



Standard Life Investments Property Income Trust Limited

**Interim Report
30 June 2016**

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Standard Life Investments Property Income Trust Limited

Objective and Investment Policy

Objective

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

Investment Policy

The Directors intend to achieve the investment objective by investing in a diversified portfolio of UK commercial properties. The majority of the portfolio will be invested in direct holdings within the three main 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 is permitted up to a maximum 10% of the property portfolio.

In order to manage risk, without compromising flexibility, the Directors apply the following restrictions to the 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.
- ▶ The Board's current intention is that the loan to value ("LTV") ratio (calculated as borrowings less all cash as a proportion of property portfolio valuation) will not exceed 45%. Borrowings as a percentage of gross assets will not exceed 65%.

An analysis of how the portfolio was invested as at 30 June 2016 is contained within the Investment Manager's Report.

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Financial Highlights

- ▶ Net asset value (“NAV”) per share of 81.8p as at 30 June 2016 (31 December 2015: 82.2p) resulting in a NAV total return (incl. dividends) of 2.3% with positive portfolio performance offset by movement in interest rate swaps;
- ▶ Strong performance over the longer term with NAV total return over five years of 85.1% compared with the FTSE REIT Index (47.6%) and the FTSE All-Share Index (35.5%);
- ▶ Dividend increased by 2.5% in the period with the yield on the Company’s shares being 5.9% as at 26 August 2016, significantly ahead of the yield on the FTSE REIT Index (3.5%) and the FTSE All-Share Index (3.5%) and underpinned by a diversified portfolio of properties and tenants;
- ▶ Dividend cover of 111% for the six month period compared to 98% for 2015 highlighting the income accretive nature of the portfolio acquired in December 2015;
- ▶ Successful refinancing of loan facilities in the period with £110m seven year term loan and £35m revolving credit facility (“RCF”), which introduces flexibility into the capital structure, secured from The Royal Bank of Scotland plc (“RBS”) in April 2016;
- ▶ Blended interest rate on refinanced loan facilities of 2.5% as at 30 June 2016, one of the lowest in the Company’s peer group with the prudent LTV of 28.4% as at 26 August 2016 providing significant headroom compared to a covenant of 60%;
- ▶ Overall the Company is in a strong financial position.

Property Highlights

- ▶ Portfolio valued at £450.1m, reflecting a capital return of 0.8% in the six month period, comparing favourably to the IPD benchmark of 0.1% driven mainly by industrial and office sectors;
- ▶ Income return for the period was 3.1% again outperforming the IPD benchmark income return of 2.3%;
- ▶ Sales totalling £15.4m, including those made after the period end, which was 4% above most recent 2016 valuations;
- ▶ A number of successful asset management initiatives completed in the period including:
 - ▶ Letting of three vacant units at Budbrooke industrial estate, Warwick adding £92k in rent per annum after incentives;
 - ▶ Rent review completed at Denby, above estimated rental value (“ERV”) and adding an additional £170k in rent;
 - ▶ Seven lease renegotiations in the period securing £812,000 of rental income;
- ▶ A void rate of 3.8% at 30 June 2016 compared with a benchmark figure of 7.1% plus strong rent collection rate of 99% after 28 days, underlining the strong tenant base and the Investment Manager’s commitment to maintaining income in an environment where income will be the key driver of performance going forward.

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Performance Summary

Capital Values & Gearing	30 June 2016	31 December 2015	% Change
Total Assets	470.6	467.3	0.7
NAV per share (p)	81.8	82.2	(0.5)
Ordinary Share Price (p)	79.3	84.5	(6.3)
(Discount)/Premium to NAV (%)	(3.1)	2.8	–
LTV*	29.4	28.1	–

Total Return %	6 month	1 year	3 year	5 year
NAV**	2.3	10.3	70.0	85.1
Share Price**	(4.8)	(0.1)	56.4	66.6
FTSE Real Estate Investment Trusts Index	(11.8)	(8.3)	35.7	47.6
FTSE All-Share Index	4.3	2.2	18.6	35.5

Property Returns & Statistics %	6 months to 30 June 2016	6 months to 30 June 2015
Property income return	3.1	3.1
IPD property monthly index	2.3	2.5
Property total return (property only)	3.9	5.8
IPD property total return monthly index	2.5	6.3
Void rate	3.8	2.8

Earnings & Dividends	30 June 2016	30 June 2015
Dividends declared per ordinary share (p)	2.351	2.322
Dividend Yield (%)***	6.0	5.5
FTSE Real Estate Investment Trusts Index Yield (%)	3.7	2.8
FTSE All-Share Index Yield (%)	3.7	3.5

European Public Real Estate Association ("EPRA") NAV at 30 June 2016 (excluding swap liabilities) – 83.3p (31 Dec 2015 – 82.7p)

* Calculated as bank borrowings less all offset cash as a percentage of the open market value of the property portfolio as at 30 June 2016.

** Assumes re-investment of dividends excluding transaction costs.

*** Based on an annual dividend of 4.76p (30 June 2015: 4.644p) and share price of 79.3p (30 June 2015: 83.8p).

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

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Chairman's Statement



Robert Peto
Chairman

In what has been a volatile period for the UK, I present my first statement as Chairman of your Company. My predecessor, Dick Barfield, retired at the AGM in June after 13 years on the board, the last two as Chairman. He was a founding director and helped to steer the company successfully through the Global Financial Crisis. During his Chairmanship he oversaw the doubling of the gross value of your assets, the on-shoring of the company for tax purposes and the refinancing of all the debt leaving the company with low gearing and well positioned to meet the current challenges.

I am pleased to welcome James Clifton-Brown to your board with effect from 17 August 2016. He brings many years of experience in the real estate investment management field. He joined CBRE Global Investors in 1984 as a fund manager on one of their pension fund segregated accounts which focused on high income secondary real estate attaining strong results. He became the firm's UK Chief Investment Officer in 1996. Since 2004, he has also been a director on a number of boards relating to CBRE Global Investors Limited and is a voting member on the USA, European and Asian Investment Committees and Chairman of CBRE's Global Separate Accounts team. He has been appointed chairman of the Property Valuation Committee.

At the time of writing there is an unusual level of uncertainty following the decision of the UK electorate to leave the EU. This uncertainty is likely to continue, and although the markets have shown some stabilisation since the election of a new Conservative prime minister, it is not yet possible to forecast what the impact

of the decision to leave the EU will mean for UK growth, and in particular the UK commercial real estate market. In the short term at least the sentiments are negative. A number of the open ended property funds have either closed to redemptions or imposed pricing adjustments within days of the vote as retail investors quickly sought liquidity. The share prices of REITS and other closed ended companies were also affected by this negative sentiment with the FTSE All-Share REIT index falling by 12% in the first week after the referendum. Your own Company's share price has been volatile over this period, with a low of 68p on 6 July 2016, compared with 84.5p on the day of the vote. The price recovered quickly following the initial shock and the shares are now trading at 81.25p (as at 26 August 2016) - a discount to net assets of 0.7%.

Performance

Although asset valuations have been caveated for the June quarter end given their proximity to the referendum, your Company has performed well over the six month period to 30 June 2016 with a NAV total return of 2.3%. This performance was driven by continued growth in the property portfolio and strong income generation with both the capital and income performance of the Company exceeding that of the IPD benchmark. It was delivered even after allowing for a negative movement in the value of the interest rate swap, caused by interest rate movements as a result of the EU referendum result, resulting in a swap liability of £5.4m as at 30 June 2016. Performance has also been boosted by the sale of two assets in the

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Chairman's Statement (continued)

period, both ahead of most recent valuations, raising £6.25m. This trend was continued post the period end with a further two assets sold for £9m. The proceeds of these sales have all been used to reduce the debt of the Company.

Debt

On 28 April 2016 the Company refinanced its existing debt facilities with RBS. A new £110m seven year facility was taken out which was hedged to fix the rate on this loan at 2.725%. In addition, to introduce flexibility into the capital structure and allow the Company to act quickly should opportunities arise, a £35m RCF was also taken out with RBS. Securing these loan facilities as early as possible following the Pearl portfolio acquisition was a clear Board strategy and the timing has turned out to be fortuitous given the current market environment. The Company is now in a good position of having low cost debt (all-in rate of 2.6% at the date of this report) along with a prudent LTV, net of cash, of 28.4%.

Dividends

As part of the fundraising exercise in December 2015 in order to acquire the Pearl portfolio of 22 assets, the Company announced that it would increase its dividend by 2.5%. Following the successful completion of this acquisition the dividend relating to the first quarter of this year, paid on 31 May 2016, was increased to 1.19p per share. Based on an annual dividend of 4.76p, the yield on the Company's shares as at 26 August 2016 was 5.9%. This compares favourably with the yield on the FTSE All-Share Index (3.5%) and the FTSE ALL-Share REIT Index of (3.5%) at a time when attractive, sustainable income returns are much sought after. It should also be highlighted that the Company's dividend cover for the first six months of the year, even given this increase in dividend, was 111%.

Outlook

The UK economy has now entered a period of heightened uncertainty which most forecasters predict will impact on future growth. The International Monetary Fund, for example, recently cut their forecast for UK economic growth in 2017 down to 1.3%, a

fall of 0.9% from previous forecasts. One key measure that drives economic performance is confidence and there are early signs that businesses are now less confident than before the referendum which may have an impact on future investment plans. How the real economy reacts to any easing in monetary policy by the Bank of England will be key to the extent of any downturn as will the Government's ability to set out more clearly how the UK will interact with the EU going forward.

The performance of the UK commercial property market has always been closely linked to that of the economy. Hence there can be no doubt that any economic downturn will impact capital values which were already deflated as a result of the 1% increase in stamp duty land tax in the March budget. However, unlike in previous downturns, the sector is in better shape with lower gearing, higher occupancy rates, lower levels of speculative development and a significant yield premium over other asset classes.

Within this overall framework, the Company exhibits good defensive qualities. With a diversified portfolio both in terms of the sectors in which it invests and the area of the country where the assets are situated the portfolio will not be overly exposed to the potential underperformance of any one region or sector e.g. Central London offices. In addition, the Company has a secure tenant base and low void rate which, when combined with the proven ability of the asset manager to implement successful asset management initiatives, should ensure a sustainable income stream which underpins the high dividend yield. In an environment where attractive income returns are in demand this is positive for the Company. Finally, with the rollover of the debt facility and the introduction of flexibility into the capital structure through the RCF, the Investment Manager has the ability to reduce gearing while still having the resources to act quickly should suitable opportunities arise which is likely in such a volatile environment. Overall, I am optimistic that your company is well positioned for the current market.

Robert Peto
Chairman
6 September 2016

Standard Life Investments Property Income Trust Limited

Principal Risks and Uncertainties

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. This 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.
- ▶ Poor selection of new properties for investment. A comprehensive and documented initial due diligence process, which will filter out properties that do not fit required criteria, is carried out by the Investment Manager. Where appropriate, this is followed by detailed review and challenge by the Board prior to a decision being made to proceed with a purchase. This process is designed to mitigate the risk of poor property selection.
- ▶ Tenant failure or inability to let property. Due diligence work on potential tenants is undertaken before entering into new lease arrangements. In addition, 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 Investment Property Databank Iris Report which updates the credit and risk ranking of the tenants and income stream, and compares it to the rest of the UK real estate market.

- ▶ Loss on financial instruments. The company has entered into an interest rate swap arrangement. The 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 it 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 returns for shareholders.
- ▶ 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, including valuations provided by independent valuers, 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.

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Principal Risks and Uncertainties

(continued)

- ▶ Economic – inflation or deflation, economic recessions and movements in interest rates could affect property valuations and also bank borrowings.
- ▶ Geopolitical – geopolitical instability or change could have an adverse affect on UK real estate and stock markets.

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.

As a result of uncertainty following the UK's referendum decision to exit the EU, the Company's valuers, JLL Limited and Knight Frank LLP, included the following caveat with their valuations for the quarter ended 30 June 2016 as they did for all valuations they undertook at that date:

"Following the Referendum held on 23 June 2016 concerning the UK's membership of the EU, a decision was taken to exit. We are now in a period of uncertainty in relation to many factors that impact the property investment and letting markets. Since the Referendum date it has not been possible to gauge the effect of this decision by reference to transactions in the market place. The probability of our opinion of value exactly coinciding with the price achieved, were there to be a sale, has reduced. We would, therefore, recommend that the valuation is kept under regular review and that specific market advice is obtained should you wish to effect a disposal."

The company is aware that JLL Limited and Knight Frank LLP, in undertaking more current valuations for other organisations, continue to apply a similarly worded caveat based on a continued shortage of comparable evidence of arm's length transactions since the Referendum.

Going Concern

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.

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Investment Manager's Report



Jason Baggaley
Fund Manager

UK Real Estate Market

The implications of the Referendum have caused a complex interaction between politics, economics and markets which makes the situation difficult to predict. Given the political and financial uncertainties experienced so far, the UK economy is expected to be affected negatively, although as market volatility rises, safe haven assets will benefit. It would seem that the negative sentiment and heightened uncertainty is likely to impact adversely on UK real estate capital values although this is not reflected in the June valuations. Unclear messages are emerging in respect of post referendum transactions with a mixture of deal withdrawals, price renegotiations but also completions at previously agreed figures.

Against that background, UK listed real estate equities total returns fell by nearly 13.3% over the six month period to 30 June 2016. This decline is in contrast to the FTSE All Share and the FTSE 100 total returns where the returns were a positive 4.7% and 6.5% respectively. REIT pricing since the referendum has been volatile, with discounts to NAV moving to over 25% for some of the majors, before recovering to around 10% on average. The Company has also suffered from share price volatility but, more recently, the Company's share price has recovered to a 0.7% discount to NAV as at 26 August 2016.

Investment Outlook

The slowdown in UK real estate that was materialising prior to the referendum has been exacerbated by the vote outcome. The heightened uncertainties following the result and the subsequent retreat in business and consumer confidence are likely to impact

negatively on the outlook for the economy. This is likely to have detrimental consequences for UK real estate given the direct linkage to economic activity. We therefore anticipate increased downward pressure on UK commercial real estate capital values. The magnitude of any declines will depend on the impact on the domestic economy and the level of interest rates and yields from alternative investment classes. The impact will vary by sector and geography. From a sector perspective, we expect Central London offices to be the most negatively impacted in the near term given the linkages to European markets via cross border trading. We expect industrial, given its higher yield, and retail assets to be comparatively resilient, although not immune. Long income assets should provide most resilience in any downturn. Despite the negative outlook, UK real estate continues to provide a higher yield than other assets and, unlike during the Financial Crisis, lending to the sector is at a much lower level than in 2007/2008. Furthermore, existing vacancy rates are at below average levels in most markets and development remains relatively constrained which should all help stabilise the market further out. The current "lower for even longer" interest rate environment coupled with an increasing investor global search for yield and the retention of the UK's safe haven status should all ensure the asset class is reasonably placed longer term.

Performance

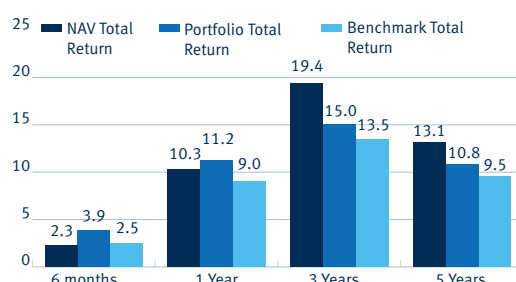
Over the first six months of the year the Company had a NAV total return of 2.3% and a share price total return (with dividends reinvested) of -4.8%. The difference in these figures illustrates the change in sentiment in

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Investment Manager's Report (continued)

the sector, particularly at the end of the period, when property shares were marked down. At an underlying property level the Company's portfolio has continued to deliver a relatively strong performance with a 3.9% total return for the 6 months against the MSCI/IPD benchmark of 2.5%.

The chart below shows the Company's NAV and property total return against the benchmark over a variety of periods. Over the last 24 months the Company has witnessed increased levels of activity with the purchase of several portfolios (the largest being the Pearl portfolio for £165m in December 2015) and sales of several assets that we did not believe would perform as well in the future. Despite the relatively high level of transaction costs associated with real estate, performance has been reasonably strong and is supported by a high income return (6% for the Company's portfolio versus the benchmark's 5%).



Source: SLI, IPD (annualised performance)

The table below puts the Company's NAV total return performance in perspective with similar companies in the sector.

NAV performance chart	1 yr	3 yr	5 yr
Standard Life Investments Property Income	10.3%	70.0%	85.1%
Picton Property Income	14.4%	84.1%	69.2%
Schroder Real Estate	10.9%	64.0%	70.4%
F&C Commercial Property	9.2%	57.8%	79.7%
F&C UK Real Estate	9.0%	67.6%	75.9%
Ediston Property	9.0%	n/a	n/a
Custodian	8.6%	n/a	n/a
UK Commercial Property	5.9%	48.1%	53.1%

Source: SLI/Datastream to 30 June 2016

In the short term, the share price performance has been disappointing as the Company moved from a premium to a discount but the performance is relatively strong compared to peers.

Share price total return for six months to 30 June 2016	
Standard Life Investments Property Income	-4.8%
Picton Property Income	-5.2%
F&C UK Real Estate	-10.8%
Schroder Real Estate	-13.3%
F&C Commercial Property	-13.3%
UK Commercial Property	-13.4%

Investment Strategy

The Company remains focused on delivering an attractive income to investors through investing in a diversified portfolio of UK commercial real estate assets. We target assets that are well located, and are in good condition, which we believe will appeal to occupiers. We aim to actively manage the assets to renew and extend leases to give the Company a sustainable income for its covered dividend policy.

It was apparent early in the reporting period that the UK commercial property market was nearing the end of the capital cycle, and that returns were not going to be as high in 2016 as they were in 2014 and 2015. We took the opportunity to sell several assets, detailed later, that we believed would not perform as well in the future or provided risk to the Company, and used the proceeds to reduce leverage. This cautious approach will continue into the second half of the year, a period with greater uncertainty. We believe the Company is well positioned for the next few years, with a relatively high exposure to industrial/logistics units, and a negligible exposure to core City of London, financial or recruitment tenants.

Portfolio Valuation

The investment portfolio is valued on a quarterly basis by two valuers, JLL Limited and Knight Frank LLP. The investment portfolio comprised a total of 60 assets as at 30 June 2016 valued at £450.1m, with cash of £18.3m. This compares with £288.4m and £27.3m respectively as at end June 2015.

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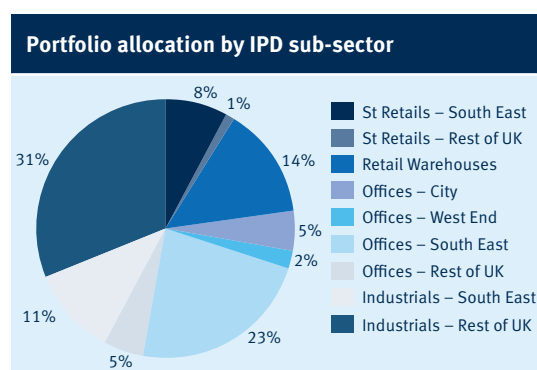
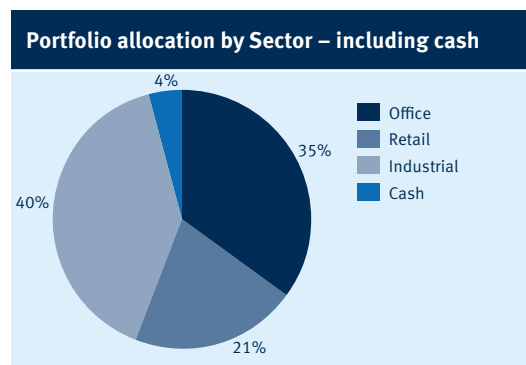
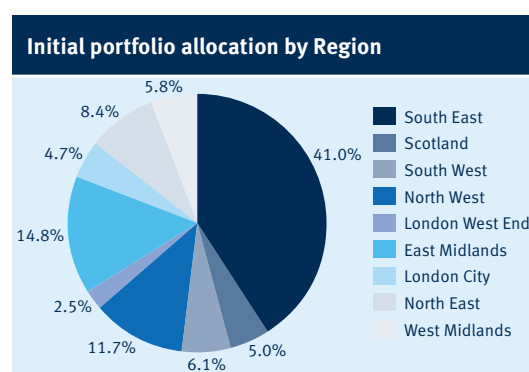
Investment Manager's Report (continued)

Given the proximity of the 30 June 2016 valuation date to the decision of the UK to leave the EU, and the lack of comparable evidence after that decision, the valuers issued a caveat with their valuations for the quarter ended 30 June 2016. This is reproduced on page 7 in Principal risks and Uncertainties.

Portfolio Allocation

The Company is invested in Industrial, Office and Retail properties throughout the UK. The following charts demonstrate the sector and geographic diversification. With a focus on income the Company is structurally underweight to retail as prime retail assets are low yielding, and we believe that secondary retail is going to underperform generally given the structural shift from sales in retail premises to internet sales. Instead, we seek to buy logistics units that meet the needs of modern distribution networks for retailers, and retail warehouse units that are also efficient for "click and collect" retail. Although we have had a high exposure to Greater London offices we have modest exposure to core City offices or financial tenants as again that was a low yielding sector.

The main geographic allocation changes since the first half of 2015 are an increase in exposure to the South East whilst reducing the exposure to Central London and Scotland. This has reflected our House View that Central London was approaching the end of the investment cycle ahead of the rest of the UK, whilst the South East would continue to benefit from demand from greater population density.



Investment Activity

Purchases

No purchases were undertaken in the first half of 2016.

Sales

The Company sold two assets in the six month period, and a further two assets in early July 2016.

Turin Court Stockport was sold in March for £2.9m (valuation at 31 Dec 2015: £2.7m). The office property was due to become vacant in July 2016, and although we had been marketing it for a while had almost no demand for leasing. The sale was to a local occupier for their own occupation.

Perry Ellis Witham was sold in June for £3.4m (valuation at 31 Dec 2015: £3.5m). The industrial unit was let for a further 6 years, but we felt the value could fall as the building did not meet the occupier's current needs, and would be difficult to relet.

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Investment Manager's Report (continued)

Causeway House Teddington was sold in July for £6.3m (valuation at 31 Dec 2015: £6.0m). The property had lease expiries in 2017 and was in need of substantial capital expenditure to refurbish it, and even then we were concerned over the tenant demand. It was sold to an owner occupier.

Ceres Court Kingston was sold in July for £2.75m (valuation at 31 Dec 2015: £2.5m). The retail parade with residential above was held on a long leasehold basis on unattractive terms with the sale being to the party who held the freehold interest in the asset.

The proceeds from the sales were used to pay down debt under the RCF.

Asset Management

The Company has actively sought to renew and extend leases to ensure income continues, and grows, where possible. In a period of uncertainty, or where capital values are slowing, income is the main driver of total return.

Four rent reviews were settled, all above the rent passing, and a further four leases renegotiated to extend the term, along with three lease renewals and four new lettings.

Voids increased to 3.8% (2.8% at 30 June 2015) on the expiry of a lease on an industrial unit in Oldham where the tenant vacated. The Company's void rate is roughly half the market average, and is concentrated in two industrial assets, one of which was bought vacant to be refurbished and has been available for rent since the end of May, and the other is still being refurbished.

Debt

In April 2016 the Company put in place a new debt facility with RBS which replaces the short term facility agreed as part of the Pearl portfolio acquisition in December 2015. The refinanced facility provides flexibility by having a term loan for 7 years for £110m, and a RCF for £35m. During the period the Company repaid £3.5m with a further £10.5m repaid in July 2016 resulting in the drawn amount on the RCF now being £21m. The refinanced facility was completed in April and the term loan was matched with an interest rate swap entered into at the same time. The swap was entered into to protect shareholders from the impact of higher interest rates and give certainty on the interest cost. The all in cost as at 30 June 2016 was 2.5% pa. However, the movement in the interest rate curve following the vote to leave the EU has led to a negative movement in the value of the interest rate swap resulting in a swap liability of £5.4m as at 30 June 2016. It should be highlighted however that at maturity the value of the swap will be zero. The current LTV is 28.4%, compared with the maximum LTV covenant in the debt facility of 60%.

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Investment Manager's Report (continued)

Top 10 Properties

Property Name	Market Value £	Sector	% of Portfolio (excl. cash)
White Bear Yard	20-22m	Office	4.7
Elstree Tower, Elstree Way	16-18m	Office	4.0
Denby 242	16-18m	Industrial	3.8
DSG Blackpool Road	16-18m	Retail	3.6
Symphony, Sheffield Road	14-16m	Industrial	3.5
Chester House	14-16m	Office	3.5
Charter Court	12-14m	Office	2.8
3B-C Michigan Drive	10-12m	Industrial	2.7
Ocean Trade Centre	10-12m	Industrial	2.6
Bourne House	10-12m	Office	2.6
			33.8

Interest Rate Swaps

Start Date	Maturity Date	Notional Principal Amount £	Effective Interest Rate %	30-Jun-16 Valuation £	30-Jun-15 Valuation £	31-Dec-15 Valuation £
27-Apr-16	27-Apr-23	110,000,000	1.35	(5,428,637)	–	–
20-Jan-12	16-Dec-18	12,432,692	1.77125	–	(181,281)	(220,107)
29-Dec-13	16-Dec-18	72,000,000	2.0515	–	(1,736,535)	(1,865,185)
				(5,428,637)	(1,917,816)	(2,085,292)

Top 10 Tenants

Tenant Group	Passing Rent £	As % of Total Rent
Sungard Availability Services Total	1,320,000	4.6
BAE Systems plc Total	1,257,640	4.4
Technocargo Logistics Limited Total	1,242,250	4.3
DSG Retail Limited Total	1,177,677	4.1
The Symphony Group PLC Total	1,080,000	3.8
Bong UK Limited Total	727,240	2.5
Royal Bank of Scotland plc Total	700,000	2.4
Ricoh UK Limited Total	696,995	2.4
Matalan Retail Limited Total	696,778	2.4
Grant Thornton UK LLP Total	680,371	2.4
Total Fund Passing Rent	28,765,123	

Standard Life Investments Property Income Trust Limited

Investment Manager's Report (continued)

Property Investments as at 30 June 2016

Name	Location	Sub-sector	Market Value £	Tenure	Area sq ft	Occupancy Rate % (ERV)
White Bear Yard	London	Offices – City	20-22m	Freehold	21,232	100
Elstree Tower, Elstree Way	Borehamwood	Offices – South East	16-18m	Freehold	80,713	100
Denby 242	Denby	Industrials – Rest of UK	16-18m	Freehold	242,766	100
DSG Blackpool Road	Preston	Retail Warehouses	16-18m	Freehold	40,997	100
Symphony	Rotherham	Industrials - Rest of UK	14-16m	Leasehold	364,974	100
Chester House	Farnborough	Offices – South East	14-16m	Leasehold	49,861	100
Charter Court	Slough	Offices – South East	12-14m	Freehold	45,554	93
3B-C Michigan Drive	Milton Keynes	Industrials – South East	10-12m	Freehold	128,011	100
Ocean Trade Centre	Aberdeen	Industrials – Rest of UK	10-12m	Freehold	103,120	100
Bourne House	Staines	Offices – South East	10-12m	Freehold	26,363	100
Hollywood Green	London	St Retail – South East	10-12m	Freehold	64,003	100
82-84 Eden Street	Kingston Upon Thames	St Retail – South East	10-12m	Freehold	24,234	95
New Palace Place, Monck St	London	Offices – West End	10-12m	Leasehold	18,596	98
The Quadrangle	Cheltenham	Offices – Rest of UK	10-12m	Freehold	58,920	100
Howard Town Retail Park	Glossop	Retail Warehouses	10-12m	Mixed	51,213	92
Tetron 141	Swadlincote	Industrials – Rest of UK	8-10m	Freehold	141,450	100
CEVA Logistics	Corby	Industrials – Rest of UK	8-10m	Freehold	195,225	100
Budbrooke Industrial Estate	Warwick	Industrials – Rest of UK	8-10m	Leasehold	88,551	85
Explorer 1 & 2, Mitre, Fleming Way	Crawley	Offices – South East	8-10m	Freehold	46,205	100
The Kirkgate	Epsom	Offices – South East	8-10m	Freehold	26,454	100
Walton Summit Industrial Estate	Preston	Industrials – Rest of UK	8-10m	Freehold	147,946	100
Swift House	Rugby	Industrials – Rest of UK	6-8m	Leasehold	100,564	100
P&O Warehouse	Dover	Industrials – South East	6-8m	Freehold	41,988	100
Marsh Way	Rainham	Industrials – South East	6-8m	Leasehold	82,090	100
Foxholes Business Park	Hartford	Industrials – South East	6-8m	Freehold	84,376	100
Victoria Shopping Park	Hednesford	Retail Warehouses	6-8m	Leasehold	37,096	93
Tetron 93	Swadlincote	Industrials – Rest of UK	6-8m	Freehold	93,836	100
Causeway House	Teddington	Offices – South East	6-8m	Freehold	19,296	100
Bathgate Retail Park	Bathgate	Retail Warehouses	6-8m	Freehold	45,168	100
Dorset Street	Southampton	Offices – South East	4-6m	Freehold	76,535	100
Foundry Lane	Horsham	Industrials – South East	4-6m	Freehold	25,101	100
The Point Retail Park	Rochdale	Retail Warehouses	4-6m	Freehold	42,224	100
Middle Engine Lane	North Shields	Retail Warehouses	4-6m	Freehold	21,846	100
Wincanton, Garanor Way, Portbury	Bristol	Industrials - Rest of UK	4-6m	Leasehold	196,884	100

Standard Life Investments Property Income Trust Limited

Investment Manager's Report (continued)

Property Investments as at 30 June 2016 (continued)

Name	Location	Sub-sector	Market Value £	Tenure	Area sq ft	Occupancy Rate % (ERV)
Units 1 & 2 Olympian Way	Leyland	Retail Warehouses	4-6m	Leasehold	31,781	100
Silbury House	Milton Keynes	Offices – South East	4-6m	Freehold	69,332	100
Boadoak Business Park	Manchester	Industrials – Rest of UK	4-6m	Freehold	25,205	80
Interplex 16	Bristol	Industrials – Rest of UK	4-6m	Freehold	86,548	40
Valley Road and North Brook Street	Bradford	St Retails – Rest of UK	4-6m	Mixed	28,915	100
Matalan	Kings Lynn	St Retails – South East	4-6m	Leasehold	33,991	100
Endeavor House	Kiddlington	Offices – South East	4-6m	Freehold	23,414	100
The Range	Southend-on-sea	Retail Warehouses	4-6m	Freehold	30,427	100
Interfleet house	Derby	Offices – Rest of UK	4-6m	Freehold	28,735	100
Unit 6 Broadgate	Oldham	Industrials – Rest of UK	4-6m	Leasehold	74,712	0
Mount Farm	Milton Keynes	Industrials – South East	4-6m	Freehold	103,605	100
The IT Centre, York Science Centre	York	Offices – Rest of UK	4-6m	Leasehold	25,419	100
Anglia House	Bishops Stortford	Offices – South East	4-6m	Freehold	16,982	100
Matalan	Bradford	Retail Warehouses	4-6m	Leasehold	25,282	100
Opus 9 Industrial Estate	Warrington	Industrials – Rest of UK	4-6m	Freehold	54,904	100
Deans Industrial Estate, Units 1&2 Cullen Square	Livingston	Industrials – Rest of UK	4-6m	Freehold	81,735	100
Persimmon House, Crossway Business Park	Dartford	Offices – South East	4-6m	Freehold	14,957	100
31/32 Queen Square	Bristol	Offices – Rest of UK	2-4m	Freehold	13,124	100
Unit 2 Brunel Way	Fareham	Industrials – South East	2-4m	Leasehold	38,217	100
Unit 4 Monkton Business Park	Newcastle Upon Tyne	Industrials – Rest of UK	2-4m	Leasehold	33,021	100
Ceres Court 25-33 Fife Road	Kingston Upon Thames	St Retails – South East	2-4m	Leasehold	4,343	100
Unit 4 Easter Park	Bolton	Industrials – Rest of UK	2-4m	Leasehold	35,534	100
Unit 14 Interlink Park	Bardon	Industrials – Rest of UK	2-4m	Freehold	32,747	100
21 Gavin Way	Birmingham	Industrials – Rest of UK	2-4m	Freehold	36,376	100
Travis Perkins	Cheltenham	Industrials – Rest of UK	0-2m	Freehold	51,148	100
Windsor Court & Crown Farm	Mansfield	Industrials – Rest of UK	0-2m	Leasehold	23,574	100
Total property portfolio*			450,051,000			

* This is the open market value unadjusted for lease incentives and sales costs for properties held for sale at the Balance Sheet date.

Standard Life Investments Property Income Trust Limited

Directors' Responsibility Statement

The Directors are responsible for preparing the Interim Management Report in accordance with applicable law and regulations. The Directors confirm that to the best of their knowledge:

- ▶ The condensed Unaudited Consolidated Financial Statements have been prepared in accordance with IAS 34; and
- ▶ The Interim Management Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the Financial Conduct Authority's Disclosure and Transparency Rules.
- ▶ In accordance with 4.2.9R of the Financial Conduct Authority's Disclosure and Transparency Rules, it is confirmed that this publication has not been audited, or reviewed by the Company's auditors.

The Interim Report, for the six months ended 30 June 2016, comprises an Interim Management Report in the form of the Chairman's Statement, the Investment Manager's Report, the Directors' Responsibility Statement and a condensed set of Unaudited Consolidated Financial Statements.

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

- a. the Unaudited Consolidated Financial Statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- b. the Interim 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 faced.

For and on behalf of the Directors of Standard Life Investments Property Income Trust Limited

Robert Peto
Chairman
6 September 2016

Standard Life Investments Property Income Trust Limited

Unaudited Consolidated Statement of Comprehensive Income for the period ended 30 June 2016

	Notes	1 Jan 16 to 30 Jun 16 £	1 Jan 15 to 30 Jun 15 £	1 Jan 15 to 31 Dec 15 £
Rental income		14,918,244	9,739,210	20,142,180
Surrender premium income		–	–	120,000
Valuation gain from investment properties	3	2,716,962	7,529,522	17,636,973
Costs of business acquisition		–	–	(1,942,498)
(Loss) on asset acquisition		–	(65,129)	(75,181)
Profit/(Loss) on disposal of investment properties		94,361	(796,363)	3,024,748
Investment management fees	2	(1,620,379)	(1,121,035)	(2,105,104)
Other direct property operating expenses		(526,659)	(504,924)	(929,165)
Directors' fees and expenses		(75,326)	(62,150)	(124,296)
Valuers fees		(53,745)	(37,809)	(92,324)
Auditor's fee		(45,714)	(23,008)	(82,308)
Other administration expenses		(226,067)	(163,143)	(376,776)
Operating profit		15,181,677	14,495,171	35,196,249
Finance income		16,103	26,256	68,186
Finance costs		(2,341,813)	(1,597,490)	(3,324,782)
Loss on derecognition of interest rate swaps	10	(2,735,000)	–	–
Profit for the period		10,120,967	12,923,937	31,939,653
Other comprehensive income				
Net change in fair value of the swap reclassified to profit and loss	10	2,735,000	–	–
Valuation (loss)/gain on cash flow hedge		(6,078,345)	757,123	589,647
Total other comprehensive income		(3,343,345)	757,123	589,647
Total comprehensive income for the period, net of tax		6,777,622	13,681,060	32,529,300
Earnings per share:		pence	pence	pence
Basic and diluted earnings per share		2.66	4.84	11.39
Adjusted (EPRA) earnings per share		1.92	2.34	4.05
All items in the above Unaudited Consolidated Statement of Comprehensive Income derive from continuing operations.				
The notes on pages 22 to 30 are an integral part of these Unaudited Consolidated Financial Statements.				

Standard Life Investments Property Income Trust Limited

Unaudited Consolidated Balance Sheet

as at 30 June 2016

	Notes	30 Jun 16 £	30 Jun 15 £	31 Dec 15 £
ASSETS				
Non-current assets				
Investment properties	3	437,297,884	272,669,703	448,616,754
Lease incentives	3	3,267,928	2,471,229	3,457,588
		440,565,812	275,140,932	452,074,342
Current assets				
Investment properties held for sale	4	8,886,675	13,010,300	–
Trade and other receivables		2,900,839	4,884,695	2,858,851
Cash and cash equivalents		18,257,372	27,329,945	12,395,516
		30,044,886	45,224,940	15,254,367
Total assets		470,610,698	320,365,872	467,328,709
LIABILITIES				
Current liabilities				
Trade and other payables		12,804,358	7,485,896	12,788,999
Interest rate swap		990,627	832,034	908,751
		13,794,985	8,317,930	13,697,750
Non-current liabilities				
Bank borrowings		140,389,061	84,036,866	139,048,848
Interest rate swap		4,438,010	1,085,782	1,176,541
Rent deposits due to tenants		434,425	525,002	622,283
		145,261,496	85,647,650	140,847,672
Total liabilities		159,056,481	93,965,580	154,545,422
Net assets		311,554,217	226,400,292	312,783,287
EQUITY				
Capital and reserves attributable to Company's equity holders				
Share capital		204,820,219	130,589,115	204,820,219
Retained earnings		5,470,281	7,776,524	6,167,329
Capital reserves		3,425,345	(9,803,719)	3,957,367
Other distributable reserves		97,838,372	97,838,372	97,838,372
Total equity		311,554,217	226,400,292	312,783,287
NAV per share				
NAV	8	81.8p	78.5p	82.2p
EPRA NAV	8	83.3p	79.2p	82.7p

The notes on pages 22 to 30 are an integral part of these Unaudited Consolidated Financial Statements.

Standard Life Investments Property Income Trust Limited

Unaudited Consolidated Statement of Changes in Equity for the period ended 30 June 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 period		–	10,120,967	–	–	10,120,967
Other Comprehensive Income		–	–	(3,343,345)	–	(3,343,345)
Total comprehensive gain for the period		–	10,120,967	(3,343,345)	–	6,777,622
Dividends paid	7	–	(8,006,692)	–	–	(8,006,692)
Valuation gain from investment properties	3	–	(2,716,962)	2,716,962	–	–
Profit on disposal of investment properties		–	(94,361)	94,361	–	–
Balance at 30 June 2016		204,820,219	5,470,281	3,425,345	97,838,372	311,554,217

The notes on pages 22 to 30 are an integral part of these Unaudited Consolidated Financial Statements.

Standard Life Investments Property Income Trust Limited

Unaudited Consolidated Statement of Changes in Equity (continued)

for the period ended 30 June 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 period		–	12,923,937	–	–	12,923,937
Other Comprehensive Income		–	–	757,123	–	757,123
Total comprehensive gain for the period		–	12,923,937	757,123	–	13,681,060
Dividends paid	7	–	(6,048,757)	–	–	(6,048,757)
Ordinary shares issued net of issue costs*		34,400,467	–	–	–	34,400,467
Valuation gain from investment properties		–	(7,529,522)	7,529,522	–	–
Loss on disposal of investment properties		–	796,363	(796,363)	–	–
Balance at 30 June 2015		130,589,115	7,776,524	(9,803,719)	97,838,372	226,400,292

* this value represents both the nominal and the premium raised on issuing the ordinary shares.

The notes on pages 22 to 30 are an integral part of these Unaudited Consolidated Financial Statements.

Standard Life Investments Property Income Trust Limited

Unaudited 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 period		–	31,939,653	–	–	31,939,653
Other Comprehensive Income		–	–	589,647	–	589,647
Total comprehensive gain for the period		–	31,939,653	589,647	–	32,529,300
Dividends paid	7	–	(12,745,106)	–	–	(12,745,106)
Ordinary shares issued net of issue costs*		108,631,571	–	–	–	108,631,571
Valuation gain from investment properties		–	(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

* this value represents both the nominal and the premium raised on issuing the ordinary shares.

The notes on pages 22 to 30 are an integral part of these Unaudited Consolidated Financial Statements.

Standard Life Investments Property Income Trust Limited

Unaudited Consolidated Cash Flow Statement for the period ended 30 June 2016

	Notes	1 Jan 16 to 30 Jun 16 £	1 Jan 15 to 30 Jun 15 £	1 Jan 15 to 31 Dec 15 £
Cash generated from operating activities				
Profit for the period		10,120,967	12,923,937	31,939,653
Movement in non-current lease incentives		(189,660)	19,373	270,464
Movement in trade and other receivables		(41,988)	(2,224,255)	1,230,084
Movement in trade and other payables		(297,315)	324,462	3,735,996
Finance costs		2,341,813	1,597,490	3,324,782
Loss on derecognition of interest rate swaps	10	2,735,000	–	–
Finance income		(16,103)	(26,256)	(68,186)
Valuation gain from investment properties	3	(2,716,962)	(7,529,522)	(17,636,973)
Loss on asset acquisition		–	–	75,181
(Profit)/loss on disposal of investment properties		(94,361)	796,363	(3,024,748)
Net cash inflow from operating activities		11,841,391	5,881,592	19,846,253
Cash flows from investing activities				
Interest received		16,103	26,256	68,186
Purchase of investment properties		–	(21,441,843)	(52,198,123)
Business acquisition net of cash acquired		–	–	(165,060,458)
Capital expenditure on investment properties	3	(888,612)	(593,112)	(1,144,434)
Net proceeds from disposal of investment properties		6,219,361	11,303,737	57,854,848
Net cash used in investing activities		5,346,852	(10,704,962)	(160,479,981)
Cash flows from financing activities				
Ordinary shares issued net of issue costs		–	34,400,467	110,462,680
Transaction costs of issues of shares		–	–	(1,831,109)
Bank borrowing		1,340,213	–	55,000,000
Bank borrowing arrangement costs		–	–	(173,450)
Interest paid on bank borrowing		(1,476,865)	(988,882)	(1,869,338)
Payments on interest rate swap		(3,183,043)	(608,608)	(1,213,528)
Dividends paid to the Company's shareholders	7	(8,006,692)	(6,048,757)	(12,745,106)
Net cash used in financing activities		(11,326,387)	26,754,220	147,630,149
Net increase in cash and cash equivalents in the period		5,861,856	21,930,850	6,996,421
Cash and cash equivalents at beginning of period		12,395,516	5,399,095	5,399,095
Cash and cash equivalents at end of period		18,257,372	27,329,945	12,395,516
The notes on pages 22 to 30 are an integral part of these Unaudited Consolidated Financial Statements.				

Standard Life Investments Property Income Trust Limited

Notes to the Unaudited Consolidated Financial Statements for the period ended 30 June 2016

1 Accounting Policies

The unaudited consolidated financial statements have been prepared in accordance with International Financial Reporting Standard ('IFRS') IAS 34 'Interim Financial Reporting' and, except as described below, the accounting policies set out in the statutory accounts of the Group for the year ended 31 December 2015. The condensed unaudited consolidated financial statements do not include all of the information required for a complete set of IFRS financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2015, which were prepared under full IFRS requirements.

2 Related Party Disclosures

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Investment Manager

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 current IMA, the Investment Manager is entitled to receive fees of 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 period ended 30 June 2016 amounted to £1,620,379 (period ended 30 June 2015: £1,121,035). The amount due and payable at the period end amounted to £807,041, excluding VAT (period ended 30 June 2015: £571,005 excluding VAT).

Standard Life Investments Property Income Trust Limited

Notes to the Unaudited Consolidated Financial Statements (continued)

for the period ended 30 June 2016

3 Investment Properties

Country Class	UK		UK		UK		Total 30 Jun 16
	Industrial 30 Jun 16	£	Office 30 Jun 16	£	Retail 30 Jun 16	£	
Market value as at 1 January 2016	187,070,000		164,065,000		100,850,000		451,985,000
Capital expenditure on investment properties	707,905		47,372		133,335		888,612
Carrying value of disposed investment properties	(3,450,000)		(2,675,000)		–		(6,125,000)
Valuation gain from investment properties	929,022		1,585,172		202,768		2,716,962
Costs to sell for investment properties recognised as held for sale	–		111,325		198,000		309,325
Movement in lease incentives receivable	263,073		(67,869)		80,897		276,101
Closing market value	185,520,000		163,066,000		101,465,000		450,051,000
Investment properties recognised as held for sale	–		(6,296,000)		(2,900,000)		(9,196,000)
	185,520,000		156,770,000		98,565,000		440,855,000
Adjustment for lease incentives*	(600,347)		(2,244,619)		(712,150)		(3,557,116)
Closing carrying value	184,919,653		154,525,381		97,852,850		437,297,884

* Lease incentives are split between non-current assets of £3,267,928 and current assets of £289,188.

Standard Life Investments Property Income Trust Limited

Notes to the Unaudited Consolidated Financial Statements (continued)

for the period ended 30 June 2016

The valuations were performed by JLL Limited and Knight Frank LLP, both accredited independent valuers with recognised and relevant 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 combined market value provided by JLL Limited and Knight Frank LLP at the period ended 30 June 2016 was £450,051,000 (30 June 2015: £288,390,000) however an adjustment has been made for lease incentives of £3,557,116 (30 June 2015: £2,195,297) that are already accounted for as an asset and for costs to sell of £309,325 for the two properties which are currently held for sale. The valuation at 30 June 2016 of £450,051,000 includes £2,900,000 in relation to Ceres Court, Kingston Upon Thames and £6,296,000 in relation to Causeway House, Teddington, two investment properties held for sale at the Balance Sheet date (see note 4).

Valuation gains and losses from investment properties are recognised in profit and loss for the period and are attributable to changes in unrealised gains or losses relating to investment property (completed and under construction) held at the end of the reporting period.

4 Investment Properties Held For Sale

As at 30 June 2016 the Group held for sale Ceres Court, Kingston Upon Thames for £2,900,000 excluding related sales costs and Causeway House, Teddington for £6,296,000 excluding related sale costs. The independently assessed market value of each property held for sale at 30 June 2016 is detailed below:

	30 Jun 16	30 Jun 15	31 Dec 15
	£	£	£
Portrack Interchange	–	1,300,000	–
Windsor Court and Crown Farm	–	3,550,000	–
Units 2001 & 2002 Coal Road	–	3,725,000	–
140 West George Street	–	4,950,000	–
Ceres Court, Kingston Upon Thames	2,900,000	–	–
Causeway House, Teddington	6,296,000	–	–
	9,196,000	13,525,000	–
Less: costs to sell	(309,325)	(514,700)	–
	8,886,675	13,010,300	–

Standard Life Investments Property Income Trust Limited

Notes to the Unaudited Consolidated Financial Statements (continued)

for the period ended 30 June 2016

5 Earnings Per Share

The earnings per Ordinary share are based on the net profit for the period of £10,120,967 (30 June 2015: £12,923,937 and 31 December 2015: £31,939,653) and 380,690,419 (30 June 2015: 267,039,746 and 31 December 2015: 280,330,039) ordinary shares, being the weighted average number of shares in issue during the period.

Earnings for the period to 30 June 2016 should not be taken as a guide to the results for the year to 31 December 2016.

6 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.

During the year to 31 December 2015 the Group acquired 100% of the units in Aviva Investors UK Real Estate Recovery II Unit Trust (the "Unit Trust" or "UT"), a Jersey Property Unit Trust "JPUR". The acquisition included the entire issued share capital of a General Partner which holds, through a Limited Partnership, the new portfolio of 22 UK real estate assets. The transaction completed on 23 December 2015 and the Group treated the acquisition as a Business Combination in accordance with IFRS 3. The Group Undertakings consist of the following entities 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 Unit Trust, a Jersey Property Unit Trust domiciled in Jersey, Channel Islands (formerly Aviva Investors UK Real Estate Recovery II Unit Trust).
- ▶ Standard Life Investments (SLIPIT) Limited Partnership, a limited partnership established in England (formerly Aviva Investors UK Real Estate Recovery II Limited Partnership).
- ▶ Standard Life Investments SLIPIT (General Partner) Limited, a company with limited liability incorporated in the United Kingdom (formerly Aviva Investors UK Real Estate Recovery II (General Partner) Limited).
- ▶ Standard Life Investments SLIPIT (Nominee) Limited, a company with limited liability incorporated and domiciled in the United Kingdom (formerly Aviva Investors UK Real Estate Recovery II (Nominee) Limited).
- ▶ Ceres Court Properties Limited, a company with limited liability incorporated and domiciled in the United Kingdom (sold on 8 July 2016).

Standard Life Investments Property Income Trust Limited

Notes to the Unaudited Consolidated Financial Statements (continued)

for the period ended 30 June 2016

7 Dividends And Property Income Distribution Gross Of Income Tax

	30 Jun 16 £	30 Jun 15 £	31 Dec 15 £
Non Property Income Distributions			
1.161p per ordinary share paid in February relating to the quarter ending 31 December 2014	–	2,835,350	2,835,350
0.391p per ordinary share paid in November relating to the quarter ending 30 September 2015	–	–	1,127,594
0.561p per ordinary share paid in March relating to the quarter ending 31 December 2015	1,679,848	–	–
Property Income Distributions			
1.161p per ordinary share paid in May relating to the quarter ending 31 March 2015	–	3,213,407	3,213,406
1.161p per ordinary share paid in August relating to the quarter ending 30 June 2015	–	–	3,348,175
0.770p per ordinary share paid in November relating to the quarter ending 30 September 2015	–	–	2,220,581
0.600p per ordinary share paid in March relating to the quarter ending 31 December 2015	1,796,628	–	–
1.19p per ordinary share paid in May relating to the quarter ending 31 March 2016	4,530,216	–	–
	8,006,692	6,048,757	12,745,106

A property income dividend of 1.19p per share was declared on 09 August 2016 in respect of the quarter to 30 June 2016 – a total payment of £4,530,216. This was paid on 31 August 2016.

Standard Life Investments Property Income Trust Limited

Notes to the Unaudited Consolidated Financial Statements (continued)

for the period ended 30 June 2016

8 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 and calculated on a basis which adjusts the underlying reported IFRS numbers. The adjustment made is to include a provision for payment of a dividend in respect of the quarter then ended.

	30 Jun 16 Number of Shares	30 Jun 15 Number of Shares	31 Dec 15 Number of Shares
Number of ordinary shares at the reporting date	380,690,419	288,387,160	380,690,419
	30 Jun 16 £	30 Jun 15 £	31 Dec 15 £
Total equity per consolidated financial statements	311,554,217	226,400,292	312,783,287
NAV per share	81.8p	78.5p	82.2p

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.

	30 Jun 16 £	30 Jun 15 £	31 Dec 15 £
Total equity per consolidated financial statements	311,554,217	226,400,292	312,783,287
Adjustments:			
Add: fair value of derivatives	5,428,637	1,917,816	2,085,292
Published adjusted EPRA NAV	316,982,854	228,318,108	314,868,579
Published adjusted EPRA NAV per share	83.3p	79.2p	82.7p

Standard Life Investments Property Income Trust Limited

Notes to the Unaudited Consolidated Financial Statements (continued)

for the period ended 30 June 2016

9 Financial Instruments And Investment Properties

Fair values

The fair value of financial assets and liabilities is not materially different from the carrying value in the annual financial statements.

Fair value hierarchy

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

30 June 2016	Level 1	Level 2	Level 3	Total fair value
Investment properties	–	–	437,297,884	437,297,884

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

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:

30 June 2016	Level 1	Level 2	Level 3	Total fair value
Loan Facilities	–	144,775,064	–	144,775,064

The lowest level of input is the interest rate payable on each borrowing which is a directly observable input.

30 June 2016	Level 1	Level 2	Level 3	Total fair value
Interest rate swap	–	5,428,637	–	5,428,637

The lowest level of input is the three month LIBOR yield curve which is a directly observable input.

There were no transfers between levels of the fair value hierarchy during the six months ended 30 June 2016.

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.

The fair value of investment properties is calculated using unobservable inputs as described in the annual report and accounts for the year ended 31 December 2015.

Standard Life Investments Property Income Trust Limited

Notes to the Unaudited Consolidated Financial Statements (continued)

for the period ended 30 June 2016

Sensitivity of measurement to variance of significant unobservable inputs:

A decrease in the estimated annual rent will decrease the fair value.

An increase in the discount rates and the capitalisation rates will decrease the fair value.

There are interrelationships between these rates as they are partially determined by the market rate conditions.

The fair value of the derivative interest rate swap contract is estimated by discounting expected future cash flows using current market interest rates and yield curves over the remaining term of the instrument.

The fair value of the loan facilities are estimated by discounting expected future cash flows using the current interest rates applicable to each loan.

10 Bank Borrowings

On 22 December 2015 the Company completed the drawdown of an additional £55,000,000 loan with RBS. The new debt facility and the existing facility was then repayable on 27 June 2017, which applied to the fully drawn down balance of £139,432,692. Interest from 22 December 2015 was payable at a rate equal to the aggregate of 3 month Libor, a margin of 1.25%.

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 (the "Term Loan") and a £35 million five year RCF. The RCF may by agreement be extended by one year on two occasions. £145 million has been drawn down by the Group. Interest is payable on the Term Loan at 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 1.78% on the RCF which together give an attractive current blended rate of 2.5% (based on the RCF being fully drawn). As part of this refinancing the existing swaps that were in place were repaid at a cost of £2.735 million and one new seven year swap was entered into that covers the £110 million Term Loan.

The restated facility agreement includes terms that are typical for a facility of this nature, including LTV (a maximum of 60% for the first five years and 55% thereafter) and interest cover ratio covenants (not less than 175% for the term of the facility) and the ability to substitute properties in the security pool.

Standard Life Investments Property Income Trust Limited

Notes to the Unaudited Consolidated Financial Statements (continued)

for the period ended 30 June 2016

11 Events After The Balance Sheet Date

Property Sales and Purchases

On 1 July 2016 the Company completed the sale of Causeway House, Teddington for £6.3 million excluding costs.

On 8 July 2016 the Company completed the sale of Ceres Court, Kingston Upon Thames for £2.75 million excluding costs.

Shares and Dividends

A property income dividend of 1.19p per share was declared on 09 August 2016 in respect of the quarter to 30 June 2016 – a total payment of £4,530,216. This was paid on 31 August 2016.

Standard Life Investments Property Income Trust Limited

Information for Investors

Share Register Enquiries

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

Notifications of changes of address and all enquiries regarding certificates or dividend cheques should be sent in writing to the Registrars.

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.standardlifeinvestments.com/its, 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 net asset value 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.

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

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

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Sally-Ann Farnon ²
Huw Griffith Evans ³
Mike Balfour
James Clifton-Brown ⁴

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¹ Chairman of the Nomination Committee

² Chairman of the Audit Committee and Senior Independent Director

³ Chairman of the Remuneration Committee and Management Engagement Committee

⁴ Chairman of the Property Valuation Committee

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