Standard Life Investments Property Income Trust Limited

Annual Report & Consolidated Accounts
Year ended 31 December 2017

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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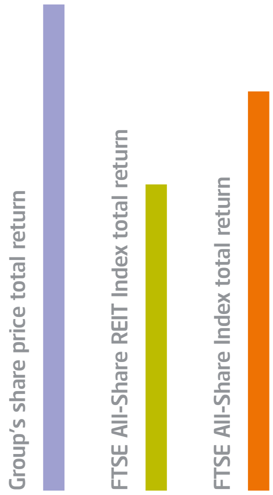
Financial Highlights

NAV total return
14.5 PERCENT

NAV total return of 14.5% in the year driven by strong portfolio performance due to overweight exposure to outperforming industrial sector.



Group's share price total return
13.7 PERCENT

FTSE All-Share REIT Index total return
12.2 PERCENT

FTSE All-Share Index total return
13.1 PERCENT

Loan to value
18.0 PERCENT

Prudent Loan to Value ("LTV") at year end of 18% (2016 – 26%) with debt at an attractive interest rate of 2.7%.

Dividend cover
104 PERCENT

Dividend fully covered in the year.

Dividend yield
(based on share price at the year end of 93.25p)

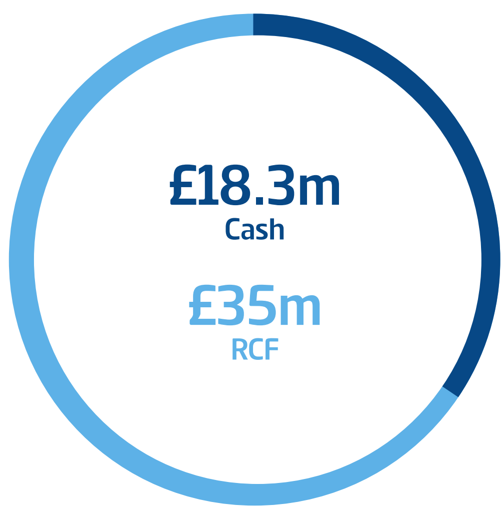
Dividend yield
5.1 PERCENT

FTSE All-Share REIT Index
3.6 PERCENT

FTSE All-Share Index
3.4 PERCENT

Uncommitted cash

The Group had uncommitted cash of £18.3 million plus £35 million available to utilise of its Revolving Credit Facility ("RCF") at the year end which will enable the Group to take advantage of opportunities as and when they arise.



Performance Summary
Portfolio Highlights

Portfolio return

12.1%

Portfolio total return for the year was 12.1%, ahead of the IPD Quarterly version of Monthly Index total return ("the Group's benchmark") of 10.5%.

10.5%
IPD Benchmark

Income return

6.3%

The Company's strong income return continued to out-perform the IPD benchmark.

4.8%
IPD Benchmark

Capital return

5.5%

5.5%
IPD Benchmark

8 new lettings generating
£512,000
per annum of income

14 lease renegotiations/rent reviews securing
£740,000
per annum of income

Rent collection

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.

Portfolio value

433.2 MILLION POUNDS

As at 31 December 2017, the portfolio was valued at £433.2 million.

Portfolio repositioning

122.1 MILLION POUNDS

Total turnover in portfolio of £122.1 million with portfolio repositioned into assets that offer more secure income and reduces risk.

Void rate

7.7 PERCENT

Void rate of 7.7% at 31 December 2017, but majority of the void is in the Group's favoured industrial sector.

Strategic Report
Performance Summary

Earnings & Dividends	31 December 2017	31 December 2016
Revenue earnings per share (excluding capital items & swap movements) (p)	4.99	5.56
Dividends declared per ordinary share (p)	4.76	4.76
Dividend cover (%)*	104	117
Dividend yield (%)**	5.1	5.5
FTSE Real Estate Investment Trusts Index Yield (%)	3.6	3.7
FTSE All-Share Index Yield (%)	3.4	3.5
Ongoing Charges***		
As a % of average net assets including direct property costs	1.7	1.7
As a % of average net assets excluding direct property costs	1.2	1.3

Capital Values & Gearing	31 December 2017	31 December 2016	Change %
Total assets (£million)	468.8	445.7	5.0
Net asset value per share (p) (note 20)	87.6	81.0	8.1
Ordinary Share Price (p)	93.25	86.5	7.8
Premium to NAV (%)	6.4	6.8	
Loan to Value (%) ****	18.0	26.0	

Total Return	1 year % return	3 year % return	5 year % return
NAV*****	14.5	38.1	112.9
Share Price*****	13.7	40.5	115.8
FTSE All-Share REIT Index	12.2	15.4	70.8
FTSE All-Share Index	13.1	33.3	63.0

Property Returns & Statistics (%)	31 December 2017	31 December 2016
Property income return	6.3	6.5
IPD benchmark income return	4.8	4.8
Property total return	12.1	5.8
IPD benchmark total return	10.5	2.2
Void rate	7.7	3.3

*
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.

****
Calculated as bank borrowings less all cash (including cash held at solicitors) 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").

Strategic Report
Chairman's Statement

I am pleased to report that your Group has continued to produce strong returns at both a NAV and shareholder level over the year. These returns have been underpinned by a portfolio that has been significantly re-positioned in the year, with investment into assets in favoured sectors that offer more secure income and reduce risk in the portfolio.

Robert Peto

BACKGROUND

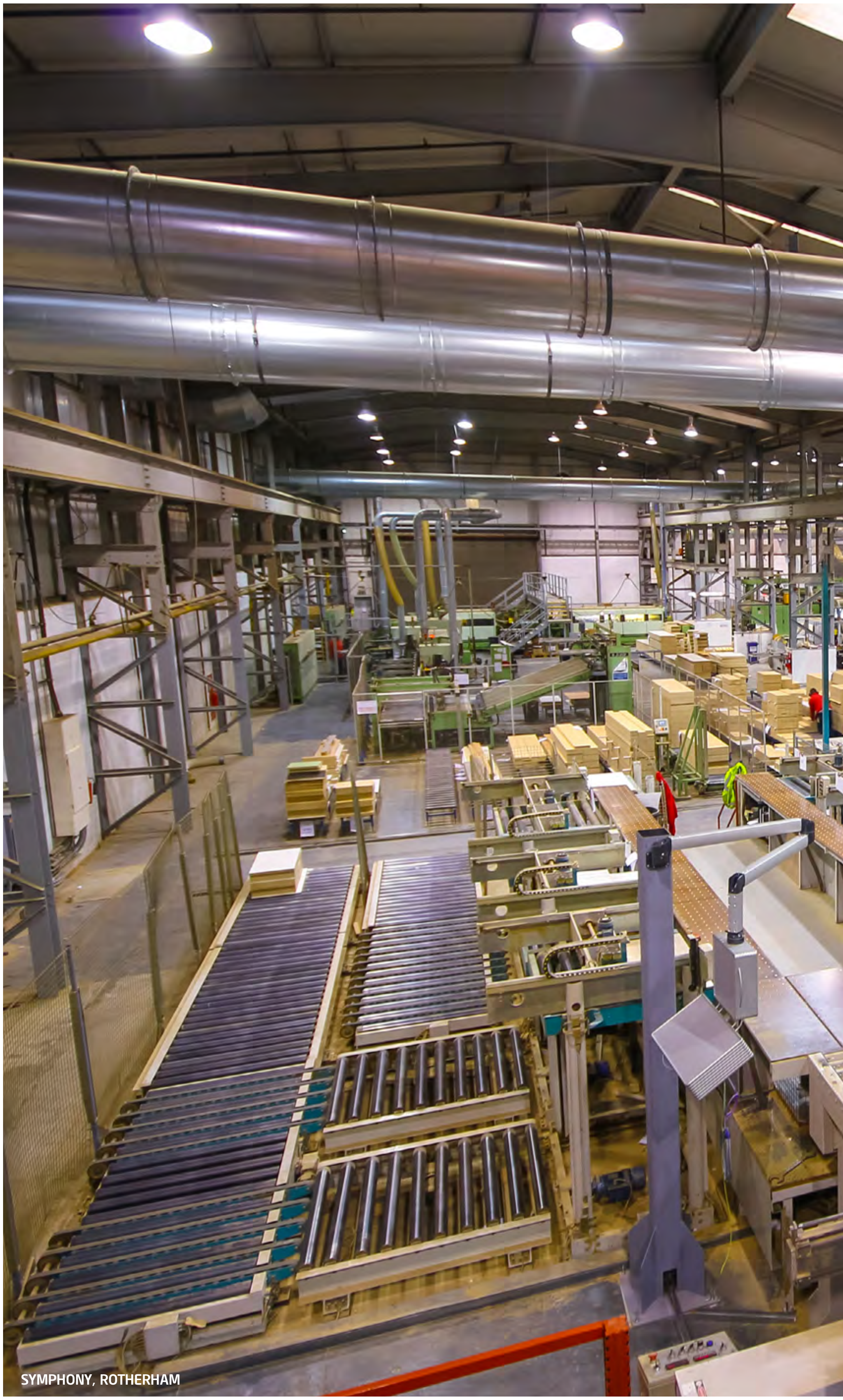
The shadow of increasing political uncertainty, initially created by the unknowns of Brexit, but further increased by the worrying development of trade wars and the rising tensions with Russia, are hanging over the UK. Brexit, in particular, has resulted in a slowdown in the growth of the UK economy which remains positive if unspectacular. GDP grew by 1.7% in 2017, ahead of many forecasts at the start of the year but lower than in 2016. This contrasts with the strong pick-up in growth in both the US and the Eurozone. There are many reasons for the slowdown in the UK economy but commentators generally agree that there are two main causes. The first is the squeeze on disposable incomes resulting from the pick-up in inflation stemming from the 2016 Brexit vote and the subsequent fall in the value of the pound. The second, and potentially more worrying, is the fact that business investment has been much weaker than expected with many companies delaying new projects until the outcome of any Brexit deal becomes clear.

In this uncertain environment, the performance of the real estate market has surprised on the upside. The Group's benchmark (IPD quarterly version of IPD Monthly Index Funds) produced a total return of 10.5% in 2017, coming in ahead of the IPF Consensus expectations for the year of 3.2%. Capital growth was robust over the year with values rising by 5.5%, driven by the buoyant performance of the industrial sector. On the income side, rental growth was recorded in all sectors resulting in overall rental growth of 1.9% and an income return of 4.8%.

Strategic Report
Chairman's Statement

14.5 PERCENT

Strong Net Asset Value (NAV) total return


SYMPHONY, ROTHERHAM

PERFORMANCE

The Group has performed well in the year. The portfolio total return was 12.1% representing a significant margin over the benchmark return. This outperformance was driven by an above benchmark portfolio income return of 6.3% and a capital return of 5.5%. The capital return was achieved despite the drag of transaction costs resulting from a total turnover in the portfolio during the year of £122.1 million. This positive portfolio performance, combined with a conservative level of gearing, helped the Group achieve an attractive NAV total return of 14.5%.

The Company's shares continued to trade at a premium, which stood at 6.4% to NAV at the year end, underlining investors' appetite for attractive, secure income returns. This continued demand for the Company's shares allowed the Company to undertake NAV accretive share issuances under its blocklisting authority. Up to 5 April 2018, a total of 22.425 million shares have been issued from the beginning of the blocklisting facility at an average premium to NAV of 6.4% raising £20 million for investment into the portfolio. The premium at the end of the year was marginally less than the premium at the end of the previous financial year which meant that the total shareholder return for the year was slightly lower than the NAV total return at 13.7%.

Over the longer term the Group has also delivered good performance with a NAV and share price total return over five years of 112.9% and 115.8% respectively. By comparison, the FTSE All-Share REIT Index returned 70.8% and the FTSE All-Share Index returned 63.0% over the same period.

"The Group has a strong balance sheet, prudent gearing and significant cash resources still available to invest, boosted by ongoing NAV accretive share issues. Combining these factors, I believe your Company is well set up to continue to deliver attractive relative returns in the future."

Robert Peto

5.1 PERCENT

Dividend yield

Strategic Report
Chairman's Statement continued

DIVIDENDS

Dividends totalling 4.76p were paid to shareholders in the year. This represents a yield of 5.1% based on the share price at 31 December 2017 which compares favourably to the yield on the FTSE All-Share REIT and FTSE All-Share Indices (3.6% and 3.4% respectively).

Importantly, the dividend was more than fully covered by earnings for the year (104%) which was achieved despite net disposals of £22 million and the resultant loss in income. The Board is fully aware of the importance to shareholders of paying out an attractive income, with the maintenance of an appropriate dividend cover being a key focus in the year ahead.

FINANCIAL RESOURCES

As at the year end, the Group had a prudent Loan to Value ratio of 18% reflecting the relatively cautious outlook going forward. The Group has in place a term loan which is not due to expire until 2023 at a fixed interest rate of 2.73%. This compares to the net initial yield on the portfolio of 5.5%, highlighting the income accretive nature of this debt. The Group also had significant firepower still available for investment with £35 million of its revolving credit facility to utilise and uncommitted cash of £18.3 million at the year end. Overall, the board believes the Group is in a good financial position with a strong balance sheet and significant resources still available for investment.

DICK BARFIELD

It is with great sadness that I have to report that my predecessor as Chairman, Mr Dick Barfield, recently passed away after a short illness. Dick, who retired at the AGM in June 2016, was a man of great character, leadership and integrity and he will be sorely missed.

OUTLOOK

The expectation for the next year is for more moderate economic growth. However the extent of this moderation will be largely dependant on the perceived success or otherwise of the Brexit negotiations which, in turn, will impact on the level of business investment. In addition, the extent of any rise in interest rates, which the Bank of England has indicated may rise more rapidly than forecast, will also influence the performance of the economy and the property market in the upcoming year.

In terms of the UK real estate market, values are now in excess of the level before the Brexit vote in 2016 with strong fundamentals in place. The yields generated by UK real estate are still significantly higher than the other mainstream asset classes. In addition, unlike in previous cycles, the leverage in the sector is prudent and the market is still fairly liquid. Finally, by historical standards, limited development and lower than average vacancy rates should all provide a solid foundation for future positive returns, albeit more geared towards income in the immediate future.

In this environment, your Board believes the Group is in a good position. While it is anticipated there may be more volatility in secondary assets going forward, the portfolio of 54 assets at the year-end is well diversified both by geography and sector. In terms of the latter, the Group had a 49.2% exposure to Industrials which our Investment Manager forecasts will remain the top performing sector in 2018. The repositioning exercise, which has continued into 2018, has also helped de-risk the portfolio by selling assets that had limited future return prospects, particularly in the retail sector, which the Company had a 16.1% exposure to at year end (benchmark 35.7%), and reinvesting the proceeds into assets in stronger sectors, such as well-located offices and industrial units, which offer more secure income. Also, as highlighted, it is anticipated that income will be the main driver of future returns. In this respect the Group has a strong and diverse tenant base which underpins the high income return and the attractive, covered dividend the Group continues to pay. Finally, the Group has a strong balance sheet, prudent gearing and significant cash resources still available to invest, boosted by ongoing NAV accretive share issues. Combining these factors, I believe your Company is well set up to continue to deliver attractive relative returns in the future.

Robert Peto
Chairman
5 April 2018


BOURNE HOUSE, STAINES

HOLLYWOOD GREEN, LONDON


MARSH WAY, RAINHAM


101 PRINCESS STREET, MANCHESTER

UNIT 4 EASTER PARK, BOLTON

Strategic Report
Strategic Overview

OBJECTIVE

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

HOWARD TOWN RETAIL PARK, GLOSSOP

INVESTMENT POLICY AND BUSINESS MODEL

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

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

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

As part of its strategy, the Board has contractually delegated the management of the property portfolio, and other services, to Standard Life Investments (Corporate Funds) Limited ("Investment Manager").

TETRON 141, SWADLINCOTE

CHESTER HOUSE, FARNBOROUGH

STRATEGY

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

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

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

The Board's preference is to buy into good, but not necessarily prime locations, where it perceives there will be good continuing tenant demand, and to seek out properties where the asset management skills 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 Group. During 2017 and up to 5 April 2018, the Group raised an additional £20 million through new share issues, as detailed in the Chairman's Statement.

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

THE BOARD

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 2017 and at the date of this report appear on pages 28 and 29 and indicate their range of property, investment, commercial and financial experience. There is also a commitment to achieve the proper levels of diversity. At the date of this report, the Board consisted of one female and four male Directors. The Group does not have any employees.

Strategic Report

Strategic Overview continued

PINNACLE, READING

OCEAN TRADE CENTRE, ABERDEEN

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

Property voids.

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

Rent collection dates.

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

Net asset value total return.

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

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

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

Dividend per share and dividend cover.

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

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

This risk is mitigated through regular contact with shareholders, a regular review of share price performance and the level of the discount or premium at which the shares trade to net asset value and regular meetings with the Group's broker to discuss these points and address any issues that arise.

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

This risk is mitigated through regular review of forecast dividend cover and 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 Group subscribes to the Investment Property Databank Iris Report which updates the credit and risk ranking of the tenants and income stream, and compares it to the rest of the UK real estate market.

Strategic Report
Strategic Overview continued


ONE STATION SQUARE, BRACKNELL

The recent merger of Standard Life plc and Aberdeen Asset Management PLC creates additional operational risk for the Group due to the potential for changes in the way the Investment Manager provides its services to the Group. The Board is keeping under close review any potential implications for the Group arising from the merger and the integration process.

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

Details of the Group's internal controls are described in more detail in the Corporate Governance Report on pages 34 to 35.

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

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

Macroeconomic uncertainty continued during 2017, particularly in relation to the UK's decision to leave the EU. 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 Group.

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 Group activity and performance.

Loss on financial instruments.

The Group has entered into an interest rate swap arrangement. This swap instrument is valued and monitored on a daily 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 Group include the following:

- Strategic – incorrect strategy, including sector and property allocation and use of gearing, could all lead to a poor return for shareholders.
- Tax efficiency – the structure of the Group or changes to legislation could result in the Group no longer being a tax efficient investment vehicle for shareholders.
- Regulatory – breach of regulatory rules could lead to the suspension of the Group's Stock Exchange Listing, financial penalties or a qualified audit report.
- Financial – inadequate controls by the Investment Manager or third party service providers could lead to misappropriation of assets. Inappropriate accounting policies or failure to comply with accounting standards could lead to misreporting or breaches of regulations.
- Operational – failure of the Investment Manager's accounting systems or disruption to the Investment Manager's business, or that of third party service providers, could lead to an inability to provide accurate reporting and monitoring, leading to loss of shareholder confidence.
- Economic – inflation or deflation, economic recessions and movements in interest rates could affect property valuations and also bank borrowings.

G R E S B

GLOBAL REAL ESTATE SUSTAINABILITY BENCHMARK

SOCIAL, COMMUNITY AND EMPLOYEE RESPONSIBILITIES

The Group has no direct social, community or employee responsibilities. The Group has no employees and accordingly no requirement to 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 Group'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 Group. 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 to demolition, redevelopment and operational management to disposal. The focus is on energy efficiency, greenhouse gas emissions, resource management and occupier satisfaction. To facilitate this, the Manager works in partnership with contractors, suppliers, tenants and consultants to minimise those impacts, seeking continuous improvements in environmental performance and conducting regular reviews.

The Group was awarded a Green Star ranking in the Global Real Estate Sustainability Benchmark 2017 and improved its score by 8% compared with 2016. A Green Star is awarded to entities that perform well in both categories of the GRESB assessment: Management & Policies and Implementation and Measurement. The Group's approach, through its Investment Manager, to monitoring and improving the sustainability performance of the assets held by the Group has been highly successful. Like-for-like landlord electricity and gas consumption reduced year-on-year across the Trust's assets, by 16% and 27% respectively. This helped drive a significant reduction in greenhouse gas emissions. Water consumption also reduced year-on-year and 99.9% of waste was diverted from landfill. For the first time this year we have adopted the 2017 EPRA Sustainability Best Practice Recommendations Guidelines (SBPRs) to inform the scope of indicators we report against. Full details can be found in EPRA Performance Measures.

EXPLORER 1 & 2, CRAWLEY

HEALTH & SAFETY

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

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

- Detailed NAV, cash resources and income forecasts, prepared by the Investment Manager, for a five year period under both normal and stressed conditions;
- The Group'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 Group'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 Group, as detailed on page 13. The Board takes any potential risks to the ongoing success of the Group, and its ability to perform, very seriously and works hard to ensure that risks are kept to a minimum at all times.

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

APPROVAL OF STRATEGIC REPORT

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

Robert Peto
Chairman
5 April 2018

Strategic Report
Investment Manager's Report

UK REAL ESTATE MARKET

The economy and the real estate market both surprised on the upside in 2017. According to the ONS, economic growth is estimated to have increased by 1.7% over the year; this compares to projections at the start of the year for growth of 1.4%. Similarly, All Property real estate returns were 10.5% (according to the Group's benchmark) over the year coming in ahead of the IPF Consensus expectations of 3.2% for the year. Capital growth was relatively strong over the year also with values rising by 5.4%. Furthermore, rents increased by 1.9% over the year. As we move through 2018, economists generally expect more subdued economic growth for the year ahead and then some further moderation in economic momentum in 2019 as the impact of leaving the European Union becomes more pronounced. Real estate returns for the year are expected to reflect this moderation in economic growth and more subdued returns are expected in 2018 with less capital growth in prospect and income anticipated to be the main driver of returns.

As for the equity markets, the FTSE All Share returned 13.1% over 2017 whilst the FTSE 100 returned 12% over the year. Listed real estate equities recorded a return of 12.7% in 2017.

In sector terms, the industrial sector has continued to demonstrate its strength, generating a total return of 21.1% p.a. in 2017. Retail was the laggard sector again, recording total returns of 7.7%. Despite the political uncertainty associated with the sector, the office sector recorded a total return of 8.5% over 2017. Industrial values continued to rise strongly over the year whilst both the other two sectors only experienced modest capital growth. Retail capital growth continued to be the weakest amongst sectors with values increasing by 1.5%. Office values were stronger, growing 3.5% over 2017. Rents remained on an upward trend over the year, but within sectors, retail rental growth, at 0.4% in 2017, continued to be considerably weaker than the other sectors. It was below office rental growth at 1.4% and industrials at 4.9% over the year.

INVESTMENT OUTLOOK

UK real estate continues to provide an elevated yield compared to other assets and market values are now ahead of the level they attained before the Brexit upheaval in 2016. Lending to the sector remains prudent and liquidity remains reasonable. Additionally, development continues to be relatively constrained by historic standards, and existing vacancy rates are below average levels in most markets, although there are pockets of oversupply in some markets such as Central London offices. The robust fundamentals should help to maintain the positive returns the sector is currently recording. In this environment, the steady secure income component generated by the asset class is likely to be the key driver of returns over the next few years. The market is expected to continue to be sentiment driven in the short term as the politics and economic impact associated with the UK's withdrawal from the European Union continues to evolve. The retail sector continues to face a series of headwinds that may hold back recovery in less strong locations due to oversupply and structural issues but the prospects for retail in the South East and Central London are expected to remain more robust. Given the backdrop of continuing heightened macro uncertainty, investors are becoming more risk averse and better quality assets are once again broadly outperforming poorer quality. Occupier demand, particularly in offices, has continued to focus on good quality real estate that offer an elevated level of amenity to employees, as low levels of unemployment mean the work environment is part of the offering to recruit and retain the best people.

12.1 PERCENT

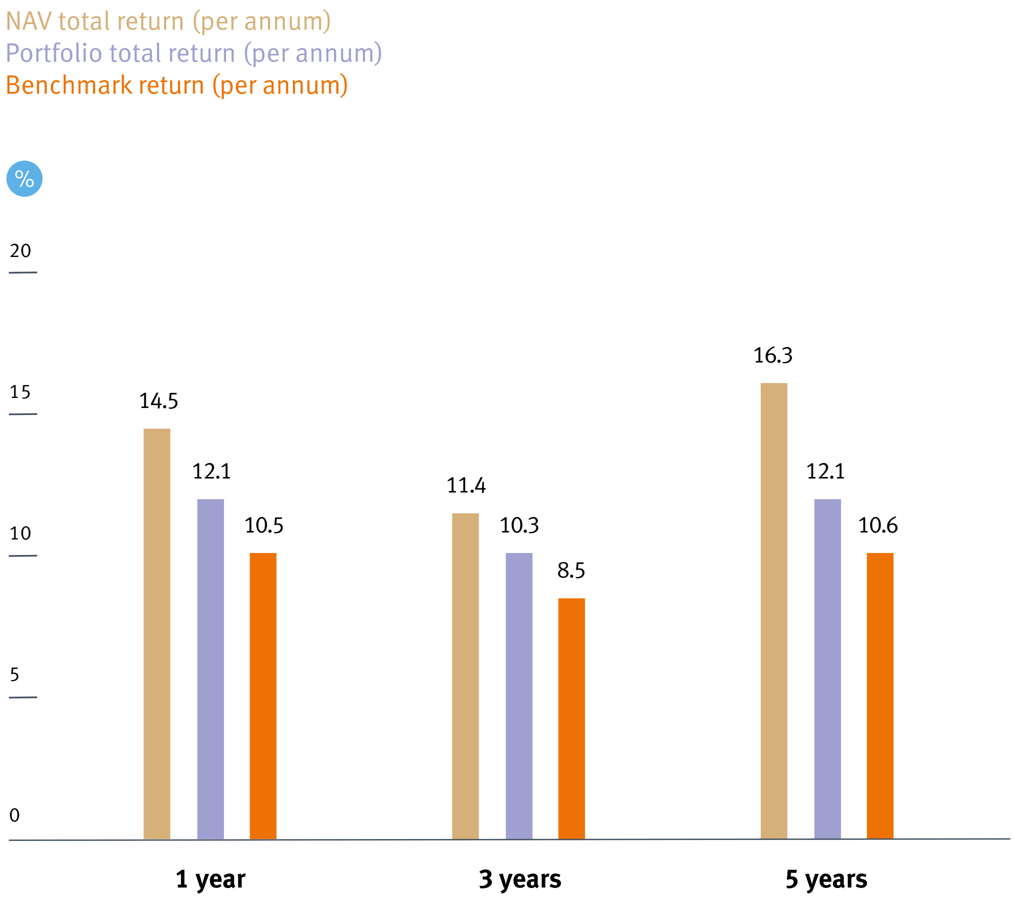
Above benchmark portfolio total return of 12.1%

14.3 PERCENT

In sector terms, the Group's industrial exposure has continued to demonstrate its strength, generating a total return of 14.3%.

TOTAL RETURN

Source: Standard Life Investments, IPD



PERFORMANCE

The Group performed well in 2017, with the portfolio outperforming the MSCI/IPD benchmark (property level total return of 12.1% vs benchmark 10.5%). Over the longer term performance has been also relatively strong with outperformance over three and five years. This has helped drive NAV total return which has exceeded the property level total return over these time periods highlighting the positive effect of the Group's gearing.

The Group's NAV total return also compares favourably to the peer group as detailed below.

NAV Total Returns to 31 December 2017	1 year (%)	3 year (%)	5 year (%)
Standard Life Investments Property Income Trust	14.5	38.1	112.9
AIC Property Direct — UK sector (weighted average)	9.7	26.5	60.2
Investment Association Open Ended Commercial Property Funds sector	7.7	14.7	37.6
Company's ranking in AIC Property Direct sector	2	2	2

Source: Winterflood Securities, Standard Life Investments

Shown here is the Group's share price performance – an obviously important measure for investors, but one that is slightly less relevant to the investment manager as the share price is not directly influenced by its actions compared to the NAV or property level returns. Nonetheless, the rating of the Group's shares is an important measure of the Group's perception, and it has been pleasing to see a premium rating throughout 2017 which has resulted in a strong share price performance over the 12 months as highlighted in the table to the right.

Share Price Total Returns	1 year (%)	3 year (%)	5 year (%)
Standard Life Investments Property Income Trust	13.7	40.5	115.8
FTSE All-Share Index	13.1	33.3	63.0
FTSE All-Share REIT Index	12.2	15.4	70.8
AIC Property Direct UK sector (weighted average)	8.2	18.4	65.7

Source: Winterflood Securities, Standard Life Investments

Strategic Report
Investment Manager's Report continued

VALUATION

The property portfolio was valued on a quarterly basis by Knight Frank LLP (JLL valued part of the portfolio for the March 2017 valuation) throughout the year. At the year end the property portfolio was valued at £433.2 million, and it held uncommitted cash of £18.3 million (this compared with £429.9 million and £13.1 million as at year end 2016). During the year the Group also reduced its debt by repaying £15 million of the revolving credit facility.

INVESTMENT STRATEGY

The Board and Investment Manager remains focused on delivering an attractive income return to shareholders, but we also want to provide investors with a reasonable total return. We aim to meet these objectives through owning assets that we expect to perform in line with our expectations, and also by actively managing the assets we own to drive value and security of future income streams.

Below we outline the activity that has taken place over the year; however a brief summary of our investment policy is to sell properties that we believe have more void or capex risk than we are comfortable with, or where we think the asset will not perform in line with requirements. The sales have therefore concentrated on poorer quality retail warehousing which we believe could see capital falls due to the structural changes in that marketplace, and on office assets that are likely to require significant expenditure and have large voids, where the potential return to the Group for undertaking the capex is not considered adequate. We also believe in realising a profit where we feel the property has reached the top of its value.

When purchasing a new investment we look to acquire assets that are in a good location and are going to appeal not just to the existing tenant but also to future tenants. Although we are happy to buy investments with some void or capex requirements we are not looking at major refurbishment opportunities due to the lack of income they would have. We do not have a particular regional focus, although we do want to invest in vibrant areas.

PURCHASES

Six assets were purchased during 2017 for a total of £48.9 million, and then after the year end a further three purchases completed for £23.6 million. The purchases are detailed below in order of purchase. The purchases provide a diverse exposure to asset type, location, and tenant. The one factor they have in common is our belief that they have a sufficient appeal to the current, and potential future, occupiers and hence will provide a reliable source of income going forward.

Kings Business Park, Bristol: A seven unit industrial estate close to the city centre of Bristol, with asset management opportunities. The purchase price of £5.27 million reflected a yield of 6.25%.

SNOP, Washington: A single-let industrial unit of 150,000 sq ft located close to the Nissan car plant in Washington. The property is reversionary, and has a low site cover of 28%. The purchase price of £5.5 million reflected a yield of 6.3%.

101 Princess Street, Manchester: We purchased this multi-let office for £8.1 million, reflecting a yield of 6.45%. The traditional brick building is let to six tenants and provides refurbished "trendy" space with exposed services, and has strong potential for rental growth.

Pinnacle, Reading: This multi-let office is located close to Reading train station and offers good quality accommodation that we intend to enhance. The purchase price of £13.45 million reflected a yield of 6.75%.

Units H1, H2 & G, Nexus, Birmingham: a small single-let industrial unit that had just been let on a new 15 year lease. The purchase price of £4.58 million represented a yield of 5.75%.

One Station Square, Bracknell: We purchased a refurbished multi-let office located adjacent to the train station for £12 million, with a yield of 6.9% in December 2017. The building has one vacant floor and we believe the recent improvements to the town centre, and loss of office accommodation to residential use, provides good scope for future rental growth.

433.2 MILLION POUNDS

At the year end the property portfolio was valued at £433.2 million, and the Group held uncommitted cash of £18.3 million

Timbmet, Shellingford: In early January 2018 we completed the purchase of a single-let warehouse located between Oxford and Swindon by way of a 25 year sale and leaseback, with indexed rent reviews throughout the lease. The purchase price of £11.5 million reflected an initial yield of 6.5%.

Grand National Retail Park, Aintree: This small leisure scheme is located adjacent to the race course, an equestrian and event facility, as well as established out of town retail. The tenants all trade well and we believe there is scope for asset management – indeed 2 weeks after purchase we agreed terms to take a break out of the gym operator's lease to give an additional five year term certain to the lease. The purchase price of £6.1 million reflects a yield of 6.85%.

Flamingo Flowers, Sandy: The purchase of this industrial facility, used to process and distribute cut flowers, provides the Group with an attractive income stream for a 19 year lease with indexation from a low base rent. The site's location, adjacent to a junction of the A1, just 35 miles off the M25, provides interesting longer term opportunities. The purchase price of £6 million represents an initial yield of 6.25%.

ONE STATION SQUARE, BRACKNELL

SALES

Over the course of 2017 the Group completed the disposal of nine assets for a total of £71.4 million. The Group also exchanged contracts on the sale of its biggest asset Elstree Tower, Borehamwood for £20 million with completion taking place on 16 March 2018. Contracts were also exchanged on a further retail warehouse asset, Bathgate Retail Park, with a completion date of 19 January 2018 for £5.23 million. After the year end, the Group exchanged contracts for the sale of an office building in Slough for £13.25 million, with completion expected on 6 April 2018.

The sales were driven by a desire to reduce future void/capex risk, and also reduce exposure to two markets we are more concerned about – Central London offices and weaker retail warehousing.

Quadrangle, Cheltenham: The lease on this office would have expired in June 2018 and circa £10 million of capex would have been required as well as letting risk. We completed this sale for £11.1 million, which was ahead of valuation, in January 2017.

White Bear Yard, London: We completed the sale of this multi-let office in Clerkenwell for £19 million in March 2017 as we were concerned about rising business rates, Brexit and the non-air-conditioned nature of the building had future income risk. The Group now has no core London office exposure.

Matalan, Bradford and King's Lynn: We sold two stand-alone retail warehouse investments let to Matalan for a combined £8.2 million. The sale reduced exposure to retail, which we expect to continue to under-perform.

Travis Perkins, Cheltenham: We sold a small, but dilapidated industrial unit on a long lease to the tenant for £2.2 million. It was one of the smallest assets in the fund.

IT Centre, York: As we prefer town/city centre offices we sold this single-let office with a short lease for £4.3 million. It is located out of town, and we were uncomfortable about future rental prospects.

Range, Southend-on-Sea: We continued our disinvestment of secondary retail warehousing with the sale of this stand-alone unit to the local Council for £5 million.

Dorset St, Southampton: The main tenant in the building left on lease expiry following corporate changes, leaving the building 75% vacant and in need of refurbishment. We did not believe the modernisation would provide us with sufficient returns and therefore sold the property for £5.2 million.

DSG, Preston: This property was heavily over rented and with a new scheme about to be developed elsewhere in Preston we felt a sale would capitalise on current demand for secure income and protect the Group from anticipated capital decline in the unit. We sold this property for £16.4 million.

Strategic Report

Investment Manager's Report continued

ASSET MANAGEMENT

One of the differentiators of real estate as an asset class is the opportunity for active asset management to enhance returns. We focus on working with tenants to try and ensure the assets meet their requirements, so they want to remain in occupation, and are willing to renew leases or take out lease break clauses. It is cheaper to retain tenants than it is to find new ones, although it can sometimes be harder to capture all the potential rental growth in such a circumstance.

With the continued political uncertainty both in the UK and abroad, it is hardly surprising that many companies are delaying making property decisions. Moving is expensive and time consuming, so we find tenants are receptive to lease extension discussions, but they want an increased level of flexibility in their leases, and only commit when they have to.

During the course of the year we renewed or renegotiated five leases securing £628,600 p.a. of rent, and let eight units for a total of £512,000 p.a. We also settled nine rent reviews, with a total increase in rent of £111,200 p.a.

Over the course of 2017 the Group's occupancy rate declined, from 96.7% at year-end 2016, to 92.3%, based on percentage of estimated rental value of the portfolio as at end 2017 resulting in a void level of 7.7%. In January 2018 the Group signed an agreement for lease (completed 1 March 2018) on the largest void, an industrial unit in Rainham, that represented over a quarter of this void level. In addition, two of the recent purchases (Reading and Bracknell) had void floors which were subject to a rental guarantee when we purchased the properties, hence are generating income even though they are technically void. Set out below is a table showing the current status of each void unit in the portfolio.

Property Name	Sector	ERV	ERV%	Comment
Let		£27,565,991	92.26%	
Vacant		£2,313,297	7.74%	
Marsh Way, Rainham	Industrial	£636,197	2.13%	Agreement for lease signed
Unit 6 Broadgate, Oldham	Industrial	£544,000	1.82%	Proposal made
Explorer 1 & 2, Crawley	Office	£373,500	1.25%	Being refurbished
Pinnacle, Reading	Office	£253,000	0.85%	Rent guarantee from purchase
Foxholes Business Park, Hartford	Industrial	£186,800	0.63%	One of 4 units under offer
One Station Square, Bracknell	Office	£126,750	0.42%	Rent guarantee from purchase
Charter Court, Slough	Office	£59,300	0.20%	
Ocean Trade Centre, Aberdeen	Industrial	£41,500	0.14%	Under offer
Kings Business Park, Bristol	Industrial	£41,250	0.13%	Under offer
Howard Town Retail Park, Glossop	Retail	£28,100	0.09%	Under offer
Budbrooke Industrial Estate, Warwick	Industrial	£14,900	0.05%	Under offer
New Palace Place, London	Office	£8,000	0.03%	
Total		£29,879,288	100.00%	

DEBT

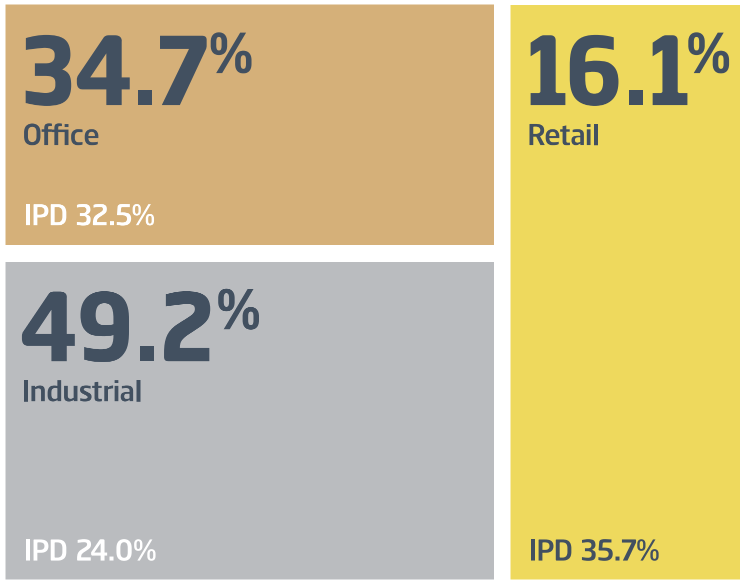
The Group has two debt facilities in place, both with RBS:

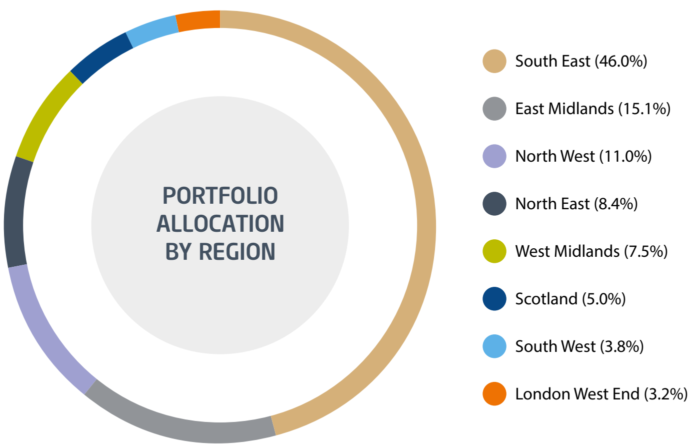
The term loan of £110 million is fully drawn and the facility is fixed until April 2023. The Group has an interest rate swap in place to fix the rate paid, with an all-in rate of 2.7%. The interest rate swap is valued at a liability of £2.2 million as at end 2017 (£3.6 million same time 2016). It should be noted that the value of the swap will revert to £0 at maturity.

In addition, the Group has a £35 million Revolving Credit Facility which is due to expire in April 2021 (although the Group has the right to extend it by two years). As at the end of 2017 the RCF was undrawn.

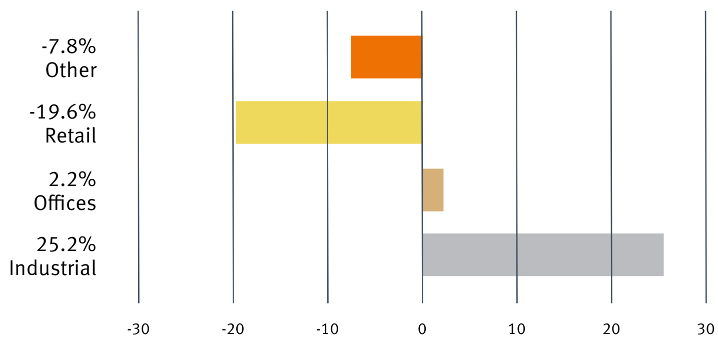
The Group had a loan to value ratio at year end of 18% which is down from the end 2016 LTV of 26.0%. The reduction in LTV has been a deliberate move given the cautious outlook the Group has for the market and it is now at the bottom end of the desired range.

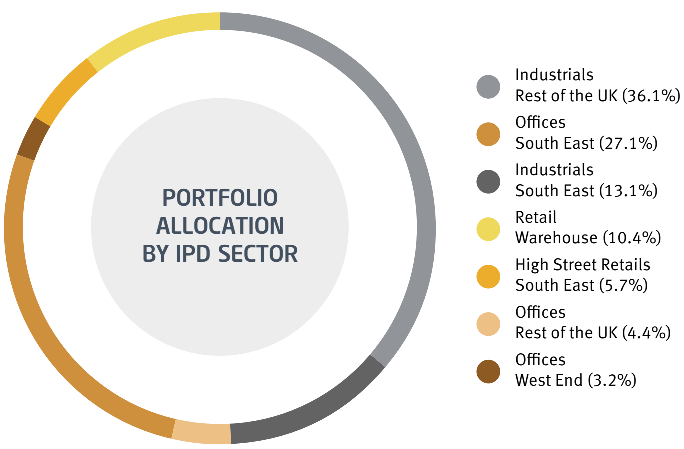
Portfolio allocation by sector





Relative Weighting versus IPD





UNIT 6 BROADGATE, OLDHAM

Strategic Report
Investment Manager's Report continued

TOP TEN TENANTS

	Tenant	Passing Rent	%
1	Sungard Availability Services (UK)	£1,320,000	5.0%
2	BAE Systems	£1,257,640	4.7%
3	Techno Cargo Logistics Ltd	£1,242,250	4.6%
4	The Symphony Group Plc	£1,080,000	4.1%
5	Bong UK	£741,784	2.8%
6	Euro Car Parts Ltd	£736,355	2.8%
7	Ricoh UK Limited	£696,995	2.6%
8	CEVA Logistics Limited	£633,385	2.4%
9	Thyssenkrupp Materials (UK) Limited	£590,000	2.2%
10	Public Sector	£559,148	2.1%

Total: £8,857,557
Total % of Total Rent: 33.3%

Total Group Passing Rent: £26,654,667

TOP TEN PROPERTIES

	Property	Location	Value	Sector
1	Elstree Tower	Borehamwood	£18m-£20m	Office (4.6%)
2	Denby 242	Denby	£18m-£20m	Industrial (4.2%)
3	Symphony	Rotherham	£16m-£18m	Industrial (4.1%)
4	Chester House	Farnborough	£14m-£16m	Office (3.6%)
5	Pinnacle	Reading	£12m-£14m	Office (3.2%)
6	New Palace Place	London	£12m-£14m	Office (3.1%)
7	Howard Town Retail Park	Glossop	£12m-£14m	Retail (2.9%)
8	Hollywood Green	London	£12m-£14m	Retail (2.9%)
9	Charter Court	Slough	£12m-£14m	Office (2.8%)
10	Eden Street	Kingston Upon Thames	£12m-£14m	Retail (2.8%)

LEASE EXPIRY PROFILE

Total 5 year band	0–5 years	6–10 years	11–15 years	16–20 years	21–25 years
Initial rent	26,654,667	–	–	–	–
Rent expiring £	17,612,061	6,467,597	2,209,167	217,336	148,506
Rent expiring %	66.1%	24.3%	8.3%	0.8%	0.5%

Strategic Report
Investment Manager's Report
Property Investments as at 31 December 2017

#	Name	Location	Sub-sector	Market Value	Tenure	Area sq ft	Occupancy
1	Elstree Tower	Borehamwood	Office	£18m–£20m	Freehold	80,713	100%
2	Denby 242	Denby	Industrial	£18m–£20m	Freehold	242,766	100%
3	Symphony	Rotherham	Industrial	£16m–£18m	Leasehold	364,974	100%
4	Chester House	Farnborough	Office	£14m–£16m	Leasehold	49,861	100%
5	Pinnacle	Reading	Office	£12m–£14m	Freehold	39,762	77%
6	New Palace Place	London	Office	£12m–£14m	Leasehold	18,594	100%
7	Howard Town Retail Park	Glossop	Retail	£12m–£14m	Mixed	51,301	96%
8	Hollywood Green	London	Retail	£12m–£14m	Freehold	64,002	100%
9	Charter Court	Slough	Office	£12m–£14m	Freehold	45,554	65%
10	Eden Street	Kingston Upon Thames	Retail	£12m–£14m	Freehold	24,234	100%
11	Ocean Trade Centre	Aberdeen	Industrial	£10m–£12m	Freehold	103,120	95%
12	One Station Square	Bracknell	Office	£10m–£12m	Leasehold	42,429	86%
13	3B–C Michigan Drive	Milton Keynes	Industrial	£10m–£12m	Freehold	128,011	100%
14	Marsh Way	Rainham	Industrial	£10m–£12m	Leasehold	82,090	0%*
15	Bourne House	Staines	Office	£10m–£12m	Freehold	26,363	100%
16	CEVA Logistics	Corby	Industrial	£10m–£12m	Freehold	195,225	100%
17	Budbrooke Industrial Estate	Warwick	Industrial	£10m–£12m	Freehold	89,939	98%
18	101 Princess Street	Manchester	Office	£8m–£10m	Freehold	41,096	100%
19	Foxholes Business Park	Hartford	Industrial	£8m–£10m	Freehold	41,901	65%
20	Tetron 141	Swadlincote	Industrial	£8m–£10m	Freehold	141,450	100%
21	Viking House, Foundry Lane	Horsham	Industrial	£8m–£10m	Freehold	76,535	100%
22	Explorer 1 & 2	Crawley	Office	£8m–£10m	Freehold	46,205	57%
23	Walton Summit Industrial Estate	Preston	Industrial	£8m–£10m	Freehold	147,946	100%
24	Tetron 93	Swadlincote	Industrial	£6m–£8m	Freehold	93,836	100%
25	Swift House	Rugby	Industrial	£6m–£8m	Leasehold	100,564	100%
26	The Kirkgate	Epsom	Office	£6m–£8m	Freehold	26,454	100%
27	Victoria Shopping Park	Hednesford	Retail	£6m–£8m	Leasehold	37,096	100%

Continued on next page

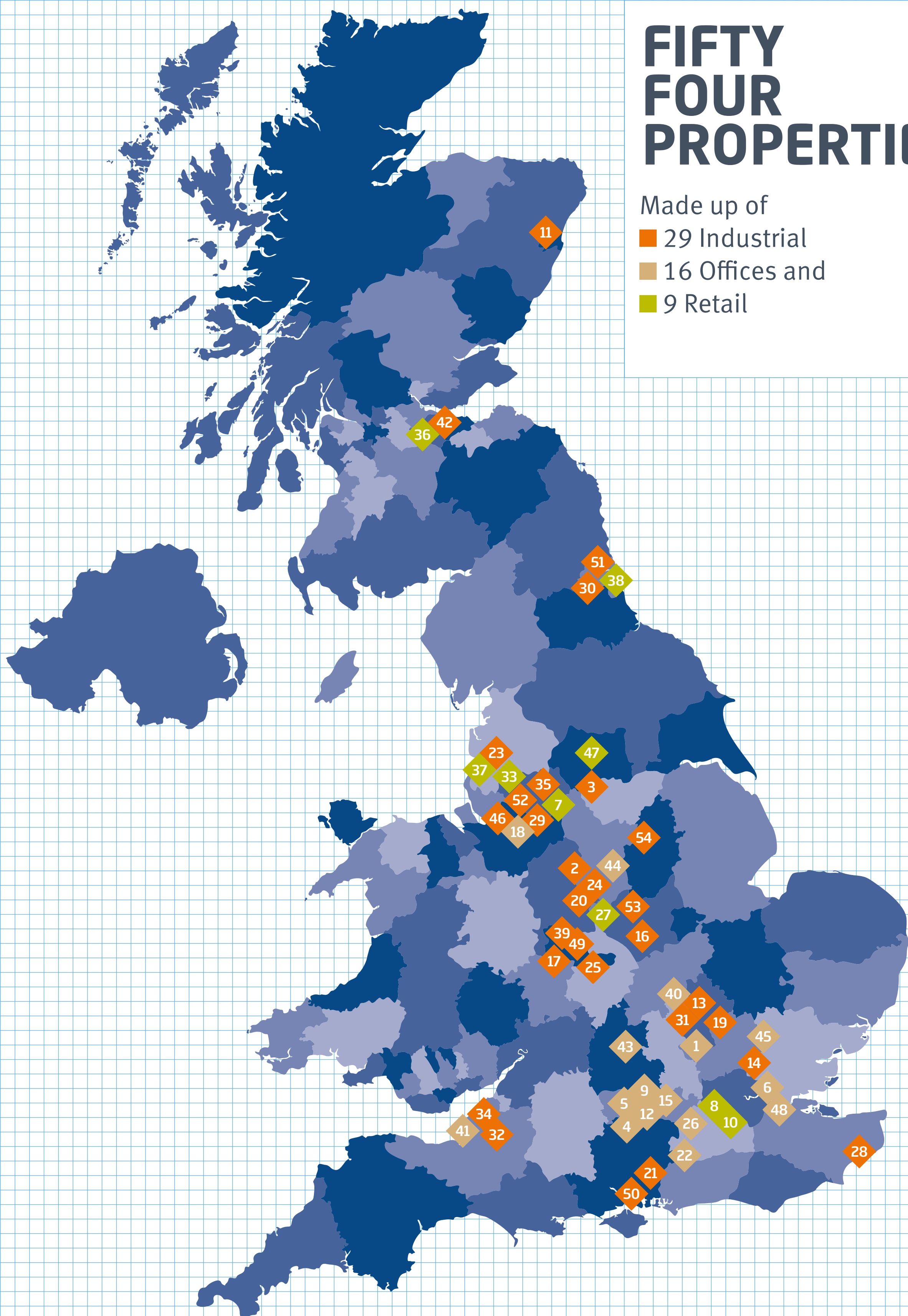
* agreement for lease completed

Strategic Report
Investment Manager's Report
Property Investments as at 31 December 2017 continued

#	Name	Location	Sub-sector	Market Value	Tenure	Area sq ft	Occupancy
28	P&O Warehouse	Dover	Industrial	£6m–£8m	Freehold	84,376	100%
29	Broadoak Business Park	Manchester	Industrial	£6m–£8m	Freehold	66,955	100%
30	SNOP	Washington	Industrial	£6m–£8m	Freehold	150,257	100%
31	Mount Farm	Milton Keynes	Industrial	£6m–£8m	Freehold	74,712	100%
32	Wincanton	Bristol	Industrial	£4m–£6m	Leasehold	196,914	100%
33	The Point Retail Park	Rochdale	Retail	£4m–£6m	Freehold	42,224	100%
34	Kings Business Park	Bristol	Industrial	£4m–£6m	Freehold	59,000	89%
35	Unit 6 Broadgate	Oldham	Industrial	£4m–£6m	Leasehold	103,605	0%
36	Bathgate Retail Park	Bathgate	Retail	£4m–£6m	Freehold	45,176	100%
37	Units 1 & 2 Olympian Way	Leyland	Retail	£4m–£6m	Leasehold	31,781	100%
38	Middle Engine Lane	North Shields	Retail	£4m–£6m	Freehold	21,846	100%
39	Units H1, H2 & G, Nexus	Birmingham	Industrial	£4m–£6m	Freehold	46,495	100%
40	Silbury House	Milton Keynes	Office	£4m–£6m	Freehold	25,205	100%
41	31/32 Queen Square	Bristol	Office	£4m–£6m	Freehold	13,124	100%
42	Deans Industrial Estate, Units 1 & 2 Cullen Square	Livingston	Industrial	£4m–£6m	Freehold	81,735	100%
43	Endeavor House	Kiddlington	Office	£4m–£6m	Freehold	23,414	100%
44	Interfleet house	Derby	Office	£4m–£6m	Freehold	28,735	100%
45	Anglia House	Bishops Stratford	Office	£4m–£6m	Freehold	16,982	100%
46	Opus 9 Industrial Estate	Warrington	Industrial	£4m–£6m	Freehold	54,904	100%
47	Valley Road and North Brook Street	Bradford	Retail	£4m–£6m	Freehold	15,998	100%
48	Persimmon House	Dartford	Office	£4m–£6m	Freehold	14,957	100%
49	21 Gavin Way	Birmingham	Industrial	£4m–£6m	Freehold	36,376	100%
50	Unit 2 Brunel Way	Fareham	Industrial	£2m–£4m	Leasehold	38,217	100%
51	Unit 4 Monkton Business Park	Newcastle	Industrial	£2m–£4m	Freehold	33,021	100%
52	Unit 4 Easter Park	Bolton	Industrial	£2m–£4m	Leasehold	35,534	100%
53	Unit 14 Interlink Park	Bardon	Industrial	£2m–£4m	Freehold	32,747	100%
54	Windsor Court & Crown Farm	Mansfield	Industrial	‹£2m	Leasehold	23,574	100%
	Total property portfolio			**433,210,000**			

FIFTY FOUR PROPERTIES

Made up of
- 29 Industrial
- 16 Offices and
- 9 Retail



Strategic Report
Investment Manager's Report
Property Investments as at 31 December 2017 continued

EXPLORER 1 & 2, CRAWLEY

Governance
Board of Directors

Robert Peto
Chairman

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

James Clifton-Brown
Board member

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

Sally-Ann (Susie) Farnon
Board member

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 Ltd, HICL Infrastructure Company Ltd, Real Estate Credit Investments Ltd and Apax Global Alpha Ltd. On the 13 March 2018 she was appointed as a non-executive director of BH Global Limited.

Mike Balfour
Board member

Mike Balfour is a UK resident. He is a member of the Institute of Chartered Accountants of Scotland and was chief executive at Thomas Miller Investment Ltd from 2010 to January 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, Perpetual Income and Growth Investment Trust Plc and chairs the Investment Committee of TPT Retirement Solutions.

Huw Evans
Board member

Huw Evans is a resident of Guernsey. He qualified as a Chartered Accountant with KPMG (then Peat Marwick Mitchell) in 1983. He subsequently worked for three years in the corporate finance department of Schroders before joining Phoenix Securities Limited in 1986. Over the next twelve years he advised a wide range of companies in financial services and other sectors on mergers and acquisitions and more general corporate strategy. Since moving to Guernsey in 2005, he has acted as a non-executive director for a number of Guernsey based funds. He is currently Chairman of BH Macro Limited and is also a Director of VinaCapital Vietnam Opportunity 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 2017.

PRINCIPAL ACTIVITY AND STATUS

The Company was incorporated in Guernsey on 18 November 2003 and commenced activities on 19 December 2003. The Company is a closed ended investment company and is registered under the provisions of The Companies (Guernsey) Law, 2008 (as amended). The principal activity and status of the Company's subsidiaries is set out in note 9 on page 64.

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 2017, the Group consisted of the Company and four 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; and Standard Life Investments SLIPIT (Nominee) Limited, a company with limited liability incorporated in England.

RESULTS AND DIVIDEND

The Group generated an IFRS surplus of £42.5 million in the year equating to earnings per share of 10.91p. In addition the Group generated cash of £1.3 million in the year and had cash at the year-end of £14.3 million. The Group paid out dividends totalling £18.6 million in the year which were fully covered by the net income of the Group.

SUBSTANTIAL SHAREHOLDINGS

As at 31 December 2017 and 28 February 2018 the following entities had a holding of 3% or more of the Company's issued share capital.

	holdings (%)	
	31.12.17	**28.02.18**
Brewin Dolphin	10.5	10.6
Alliance Trust Savings	7.7	7.4
Heartwood Group	6.7	6.6
Hargreaves Lansdown	6.0	6.0
Matolli Woods	5.5	5.4
Blackrock	4.7	4.5
Interactive Investor	3.4	3.3

DIRECTORS

The names and short biographies of the Directors of the Group at the date of this Report, all of whom served throughout the year ended 31 December 2017, are shown on pages 28 and 29.

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

	Ordinary Shares held	
	31.12.17	**31.12.16**
Robert Peto*	57,435	57,435
Sally-Ann Farnon	30,000	30,000
Huw Evans	60,000	60,000
Mike Balfour	24,260	24,260
James Clifton-Brown	21,500	—

* includes 31,898 ordinary shares held by Mrs Peto

There have been no changes in the above interests between 31 December 2017 and 5 April 2018.

DIRECTORS' INDEMNITY

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

DISCLOSURE OF INFORMATION TO AUDITOR

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

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

GOING CONCERN

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

The Directors have reviewed detailed cash flow, income and expense projections in order to assess the Group's ability to pay its operational expenses, bank interest and dividends for the foreseeable future. The Directors have examined significant areas of possible financial risk including cash and cash requirements and the debt covenants, in particular those relating to LTV and interest cover. 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 Group has adequate resources to continue in operational existence for the foreseeable future and the Board believes it is appropriate to adopt the going concern basis in preparing the financial statements.

CORPORATE GOVERNANCE

The Directors report on Corporate Governance is detailed on pages 32 to 35 and forms part of the Directors' Report.

CRIMINAL FINANCES ACT

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

SHARE CAPITAL AND VOTING RIGHTS

As at 31 December 2017 there were 394,865,419 ordinary shares of 1p each in issue. Between 31 December 2017 and 5 April 2018, the Company issued 8,250,000 new ordinary shares, resulting in 403,115,419 ordinary shares in issue at 5 April 2018. All ordinary shares rank equally for dividends and distributions and carry one vote each. There are no restrictions concerning the transfer of ordinary shares in the Company, no special rights with regard to control attached to the ordinary shares, no agreements between holders of ordinary shares regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid.

ISSUE OF SHARES

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

INDEPENDENT AUDITOR

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 8 June 2018, may be found on pages 87 to 88.

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

Directors authority to buy back shares (resolution 10)

The Company did not purchase any shares for cancellation during the financial year ending 31 December 2017. 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 percent of the issued ordinary share capital, such authority to last until the earlier of 8 December 2019 and the Annual General Meeting in 2019. Any buy back of ordinary shares will be made subject to Guernsey law, the UKLA's Listing Rules and within any guidelines established from time to time by the Board and the making and timing of any buy backs will be at the absolute discretion of the Board. Purchases of ordinary shares will only be made through the market for cash at prices below the prevailing net asset value of the ordinary shares (as last calculated) where the Directors believe such purchases will enhance shareholder value. The price paid will not be less than the nominal value of 1p per share. Such purchases will also only be made in accordance with the rules of the UK Listing Authority which provide that the price to be paid must not be more than the higher of; (i) 105 percent of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the ordinary shares for the five business days before the shares are purchased; and (ii) the higher of the last independent trade and the highest current independent bid on the trading value 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 2019 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 £403,115. This is equivalent to approximately 10% of the issued ordinary share capital of the Company as at 5 April 2018. It is expected that the Company will seek this authority on an annual basis. The Directors will only exercise this authority if they believe it advantageous and in the best interests of shareholders and in no circumstances would result in a dilution to the net asset value per share.

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

Approved by the Board on

5 April 2018
Robert Peto
Chairman

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 2016 (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's 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 Group 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 which Robert Peto is Chairman and Sally-Ann Farnon has been designated as Senior Independent Director. Biographical details of each Director are shown on pages 28 and 29. All Directors are considered by the Board to be independent of the Investment Manager at the year end 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.

Following the merger of Standard Life plc and Aberdeen Asset Management plc, Mr Mike Balfour resigned as a director of Murray Income Trust plc, an investment trust managed by Aberdeen Asset Management plc, on 5 December 2017. Between the date of the merger, 14 August 2017, and 5 December 2017 Mr Balfour was deemed not to be independent of the Investment Manager as a result of being a director on two companies managed by the same group. However, from 5 December 2017 Mr Balfour became independent again.

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

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

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

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

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

EXTERNAL AGENCIES

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

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

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

BOARD COMMITTEES

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

Property Valuation Committee

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

Audit Committee

The Audit Committee, chaired by 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 36 and 37.

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 Group 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 is chaired by Mike Balfour, 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 Group'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 Group and any Directors but each of the Directors was appointed by letter of appointment which sets out the main terms of his or her appointment.

Sally-Ann Farnon was appointed on 1 July 2010, Huw Evans was appointed on 11 April 2014, Robert Peto was appointed on 28 May 2014, Mike Balfour was appointed as a Director 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, Mike Balfour and James Clifton-Brown 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.

Governance
Corporate Governance Report continued

PERFORMANCE OF THE BOARD

During the year, the Board engaged Tim Stephenson of Stephenson Executive Search to carry out an independent evaluation of the performance of the Board, the Committee and the individual Directors.

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

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

MEETING ATTENDANCE

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

In addition to the scheduled meetings detailed below, there were a further 8 board and committee meetings held during the year.

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 shareholders as a whole.

INTERNAL CONTROLS

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

	Board	Audit Committee	Property Valuation Committee	Management Engagement Committee	Nomination Committee	Remuneration Committee
Robert Peto	4 (4)	4 (4)	4 (4)	2 (2)	1 (1)	1 (1)
Sally-Ann Farnon	4 (4)	4 (4)	4 (4)	2 (2)	1 (1)	1 (1)
Huw Evans	4 (4)	4 (4)	4 (4)	2 (2)	1 (1)	1 (1)
Mike Balfour	4 (4)	4 (4)	4 (4)	2 (2)	1 (1)	1 (1)
James Clifton-Brown	4 (4)	4 (4)	4 (4)	2 (2)	1 (1)	1 (1)

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 2016 to 30 September 2017 along with additional confirmation for the period to 31 December 2017. This report sets out the Investment Manager's internal control policies and procedures with respect to the management of their clients' assets and contains a report from independent external auditors.

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

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

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

With effect from 7 July 2014, the Company entered into arrangements to comply with AIFMD. The Company appointed Standard Life Investments (Corporate Funds) Limited as its AIFM and Citibank International plc as its Depositary.

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

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

RELATIONS WITH SHAREHOLDERS

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 Friday 8 June 2018 at 10.30am at the Investment Manager's offices at Bow Bells House, 1 Bread Street, London EC4M 9HH. The Board hopes that as many shareholders as possible will be able to attend the meeting, which will include a 'Meet the Manager' session.

100 PERCENT

Meeting attendance

at Board and Committee meetings

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

The 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 40 and the Statement of Going Concern is included in the Directors' Report on page 30 and the Viability Statement can be found on page 15. The Independent Auditor's Report is on pages 42 to 46.

Approved by the Board on

5 April 2018

Robert Peto

Chairman

Governance
Audit Committee Report

ROLE OF THE AUDIT COMMITTEE

The main responsibilities of the Audit Committee are:

- monitoring the integrity of the financial statements of the Group and any public announcements relating to the Group's financial performance and reviewing significant reporting judgements contained in them;
- reviewing the effectiveness of the Group's internal financial controls and risk management systems and bringing material issues to the attention of the Board;
- 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 Group'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 at the year end and have recent and relevant financial 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 Group'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 Group's stated accounting policy on the valuation of investment properties. The investment properties are valued at the year end, and at each quarter end, by Knight Frank, independent international real estate consultants. The valuations are prepared in accordance with the RICS Valuation – Professional Standards, published by the Royal Institution of Chartered Surveyors, and are reviewed by the Property Valuation Committee (quarterly), the Audit Committee (six monthly) and the external auditor (annually).

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

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

REVIEW OF ACTIVITIES

The Audit Committee met four times during the year under review, on 2 March 2017, 17 March 2017, 23 August 2017 and 29 November 2017. Following the year end, the Audit Committee met on 7 March 2018 and 27 March 2018.

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

- a review of the Group's risk framework, including its risk appetite statement and full risk matrix, enabling the on-going identification, evaluation and management of the significant risks facing the Group;
- a review of Investment Manager's internal controls report;
- a review of the Group's anti-bribery policy and those of its service providers; 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 Group's performance, business model, viability and strategy.

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

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

The Group'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 Senior Statutory Auditor responsible for the audit every five years. There are no contractual obligations which restrict the Audit Committee's choice of external auditor.

During the year ended 31 December 2017, EY received fees of £nil in relation to non-audit services (2016: £4,500). 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 Group and that a resolution should be put to the shareholders at the AGM on 8 June 2018 for the re-appointment of Ernst & Young LLP, as external auditor.

Sally-Ann Farnon
Audit Committee Chairman
5 April 2018

Governance

Directors' Remuneration Report

REMUNERATION COMMITTEE

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

REMUNERATION POLICY

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

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

The fees for the Directors are determined within the limit set out on the Company's Articles of Incorporation. The 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 shareholders in respect of the aggregate or individual 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 Group and any Directors but each Director was appointed by a letter of appointment which sets out the main terms of his or her appointment. A Director may resign by notice in writing to the Board at any time; there are no set notice periods and no compensation payable to a Director on leaving office.

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

The Directors' fees for 2018 have been agreed by the Board, on the recommendation of the Remuneration Committee, as follows: £42,000 for the Chairman (2017: £40,000), £37,500 for the Audit Committee Chairman (2017: £36,000) and £33,500 for each of the other Directors (2017: £32,000).

It is intended that the above Remuneration Policy will continue to apply for the forthcoming financial year and subsequent years. The Remuneration Policy was approved by shareholders at the Annual General Meeting on 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 2017 the results in respect of the resolution to approve the Group's Remuneration Policy were as follows:

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

DIRECTORS' FEES

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

	2017 £	2016 £
Robert Peto (appointed Chairman 2 June 2016)	40,000	34,000
Sally-Ann Farnon	36,000	33,250
Huw Evans	32,000	30,000
Mike Balfour (appointed 10 March 2016)	32,000	24,150
James Clifton-Brown (appointed 17 August 2016)	32,000	12,000
Richard Barfield (retired 2 June 2016)	—	14,500
Employers national insurance contributions	11,962	9,360
	183,962	157,266
Directors' expenses	11,049	6,959
	194,011	164,225

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

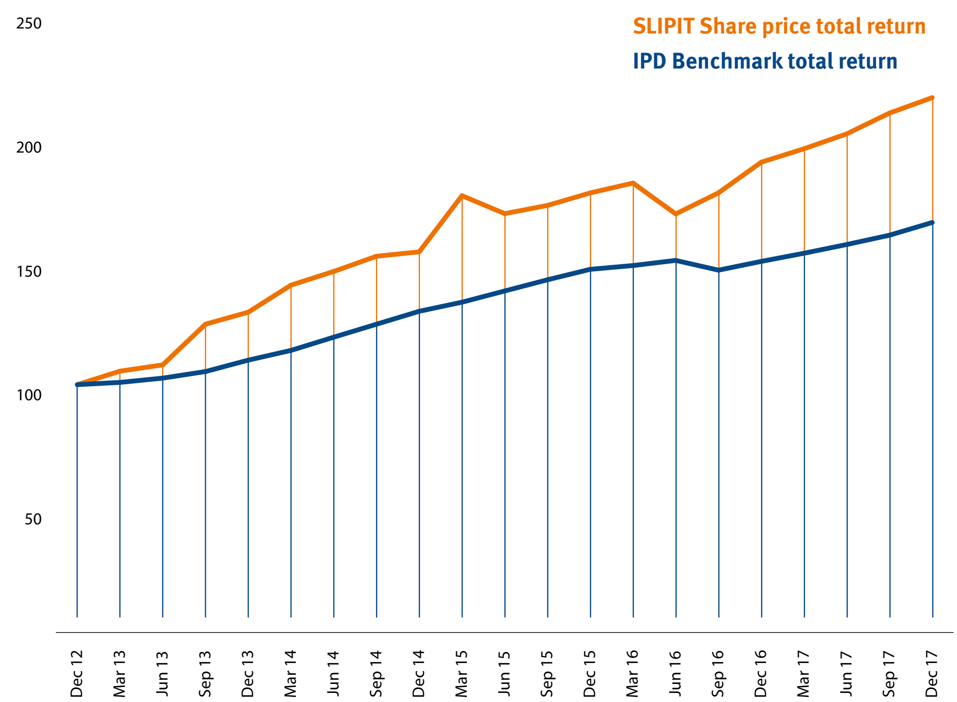
	31.12.17	31.12.16
Aggregate Directors' Remuneration	£183,962	£157,266
Aggregate Shareholder Distributions	£18,596,413	£17,067,124

DIRECTORS' SHAREHOLDINGS

The Directors' interests in the Company's ordinary shares are shown in the Directors' Report on page 30.

COMPANY PERFORMANCE

The Board is responsible for the Group's investment strategy and performance, although the management of the Group's investment portfolio is delegated to the Investment Manager through the investment management agreement, as referred to in the Corporate Governance Report on page 34. The graph to the right compares the total return (assuming all dividends re-invested) to ordinary shareholders compared with the total return on the IPD Quarterly Index over the five years to 31 December 2017.



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

5 April 2018
Mike Balfour
Director

Governance
Statement of Directors' Responsibilities

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

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

The maintenance and integrity of the Company's website is the responsibility of the Directors; the work carried out by the auditors does not involve considerations of these matters and, accordingly, the auditors accept no responsibility for any change that may have occurred to the 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 under the Disclosure and Transparency Rules.

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

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

Statement under the UK Corporate Governance Code.

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

Approved by the Board on

5 April 2018
Robert Peto
Chairman

Financial Statements

INDEPENDENT AUDITOR'S REPORT

Financial Statements
Independent Auditor's Report

OPINION

We have audited the financial statements of Standard Life Investments Property Income Trust Limited (the 'Company') and its subsidiaries (together the 'Group') for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

USE OF OUR REPORT

This report is made solely to the Group's members, as a body, in accordance with Article 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Group'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 Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on page 13 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 15 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 directors' statement set out on page 30 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;
- whether the directors' statement in relation to going concern required under the Listing Rules is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 15 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.

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 by the audit engagement team or delegated EY specialists in tax and valuations.
Materiality	▸ Materiality of £3.4 million which represents 1% of Net Assets (2016: £3.1 million).

KEY AUDIT MATTERS

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

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 36 in the Audit Committee Report) During the year, the Group recognised £28.5 million of rental income (2016: £30.4 million). Of this, £0.1 million related to the rent adjustment in the year (2016: £0.4 million) which is required by Standard Interpretations Committee (SIC)-15 in relation to International Account Standard (IAS) 17 Leases. The investment income receivable by the Group during the period directly affects the Group's ability to pay property and non-property income distributions to shareholders. There is an opportunity to incorrectly account for lease incentives and rental uplifts through incorrect interpretation or manipulation of the clauses detailed in signed rental agreements. Given this, we consider there to be a fraud risk, in accordance with Auditing Standards, in this area of our audit.	**We have performed the following procedures:** We performed a walkthrough of the rental income and lease incentive recognition process to understand the relevant controls in the Manager's AAF 01/06 report up to 30 September 2017; For the period from 1 October to 31 December 2017, we enquired of management and obtained a bridging letter confirming that no substantive changes occurred in the relevant controls on rental income and lease incentive recognition; We held discussions with the Manager to confirm our understanding of rental income and the tenancy agreements where required, and agreed a sample of rental rates to tenancy agreements and recalculated rental income for the period; We performed tests, on a sample basis, on rental income journals, to identify unauthorised or inappropriate journals; and We recalculated a sample of lease incentives and rental uplifts based on the terms within the lease agreements to assess the appropriateness of the accounting treatment.	**The results of our procedures are:** We noted no issues in our walkthrough and understanding of the relevant controls on the rental income and lease incentive recognition process as identified in Manager's AAF 01/06 report up to 30 September 2017. We noted no substantive changes in the relevant controls on rental income and lease incentive recognition process from 1 October to 31 December 2017. We noted no issues in agreeing a sample of rental rates to tenancy agreements and recalculating rental income for the period. We noted no issues in testing the rental income journals on a sample basis. We noted no issues in recalculating a sample of lease incentives and rental uplifts based on the terms within the lease agreements. We noted no issues in the accounting treatment of the sample of lease incentive and rental uplifts.

Financial Statements
Independent Auditor's Report continued

RISK	OUR RESPONSE TO THE RISK	KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE
Incorrect property fair value (as described on page 36 in the Audit Committee Report) The Group's investment portfolio consists of UK properties, freehold and leasehold, with a combined fair value of £404.3 million (2016: £395.8 million), net of adjustments for lease incentives of £3.6 million (2016: £4.2 million). The Group's valuation policy is for the fair value of investment properties to be determined by independent real estate valuation experts using recognised valuation techniques. The fair values are based on recent real estate transactions with similar characteristics and locations to those of the Group's assets. The Group's accounting policy is for the valuation of investment properties to be reduced by the total of the unamortised lease incentive balances. There is a risk of incorrect valuation of the property portfolio which could result in the Balance Sheet and Income Statement being materially misstated.	**We have performed the following procedures:** We performed a walkthrough of the property valuation process, to understand the relevant controls in the Manager's AAF 01/06 report over property valuation up to 30 September 2017. For the period from 1 October to 31 December 2017, we enquired of management and obtained a bridging letter confirming that no substantive changes occurred in the relevant controls on property valuation process. We assessed the independence and competence of Group's independent valuer as required by auditing standards. We agreed the value of all properties held at 31 December 2017 to the open market valuations included in the valuation report provided by Group's independent valuer. We obtained the valuation report provided by the Group's independent valuer, and engaged our own property valuation specialists to: ▸ Review the valuation of a sample of properties (21 properties, with a total value of £211.2 million) by assessing the reasonableness of the valuation methodologies used; and ▸ Review 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 noted no substantive changes in the relevant controls on property valuation process from 1 October to 31 December 2017. We noted no issues in assessing the independence and competence of Knight Frank as required by auditing standards. Our property valuation specialists noted no issues in the valuation of a sample of properties selected.

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

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Tailoring the scope

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, including 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 materiality for the Group to be £3.4 million (2016: £3.1 million), which is 1% of Net Assets.

During the course of our audit, we reassessed initial materiality and updated the materiality based on the Group's consolidated results as at 31 December 2017.

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 judgement was that performance materiality was 75% (2016: 75%) of our planning materiality, namely £2.6 million (2016: £2.3 million). 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 as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.2 million (2016: £0.2 million), which is set at 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 light of other relevant qualitative considerations in forming our opinion.

OTHER INFORMATION

The other information comprises the information included in the annual report set out on page 74, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Financial Statements
Independent Auditor's Report
continued

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

Fair, balanced and understandable set out on page 40

the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

Audit committee reporting set out on page 36

the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

Directors' statement of compliance with the UK Corporate Governance Code set out on pages 32 to 35

the parts of the directors' statement required under the Listing Rules relating to the Group's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Group, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the Group's accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 40, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

5 April 2018

NOTES

1. The maintenance and integrity of the Standard Life Investments Property Income Trust Limited 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 changes that may have occurred to the financial statements since they were initially presented on the website.

2. Legislation in the Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

FINANCIAL STATEMENTS

Financial Statements

Consolidated Statement of Comprehensive Income for the year ended 31 December 2017

	Notes	2017 £	2016 £
Rental income		28,526,725	30,414,862
Surrender premium		14,688	81,500
Valuation gain/(loss) from investment properties	7	23,174,903	(5,300,992)
(Loss)/gain on disposal of investment properties		(138,237)	1,067,395
Investment management fees	4	(3,136,218)	(3,157,399)
Valuers fees	4	(71,844)	(99,001)
Auditor's fees	4	(74,500)	(73,695)
Directors fees and expenses	22	(194,011)	(164,225)
Other direct property expenses		(1,848,130)	(1,372,597)
Other administration expenses		(434,466)	(445,144)
Operating surplus		**45,818,910**	**20,950,704**
Finance income	5	2,752	30,536
Finance costs	5	(3,356,428)	(4,047,594)
Loss on derecognition of interest rate swap	14	—	(2,735,000)
Surplus for the year before taxation		**42,465,234**	**14,198,646**
Taxation			
Tax charge		—	—
Surplus for the year, net of tax		**42,465,234**	**14,198,646**
Other comprehensive income			
Net change in fair value of swaps reclassified to profit and loss	14	—	2,735,000
Valuation gain/(loss) on cash flow hedge	14	1,317,743	(4,212,250)
Total other comprehensive surplus/(deficit)		**1,317,743**	**(1,477,250)**
Total comprehensive surplus for the year, net of tax		**43,782,977**	**12,721,396**

Earnings per share	**Notes**	**2017 (p)**	**2016 (p)**
Basic and diluted earnings per share	18	10.91	3.73
EPRA earnings per share	18	4.99	5.56

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

The notes on pages 52 to 72 are an integral part of these Consolidated Financial Statements.

Financial Statements
Consolidated Balance Sheet as at 31 December 2017

ASSETS	Notes	2017 £	2016 £
Non-current assets			
Investment properties	7	404,252,083	395,782,781
Lease incentives	7	3,657,917	4,187,219
Rental deposits held on behalf of tenants		995,942	936,668
		408,905,942	**400,906,668**
Current assets			
Investment properties held for sale	8	25,300,000	29,975,000
Trade and other receivables	10	20,256,944	1,787,089
Cash and cash equivalents	11	14,334,504	13,054,057
		59,891,448	44,816,146
Total Assets		**468,797,390**	**445,722,814**
LIABILITIES			
Current liabilities			
Trade and other payables	12	10,451,289	8,784,217
Interest rate swap	14	887,699	1,341,101
		11,338,988	**10,125,318**
Non-current liabilities			
Bank borrowings	13	109,107,044	124,001,828
Interest rate swap	14	1,357,100	2,221,441
Rent deposits due to tenants		995,942	936,668
		111,460,086	**127,159,937**
Total liabilities		**122,799,074**	**137,285,255**
Net assets		**345,998,316**	**308,437,559**

EQUITY		2017 £	2016 £
Capital and reserves attributable to Company's equity holders			
Share capital	16	217,194,412	204,820,219
Retained earnings	17	8,364,603	7,532,448
Capital reserves	17	22,600,929	(1,753,480)
Other distributable reserves	17	97,838,372	97,838,372
Total equity		**345,998,316**	**308,437,559**

Approved by the Board on 5 April 2018 and signed on its behalf by: **Robert Peto**, Chairman
The notes on pages 52 to 72 are an integral part of these Consolidated Financial Statements.

Financial Statements

Consolidated Statement of Changes in Equity for the year ended 31 December 2017

	Notes	Share Capital £	Retained Earnings £	Capital Reserves £	Other distributable reserves £	Total equity £
Opening balance 1 January 2017		**204,820,219**	**7,532,448**	**(1,753,480)**	**97,838,372**	**308,437,559**
Surplus for the year		—	42,465,234	—	—	42,465,234
Other comprehensive income		—	—	1,317,743	—	1,317,743
Total comprehensive surplus for the year		—	42,465,234	1,317,743	—	43,782,977
Ordinary shares issued net of issue costs	16	12,374,193	—	—	—	12,374,193
Dividends paid	19	—	(18,596,413)	—	—	(18,596,413)
Valuation gain from investment properties	7	—	(23,174,903)	23,174,903	—	—
Loss on disposal of investment properties		—	138,237	(138,237)	—	—
Balance at 31 December 2017		**217,194,412**	**8,364,603**	**22,600,929**	**97,838,372**	**345,998,316**

The notes on pages 52 to 72 are an integral part of these Consolidated 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**
Surplus for the year		—	14,198,646	—	—	14,198,646
Other comprehensive income		—	—	(1,477,250)	—	(1,477,250)
Total comprehensive surplus for the year		—	14,198,646	(1,477,250)	—	12,721,396
Dividends paid	19	—	(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 52 to 72 are an integral part of these Consolidated Financial Statements.

Financial Statements
Consolidated Cash Flow Statement for the year ended 31 December 2017

Cash flows from operating activities	**Notes**	**2017 £**	**2016 £**
Surplus for the year before taxation		42,465,234	14,198,646
Movement in non-current lease incentives		(114,820)	(816,862)
Movement in trade and other receivables		(18,529,129)	135,094
Movement in trade and other payables		1,726,346	(3,690,397)
Loss on derecognition of interest rate swaps		—	2,735,000
Finance costs	5	3,356,428	4,047,594
Finance income	5	(2,752)	(30,536)
Valuation (gain)/loss from investment properties	7	(23,174,903)	5,300,992
Loss/(gain) on disposal of investment properties	7	138,237	(1,067,395)
Net cash inflow from operating activities		**5,864,641**	**20,812,136**
Cash flows from investing activities			
Interest received	5	2,752	30,536
Purchase of investment properties		(50,012,676)	—
Capital expenditure on investment properties	7	(2,187,601)	(1,479,788)
Net proceeds from disposal of investment properties	7	72,086,763	20,192,395
Net cash inflow from investing activities		**19,889,238**	**18,743,143**
Cash flows from financing activities			
Proceeds on issue of ordinary shares	16	12,467,700	—
Transaction costs of issue of shares	16	(93,507)	—
Repayment of bank borrowing	13	—	(139,432,692)
Bank borrowing	13	—	145,000,000
Repayment of RCF	13	(15,000,000)	(20,000,000)
Bank borrowing arrangement costs	13	(55,000)	(1,138,458)
Interest paid on bank borrowing	5	(2,089,843)	(2,594,070)
Payments on interest rate swap	5	(1,106,369)	(929,394)
Swap breakage costs	14	—	(2,735,000)
Dividends paid to the Company’s shareholders	19	(18,596,413)	(17,067,124)
Net cash outflow from financing activities		**(24,473,432)**	**(38,896,738)**
Net increase in cash and cash equivalents		**1,280,447**	**658,541**
Cash and cash equivalents at beginning of year	11	13,054,057	12,395,516
Cash and cash equivalents at end of year	**11**	**14,334,504**	**13,054,057**

The notes on pages 52 to 72 are an integral part of these Consolidated Financial Statements.

Financial Statements

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

1 GENERAL INFORMATION

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

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

These audited Consolidated Financial Statements were approved for issue by the Board of Directors on 5 April 2018.

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.

In the previous years, all rent deposits held on behalf of tenants are classified as current assets within trade and other receivables. The portion of rent deposits held on behalf of tenants that will be used to pay non-current rent deposits due to tenants are now classified as non-current assets, and the prior year comparative was restated accordingly. There is no impact on net assets or net profit on this reclassification, thus, presentation of a third balance sheet is considered not necessary. As at 1 January 2016, an amount of £622,283 of the rent deposits held on behalf of tenants included in current assets should have been reclassified as non-current assets.

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 were effective for the year, but were either not applicable to or did not have a material impact on the Group:

- Amendments to IAS 7: Disclosure Initiative
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to IFRSs 2014–2016 Cycle: Clarification for the scope of the disclosure requirements in IFRS 12

New and amended standards and interpretations not applied

As at the date of approval of the Group financial statements, the following new and amended standards in issue are adopted by the EU and are applicable to the Group but are not yet effective and thus, 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
Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2018

The Directors do not expect the adoption of these standards and interpretations to have a material impact on the Consolidated or Company Financial Statements in the period of initial application.

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 2017 that it believes meet these specific criteria, but will review again in advance of implementing IFRS 15.

IFRS 16 – Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosures of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces IAS 17 'Leases'.

IFRS 16 changes fundamentally the accounting for leases by lessees by eliminating the current IAS 17 dual accounting model, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead IFRS 16 introduces a single on-balance sheet accounting model where the lease, for lessees, becomes an on-balance sheet liability that attracts interest, together with a new lease asset.

For lessor accounting, lessors continue to classify leases as finance and operating leases.

For companies with material off-balance sheet leases, there will be a change to key financial metrics derived from the company's assets and liabilities (for example, leverage ratios).

The standard will be effective for annual periods beginning on or after 1 January 2019. The Group has assessed IFRS 16's full impact and it does not anticipate currently that this standard will have any material impact on the Group's financial statements as presented for the current year.

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 63 (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 NatWest. These values are validated by comparison to internally generated valuations prepared using the fair value principles outlined above.

The sensitivity analysis on page 56 (note 3) details the increase and decrease in the valuation of interest rate swaps if market rate interest rates had been 100 basis points higher and 100 basis points lower.

2.3 Summary of significant accounting policies

A Basis of consolidation

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

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

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

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

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

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

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Notes to the Consolidated Financial Statements for the year ended 31 December 2017 continued

B Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Consolidated Financial Statements are presented in pound sterling, which is also the Group'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 2017 were £14,688 (2016: £81,500) 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 Consolidated Statement of Comprehensive Income as a valuation gain/(loss). In 2017, there were no non-income producing properties (2016: nil).

E Taxation

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

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

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

F Investment property

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

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

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

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

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

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

Investment properties are derecognised when 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 the 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

Interest rate swaps are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedging transactions. The Group also documents its assessment both at hedge inception and on an ongoing basis of whether the derivatives that are used in hedging transactions are highly effective in off setting 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 surplus in the Consolidated Statement of Comprehensive Income.

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

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

L Service charge

The Group has appointed a managing agent to deal with the service charge at the investment properties and the Group is acting as an agent for the service charge and not a principal. As a result the Group recognises net service charge and void expenses in the Consolidated Statement of Comprehensive Income. The table in note 21 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 2017, 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 12 are those that are due within one year as a result of upcoming tenant expiries.

Financial Statements

Notes to the Consolidated Financial Statements
for the year ended 31 December 2017 continued

3 FINANCIAL RISK MANAGEMENT

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

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

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

Market risk

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

i) Interest Rate risk
As described on page 57 the Group invests cash balances with RBS and Citibank. These balances expose the Group to cash flow interest rate risk as the Group's income and operating cash flows will be affected by movements in the market rate of interest. There is considered to be no fair value interest rate risk in regard to these balances.

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

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

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

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

At 31 December 2017	Fixed Rate £	Variable Rate £	Interest Rate £
Cash and cash equivalents	—	14,334,504	0.020%
Bank Borrowings	110,000,000	—	2.725%

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%

At 31 December 2017, if market rate interest rates had been 100 basis points higher with all other variables held constant, the surplus for the year would have been £143,345 higher (2016: £19,459 lower) as a result of the higher interest income on cash and cash equivalents off set by the higher interest expense on the RCF. Other Comprehensive Income and the Capital Reserve would have been £5,604,283 higher (2016: £6,806,871 higher) as a result of an increase in the fair value of the swap designated as a cash flow hedge of floating rate borrowings.

At 31 December 2017, if market rate interest rates had been 100 basis points lower with all other variables held constant, the surplus for the year would have been £143,345 lower (2016: £19,459 higher) as a result of the lower interest income on cash and cash equivalents off set by the lower interest expense on the RCF. Other Comprehensive Income and the Capital Reserve would have been £5,941,013 lower (2016: £7,285,802 lower) as a result of a decrease in the fair value of the swap 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 57). 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 £1,421,341 (2016: £958,417) as detailed in note 10 on page 65.

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 2017 £6,969,884 (2016: £3,489,002) was placed on deposit with The Royal Bank of Scotland plc ("RBS"), £7,364,620 (2016: £9,565,055) was held with Citibank. The credit risk associated with the cash deposits placed with RBS is mitigated by virtue of the Group having a right to off-set the balance deposited against the amount borrowed from RBS should RBS be unable to return the deposits for any reason. Citibank is rated A-2 Stable by Standard & Poor's and P-2 Stable by Moody's. RBS is rated A-3 Stable by Standard & Poor's and NP Positive by Moody's.

Liquidity risk

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

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

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

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

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

Year ended 31 December 2017	**On demand £**	**12 months £**	**1 to 5 years £**	**› 5 years £**	**Total £**
Interest-bearing loans	—	2,085,600	8,342,400	110,521,400	120,949,400
Interest rate swaps	—	911,900	3,647,600	227,975	4,787,475
Trade and other payables	3,245,930	—	—	—	3,245,930
Rental deposits due to tenants	—	586,189	395,688	600,254	1,582,131
	3,245,930	**3,583,689**	**12,385,688**	**111,349,629**	**130,564,936**

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**

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Notes to the Consolidated Financial Statements for the year ended 31 December 2017 continued

Capital risk

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

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

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

The gearing ratio at 31 December 2017 and at 31 December 2016 were as follows:

	2017 £	2016 £
Total borrowings (excluding unamortised arrangement fees)	110,000,000	125,000,000
Gross assets	468,797,390	445,722,814
Gearing ratio (must not exceed 65%)	23.5%	28.0%

Fair values

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

	Carrying Amount		Fair Value	
Financial Assets	2017 £	2016 £	2017 £	2016 £
Cash and cash equivalents	14,334,504	13,054,057	14,334,504	13,054,057
Trade and other receivables	20,256,944	1,787,079	20,256,944	1,787,079
Financial Liabilities				
Bank borrowings	109,107,044	124,001,828	111,678,649	124,440,019
Interest rate swaps	2,244,799	3,562,542	2,244,799	3,562,542
Trade and other payables	4,828,061	2,766,297	4,828,061	2,766,297

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 2016.
- 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 2016. The definition of the valuation techniques are explained in the significant accounting judgements, estimates and assumptions on page 53.

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*

*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.

Year ended 31 December 2017	Level 1	Level 2	Level 3	Total fair value
Interest rate swap	—	2,244,799	—	2,244,799

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

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 £3,136,218 (2016: £3,157,399). The amount due and payable at the year end amounted to £807,005 excluding VAT (2016: £772,290 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 £76,150 (2016: £75,472). The amount due and payable at the year end amounted to £20,540 (2016: £nil).

Valuers fee

Knight Frank LLP ("the Valuers"), external international real estate consultants, were appointed as valuers in respect of the assets comprising the property portfolio. The total valuation fees charged for the year amounted to £71,844 (2016: £99,001) of which minimum fees of £2,500 per property (2016: £2,500) were incurred due for new properties added to the portfolio. The amount due and payable at the year end amounted to £37,158 excluding VAT (2016: £18,458 excluding VAT).

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

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 £74,500 (2016: £73,695) and relate to audit services provided for the 2017 financial year. Ernst & Young LLP also provided non-audit services in respect of taxation advice amounting to £nil in 2017 (2016; £4,500). Total non-audit fees incurred up to the Balance Sheet date amounted to £nil (2016: £4,500) and are included within other administration expenses in the Consolidated Statement of Comprehensive Income.

Financial Statements

Notes to the Consolidated Financial Statements for the year ended 31 December 2017 continued

5 FINANCE INCOME AND COSTS

	2017 £	2016 £
Interest income on cash and cash equivalents	2,752	30,536
Finance income	2,752	30,536
Interest expense on bank borrowings	2,089,843	2,594,070
Payments on interest rate swap	1,106,369	929,394
Amortisation of arrangement costs (see note 13)	160,216	524,130
Finance costs	3,356,428	4,047,594

Of the finance costs above, £390,503 of the interest expense on bank borrowings and £208,670 of payments on interest rate swaps were accruals at 31 December 2017.

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 year and the Board intends to conduct the Group's affairs such that these conditions continue to be met for the foreseeable future. Accordingly, deferred tax is no longer recognised on temporary differences relating to the property rental business.

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

A reconciliation between the tax charge and the product of accounting profit multiplied by the applicable tax rate for the year ended 31 December 2017 and 2016 is, as follows:

	2017 £	2016 £
Surplus before tax	42,465,234	14,198,646
Tax calculated at UK statutory corporation tax rate of 19.25% (2016: 20%)	8,174,558	2,839,729
UK REIT exemption on net income and gains	(3,864,098)	(3,963,833)
Valuation (gain)/loss in respect of investment properties not subject to tax	(4,461,169)	1,060,198
Excess management expenses not utilised	150,709	—
Expenditure not allowed for corporation tax/income tax purposes	—	63,906
Current income tax charge	—	—

7 INVESTMENT PROPERTIES

	UK Industrial 2017 £	UK Office 2017 £	UK Retail 2017 £	Total 2017 £
Market value at 1 January	181,735,000	150,475,000	97,735,000	429,945,000
Purchase of investment properties	15,767,982	34,244,694	—	50,012,676
Capital expenditure on investment properties	1,500,705	547,156	139,740	2,187,601
Opening market value of disposed investment properties	(1,975,000)	(39,700,000)	(30,550,000)	(72,225,000)
Valuation gain from investment properties	15,734,294	5,217,229	2,223,380	23,174,903
Movement in lease incentives	372,019	(334,079)	76,880	114,820
Market value at 31 December	213,135,000	150,450,000	69,625,000	433,210,000
Investment properties recognised as held for sale	—	(20,000,000)	(5,300,000)	(25,300,000)
Market value net of held for sale at 31 December	213,135,000	130,450,000	64,325,000	407,910,000
Adjustment for lease incentives	(1,093,118)	(1,711,950)	(852,849)	(3,657,917)
Carrying value at 31 December	212,041,882	128,738,050	63,472,151	404,252,083

The valuations were performed by Knight Frank LLP (JLL valued part of the portfolio for the March 2017 valuation), 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 the Royal Institute of Chartered Surveyors ('RICS') requirements on disclosure for Regulated Purpose Valuations has been applied (RICS Valuation – Professional Standards January 2014 (revised April 2015) published by the Royal Institution of Chartered Surveyors). These valuation models are consistent with the principles in IFRS 13. The market value provided by Knight Frank at the year end was £433,210,000 (2016: £429,945,000) however an adjustment has been made for lease incentives of £3,657,917 (2016: £4,187,219) 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.

	UK Industrial 2016 £	UK Office 2016 £	UK Retail 2016 £	Total 2016 £
Market value 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 gain/(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 recognised 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

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Notes to the Consolidated Financial Statements for the year ended 31 December 2017

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

	2017 £	2016 £
Opening market value of disposed investment properties	72,225,000	19,125,000
(Loss)/gain on disposal of investment properties	(138,237)	1,067,395
Net proceeds from disposal of investment properties	72,086,763	20,192,395

Valuation methodology

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

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

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

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

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

The management group that determines the Group's valuation policies and procedures for property valuations is the Property Valuation Committee as detailed on page 33. The Committee reviews the quarterly property valuation reports produced by the valuers (or such other person as may from time to time provide such property valuation services to the Group) before its submission to the Board, focusing in particular on:

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

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

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

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

The table on page 63 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	213,135,000	Income Capitalisation	‣ Initial Yield ‣ Reversionary Yield ‣ Equivalent Yield ‣ Estimated rental value per sq ft	-3.47% to 9.06% (5.24%) 5.33% to 9.11% (6.72%) 5.00% to 8.24% (6.28%) £29.71 to £214.08 (£84.88)
UK Office Level 3	150,450,000	Income Capitalisation	‣ Initial Yield ‣ Reversionary Yield ‣ Equivalent Yield ‣ Estimated rental value per sq ft	3.45% to 9.00% (6.27%) 4.98% to 9.49% (6.95%) 4.90% to 7.55% (6.43%) £165.30 to £731.42 (£296.87)
UK Retail Level 3	69,625,000	Income Capitalisation	‣ Initial Yield ‣ Reversionary Yield ‣ Equivalent Yield ‣ Estimated rental value per sq ft	5.01% to 8.56% (6.43%) 5.27% to 9.17% (6.20%) 5.10% to 8.65% (6.49%) £117.32 to £497.24 (£226.37)
	433,210,000			

Descriptions and definitions

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

Estimated rental value (ERV)

The rent at which space could be let in the market conditions prevailing at the date of valuation.

Equivalent yield

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

Initial yield

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

Reversionary yield

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

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

	2017	2016
ERV p.a.	£30,925,950	£31,037,488
Area sq ft	3,799,885	3,745,069
Average ERV per sq ft	£8.14	£8.29
Initial Yield	5.5%	6.3%
Reversionary Yield	4.7%	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.

	2017 £	2016 £
Increase in equivalent yield of 25 bps	(18,981,000)	(17,901,800)
Decrease in rental rates of 5% (ERV)	(11,071,600)	(21,464,055)

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Notes to the Consolidated Financial Statements for the year ended 31 December 2017 continued

Below is a list of how the interrelationships in the sensitivity analysis on page 63 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 2017 the Group had exchanged contracts with third parties for the sale of Bathgate Retail Park. The sale completed on 19 January 2018. Additionally, the Group had exchanged contracts with third parties for the sale of Elstree Tower, Borehamwood. The sale completed on 16 March 2018. As at 31 December 2017, the combined value of these assets was £25.3 million.

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

9 INVESTMENT IN SUBSIDIARY UNDERTAKINGS

During the year ended 31 December 2017, the Group liquidated the following entities:

- Huris (Farnborough) Limited, a company incorporated in the Cayman 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 and domiciled in Guernsey, Channel Islands, whose principle business is property investment.
- Standard Life Investments (SLIPIT) Limited Partnership, a limited partnership established in England, whose principle business is property investment.
- Standard Life Investments SLIPIT (General Partner) Limited, a company with limited liability incorporated in England, whose principle business is property investment.
- Standard Life Investments SLIPIT (Nominee) Limited, a company with limited liability incorporated and domiciled in England, whose principle business is property investment.

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.

10 TRADE AND OTHER RECEIVABLES

	2017 £	2016 £
Trade receivables	1,424,216	992,099
Less: provision for impairment of trade receivables	(2,875)	(33,952)
Trade receivables (net)	1,421,341	958,147
Rental deposits held on behalf of tenants	586,189	186,673
Cash held by Solicitors	17,727,355	—
Other receivables	522,059	642,269
Total trade and other receivables	20,256,944	1,787,089

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

	2017 £	2016 £
Opening balance	(33,952)	(13,495)
Charge for the year	(2,875)	(33,952)
Reversal of provision	33,952	13,495
Closing balance	(2,875)	(33,952)

The estimated fair values of receivables are the discounted amount of the estimated future cash flows expected to be received and the approximate of 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 2017, trade receivables of £2,875 (2016: £33,952) were considered impaired and provided for.

The ageing of these receivables is as follows:

	2017 £	2016 £
0 to 3 months	2,875	8,625
3 to 6 months	—	5,625
Over 6 months	—	19,702
	2,875	33,952

As of 31 December 2017, trade receivables of £1,421,341 (2016: £958,147) were less than 3 months past due but considered not impaired.

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Notes to the Consolidated Financial Statements
for the year ended 31 December 2017 continued

11 CASH AND CASH EQUIVALENTS

	2017 £	2016 £
Cash held at bank	7,364,620	9,565,055
Cash held on deposit with RBS	6,969,884	3,489,002
	14,334,504	**13,054,057**

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

12 TRADE AND OTHER PAYABLES

	2017 £	2016 £
Trade and other payables	3,245,930	1,642,956
VAT payable	892,068	888,553
Deferred rental income	5,727,102	6,066,035
Rental deposits due to tenants	586,189	186,673
Lease incentives due within one year	—	—
	10,451,289	**8,784,217**

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

13 BANK BORROWINGS

	2017 £	2016 £
Loan facility and drawn down outstanding balance	110,000,000	125,000,000
Opening carrying value	124,001,828	139,048,848
Repayment of 2015 loan	—	(139,432,692)
Borrowings during the year	—	145,000,000
Repayment of RCF	(15,000,000)	(20,000,000)
Arrangements costs of additional facility	(55,000)	(1,138,458)
Amortisation of arrangement costs	160,216	524,130
Closing carrying value	109,107,044	124,001,828

On 22 December 2015, the Group increased its previous 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 Group 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 £15 million of the RCF was repaid, with the balance of £nil remaining drawn down by the Group at 31 December 2017. Interest is payable on the Term Loan at 3 month LIBOR plus a margin of 1.375%. The Company has entered into a swap arrangement which fixes the interest rate on the Term Loan (see note 14 for further details) and results in an all-in interest rate on the term loan of 2.725%. Interest is payable on the RCF at relevant LIBOR plus a margin of 1.2%.

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. All loan covenants were comfortably met during the year ended 31 December 2017.

	2017 £	2016 £
Loan amount	110,000,000	125,000,000
Cash held by Solicitors	(17,727,355)	—
Cash and cash equivalents	(14,334,504)	(13,054,057)
	77,938,141	111,945,943
Investment property valuation	433,210,000	429,945,000
LTV percentage	18.0%	26.0%

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 Group and its wholly owned subsidiaries, Standard Life Investments Property Holdings Limited and Standard Life Investments (SLIPIT) Limited Partnership.

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

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14 INTEREST RATE SWAP

On 20 January 2012 the Group 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 Group 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 Group 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 Group 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 13), on 28 April 2016 the Group completed an interest rate swap of a notional amount of £110,000,000 with RBS. The interest rate swap effective date is 28 April 2016 and has a maturity date of 27 April 2023. Under the swap the Group has agreed to receive a floating interest rate linked to 3 month LIBOR and pay a fixed interest rate of 1.35%.

	2017 £	**2016 £**
Opening fair value of interest rate swaps at 1 January	(3,562,542)	(2,085,292)
Valuation gain/(loss) on interest rate swaps	1,317,743	(4,212,250)
Swaps breakage costs	—	2,735,000
Closing fair value of interest rate swaps at 31 December	(2,244,799)	(3,562,542)

The split of the swap liability is listed below:

	2017 £	**2016 £**
Current liabilities	(887,699)	(1,341,101)
Non-current liabilities	(1,357,100)	(2,221,441)
Interest rate swap with a start date of 28 April 2016 maturing on 27 April 2023	(2,244,799)	(3,562,542)

15 LEASE ANALYSIS

The Group has entered into leases on its property portfolio. This property portfolio as at 31 December 2017 had an average lease expiry of six years and two months. Leases include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain options to break before the end of the lease term.

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

	2017 £	2016 £
Within one year	25,353,460	26,641,958
After one year, but not more than five years	62,905,498	69,213,166
More than five years	32,278,558	57,451,817
Total	120,537,516	153,306,941

The largest single tenant at the year end accounts for 5.0% (2016: 4.6%) of the current annual passing rent.

16 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 2017 there were 394,865,419 ordinary shares of 1 pence each in issue (2016: 380,690,419). All ordinary shares rank equally for dividends and distributions and carry one vote each. There are no restrictions concerning the transfer of ordinary shares in the Company, no special rights with regard to control attached to the ordinary shares, no agreements between holders of ordinary shares regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid.

Allotted, called up and fully paid

	2017 £	2016 £
Opening balance	204,820,219	204,820,219
Shares issued between 1 February 2017 and 7 December 2017 at a price of 85.9p and 91.3p per share	12,467,700	—
Issue costs associated with new ordinary shares	(93,507)	—
Closing balance	217,194,412	204,820,219

	2017 number of shares	2016 number of shares
Opening balance	380,690,419	380,690,419
Issued during the year	14,175,000	—
Closing balance	394,865,419	380,690,419

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Notes to the Consolidated Financial Statements for the year ended 31 December 2017 continued

17 RESERVES

The detailed movement of the below reserves for the years to 31 December 2017 and 31 December 2016 can be found in the Consolidated Statement of Changes in Equity on page 50.

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.

18 EARNINGS PER SHARE

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

The earnings per share for the year is set out in the table below. In addition one of the key metrics the Board considers is dividend cover. This is calculated by dividing the net revenue earnings in the year (surplus for the year net of tax excluding all capital items and the swaps breakage costs) divided by the dividends payable in relation to the financial year. For 2017 this equated to a figure of 104% (2016: 117%). The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2017 £	2016 £
Surplus for the year net of tax	42,465,234	14,198,646

	2017	2016
Weighted average number of ordinary shares outstanding during the year	389,272,679	380,690,419
Earnings per ordinary share (p)	10.91	3.73
Surplus for the year excluding capital items	19,428,568	21,167,243
EPRA earnings per share (p)	4.99	5.56

19 DIVIDENDS AND PROPERTY INCOME DISTRIBUTION GROSS OF INCOME TAX

On 29 March 2018 a dividend in respect of the quarter to 31 December 2017 of 1.19 pence per share was paid totalling £4,797,073. This dividend was split as a property income dividend of 0.522 pence per share and a non property income dividend of 0.668 pence per share.

Non Property Income Distributions	**2017 £**	**2016 £**
0.84p per ordinary share paid in March 2017 relating to the quarter ending 31 December 2016 (2016: 0.561p)	3,258,910	1,679,695

Property Income Distributions		
0.35p per ordinary share paid in March 2017 relating to the quarter ending 31 December 2016 (2016: 0.60p)	1,357,879	1,796,781
1.19p per ordinary share paid in May 2017 relating to the quarter ending 31 March 2017 (2016: 1.19p)	4,626,903	4,530,216
1.19p per ordinary share paid in August 2017 relating to the quarter ending 30 June 2017 (2016: 1.19p)	4,665,723	4,530,216
1.19p per ordinary share paid in November 2017 relating to the quarter ending 30 September 2017 (2016: 1.19p)	4,686,998	4,530,216
	18,596,413	17,067,124

20 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.

	2017	**2016**
Number of ordinary shares at the reporting date	394,865,419	380,690,419

	2017 £	**2016 £**
Total equity per audited consolidated financial statements	345,998,316	308,437,559
NAV per share (p)	87.6	81.0

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21 SERVICE CHARGE

The Group has appointed a managing agent to deal with the service charge at the investment properties. The table opposite 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 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.

	2017 £	2016 £
Total service charge expenditure incurred	1,663,097	1,888,993
Total service charge billed to tenants excluding void units and service charge caps	1,800,731	1,550,599
Service charge billed to the Group in respect of void units and service charge caps	181,659	135,432
Service charge due (to)/from tenants as at 31 December	(319,293)	202,962
	1,663,097	1,888,993

22 RELATED PARTY DISCLOSURES

Directors' remuneration

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

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 Group. Transactions with the Investment Manager in the year are detailed out in note 4.

	2017 £	2016 £
Robert Peto (appointed Chairman 2 June 2016)	40,000	34,558
Sally-Ann Farnon	36,000	33,250
Huw Evans	32,000	30,000
Mike Balfour (appointed 10 March 2016)	32,000	24,723
James Clifton-Brown (appointed 17 August 2016)	32,000	12,061
Richard Barfield (retired 2 June 2016)	—	14,808
Employers national insurance contributions	11,962	7,866
	183,962	157,266
Directors expenses	10,049	6,959
	194,011	164,225

23 SEGMENTAL INFORMATION

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

24 EVENTS AFTER THE BALANCE SHEET DATE

Dividends

On 29 March 2018 a dividend in respect of the quarter to 31 December 2017 of 1.19 pence per share was paid. This dividend was split as a property income dividend of 0.522 pence per share and a non property income dividend of 0.668 pence per share.

Purchases

On 5th January 2018 the Group completed the purchase of Timbmet, an industrial property for £11.5 million excluding costs.

On 2nd February 2018 the Group completed the purchase of Grand National Leisure Park, Aintree, a retail park for £6.125 million excluding costs.

On 7th February 2018 the Group completed the purchase of Sandy, a retail warehouse for £6.020 million excluding costs.

Sales

On 19 January 2018 the Group completed the sale of Bathgate Retail Park for £5.23 million excluding costs.

On 16 March 2018 the Group completed the sale of Elstree Tower, Borehamwood for £20 million excluding costs.

On 21 March 2018, the Group exchanged contracts for the sale of Charter Court, Slough for £13.25 million excluding costs. This is expected to complete on 6 April 2018.

Share Issues

During the period from 1 January 2018 to 16 March 2018 the Group has raised £7.6 million through the issue of 8.25 million new ordinary shares.

Additional Information

UNAUDITED EPRA PERFORMANCE MEASURES & ADDITIONAL INFORMATION

Additional Information

EPRA Performance Measures

	2017 £	2016 £
EPRA earnings	19,428,568	21,167,243
EPRA earnings per share (p)	4.99	5.56
EPRA NAV	348,243,115	312,000,101
EPRA NAV per share (p)	88.2	82.0
EPRA NNNAV	343,426,711	307,999,368
EPRA NNNAV per share (p)	87.0	80.9
EPRA Net Initial Yield	5.4%	6.0%
EPRA topped-up Net Initial Yield	5.5%	6.2%
EPRA Vacancy Rate	7.7%	3.3%
EPRA Cost Ratios — including direct vacancy costs	20.2%	17.4%
EPRA Cost Ratios — excluding direct vacancy costs	16.9%	15.6%

A. EPRA EARNINGS	2017 £	2016 £
Earnings per IFRS income statement	42,465,234	14,198,646
Adjustments to calculate EPRA Earnings, exclude:		
Net changes in value of investment properties	(23,174,903)	5,300,992
Gain on disposal of investment properties	138,237	(1,067,395)
Close-out costs of interest rate SWAP	—	2,735,000
EPRA Earnings	19,428,568	21,167,243
Basic number of shares (weighted average)	389,272,679	380,690,419
EPRA Earnings per share (p)	4.99	5.56

B. EPRA NET ASSET VALUE	2017 £	2016 £
IFRS NAV	345,998,316	308,437,559
Exclude:		
Fair value of financial instruments	2,244,799	3,562,542
EPRA NAV	348,243,115	312,000,101
Basic number of shares	394,865,419	380,690,419
EPRA NAV per share (p)	88.2	82.0

C. EPRA TRIPLE NET ASSET VALUE (NNNAV)	2017 £	2016 £
EPRA NAV	348,243,115	312,000,101
Fair value of financial instruments	(2,244,799)	(3,562,542)
Fair value of debt	(2,571,605)	(438,191)
EPRA NNNAV	343,426,711	307,999,368
EPRA NNNAV per share (p)	87.0	80.9
Fair value of debt per financial statements	111,678,649	124,440,019
Carrying value	109,107,044	124,001,828
Fair value of debt adjustment	2,571,605	438,191

D. EPRA NET INITIAL YIELD AND 'TOPPED UP' NIY DISCLOSURE	2017 £	2016 £
Investment property — wholly owned	433,210,000	429,945,000
Allowance for estimated purchasers' costs	29,458,280	29,236,260
Gross up completed property portfolio valuation	462,668,280	459,181,260
Annualised cash passing rental income	26,654,667	29,108,163
Property outgoings	(1,848,130)	(1,372,597)
Annualised net rents	24,806,537	27,735,566
Add: notional rent expiration of rent free periods or other lease incentives	613,714	896,788
Topped-up net annualised rent	25,420,251	28,632,354
EPRA NIY	5.4%	6.0%
EPRA "topped-up" NIY	5.5%	6.2%

E. EPRA COST RATIOS	2017 £	2016 £
Administrative / property operating expense line per IFRS income statement	5,759,169	5,312,061
EPRA Costs (including direct vacancy costs)	5,759,169	5,312,061
Direct vacancy costs	(949,144)	(549,678)
EPRA Costs (excluding direct vacancy costs)	4,810,025	4,762,383
Gross Rental income less ground rent costs	28,541,413	30,496,363
EPRA Cost Ratio (including direct vacancy costs)	20.2%	17.4%
EPRA Cost Ratio (excluding direct vacancy costs)	16.9%	15.6%

Additional Information

Sustainability Performance

RESPONSIBLE INVESTMENT

Standard Life Investments Property Income Trust (SLIPIT) aims to invest responsibly, to achieve environmental and social benefits alongside returns. The Trust adopts Standard Life Investment's Sustainable Real Estate Investment (SREI) Policy which aims to ensure continual improvement across three strategic priority areas:

- Occupier Satisfaction: contributing positively to the health, wellbeing and productivity of asset users
- Resource Scarcity: reducing resource use through effective waste management, exploring circular economy opportunities and ensuring water efficiency
- Climate Change: reducing energy consumption, greenhouse gas emissions and adapting to climate impacts

The full SREI Policy is available on the Standard Life Investments website.

EPRA SUSTAINABILITY BEST PRACTICE RECOMMENDATIONS GUIDELINES

We have adopted the 2017 EPRA Sustainability Best Practice Recommendations Guidelines (sBPR) to inform the scope of indicators we report against. We have reported against all EPRA sBPR indicators that are material to the Trust. We also report additional data not required by the EPRA sBPR where we believe it to be relevant (e.g. like-for-like greenhouse gas emissions).

OPERATIONAL PERFORMANCE SUMMARY

We have processes in place to ensure operational sustainability performance is monitored and actions are implemented to drive continual improvement. Like-for-like landlord electricity and gas consumption reduced year-on-year across the Trust's assets, by 16% and 27% respectively. This helped drive a significant reduction in like-for-like greenhouse gas emissions. Water consumption also reduced year-on-year and 99.9% of waste was diverted from landfill.

2017 GRESB ASSESSMENT

The GRESB Assessment is the leading global sustainability benchmark for real estate vehicles. The Trust has been submitted to GRESB since 2012. In the 2017 assessment, its score improved by 8% compared with 2016 with improvements in the Stakeholder Engagement and Risks & Opportunities categories in particular. The Trust achieved a Green Star rating and a Three Star ranking.

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

EXPLANATORY NOTES ON METHODOLOGY

Reporting period

Sustainability data in this report covers the calendar years of 2016 and 2017. We have previously used fiscal year for sustainability reporting but have changed to calendar year to align with financial reporting.

Organisational boundary and data coverage

For the purposes of sustainability reporting, we have included single-let assets within the organisational boundary even though operational control is limited and we do not generally have sight of tenant utility data. It was judged that these should be included to enable the reporting of consumption data associated with any void units at these assets. The coverage numbers in the tables below therefore appear low due to the inclusion of all of the Trust's assets in the totals.

Where there is no data coverage for a sector (for example, water consumption for business parks where there was no landlord consumption during the period), the sector is excluded from the table but the number of relevant assets is included in the total possible coverage number.

The like-for-like portfolio is determined on the basis of assets that were held for two full reporting years and, in line with EPRA guidance, no exclusions are made on the basis of changes in occupancy.

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

Normalisation

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

Renewable energy

There is a small amount of solar generation installed on industrial assets in the Trust at present. We are currently reviewing feasibility to install PV cells on a number of other assets. Purchased electricity reflects the fuel mix of the relevant supplier.

Auditing and assurance

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

MATERIALITY

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

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

Additional Information
Environmental Indicators continued

LIKE-FOR-LIKE ENERGY CONSUMPTION

Landlord electricity consumption across like-for-like assets decreased by 16% year-on-year. This was largely driven by a reduction at office assets and in particular at Charter Court in Slough. Gas consumption also reduced year-on-year, aided by milder winter months in 2017.

We have implemented a number of energy saving initiatives across the portfolio and identified many more for future roll-out. In particular, we have focussed on optimising building management systems to match operational requirements. Further initiatives include LED lighting and controls upgrades at office assets and plant replacements as part of asset five year plans.

There is a small amount of electricity generated by a solar PV array at an industrial unit in Bolton which is not captured in the table below. In 2017 this array generated 43,100 kWh which was consumed by the tenant.

Note: the fluctuation in gas consumption for Business Parks is due to consumption for periods when units were void.

		Landlord Electricity (kWh)			Occupier Electricity i.e. sub-metered to occupiers (kWh)			Total Landlord obtained Electricity (kWh)			Landlord-obtained Gas (kWh)			Energy Intensity (kWh/ m²)		
Indicator references		**Elec-LfL**			**Elec-LfL**			**Elec-LfL**			**Fuels-LfL**			**Energy-Int**		
Sector	**Coverage** (assets)	**2016**	**2017**	**Change** (%)	**2016**	**2017**	**Change** (%)	**2016**	**2017**	**Change** (%)	**2016**	**2017**	**Change** (%)	**2016**	**2017**	**Change** (%)
Industrial, Business Parks	3 of 11	20,593	13,338	-35%	No sub-metered consumption		N/A	20,593	13,338	-35%	3,786	15,191	301%	0.90	1.05	17%
Industrial, Distribution Warehouse	2 of 14	72,311	61,484	-15%	No sub-metered consumption		N/A	72,311	61,484	-15%	484,715	302,455	-38%	32.3	21.1	-35%
Offices	4 of 13	889,061	755,223	-15%	1,050,721	1,060,908	1%	1,939,782	1,816,131	-6%	870,752	678,119	-22%	235.8	209.3	-11%
Retail, Unit Shops	2 of 2	39,096	40,823	4%	No sub-metered consumption		N/A	39,096	40,823	4%	No meters		N/A	6.6	6.9	4%
Retail, Warehouses	3 of 7	41,948	21,050	-50%	No sub-metered consumption		N/A	41,948	21,050	-50%	No meters		N/A	5.2	2.6	-50%
Totals	**14 of 47**	**1,063,009**	**891,918**	**-16%**	**1,050,721**	**1,060,908**	**1%**	**2,113,730**	**1,952,826**	**-8%**	**1,359,253**	**995,765**	**-27%**	**49.3**	**41.9**	**-15%**

LIKE-FOR-LIKE WASTE GENERATION AND TREATMENT

We are responsible for waste management at a number of multi-let assets across the Trust. Our waste management consultants undertake regular waste audits and work closely with managing agents to implement interventions to improve segregation of materials and ultimately increase recycling rates.

In total across the four like-for-like assets at which we manage waste, 365 tonnes of non-hazardous waste was generated in 2017 with 45.8% recycled, 54.1% recovered via energy from waste and 0.1% landfilled.

		Total Waste (tonnes)		Waste to Landfill (tonnes)		Waste Recovered (tonnes)		Waste Recycled (tonnes)	
Indicator references		**Waste-LfL**		**Waste-LfL**		**Waste-LfL**		**Waste-LfL**	
Sector	**Coverage** (assets)	**2016**	**2017**	**2017**		**2017**		**2017**	
Offices	3 of 13	57	57	0.6%	0.3	42%	24	58%	33
Retail, Unit Shops	1 of 2	297	307	0%	0	56%	173	44%	134
Totals	**4 of 47**	**353**	**365**	**0.1%**	**0.3**	**54.1%**	**197**	**45.8%**	**167**

LIKE-FOR-LIKE GREENHOUSE GAS EMISSIONS

The like-for-like energy consumption figures below translate into a 27% reduction in Scope 1 greenhouse gas (GHG) emissions and a 28% reduction in Scope 2 emissions. The reduction in Scope 2 emissions is driven by the reduction in landlord electricity consumption and also an improvement in the carbon intensity of the UK electricity grid between 2016 and 2017.

Note: the fluctuation in Scope 1 emissions for Business Parks is due to consumption for periods when units were void.

		Scope 1 Emissions (tCO_2)			Scope 2 Emissions (tCO_2)			Scope 3 Emissions (tCO_2)			Emissions Intensity Scopes 1, 2 & 3 ($kgCO_2/m^2$)		
Indicator references		**No relevant EPRA indicator**											
Sector	**Coverage** (assets)	**2016**	**2017**	**Change** (%)	**2016**	**2017**	**Change** (%)	**2016**	**2017**	**Change** (%)	**2016**	**2017**	**Change** (%)
Industrial, Business Parks	3 of 11	0.7	2.8	302%	8	5	-45%	1	0	-43%	0.4	0.3	-20%
Industrial, Distribution Warehouse	2 of 14	89	56	-38%	30	22	-27%	3	2	-25%	7	5	-35%
Offices	4 of 13	160	125	-22%	366	266	-28%	505	433	-14%	87	69	-20%
Retail, Unit Shops	2 of 2	No meters		N/A	16	14	-11%	1	1	-8%	3	3	-11%
Retail, Warehouses	3 of 7	No meters		N/A	17	7	-57%	2	1	-56%	2	1	-57%
Totals	**14 of 47**	**250**	**183**	**-27%**	**438**	**314**	**-28%**	**512**	**437**	**-15%**	**17**	**13**	**-22%**

SUSTAINABILITY CERTIFICATIONS

Energy Performance Certificate (EPC) ratings for assets in England owned by the Trust are shown opposite. A comprehensive review of EPC ratings has been undertaken in light of the Minimum Energy Performance Standard (MEES) coming into effect in April 2018. There is one remaining G-rated unit in the Trust for which there is a comprehensive plan to improve the rating before the next lease event in 2029). No assets held by the Trust hold BREEAM ratings from their construction.

EPC Rating	% Net Lettable Area
A	6.0%
B	12.0%
C	52.4%
D	18.2%
E	10.2%
F	0%
G	1.2%

SOCIAL INDICATORS

Health & Safety

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

Community Engagement

Our community engagement activities are focused around development or construction projects the Trust undertakes. We do not routinely implement community engagement activities at standing assets.

Additional Information

Environmental Indicators continued

ABSOLUTE ENERGY CONSUMPTION

Absolute landlord electricity and gas consumption decreased by 6% and 24% respectively year-on-year. These changes were driven by reductions in consumption across the like-for-like portfolio as outlined above and the purchase and sale of several assets.

			Landlord Electricity (kWh)			Occupier Electricity i.e. sub-metered to occupiers (kWh)			Total landlord-obtained Electricity (kWh)			Landlord-obtained Gas (kWh)			Energy Intensity (kWh/ m²)		
Indicator references			**Elec-Abs**			**Elec-Abs**			**Elec-Abs**			**Fuels-Abs**			**Energy-Int**		
Sector	**Coverage 2016** (assets)	**Coverage 2017** (assets)	**2016**	**2017**	**Change** (%)	**2016**	**2017**	**Change** (%)	**2016**	**2017**	**Change** (%)	**2016**	**2017**	**Change** (%)	**2016**	**2017**	**Change** (%)
Industrial, Business Parks	4 of 12	5 of 13	21,305	16,173	-24%	No sub-metered consumption		N/A	21,305	16,173	-24%	4,230	16,912	300%	0.7	0.9	30%
Industrial, Distribution Warehouse	2 of 16	2 of 16	77,693	61,484	-21%	No sub-metered consumption		N/A	77,693	61,484	-21%	492,271	302,455	-39%	25.7	21.1	-18%
Offices	7 of 20	8 of 19	1,308,435	1,254,460	-4%	1,296,716	1,364,526	5%	2,605,151	2,618,986	1%	1,470,357	1,165,892	-21%	298.4	162.3	-46%
Retail, Unit Shops	2 of 2	2 of 2	39,096	40,823	4%	No sub-metered consumption		N/A	39,096	40,823	4%	No meters		N/A	6.6	6.9	4%
Retail, Warehouses	3 of 11	3 of 11	41,948	21,050	-50%	No sub-metered consumption		N/A	41,948	21,050	-50%	No meters		N/A	5.2	2.6	-50%
Totals	**18 of 61**	**20 of 61**	**1,488,477**	**1,393,990**	**-6%**	**1,296,716**	**1,364,526**	**5%**	**2,785,193**	**2,758,516**	**-1%**	**1,966,858**	**1,485,259**	**-24%**	**54.8**	**46.4**	**-15%**

WATER CONSUMPTION

Water consumption at like-for-like assets decreased by 27% year-on-year following reductions in all sectors where there was landlord consumption. The reduction in offices is driven by a significant decrease at Charter Court in Slough.

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

			Absolute Water Consumption (m³)					LfL Water Consumption (m³)					
Indicator references			**Water-Abs; Water-Int**					**Water-LfL; Water-Int**					
Sector	**Coverage 2016** (assets)	**Coverage 2017** (assets)	**2016** (m³)	**2016 Intensity** (litres/m²)	**2017** (m³)	**2017 Intensity** (litres/m²)	**Change** (%)	**Coverage** (assets)	**2016** (m³)	**2016 Intensity** (litres/m²)	**2017** (m³)	**2017 Intensity** (litres/m²)	**Change** (%)
Industrial, Distribution Warehouse	2 of 12	1 of 13	116	8	22	2	-81%	1 of 11	73	8	22	2	-70%
Offices	5 of 20	5 of 19	8,406	732	4,871	363	-42%	2 of 13	3,487	640	2,591	475	-26%
Retail, Unit Shops	1 of 2	1 of 2	62	10	38	6	-39%	1 of 2	62	10	38	6	-39%
Totals	**8 of 61**	**7 of 61**	**8,584**	**269**	**4,930**	**170**	**-43%**	**4 of 47**	**3,622**	**172**	**2,650**	**126**	**-27%**

ABSOLUTE GREENHOUSE GAS EMISSIONS

Absolute Scope 1 GHG emissions reduced by 24% whilst absolute Scope 2 emissions reduced by 20%. As noted below for the like-for-like portfolio, the reduction in Scope 2 emissions is aided by a reduction in the emissions intensity of UK grid electricity.

			Scope 1 Emissions (tCO_2)			Scope 2 Emissions (tCO_2)			Scope 3 Emissions (tCO_2)			Emissions Intensity Scopes 1, 2 & 3 ($kgCO_2/m^2$)		
Indicator references			**GHG-Dir-Abs**			**GHG-Indir-Abs**			**GHG-Indir-Abs**			**GHG-Int**		
Sector	**Coverage 2016** (assets)	**Coverage 2017** (assets)	**2016**	**2017**	**Change** (%)	**2016**	**2017**	**Change** (%)	**2016**	**2017**	**Change** (%)	**2016**	**2017**	**Change** (%)
Industrial, Business Parks	4 of 12	5 of 13	0.8	3.1	300%	9	6	-35%	1	1	-33%	0.3	0.3	-10%
Industrial, Distribution Warehouse	2 of 16	2 of 16	91	56	-39%	32	22	-32%	3	2	-30%	5.7	4.6	-19%
Offices	7 of 20	8 of 19	271	215	-21%	539	441	-18%	631	566	-10%	105.5	52.4	-50%
Retail, Unit Shops	2 of 2	2 of 2	No meters		N/A	16	14	-11%	1	1	-8%	3.0	2.6	-11%
Retail, Warehouses	3 of 11	3 of 11	No meters		N/A	17	7	-57%	2	1	-56%	2.3	1.0	-57%
Totals	**18 of 61**	**20 of 61**	**362**	**274**	**-24%**	**613**	**490**	**-20%**	**638**	**570**	**-11%**	**18.6**	**14.6**	**-22%**

ABSOLUTE WASTE GENERATION AND TREATMENT

The only difference in absolute waste management data compared to the like-for-like portfolio below is the addition of two new office assets in 2017 (Pinnacle in Reading and 101 Princess Street in Manchester) which added 30 tonnes to total waste generation.

			Total Waste (tonnes)		Waste to Landfill (tonnes)		Waste Recovered (tonnes)		Waste Recycled (tonnes)	
Indicator references			**Waste-Abs**		**Waste-Abs**		**Waste-Abs**		**Waste-Abs**	
Sector	**Coverage 2016** (assets)	**Coverage 2017** (assets)	**2016**	**2017**	**2017**		**2017**		**2017**	
Offices	3 of 20	5 of 20	57	88	0.4%	0.3	58%	51	41%	36
Retail, Unit Shops	1 of 2	1 of 2	297	307	0%	0	56%	173	44%	134
Totals	**4 of 61**	**6 of 61**	**353**	**395**	**0.1%**	**0.3**	**56.8%**	**224**	**43.1%**	**170**

Information for Investors

Glossary

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

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

Information for Investors

Information for Investors

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 Company's website at:

www.slipit.co.uk

at Interactive Investor Investment Trust Service, www.iii.co.uk and on TrustNet, 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.

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 offers 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.

Leverage

The Company's maximum and average actual leverage levels at 31 December 2017 are shown below

Leverage exposure	Gross method	Commitment method
Maximum limit	400%	250%
Actual	161%	129%

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 net asset value 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 £14.17 billion at 31 December 2017, of which £8.79 billion of assets were AIFs subject to the AIFM Directive. The NAV of the Company was £346.00 million as at December 2017.

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 Aberdeen 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 SLI(CF) 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 identified forty-one (2016: ten) 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. The aggregate remuneration for these forty-one (2016: ten) individuals apportioned for the AIFM duties they have performed, for the year 2017 is £1,009,310 (2016: £231,732). Of this £211,470 (2016: £52,852) relates to fixed remuneration and £797,840 (2016: £178,880) relates to variable remuneration.

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 Aberdeen 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:

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 AIC. Alternatively, visit their website on

www.theaic.co.uk

Information for Investors
Directors and Company Information

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

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REGISTERED NUMBER
41352

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REGISTRAR
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Le Truchot
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PROPERTY VALUERS
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55 Baker Street
London W1U 8AN

DEPOSITARY
Citibank Europe plc
Canada Square
London E14 5LB

1 Chairman of the Nomination Committee London E14 5LB
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

Annual General Meeting

Notice of the Annual General Meeting

Notice is hereby given that the Fourteenth Annual General Meeting of Standard Life Investments Property Income Trust Limited ('the Company') will be held at Bow Bells House, 1 Bread Street, London EC4M 9HH on Friday, 8 June 2018 at 10.30am for the following purposes:

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

1 To receive and approve the Annual Report and Financial Statements of the Company for the year ended 31 December 2017.

2 To receive and approve the Directors' Remuneration Report for the year ended 31 December 2017.

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

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

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

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

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

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

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

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

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

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

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

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

d. unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 8 December 2019 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2019, 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.

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 Conduct Authority under Part VI of the Financial Services and Markets Act 2000, as amended, did not apply to any such allotment of equity securities, provided that this power:

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

b. shall be limited to the allotment of equity securities up to an aggregate nominal value of £403,115 being approximately 10 percent of the nominal value of the issued share capital of the Company, as at 5 April 2018.

By Order of the Board
For and on behalf of
Northern Trust International Fund Administration Services (Guernsey) Limited
Secretary
5 April 2018

Annual General Meeting
Notes to the notice of Annual General Meeting

1 A form of proxy is enclosed with this notice. A Shareholder entitled to attend, speak and vote is entitled to appoint one or more proxies to exercise all or any of 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 6 June 2018

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 6 June 2018.

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 6 June 2018. Changes to entries in the register after that time shall be disregarded in determining the rights of any member to attend, speak and vote at such Meeting.

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

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

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

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

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

12 As at 5 April 2018, the latest practicable date prior to publication of this document, the Company had 403,115,419 ordinary shares in issue with a total of 403,115,419 voting rights.

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