Company had agreed to receive a floating interest rate linked to 3 month LIBOR and pay a fixed interest rate of 2.0515%.

On 28 April 2016, both of the above interest rate swaps were repaid at a cost of £2,735,000.

As part of the refinancing of loans (see note 14), on 28 April 2016 the Company 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%.

	2016	2015
	£	£
Opening fair value of interest rate swaps at 1 January	(2,085,292)	(2,674,939)
Valuation (loss)/gain on interest rate swaps	(4,212,250)	589,647
Swaps breakage costs	2,735,000	–
Closing fair value of interest rate swaps at 31 December	(3,562,542)	(2,085,292)

The individual swap assets and liabilities are listed below:

Interest rate swap with a start date of 20 January 2012 maturing on 16 December 2018	–	(220,107)
Interest rate swap with a start date of 29 December 2013 maturing on 16 December 2018	–	(1,865,185)
Interest rate swap with a start date of 28 April 2016 maturing on 27 April 2023	(3,562,542)	–
	(3,562,542)	(2,085,292)

16 LEASE ANALYSIS

The Group has entered into leases on its property portfolio. This property portfolio as at 31 December 2016 had an average lease expiry of 5 years and 6 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:

	2016 £	2015 £
Within one year	26,641,958	26,596,634
After one year, but not more than five years	69,213,166	85,580,067
More than five years	57,451,817	52,490,484
Total	153,306,941	164,667,185

The largest single tenant at the year end accounts for 4.6% (2015: 4.6%) 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 2016 and 31 December 2015 there were 380,690,419 ordinary shares of 1p each in issue. All ordinary shares rank equally for dividends and distributions and carry one vote each. There are no restrictions concerning the transfer of ordinary shares in the Company, no special rights with regard to control attached to the ordinary shares, no agreements between holders of ordinary shares regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid.

Allotted, called up and fully paid:	2016 £	2015 £
Opening balance	204,820,219	96,188,648
Shares issued between 25 February 2015 and 21 December 2015 at a price of between 78.1p and 82.0p per share	–	110,462,680
Issue costs associated with new ordinary shares	–	(1,831,109)
Closing balance	204,820,219	204,820,219

	2016 Number of Shares	2015 Number of Shares
Opening balance	380,690,419	244,216,165
Issued during the year	–	136,474,254
Closing balance	380,690,419	380,690,419

18 RESERVES

The detailed movement of the below reserves for the years to 31 December 2016 and 31 December 2015 can be found in the Consolidated Statement of Changes in Equity on pages 47 and 48.

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 on page 80. 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 (profit 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 2016 this equated to a figure of 117% (2015: 104%).

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

	2016 £	2015 £
Profit for the year net of tax	14,198,646	31,939,653

	2016	2015
Weighted average number of ordinary shares outstanding during the year	380,690,419	280,330,039
Earnings per ordinary share (pence)	3.73	11.39

EPRA publishes guidelines for calculating adjusted earnings that represent earnings from the core operational activities. Therefore, it excludes the effect of movements in the fair value of, and results from sales of, investment properties together with the effect of movements in the fair value of financial instruments.

	2016 £	2015 £
Profit for the year net of tax	14,198,646	31,939,653
Loss/(gain) on revaluation movements on investment properties	5,300,992	(17,636,973)
Loss on asset acquisition	–	75,181
Profit on disposal of investment properties	(1,067,395)	(3,024,748)
Loss on derecognition of interest rate swaps	2,735,000	–
Adjusted (EPRA) profit for the year	21,167,243	11,353,113

	2016	2015
Weighted average number of ordinary shares outstanding during the year	380,690,419	280,330,039
Adjusted (EPRA) earnings per share (pence)	5.56	4.05

20 DIVIDENDS AND PROPERTY INCOME DISTRIBUTION GROSS OF INCOME TAX

	2016 £	2015 £
Non Property Income Distributions		
1.161p per ordinary share paid in February 2015 relating to the quarter ending 31 December 2014	–	2,835,350
1.161p per ordinary share paid in November 2015 relating to the quarter ending 30 September 2015	–	2,220,581
0.561p per ordinary share paid in March 2016 relating to the quarter ending 31 December 2015	1,679,695	–
Property Income Distributions		
0.60p per ordinary share paid in March 2016 relating to the quarter ending 31 December 2015	1,796,781	–
1.19p per ordinary share paid in May 2016 relating to the quarter ending 31 March 2016 (2015: 1.161p)	4,530,216	3,213,406
1.19p per ordinary share paid in August 2016 relating to the quarter ending 30 June 2016 (2015: 1.161p)	4,530,216	3,348,175
1.19p per ordinary share paid in November 2016 relating to the quarter ending 30 September 2016 (2015: 1.161p)	4,530,216	1,127,594
	17,067,124	12,745,106

On 31 March 2017 a dividend in respect of the quarter to 31 December 2016 of 1.19 pence per share will be paid. This dividend will be split as a property income dividend of 0.35 pence per share and a non property income dividend of 0.84 pence per share.

On 1 January 2015 the Company converted to a UK REIT from a Guernsey Investment Company (GIC). The payment in February 2015 is the dividend relating to the period prior to REIT conversion for the quarter ended 31 December 2014 and relates to when the Company was a GIC. The payment in May 2015 was the first property income distribution (gross of income tax) following REIT conversion for the quarter ended 31 March 2015.

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.

	2016	2015
Number of ordinary shares at the reporting date	380,690,419	380,690,419

	2016 £	2015 £
Total equity per audited consolidated financial statements	308,437,559	312,783,287
NAV per share (pence)	81.0	82.2

The EPRA publishes guidelines for calculating adjusted NAV. EPRA NAV represents the fair value of an entity's equity on a long-term basis. Items that EPRA considers will have no impact on the long term, such as fair value of derivatives, are therefore excluded.

	2016 £	2015 £
Total equity per audited consolidated financial statements	308,437,559	312,783,287
Adjustments:		
Add: fair value of derivatives	3,562,542	2,085,292
EPRA NAV	312,000,101	314,868,579
EPRA NAV per share (pence)	82.0	82.7

22 SERVICE CHARGE

The Company has appointed a managing agent to deal with the service charge at the investment properties. The table below is a summary of the service charge during the year. The table shows the amount the service charge costs the tenants, the amount the tenants have been billed based on the service charge budget and the amount the Company has paid in relation to void units over the year. The table also shows the balancing service charge that is due from the tenants as at the Balance Sheet date.

	2016 £	2015 £
Total service charge expenditure incurred	1,888,993	1,685,569
Total service charge billed to tenants excluding void units and service charge caps	1,550,599	1,492,339
Service charge billed to the Group in respect of void units and service charge caps	135,432	74,448
Service charge due from tenants as at 31 December	202,962	118,782
	1,888,993	1,685,569

23 RELATED PARTY DISCLOSURES

Directors' remuneration

The remuneration of key management personnel is detailed below 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.

	2016 £	2015 £
Robert Peto (appointed Chairman 2 June 2016)	34,558	26,000
Sally-Ann Farnon (appointed 16 July 2010)	33,250	28,500
Huw Evans (appointed 11 April 2013)	30,000	26,000
Mike Balfour (appointed 10 March 2016)	24,723	–
James Clifton-Brown (appointed 17 August 2016)	12,061	–
Richard Barfield (retired 2 June 2016)	14,808	33,000
Employers national insurance contributions	7,866	5,872
	157,266	119,372
Directors expenses	6,959	4,924
	164,225	124,296

Investment Manager

Management of the property portfolio is contractually delegated to Standard Life Investments (Corporate Funds) Limited as Investment Manager and the contract with the Investment Manager can be terminated by the Company. Transactions with the Investment Manager in the year are detailed out in note 4.

24 SEGMENTAL INFORMATION

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

25 EVENTS AFTER THE BALANCE SHEET DATE

Dividends

On 31 March 2017 a dividend in respect of the quarter to 31 December 2016 of 1.19 pence per share will be paid. This dividend will be split as a property income dividend of a 0.35 pence per share and a non property income dividend of 0.84 pence per share.

Purchases

On 20 February 2017 the Group completed the purchase of SNOP, Washington, an industrial property for £5.5million excluding costs.

Sales

On 10 January 2017 the Group completed the sale of The Quadrangle, Cheltenham for £11.075million excluding costs.

On 22 March 2017 the Group completed the sale of White Bear Yard for £19million excluding costs.

Share Issues

During the period from 1 February 2017 to 15 March 2017 the Group has raised £6.2million through the issue of 7.275million new ordinary shares.

Standard Life Investments Property Income Trust Limited

Additional Information

Information for Investors

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.

Share Information

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 Investment Manager's website which can be found at: www.slipit.co.uk, at Interactive Investor Investment Trust Service, website address: www.iii.co.uk and on TrustNet, website address: www.trustnet.co.uk.

Ordinary shares may be purchased or sold through a stockbroker, financial adviser or via an investment platform.

The NAV per ordinary share is calculated on a quarterly basis and is published on the London Stock Exchange where the latest live ordinary share price is also displayed, subject to a delay of 15 minutes. "SLI" is the code for the ordinary shares which may be accessed at www.londonstockexchange.com.

Savings Scheme and ISA

The Standard Life Investments Savings Scheme and ISA was closed on 5 June 2015 and transferred to Alliance Trust Savings. Investor enquiries about administration and applications should now be directed to Alliance Trust Savings on 01382 573737 or contact@alliancetrust.co.uk.

Alliance Trust Savings offer a savings plan, ISA and SIPP.

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.

Having taken legal advice, and on the basis that the Board conducts the affairs of the Company as if it would be an investment trust if it was resident in the UK, the Board believes that the Company's shares are excluded securities under the new rules and, as a result, the FCA's restrictions on retail distribution do not apply.

Alternative Investment Fund Managers ("AIFM") Directive

In accordance with the AIFM Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Standard Life Investments (Corporate Funds) Limited ("SLI(CF)"), is required to be made available to investors.

Standard Life Investments Property Income Trust Limited

Additional Information

Information for Investors (continued)

Leverage

The Company's maximum and average actual leverage levels at 31 December 2016 are shown below

Leverage exposure	Gross method	Commitment method
Maximum Limit	400%	250%
Actual	179%	144%

For the purposes of the AIFM Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of Company's exposure to its NAV and is calculated on both a gross and commitment method. Under the gross method, exposure represents the sum of the Company's positions without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated after certain hedging and netting positions are offset against each other.

The leverage limits are set by the AIFM and approved by the Board. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings.

Remuneration

The Company's AIFM, SLI(CF), is subject to the Remuneration requirements of the AIFM Directive on a proportionate basis in respect of its activities as AIFM for a range of Alternative Investment Funds (AIFs). Total assets under management of SLI (CF) were £15.7 billion at 31 December 2016, of which £8.5 billion of assets were AIFs subject to the AIFM Directive. The NAV of the Company was £308.44 million as at December 2016.

SLI (CF) does not employ any direct staff. The board of the AIFM are employees of Standard Life Investments Limited (SLI) and are subject to the SLI and Standard Life Group policies as regulated by the Financial Conduct Authority (FCA). SLI is subject to the FCA's Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU) Remuneration Requirements under SYSC 19C on a proportionate basis. The board of SLICF has responsibility for the risk management arrangements as they relate to the AIFM fund range.

The investment processes are subject to the governance structure of SLI and the board of SLI(CF) monitors the effectiveness in meeting strict criteria at an AIF level. The board of SLI(CF) discharges its duties via regular reporting and review at board meetings and via allocation of executive responsibilities, in relation to SLI(CF), within the SLI management team.

The AIFM has no identified staff out with its board. The board of the AIFM has six individuals who are AIFM Remuneration Code Staff "AIFM Code Staff", i.e. individuals whose activities have a material impact on the risk profile of the AIFM, or the AIFs that it manages. During the year there were a further four individuals on the board who retired during the year and also qualify as AIFM Code staff up to the dates of their retirement. The aggregate remuneration for these ten individuals, apportioned for the AIFM duties they have performed, for the year 2016 is £231,732.

AIFM Code Staff are monitored in respect of their performance in line with the SLI Remuneration Policy which is designed to meet the regulatory requirements of BIPRU and the AIFM Directive. The Remuneration Committees of SLI and Standard Life plc review and approve remuneration for AIFM Code Staff. More information on the remuneration policies of Standard Life plc are disclosed on the following web page:

https://www.standardlife.com/dotcom/our-company/governance/remuneration-code-disclosure.page.

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 Association. Alternatively, visit their website on www.theaic.co.uk.

Standard Life Investments Property Income Trust Limited

Additional Information

Directors and Company Information

Directors

Robert Peto [1]
Sally-Ann Farnon [2]
Huw Griffith Evans [3]
Mike Balfour [4]
James Clifton-Brown [5]

Registered Office

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

Standard Life Investments (Corporate Funds) Limited
1 George Street
Edinburgh EH2 2LL
Telephone: 0845 60 60 062

1 Chairman of the Nomination Committee

2 Chairman of the Audit Committee and designated as Senior Independent Director

3 Chairman on the Management Engagement Committee

4 Chairman of the Remuneration Committee

5 Chairman of the Property Valuation Committee

Independent Auditors

Ernst & Young LLP
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey GY1 4AF

Solicitors

Dickson Minto W.S.
16 Charlotte Square
Edinburgh EH2 4DF

Mourant Ozannes
PO Box 186
1 Le Marchant Street
St Peter Port
Guernsey GY1 4HP

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

JLL Limited
22 Hanover Square
London W1A 2BN

Knight Frank LLP
55 Baker Street
London W1U 8AN

Depositary

Citibank Europe plc
Canada Square
London E14 5LB

Standard Life Investments Property Income Trust Limited

Annual General Meeting

Notice of Annual General Meeting

Notice is hereby given that the Thirteenth Annual General Meeting of Standard Life Investments Property Income Trust Limited ('the Company') will be held at 30 St Mary Axe, London EC3A 8EP on Wednesday 7 June 2017 at 10.30am for the following purposes:

ORDINARY BUSINESS

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

Resolution 1 To receive and approve the Annual Report and Financial Statements of the Company for the year ended 31 December 2016.

Resolution 2 To receive and approve the Directors' Remuneration Report for the year ended 31 December 2016.

Resolution 3 To re-appoint Ernst & Young LLP as Auditor of the Company until the conclusion of the next Annual General Meeting.

Resolution 4 To authorise the Board of Directors to determine the Auditor's Remuneration.

Resolution 5 To re-elect Sally-Ann Farnon as a Director of the Company.

Resolution 6 To re-elect Huw Evans as a Director of the Company.

Resolution 7 To re-elect Robert Peto as a Director of the Company.

Resolution 8 To re-elect Mike Balfour as a Director of the Company.

Resolution 9 To elect James Clifton-Brown as a Director of the Company.

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

Resolution 10 To authorise the Company, in accordance with The Companies (Guernsey) Law, 2008, as amended (the "Law") 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 per cent 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 1p;

c. the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be the higher of (i) 105 per cent 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 7 December 2018 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2018, 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.

Standard Life Investments Property Income Trust Limited

Annual General Meeting

Notice of Annual General Meeting (continued)

Resolution 11 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"), 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 Services 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 £387,965 being approximately 10 per cent of the nominal value of the issued share capital of the Company, as at 15 March 2017.

By Order of the Board
For and on behalf of
Northern Trust International Fund Administration Services (Guernsey) Limited
Secretary
22 March 2017

Standard Life Investments Property Income Trust Limited

Annual General Meeting

Notice of Annual General Meeting (continued)

Notes

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 his 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 5 June 2017.

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 5 June 2017.

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 5 June 2017. 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.

Standard Life Investments Property Income Trust Limited

Annual General Meeting

Notice of Annual General Meeting (continued)

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 per cent 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 per cent (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 March 2017, the latest practicable date prior to publication of this document, the Company had 387,965,419 ordinary shares in issue with a total of 387,965,419 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 and Transparency Rules.