Standard Life Investments Property Income Trust Limited

Annual Report and Financial Statements Year ended 31 December 2014

Contents

Strategic Report

1 Financial Highlights

2 Chairman's Statement

5 Strategic Overview

9 Investment Manager's Report

Governance

16 Board of Directors

17 Directors' Report

20 Corporate Governance Report

26 Audit Committee Report

29 Directors' Remuneration Report

32 Statement of Directors' Responsibilities

Financial Statements

33 Independent Auditor's Report

36 Consolidated Statement of Comprehensive Income

37 Consolidated Balance Sheet

39 Consolidated Statement of Changes in Equity

41 Consolidated Cash Flow Statement

42 Notes to the Consolidated Financial Statements

Additional Information

76 Information for Investors

78 How to Make Future Investments

79 Directors and Company Information

Annual General Meeting

80 Notice of Annual General Meeting

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 of 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.

Standard Life Investments Property Income Trust Limited

Strategic Report
Financial Highlights

- Net Asset Value total return of 23.2% for the year ended 31 December 2014.
- Share price increased by 11.9% over the year to 78.3p.
- Dividend yield of 5.9% based on year end share price of 78.3p.
- 12 properties purchased for £94.2m excluding costs and 4 properties sold for £27.0m excluding costs.
- £65.9m of new equity raised over the year at an average premium to Net Asset Value of 5.8%, increasing the number of shares in issue by 57.6%.

Total Returns (with dividends re-invested)	31 December 2014	31 December 2013
Net Asset Value total return*	+23.2%	+25.2%
Share Price total return*	+ 18.8%	+29.2%

Capital Values	31 December 2014	31 December 2013	% Change
Net Asset Value per share [1]	75.5p	65.5p	+15.3%
EPRA** Net Asset Value per share [2]	76.6p	65.6p	+16.8%
Share Price	78.3p	70.0p	+11.9%
Premium of Share Price to Net Asset Value	3.7%	6.9%	
Total Assets	£278.7m	£191.6m	+45.5%
Loan to Value [3]	29.2%	40.9%	
Cash Balance	£5.4m	£12.3m	

Dividends	31 December 2014	31 December 2013
Dividends per share [4]	4.616p	4.532p
Dividend yield	5.9%	6.5%

Ongoing Charges	Year ended 31 December 2014	Year ended 31 December 2013
Ongoing charges***	1.6%	1.9%

Property Returns	Year ended 31 December 2014	Year ended 31 December 2013
Property income return [5]	7.5%	7.7%
IPD property income monthly index [6]	5.6%	6.1%
Property total return (property only) [7]	18.0%	11.7%
IPD property total return monthly index [6]	17.9%	9.9%

1 Calculated under International Financial Reporting Standards as adopted in the EU.

2 EPRA NAV represents the value of an entity's equity on a long-term basis. Some items, such as fair value of derivatives, are therefore excluded.

3 Calculated as bank borrowings less all cash as a percentage of the open market value of the property portfolio as at 31 December 2014.

4 Dividends paid during the 12 months to 31 December 2014.

5 The net income receivable for the period expressed as a percentage of the capital employed. Quarterly figures are compounded over the period to give the rate over twelve months.

6 source: IPD quarterly version of the monthly index funds (excludes cash).

7 The sum of capital growth and net income for the year expressed as a percentage of capital employed excluding cash.

* The percentage change in the net asset value or share price over a given time period with income reinvested.

** The European Public Real Estate Association (EPRA) is a common interest group, which aims to promote, develop and represent the European public real estate sector.

*** Calculated as Investment management fees, auditor's fees, directors' fees and other administration expenses divided by the average NAV for the year to 31 December 2014.

Standard Life Investments Property Income Trust Limited

Strategic Report

Chairman's Statement

Richard Barfield
Chairman

2014 has been a watershed year for the Company with the conclusion of the REIT conversion project, approved by shareholders in November 2014, and the significant increase in the net assets following successful fund raisings. Indeed the market capitalisation of the Company increased by 76% during the period to end the year at £191m with total assets increased to £278.7m. The share price rose by 11.9% and the net asset value per share ('NAV') increased by 15.3%. The NAV total return to shareholders was 23.2%. As a result of the solid performance of the Company, the Board was able to increase the quarterly dividend in May 2014 by 2.5%. Overall, performance was ahead of the most commonly accepted benchmarks.

Awards

I am delighted to report to shareholders that the Company won two awards in 2014 in recognition of the Company's strong investment performance track record. Both Investment Week and Investment Adviser 100 Club awarded the Company "Property Trust of the Year".

The Property Portfolio and Performance

The Investment Manager's report provides detailed information on the portfolio. At the end of the year, it was valued at £270.2m. Additionally, there was a positive cash balance of £5.4m. Total assets were £278.7m (2013: £191.6m). The Company's NAV at year end was 75.5p per share (2013: 65.5p), an uplift of 15.3% over the period. The table below sets out the components of the movement in the NAV.

	Pence per Share	% of opening NAV
NAV as at 31 December 2013	65.5	100.0
Increase in valuation of property portfolio	10.5	16.0
Increase in interest rate swap liability	(1.4)	(2.1)
Other reserve movements	0.9	1.4
NAV as at 31 December 2014	75.5	115.3

The net income return on capital invested at year end was 7.5% and there were no material arrears of rent. On average, 99% of rents were received within 21 days of the relevant quarter date and voids are at 1.4% of the income stream. The IPD average void rate is reported as being 7.0%.

The most significant changes to the portfolio during the year were the sales of the largest asset for £16.1m, a logistics unit in Bolton let to Tesco, and three retail warehouses for £10.9m. The major acquisitions included a Grade A office in Farnborough for £14.9m, three logistics units in Derbyshire for £27.3m, a logistics and industrial investment in Rotherham for £14.6m, five industrial and logistics units for £23.7m and a mixed use retail and leisure investment in Glossop for £10.1m. Important asset management agreements were completed for Bourne House Staines and St James House Cheltenham. The Managers have been active in managing expiry risk and improving the quality of the rental income at attractive valuations. 2014 represented a very busy year with £94.2m of purchases and £27.0m of sales (excluding costs).

Standard Life Investments Property Income Trust Limited

Strategic Report

Chairman's Statement (continued)

Shares and Share Price

At the year end, there were 244,216,165 shares in issue, an increase of 57.6% over the year. Our plans for the size of the Company are set out in the Strategic Overview.

The share price on 31 December 2014 was 78.3p, an uplift of 11.9% over the 12 month period, and represented a premium of 5.4% over NAV at the year end, after adjusting for the Q4 dividend.

Earnings and Dividends

During the year the Board increased the quarterly dividend by 2.5% to 1.161p per share reflecting a combination of lower interest costs, improving outlook for rents and lower void rates. The shares provided a dividend yield of 5.9% based upon the current annualised dividend of 4.644p per share and the share price at year end.

Management Expenses

As reported in the Prospectus and the Interim Report the Board negotiated a new tiered management fee structure that will improve the Company's ongoing charges ratio. For total assets above £200m the fee is now 0.7% and for total assets above £300m the fee reduces to 0.65%.

Loan to Value ratio

At 31 December 2014, the LTV ratio was 29.2%, which is within the parameter of up to 45% determined by the Board. Our loan agreement with RBS sets out an upper limit of 65% until December 2016, reducing to 60% for the remaining two years.

The Board and Corporate Governance

As required by the FRC code, there is a detailed report on Board and Governance matters in the Corporate Governance Report.

Following the retirement of the past chairman Paul Orchard Lisle, Robert Peto was elected as a director and he has a wealth of experience in UK commercial real estate. Following the conversion of the Company to a REIT, Shelagh Mason decided to retire at the year end. The Board would like to thank Shelagh for her excellent contribution to the Company since its formation in 2003.

The Board agreed to appoint Standard Life Investments as the Company's Alternative Investment Fund Manager ('AIFM'). The manager will not be increasing their fees for their additional regulatory responsibilities. However there will be additional expenses for the Company in the form of depository costs.

REIT Conversion

On 20 November 2014 shareholders approved the proposals for the Company to make the necessary changes to the Articles to become tax resident in the UK for the purposes of entering the UK REIT regime. Following notification being given to HMRC this change was effective from 1 January 2015.

Fund Raising

The Company published a Prospectus on 1 July 2014 seeking to issue up to 100m new shares via an Initial Placing and Offer for Subscription for up to 50m shares and a Placing Programme for up to a further 50m shares. On 28 July 2014 the Company announced that the first tranche had been fully subscribed with the issue of 50m new shares that raised £36.5m. Subsequently, under the Placing Programme the Company issued 7m shares on 22 September 2014 and 26.5m shares on 13 November 2014 raising a total of £25.3m. In each case the new shares were issued at a 5% premium to the prevailing NAV and the proceeds invested timeously into UK commercial real estate properties at attractive yields. The Company also raised a further £4.1m through tap issues in the first quarter of 2014.

In February 2015 the Company raised £25.5m through the issue of 16.5m shares, the balance of its Prospectus authority, and also 16.1m shares relating to the 10% disapplication of pre-emption rights authority approved by shareholders at last year's AGM.

Standard Life Investments Property Income Trust Limited

Strategic Report
Chairman's Statement (continued)

Outlook

UK commercial real estate capital values are continuing to rise and rents are gathering further momentum. Investors are allocating more capital to the sector and are prepared to take more risk. I expect location to be particularly important for returns this year. Prime and good quality secondary assets in better locations are likely to provide the best opportunities in the strong economy I anticipate in 2015.

My expectations for the future have to be tempered by the uncertainty of the outcome of the General Election in May of this year and the length of time that low interest rates will continue. Even so, I believe that real estate will remain a favoured asset class.

On the whole however, the Board is confident that the Company has a portfolio that is fit for purpose and that good investment management and asset management will produce further growth.

Richard Barfield
Chairman
31 March 2015

Standard Life Investments Property Income Trust Limited

Strategic Report
Strategic Overview

Objective

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

Investment Policy and Business Model

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

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

- No property will be greater by value than 15% of total assets.
- No tenant (excluding the Government) will be responsible for more than 20% of the Company's rent roll.
- Gearing, calculated as borrowings as a percentage of gross assets, will not exceed 65%. The Board's current intention is that the Company's 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').

Strategy

During the year, the Board reassessed its strategy, with the help of its Investment Manager and other advisers.

The Board's overall intention is to continue to distribute an attractive income return alongside growth in the NAV and to provide a good overall total return.

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

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

In last year's Strategic Overview, the Board noted its intention to seek out opportunities for further growth in the Company and achieved this during 2014 by raising an additional £65.9m of capital through an initial placing and offer for subscription. Subsequent to the year end, a further £25.5m capital has been raised. The maintenance of a tax efficient structure has also been achieved by converting the Company to a UK REIT.

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 REITs are excluded from these restrictions.

As a result, the Company's shares are excluded securities under the new rules and the FCA's restrictions on retail distribution do not apply.

Standard Life Investments Property Income Trust Limited

Strategic Report
Strategic Overview (continued)

The Board

The Board currently consists of a non-executive Chairman and three non-executive Directors. The names and biographies of those directors who held office at 31 December 2014 and at the date of this report appear on page 16 and indicate their range of property, investment, commercial and professional experience. There is also a commitment to achieve the proper levels of diversity. At 31 December 2014, the Board consisted of one female and three male Directors. The Company does not have any employees.

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 Investment Property Databank Balanced Monthly Funds Index ('the Index').

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

- Property voids

Property voids are unlet properties. The Board reviews the level of property voids within the Company's portfolio on a quarterly basis and compares the level to the market average, as measured by the Investment Property Databank. The Board seeks to ensure that proper priority is being given by the Investment Manager to replacing the Company's income.

- Rent collection dates

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

- Net asset value total return

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

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

The Board closely monitors the premium or discount of the share price to the net asset value and believes that a key driver to the level of the premium or discount is the Company's long term investment performance. However, there can be short term volatility in the premium or discount and the Board takes powers at each AGM to enable it to issue or buy back shares with a view to trying to limit this volatility.

- Dividend per share and dividend yield

A key objective of the Company is to provide an attractive, sustainable level of income to shareholders and the Board reviews, at each Board meeting, the level of dividend per share and the dividend yield, 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 are disclosed in the Financial Highlights, Chairman's Statement and Investment Manager's Report.

Principal Risks and Uncertainties

The Company's assets consist of direct investments in UK commercial property. Its principal risks are therefore related to the commercial property market in general, but also the particular circumstances of the properties in which it is invested, and their tenants. The Board and Investment Manager seek to mitigate these risks through a strong initial due diligence process, continual review of the portfolio and

Standard Life Investments Property Income Trust Limited

Strategic Report

Strategic Overview (continued)

active asset management initiatives. All of the properties in the portfolio are insured, providing protection against risks to the properties and also protection in case of injury to third parties in relation to the properties.

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

- The Company and its objectives become unattractive to investors. This is mitigated through regular contact with shareholders, a regular review of share price performance and the level of the discount or premium at which the shares trade to net asset value and regular meetings with the Company's broker to discuss these points and address any issues that arise.
- Poor selection of new properties for investment. A comprehensive and documented initial due diligence process, which will filter out properties that do not fit required criteria, is carried out by the Investment Manager. Where appropriate, this is followed by detailed review and challenge by the Board prior to a decision being made to proceed with a purchase. This process is designed to mitigate the risk of poor property selection.
- Tenant failure or inability to let property. Due diligence work on potential tenants is undertaken before entering into new lease arrangements. In addition, tenants are kept under constant review through regular contact and various reports both from the managing agents and the Investment Manager's own reporting process. Contingency plans are put in place at units that have tenants that are believed to be in financial trouble. The Company subscribes to the Investment Property Databank Iris Report which updates the credit and risk ranking of the tenants and income stream, and compares it to the rest of the UK real estate market.
- Loss on financial instruments. The Company has entered into a number of interest rate swap arrangements. These swap instruments are valued and monitored on a monthly basis by the counterparty bank. The Investment Manager checks the valuation of the swap instruments internally to ensure they are accurate. In addition, the credit rating of the bank that the swaps are taken out with is assessed regularly.

Other risks faced by the Company include the following:

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

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

Strategic Report
Strategic Overview (continued)

and fully complied with.

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

Details of the Company's internal controls are described in more detail in the Corporate Governance Report on page 24.

Social, Community and Employee Responsibilities

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

Environmental Policy

The Investment Manager acquires and manages properties on behalf of the Company. It is recognised that these activities have both direct and indirect environmental impacts.

The Board has endorsed the Investment Manager's own environmental policy which is to work in partnership with contractors, suppliers, tenants and consultants to minimise those impacts, seeking continuous improvements in environmental performance and conducting regular reviews.

The Investment Manager's policy focuses on energy conservation, mitigating greenhouse gas ('GHG') emissions, maximising waste recycling and water conservation.

As an investment company, the Company's own direct environmental impact is minimal and GHG emissions are therefore negligible. Information on the GHG emissions in relation to the Company's real estate portfolio is disclosed in the Standard Life Investments Annual Sustainable Real Estate Investment Report, a copy of which can be obtained on request from the Investment Manager. The Company was awarded Green Star status from the Global Real Estate Sustainability Benchmark for 2014.

Bank Debt

The Company has a fully drawn down debt facility of £84m with RBS, expiring in December 2018. The maximum LTV under the facility is 65% (reducing to 60% after December 2016). The Company has taken out an interest rate swap over the full amount, with an all in cost of debt of 3.8%.

Approval of Strategic Report

The Strategic Report of the Company and its subsidiary, Standard Life Investments Property Holdings Limited, comprises the Financial Highlights, Chairman's Statement, Strategic Overview and Investment Manager's Report. The Strategic Report was approved by the Board on 31 March 2015 and signed on its behalf by:

Richard Barfield
Chairman
31 March 2015

Standard Life Investments Property Income Trust Limited

Strategic Report
Investment Manager's Report

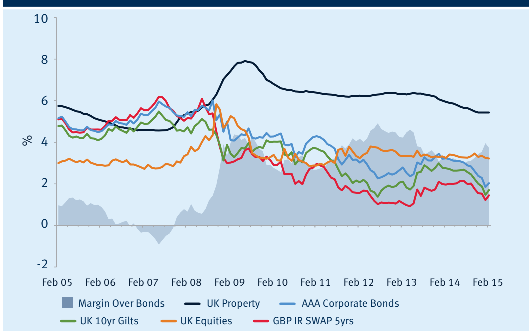
Jason Baggaley
Fund Manager

UK Real Estate Market

The economic fundamentals supporting the UK economy remain robust with a consensus of economists expecting growth of around 2.6% in 2015. Along with economic growth, business sentiment and consumer confidence remain at high levels. The UK commercial property sector has been a key beneficiary of these factors as total returns, as measured by the IPD Monthly Index, for the twelve months to end December reached 17.9%. Capital values grew by 11.8%, in the main still driven by yield compression as the sector continued to attract a large amount of capital from both foreign and domestic participants. Rental growth continued to improve on a quarterly basis at a broad level with rents expected to pick up further into the recovery. Rents rose by 3.6% p.a. in the twelve months to end December.

Within the sectors, there was a change in relative performance, with offices being knocked off the top spot, to be replaced by industrial. Total returns in the office sector remain buoyant at 22.2% in the twelve months to end December against 17.9% for All Property whilst industrial assets were marginally ahead of offices with a return of 22.6%. The retail sector continued to be the laggard with a total return of 13.1%.

Yields on Different Assets



Source: ONS, Thomson Reuters DataStream

The UK listed real estate equities sector remained positive over the year with the FTSE EPRA/NAREIT UK rising by 17.7%. The UK listed sector outperformed the FTSE All Share and FTSE 100 Indices which declined by 2.1% and 2.7% respectively over the same timeframe (all figures capital only). The UK listed real estate sector was relatively volatile over the fourth quarter although the underlying fundamentals for the sector remain robust.

Investment Outlook

A recovery is continuing to come through strongly in the All Property commercial real estate sector with prices maintaining reasonable growth and rents gathering further momentum. In the favourable environment of improving confidence, reducing void rates and falling bond yields, investors are allocating more capital to the sector and consequently, given the increased weight of capital, risk appetite is increasing. Our view remains that poorer quality secondary and tertiary centres remain unattractive in general although there will be opportunities for repositioning assets or generating reasonably good returns on a comparable basis from some poorer quality secondary assets. This is likely to involve a reasonable amount of hard work and effort from

Standard Life Investments Property Income Trust Limited

Strategic Report

Investment Manager's Report (continued)

investors on the asset management side and the risk of an extended void period continues to be elevated for these types of assets. In terms of outlook, we expect positive total returns of around 7% per annum on average for UK real estate on a three year holding period due to the strong income component and modest further capital appreciation. The sector remains attractive from a fundamental point of view with strengthening economic drivers and a limited pipeline of future new developments. Rising interest rates are an emerging risk although there is a reasonable buffer in pricing to compensate if the market prices in a further acceleration of rate rises. The retail sector continues to face a series of headwinds that may hold back recovery in weaker locations due to oversupply and structural issues but the prospects for retail towards the South East and Central London are expected to improve further as economic recovery gains more traction. Opportunities are arising to purchase reasonable quality secondary buildings where these assets can be repositioned as prime. There is also likely to be a further rebound for secondary asset prices due to the elevated margin in pricing between prime and secondary which could reduce as risk appetite improves. We expect locational choices to be the defining characteristics contributing to returns over 2015. Prime, good quality and selective poorer quality secondary assets in stronger locations are likely to provide the best opportunities in the robust economic environment we anticipate over 2015.

Investment Strategy

The investment strategy remains focused on achieving the Company's objective of producing an attractive income return with the prospect of income and capital growth.

2014 was a year of growth for the Company. An important part of the growth strategy was to protect and enhance existing shareholders' interests. This was done by issuing shares at a reasonable premium to the then NAV, normally 5%, and minimising cash drag by only raising funds when we were confident the money could be deployed within a reasonable time period in attractive investments.

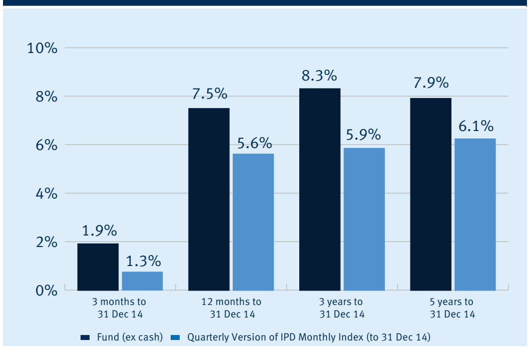
Even during times of growth it is important to manage existing assets, and we remained focussed on regearing leases and disposing of assets that had specific risk to the fund. More details of these can be found below.

Performance

During the year the NAV grew by 15.3% and we were able to increase the dividend in the first quarter by 2.5%. At the year end share price the dividend yield was 5.9%. The Board will continue to seek to pay a covered dividend.

The income yield on the portfolio has to be sufficient to maintain a covered dividend. The chart below demonstrates the consistently higher income yield from the Company's portfolio than the more general market as recorded by the IPD monthly index.

Property Income Return



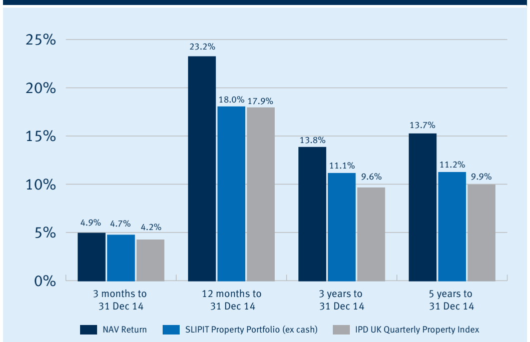
Source: Standard Life Investments

Although income is a key focus for the Company, the NAV total return to investors is equally important. The chart on page 11 demonstrates the importance of raising new equity at a reasonable premium to the then NAV so that purchase costs do not negatively impact existing shareholders. It is also important, when raising equity in a rising market, to try and avoid cash drag by raising too much at one time and not being able to invest it. The cash drag impacts both capital returns and also the ability to maintain a covered dividend.

Standard Life Investments Property Income Trust Limited

Strategic Report
Investment Manager's Report (continued)

Property Total Return



Source: Standard Life Investments

The table below puts the Company's performance into perspective with other similar companies in the sector.

NAV Total Returns to 31st December 2014	1 Yr %	3 Yrs % pa	5 Yrs % pa
Standard Life Investment Property Income Trust	23.2	13.8	13.7
F&C Commercial Property Trust	24.3	13.7	14.2
UK Commercial Property Trust	20.7	10.6	9.6
F&C UK Real Estate Investments	25.4	13.9	10.2
Picton Property Income	29.6	9.8	10.7
Schroder Real Estate Investment Trust	24.9	12.9	9.7
Tritax Big Box REIT	7.5	n/a	n/a

Portfolio Valuation

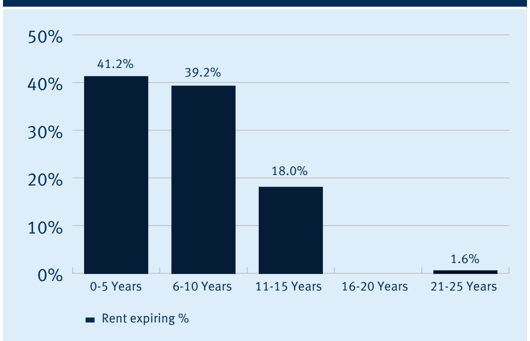
The Company's investment portfolio was valued by Jones Lang La Salle on a quarterly basis throughout 2014. At the year end the portfolio was valued at £ 270.2m, and the Company held £5.4m of cash. This compares to £176.4m and £12.3m respectively as at end 2013.

Prior to the year end the Company had exchanged contracts for the sale of an office in Chelmsford for £3.5m (due to be completed in December 2015) and on a small office in Weybridge, the sale of which completed in January 2015. The Company had also exchanged contracts for the purchase of a retail warehouse asset in Preston for £15.8m which completed on 3 March 2015 following a further successful fund raising.

Lease Expiry Profile

The Company has an average unexpired lease term to the earliest of lease end or tenant break of 6.5 years. This compares to the IPD average of 7.4 years (excluding leases over 35 years). Early in the cycle we focussed on buying short term income as we have a good track record of renewing leases and removing breaks; indeed in 2014 only one tenant did not renew (and we already have solicitors instructed on a new lease for the space from another tenant). At the start of 2015 we have secured 54% of income at risk of expiry in the next 12 months, and have actively taken some space back to refurbish and relet at higher rents. We continue to meet with tenants to explore lease regears that will provide the Company with security of income.

Lease Expiry / Break Profile



Purchases

The purchase philosophy of the Company is to acquire assets that offer an attractive income return and have good medium or long term prospects for capital growth. During 2014 we generally bought slightly longer dated income as we found that provided more attractive prospects than the short let / active management stock we had previously targeted because the pricing arbitrage had shifted.

During the course of 2014, 12 properties were purchased totalling £94.2m excluding costs, and we exchanged on another for £15.8m excluding costs.

Cullen Sq Livingston Scotland: £3.6m, 10.5% yield – two highly specified logistics units let for just over 5 years to two good covenants.

Standard Life Investments Property Income Trust Limited

Strategic Report

Investment Manager's Report (continued)

Chester House Farnborough: £14.9m, 8.1% yield – a modern grade A office on an established business park let to BAE for a further 9 years.

Tetron 93,Tetron 141 Swadlincote and Denby 242 Derby: £27.3m, 7% yield - three modern logistics units let for terms certain of 3 ½ to 6 years purchased as a portfolio.

Symphony Rotherham: £14.6m, 7% yield - three industrial and logistics units on one site and let to the Symphony Group for 20 years with a tenant break in year 15 and fixed uplifts every five years.

Howard Town Retail Park Glossop: £10.1m, 6.6% yield - the property forms a mixed use retail and leisure development adjacent to the town centre. The main tenants are M&S Simply Food, Weatherspoons and Travelodge, all on long leases.

Rio Portfolio: £23.7m, 7.3% yield – 5 industrial and logistics units located in Milton Keynes (x2), Cheltenham, Oldham, and Birmingham. The units are well located and let with an average income profile of over 5 years duration.

DSG Preston: £15.8m, 7% yield - completed March 2015 - stand alone modern retail warehouse located adjacent to the dominant park and opposite a major foodstore, and let to DSG for a further 16 years with five yearly fixed increases in rent.

Sales

The Company undertook several sales to reduce specific expiry risk and to capture profit.

Tesco Logistics Unit Bolton: £16.1m, 7.25% yield – a large logistics unit with a lease expiry in 2016 and the Company's largest rental income – sold early in 2014 to avoid expiry risk and capture profit.

Halfords Paisley, Poundland Wymondham, and Clough Rd Retail Park Hull – portfolio of three retail warehouses sold for £10.9m. The investments had poor growth prospects and some voids, so were sold in early 2014 to improve portfolio quality and return expectations.

Chancellors Place Chelmsford: £3.5m, 13.5% yield – over rented offices with lease expiries in December 2015 and requirement for a full refurbishment. The property was sold to a residential developer with a delayed completion, the Company receiving all rent to lease end in Dec 2015.

De Ville Court Weybridge: £3.2m, 8.5% yield – over rented office with a lease expiry in March 2015 and tenant will be vacating, with capital expenditure required. Sold to a residential developer (Completed January 2015).

Asset management

Asset management is central to how we run the portfolio. We like to meet with our tenants and make sure that the property we own meets occupiers' needs. During the course of 2014 we completed five new lettings and nine lease regears. As a result we ended the year with voids of just 1.4%, well below the IPD benchmark level of 7.0%.

It is noticeable that in many parts of the UK the supply of good quality accommodation is low, with increasing tenant demand. This is leading to rental growth and in some cases best bids being called. In this environment it is important to understand tenant needs not just to maintain income security, but also to add value through lease regears and taking surrenders to refurbish space and upgrade it.

Standard Life Investments Property Income Trust Limited

Strategic Report
Investment Manager's Report (continued)

Geographic Weightings

Regional Split	Value	%
Northern England	50,285,000	18.6
South East	82,540,100	30.6
London West End	9,450,000	3.5
Scotland	24,000,000	8.9
South West	21,475,000	7.9
Rest of London	27,900,000	10.3
Midlands	52,600,000	19.5
Wales	1,800,000	0.7
Total	**270,050,100**	**100%**

Source: Standard Life Investments

SLIPIT IPD Sector Weightings

IPD Sectors	Value	%
South East Std Retail	16,050,000	6.0
Retail Warehouses	31,075,000	11.5
City Offices	16,800,000	6.2
West End Offices	9,450,000	3.5
South East Offices	58,375,100	21.6
Rest of UK Offices	29,640,000	11.0
South East Industrial	9,540,000	3.5
Rest of UK Industrial	99,120,000	36.7
Other	–	0.0
Total	**270,050,100**	**100%**

Source: Standard Life Investments

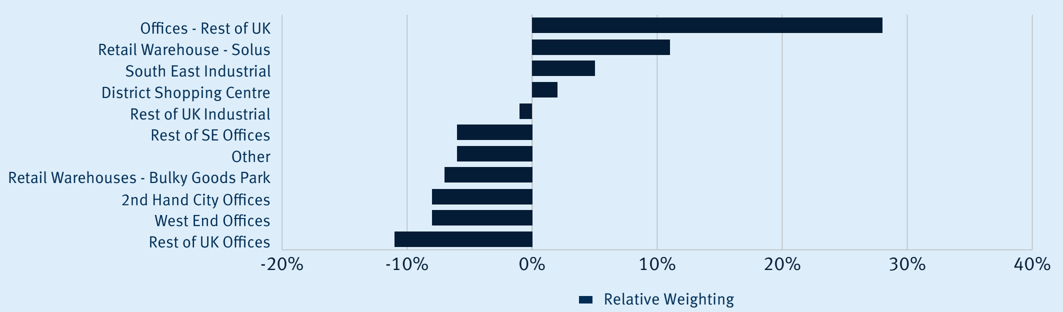
SLIPIT Sector Weights

Sectors	Value	%
Office	114,265,100	41.5
Retail	47,125,000	17.1
Industrial	108,660,000	39.4
Other	–	0.0
Cash	5,399,095	2.0
Total	**275,449,195**	**100%**

Source: Standard Life Investments

SLIPIT Relative Sector Weights v IPD Monthly

IPD Sectors



Source: Standard Life Investments

Standard Life Investments Property Income Trust Limited

Strategic Report

Investment Manager's Report (continued)

Ten Largest Properties

Name	Location	Capital Value £	% of Portfolio (excl. cash)	Type
White Bear Yard	London	16 - 18m	6	Office
Chester House	Farnborough	14 - 16m	6	Office
Symphony	Rotherham	14 - 16m	6	Industrial
Denby 242	Denby	12 - 14m	5	Industrial
Hertford Place	Rickmansworth	12 - 14m	5	Office
St.James's House	Cheltenham	12 - 14m	5	Office
Hollywood Green	London	10 - 12m	4	Retail
3B-C, Michigan Drive	Milton Keynes	10 - 12m	4	Industrial
Howard Town Retail Park	Glossop	10 - 12m	4	Retail
Bourne House	Staines	8 - 10m	3	Office

The ten largest investments represent 48% of the portfolio value, which has a total of 41 assets, giving good diversification across sector, geography, and tenant.

Source: Standard Life Investments

Top Ten Tenants

Name	Rent £	% of Total Rent
BAE Systems	1,257,640	6.7
Trebor Bassett Limited	1,156,900	6.2
The Symphony Group Plc	1,080,000	5.8
Techno Cargo Logistics Ltd	1,031,989	5.5
Bong UK	712,980	3.8
Matalan	696,778	3.7
Grant Thornton	680,371	3.6
Banner Business Services	466,850	2.5
Yusen Logistics	450,000	2.4
Euro Car Parts Ltd	412,890	2.2

Source: Standard Life Investments

Standard Life Investments Property Income Trust Limited

Strategic Report

Investment Manager's Report (continued)

Property Investments as at 31 December 2014

Name	Location	Sub-sector	Market Value £	Tenure	Area sq ft	Occupancy Rate (sq ft)
White Bear Yard	London	City Offices	16-18m	Freehold	21,232	100%
Chester House	Farnborough	South East Offices	14-16m	Leasehold	49,861	100%
Symphony	Rotherham	Rest of UK Industrial	14-16m	Leasehold	364,974	100%
Denby 242	Denby	Rest of UK Industrial	12-14m	Freehold	242,766	100%
Hertford Place	Rickmansworth	South East Offices	12-14m	Freehold	55,545	100%
St James's House	Cheltenham	Rest of UK Offices	12-14m	Freehold	83,825	98%
Hollywood Green	London	South East Std Retail	10-12m	Freehold	64,003	100%
3B - C Michigan Drive	Milton Keynes	Rest of UK Industrial	10-12m	Freehold	128,011	100%
Howard Town Retail Park	Glossop	Retail Warehouses	10-12m	Mixed	50,116	97%
Bourne House	Staines	South East Offices	8-10m	Freehold	26,363	100%
Monck Street	London	West End Offices	8-10m	Leasehold	18,596	99%
Tetron 141	Swadlincote	Rest of UK Industrial	8-10m	Freehold	141,450	100%
Ocean Trade Centre	Aberdeen	Rest of UK Industrial	8-10m	Freehold	104,703	72%
Explorer 1 & 2, Mitre Court	Crawley	South East Offices	6-8m	Freehold	46,205	100%
Marsh Way	Rainham	South East Industrial	6-8m	Leasehold	82,090	100%
Tetron 93	Swadlincote	Rest of UK Industrial	6-8m	Freehold	93,836	100%
Dorset Street	Southampton	South East Offices	6-8m	Freehold	25,101	100%
Bathgate Retail Park	Bathgate	Retail Warehouses	6-8m	Freehold	45,168	100%
Crostons Retail Park	Bury	Retail Warehouses	4-6m	Freehold	49,210	100%
Homebase & Argos	Leyland	Retail Warehouses	4-6m	Leasehold	31,781	100%
Unit 6 Broadgate	Oldham	Rest of UK Industrial	4-6m	Leasehold	103,605	100%
Matalan	Kings Lynn	South East Std Retail	4-6m	Leasehold	33,991	100%
140 West George Street	Glasgow	Rest of UK Offices	4-6m	Freehold	23,009	100%
Interfleet House	Derby	Rest of UK Offices	4-6m	Freehold	28,735	100%
Matalan	Bradford	Retail Warehouses	4-6m	Leasehold	25,282	100%
Units 1 & 2 Cullen Square	Livingston	Rest of UK Industrial	4-6m	Freehold	81,735	100%
Mount Farm	Milton Keynes	Rest of UK Industrial	2-4m	Freehold	74,712	100%
Drakes Way	Swindon	Rest of UK Industrial	2-4m	Freehold	140,557	100%
Coal Road	Leeds	Rest of UK Industrial	2-4m	Freehold	57,775	100%
Windsor Court & Crown Farm	Mansfield	Rest of UK Industrial	2-4m	Leasehold	88,859	100%
Chancellors Place	Chelmsford	South East Offices	2-4m	Freehold	22,096	100%
31 / 32 Queen Square	Bristol	Rest of UK Offices	2-4m	Freehold	13,133	100%
De Ville Court	Weybridge	South East Offices	2-4m	Freehold	10,810	100%
Farah Unit, Crittal Road	Witham	South East Industrial	2-4m	Freehold	57,328	100%
Turin Court South	Manchester	Rest of UK Offices	2-4m	Freehold	23,881	100%
Easter Park	Bolton	Rest of UK Industrial	2-4m	Leasehold	35,534	100%
21 Gavin Way	Birmingham	Rest of UK Industrial	2-4m	Freehold	36,376	100%
Unit 14 Interlink Park	Bardon	Rest of UK Industrial	2-4m	Freehold	32,747	100%
Travis Perkins	Cheltenham	Rest of UK Industrial	1-2m	Freehold	51,148	100%
Phase II, Telelink	Swansea	Rest of UK Offices	1-2m	Leasehold	38,084	100%
Portrack Lane	Stockton on Tees	Rest of UK Industrial	1-2m	Freehold	32,693	100%
Total property portfolio			**270,225,000***			**98.8%**

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

Standard Life Investments Property Income Trust Limited

Governance

Board of Directors

Richard Barfield[1] is a UK resident. He is a member of the Board of the Pension Protection Fund and Chairman of its Investment Committee. He is Chairman of the Investment Sub Committees of two pension funds and was Chief Investment Manager of Standard Life until 1996.

Sally-Ann (Susie) Farnon[2] 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 Aggregates Ltd, Dexion Absolute Ltd, HICL Infrastructure Company Ltd and Threadneedle UK Select Trust Ltd.

Huw Evans[3] is a resident of Guernsey. He qualified as a Chartered Accountant with KPMG (then Peat Marwick Mitchell) in 1983. He subsequently worked for three years in the corporate finance department of Schroders before joining Phoenix Securities Limited in 1986. Over the next twelve years he advised a wide range of companies in financial services and other sectors on mergers and acquisitions and more general corporate strategy. Since moving to Guernsey in 2005, he has acted as a non-executive director for a number of Guernsey based funds, including BH Macro Ltd.

Robert Peto[4] is a UK resident. He is Chairman of DTZ Investment Management Ltd, is a non-executive director of Lend Lease Europe GP Limited (Retail Fund), Western Heritable Investment Company Ltd and the commercial subsidiary of the Royal Bath & West Society and is non-executive chairman of GCP Student Living Plc. He was Global President of RICS in 2010 - 2011, a member of the Bank of England Property Advisory Group from 2007 to 2011, chairman of DTZ UK from 1998 to 2008 and a member of the board of DTZ Holdings Plc from 1998 to 2009.

1 Chairman of the Board and Chairman of the Nomination Committee
2 Chairman of the Audit Committee
3 Chairman of the Remuneration Committee and Chairman of the Management Engagement Committee
4 Chairman of the Property Valuation Committee

Standard Life Investments Property Income Trust Limited

Governance
Directors' Report

The Directors of Standard Life Investments Property Income Trust Limited ("the Company") and its subsidiary, Standard Life Investments Property Holdings Limited (together "the Group") present their Annual Report and Audited Financial Statements for the year ended 31 December 2014.

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).

On 1 January 2015 the Company became a UK REIT.

The Company's registered number is 41352.

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.

Substantial Shareholdings

As at 31 December 2014 and 31 March 2015, the following entities had a holding of 3% or more of the Company's issued share capital.

	% holding	
	31/12/2014	31/3/2015
Brewin Dolphin	12.7	11.9
Heartwood Group	8.2	6.9
Standard Life Investments	8.0	8.0
Hargreaves Lansdown	4.8	4.7
Blackrock	4.0	3.6
M&G Investment Management	3.9	3.5

Directors

The names and short biographies of the Directors of the Company at the date of this Report, all of whom served throughout the year ended 31 December 2014, save for Robert Peto who was appointed on 28 May 2014, are shown on page 16. Paul Orchard-Lisle retired as a Director on 28 May 2014 and Shelagh Mason retired as a Director on 31 December 2014.

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

	Ordinary Shares held	
	31/12/2014	31/12/2013
Richard Barfield	70,128	50,128
Sally-Ann Farnon	30,000	15,000
Huw Evans	30,000	15,000
Robert Peto (appointed 28 May 2014)	27,435	n/a
Shelagh Mason (retired 31 December 2014)	15,000	15,000
Paul Orchard-Lisle (retired 28 May 2014)	n/a	34,275

There have been no changes in the above interests between 31 December 2014 and 31 March 2015.

Directors' Indemnity

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

Standard Life Investments Property Income Trust Limited

Governance

Directors' Report (continued)

Disclosure of Information to Auditor

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

- so far as the Director is aware, there is no relevant audit information of which the 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 Company's strategy and business model, together with the factors likely to affect its future development, performance and position, including principal risks and uncertainties, are set out in the Strategic Report.

The Directors have reviewed detailed cash flow, income and expense projections in order to assess the Company's ability to pay its operational expenses, bank interest and dividends for the foreseeable future. The Directors have examined significant areas of possible financial risk including cash and cash requirements and the debt covenants, in particular those relating to LTV and interest cover. They have not identified any material uncertainties which cast significant doubt on the ability to continue as a going concern for a period of not less than 12 months from the date of the approval of the financial statements. The Directors have satisfied themselves that the Company has adequate resources to continue in operational existence for the foreseeable future and the Board believes it is appropriate to adopt the going concern basis in preparing the financial statements.

Corporate Governance

The Corporate Governance Report is detailed on pages 20 to 25 and forms part of the Directors' Report.

Share Capital and Voting Rights

As at 31 December 2014 there were 244,216,165 ordinary shares of 1p each in issue. All ordinary shares rank equally for dividends and distributions and carry one vote each. There are no restrictions concerning the transfer of ordinary shares in the Company, no special rights with regard to control attached to the ordinary shares, no agreements between holders of ordinary shares regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid.

On 25 February 2015, the Company issued 31,282,600 ordinary shares and on 4 March 2015 the Company issued 1,280,472 ordinary shares. As at the date of this report, there were 276,779,237 ordinary shares of 1p each in issue.

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 11.30am on 27 May 2015, may be found on pages 80 to 83.

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

Standard Life Investments Property Income Trust Limited

Governance

Directors' Report (continued)

Directors Authority to Buy Back Shares (resolution 9)

The Company did not purchase any shares for cancellation during the financial year ending 31 December 2014. 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 9 as set out in the notice of the Annual General Meeting seeks authority for the Company to make market purchases of up to 14.99 per cent. of the issued ordinary share capital, such authority to last until the earlier of 27 November 2016 and the Annual General Meeting in 2016. 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 per cent of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the Ordinary Shares for the five business days before the shares are purchased; and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue on which the purchase is carried out. Any shares purchased under the authority will be cancelled or held in treasury.

Directors Authority to allot shares on a non pre-emptive basis (resolution 10)

Resolution 10 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 2016 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 £276,779. This is equivalent to approximately 10% of the issued ordinary share capital of the Company as at 31 March 2015. 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 31 March 2015
Richard Barfield
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 2012 (the "UK Code") or explain any non-compliance. The Board believes that the Group 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 Company complied throughout the year with the recommendations of the AIC Code and the relevant provisions of the UK Code.

The UK Code contains provisions in relation to:

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

In accordance with the AIC Code and pre-amble to the UK Code, the Board considers that these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As 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 of non-executive Directors of which Richard Barfield is Chairman and Sally-Ann Farnon has been designated as Senior Independent Director. Biographical details of each Director are shown on page 16. All Directors are considered by the Board to be independent of the Investment Manager and free of any relationship which could materially interfere with the exercise of their independent judgement on issues of strategy, performance, resources and standards of conduct.

Robert Peto was appointed as a Director on 28 May 2014. Paul-Orchard Lisle retired as a Director on 28 May 2014 and Richard Barfield was appointed Chairman on that date. Shelagh Mason retired as a Director on 31 December 2014.

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

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

Governance

Corporate Governance Report (continued)

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

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

The Board has a procedure in place to deal with a situation where a Director has a conflict of interest. As part of this process, the Directors prepare a list of other positions held and all other conflict situations that may need authorising either in relation to the Director concerned or his/her connected persons. The Board considers each Director's situation and decides whether to approve any conflict, taking into consideration what is in the best interests of the Company and whether the Director's ability to act in accordance with his or her wider duties is affected. 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 regularly attend appropriate Board meetings to brief the Directors on issues pertinent to the services provided.

Board Committees

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

Property Valuation Committee

The Property Valuation Committee, chaired by Robert Peto, 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 Board is satisfied that all members of the Committee have sufficient level of recent and relevant financial experience. The Audit Committee has set out a formal report on pages 26 to 28.

Governance

Corporate Governance Report (continued)

Management Engagement Committee

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

Nomination Committee

The Nomination Committee, chaired by Richard Barfield, comprises the full Board and meets at least once a year. Appointments of new Directors are considered by the Committee taking account of the need to maintain a balanced Board. New Directors appointed to the Board receive a formal induction and appropriate training is arranged for new and current Directors as required. Although the Company does not have a formal diversity policy, consideration of Board diversity forms part of the responsibilities of the Committee.

Remuneration Committee

The Remuneration Committee is chaired by Huw Evans, 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

Future Board appointments will normally be made for a maximum of three 3 year terms. There is a commitment to refresh the Board at regular intervals.

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

Richard Barfield was appointed as a Director of the Company on 18 November 2003. Sally-Ann Farnon was appointed on 1 July 2010, Huw Evans was appointed on 11 April 2013 and Robert Peto was appointed on 28 May 2014.

Pursuant to the Articles of Incorporation 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, the Board has agreed that all Directors will retire annually and, if appropriate, will seek re-election.

Richard Barfield, Sally-Ann Farnon and Huw Evans 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. Robert Peto, who was appointed to the Board on 28 May 2014, will stand for election at the forthcoming Annual General Meeting. The Board has reviewed the skills and experience of Mr Peto and has no hesitation in recommending his election to shareholders.

Notwithstanding that Mr Barfield has served as a Director for more than nine years from the date of his first appointment, the other Directors are firmly of the view that his independence has not been compromised by length of service. In considering Mr Barfield's independence, the Board (excluding Mr Barfield) considered a number of factors including his experience, integrity and judgement of character. Mr Barfield has no connection with the Investment Manager, is not a professional adviser who provides services to the Investment Manager or the Board, does not serve on any board of a company managed by the Investment Manager and does not serve as a director on a company with any of the other Directors of the Company. For these reasons, the Board (excluding Mr Barfield) believes that Mr Barfield remains independent.

Governance

Corporate Governance Report (continued)

Performance of the Board

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

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

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

Meeting Attendance

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

	Full board	Audit Committee	Property Valuation Committee	Management Engagement Committee	Nomination Committee	Remuneration Committee
Richard Barfield	4 (4)	3 (3)	4 (4)	2 (2)	1 (1)	1 (1)
Sally Ann Farnon	4 (4)	3 (3)	4 (4)	2 (2)	1 (1)	1 (1)
Huw Evans	4 (4)	3 (3)	4 (4)	2 (2)	1 (1)	1 (1)
Robert Peto	3 (3)	2 (2)	3 (3)	2 (2)	1 (1)	1 (1)
Shelagh Mason	4 (4)	3 (3)	4 (4)	2 (2)	1 (1)	1 (1)
Paul Orchard-Lisle	2 (2)	1 (1)	2 (2)	0 (0)	0 (0)	0 (0)

In addition to the scheduled meetings detailed above, there were a further 32 board and committee meetings held in Guernsey during the year, attended by non UK resident Directors.

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 dated 19 December 2003, the Investment Manager was entitled to an annual fee equal to 0.85% of the total assets of the Company, payable quarterly in arrears except where cash balances exceeded 10% of total assets. The fee applicable to the amount of cash exceeding 10% of the total assets was reduced to be 0.20% per annum, payable quarterly in arrears. The Investment Manager agreed to charge only 0.75% of the total assets of the Company until such time as the published net asset value per share returns to the launch level of 97p. This was applicable from the quarter end ended 31 December 2008 onwards, and did not affect the reduced fee of 0.20% on cash holding above 10% of total assets.

Under the terms of the IMA dated 7 July 2014, the above fee arrangements applied up to 31 July 2014. From 1 August 2014, the fee has been changed to 0.75% of total assets up to £200million, 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 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 Company's system of internal controls and risk management and for reviewing its effectiveness.

Following publication by the Financial Reporting Council of "Internal Control: Revised Guidance for Directors on the Combined Code" ("the FRC Guidance"), the Board confirms that there is an on-going process for identifying, evaluating and managing the significant risks faced by the Company.

This process has been in place for the year under review and up to the date of approval of this Annual Report and Financial Statements, 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 2013 to 30 September 2014 along with additional confirmation for the period to 31 December 2014. This report sets out the Investment Manger's internal control policies and procedures with respect to the management of their clients' assets and contains a report from independent external accountants.

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

Following implementation of the Bribery Act 2010 in the UK, 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 Company and monitoring the Company's compliance with investment limits and leverage requirements.

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

Relations with Shareholders

The Board welcomes correspondence from shareholders, addressed to the Company's registered office. All shareholders have the opportunity to put questions to the Board at the Annual General Meeting. The Board hopes that as many shareholders as possible will be able to attend the meeting, which will include a 'Meet the Manager' session.

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

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 32 and the Statement of Going Concern is included in the Directors' Report on page 18. The Independent Auditor's Report is on pages 33 to 35.

Richard Barfield
Chairman
31 March 2015

Standard Life Investments Property Income Trust Limited

Governance
Audit Committee Report

Role of the Audit Committee

The main responsibilities of the Audit Committee are:

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

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

Composition of Audit Committee

The Audit Committee comprises the full Board, all of whom are independent and have recent and relevant financial experience. Two members of the Audit Committee are Chartered Accountants.

Review of Significant Issues and Risks

In planning its work, and reviewing the audit plan with the Auditor, the Audit Committee takes account of the most significant issues and risks, both operational and financial, likely to impact on the Company's financial statements.

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

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

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

Review of Activities

The Audit Committee met three times during the year under review, on 13 March 2014, 20 August 2014 and 20 November 2014. Following the year end, the Audit Committee met on 11 March 2015.

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

- a review of the Company's Risk Register, the main tool for the on-going identification, evaluation and management of the significant risks facing the Company;
- a review of Investment Manager's internal controls report;
- a review of the Company's anti-bribery policy and those of its service providers; and
- a review of the Investment Manager's arrangements for staff to escalate concerns, in confidence, of possible improprieties.

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

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

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

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

External Audit Process

The Audit Committee meets twice a year with the external auditor. The auditor provides a planning report in advance of the annual audit and a report on the annual audit. The Audit Committee has the opportunity to question and challenge the auditor in respect of these reports.

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

Auditor Assessment and Independence

The Audit Committee reviews the performance, cost effectiveness and general relationship with the external auditor each year. This review takes into consideration the standing, skills and experience of the audit firm and the audit team. In addition, on an annual basis the Audit Committee reviews the independence and objectivity of the external auditor.

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

Governance

Audit Committee Report (continued)

The Company's external auditor is Ernst & Young LLP ('EY'). The Company first appointed EY as auditor for the year ended 31 December 2009, following a tender process carried out during 2009. In accordance with regulatory requirements EY rotates the 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 2014, EY received fees of £126,000 in relation to non-audit services (2013: £6,000). These fees were in relation to non-recurring projects undertaken during the year and were made up of £50,000 in relation to the REIT conversion and tax residency, £44,000 in relation to the issue of the prospectus in July 2014 and £32,000 in relation to property purchases. The Audit Committee does not consider that the provision of such non-audit services is a threat to the objectivity and independence of the conduct of the audit.

On the recommendation of the Audit Committee, the Board has concluded that the external auditor is independent of the Company and that a resolution should be put to the shareholders at the AGM on 27 May 2015, for the re-appointment of Ernst & Young LLP, as external auditor.

Sally-Ann Farnon
Audit Committee Chairman
31 March 2015

Standard Life Investments Property Income Trust Limited

Governance

Directors' Remuneration Report

Remuneration Committee

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

Director's Remuneration Policy

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

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

The fees for the Directors are determined within the limit set out on the Company's Articles of Incorporation. The present limit is an aggregate of £150,000 per annum and may not be changed without seeking shareholder approval at general meeting. The Board has not received any views from the Company's shareholders in respect of the levels of Directors' remuneration.

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

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

The Directors' fees for the forthcoming financial year have been agreed by the Board, on the recommendation of the Remuneration Committee, as follows: £33,000 for the Chairman (2014: £32,000), £28,500 for the Audit Committee Chairman (2014: £27,000) and £26,000 for each of the other Directors (2014: £24,000).

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 28 May 2014 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.

Governance
Directors' Remuneration Report (continued)

Directors Fees

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

	Year to 31 Dec 2014	Year to 31 Dec 2013
Richard Barfield (Chairman)	£31,223	£24,000
Sally Ann Farnon (Audit Committee Chairman)	£29,500	£25,000
Huw Evans	£26,500	£17,063
Robert Peto (appointed 28 May 2014)	£16,736	n/a
Shelagh Mason (retired 31 December 2014)	£26,500	£24,000
Paul Orchard-Lisle (retired 28 May 2014)	£13,107	£32,000
David Moore (retired 14 May 2013)	n/a	£8,893
Total	**£143,566**	**£130,956**

The Directors fees for the year to 31 December 2014 include additional remuneration of £2,500 per Director (with the exception of Paul Orchard-Lisle). The Board, on the recommendation of the Remuneration Committee, agreed to pay each Director an additional fee of £2,500 for the work undertaken on the fund raising, the REIT conversion and implementation of AIFMD.

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

	Year to 31 Dec 2014	Year to 31 Dec 2013
Aggregate Directors' Remuneration	£143,566	£130,956
Aggregate Shareholder Distributions	£8,015,357	£6,749,020

At the Annual General Meeting in May 2014 the results in respect of the resolution to approve the Directors' Remuneration Report were as follows:

Percentage of votes cast for	Percentage of votes cast against	Number of votes withheld
99.9	0.1	nil

At the Annual General Meeting in May 2014 the results in respect of the resolution to approve the Directors' Remuneration Policy were as follows:

Percentage of votes cast for	Percentage of votes cast against	Number of votes withheld
99.9	0.1	nil

Directors' Shareholdings

The Directors who served during the year held the following interests in the Company's ordinary shares at the year end:

	Ordinary Shares Held	
	31 Dec 2014	31 Dec 2013
Richard Barfield	70,128	50,128
Sally Ann Farnon	30,000	15,000
Huw Evans	30,000	15,000
Robert Peto (appointed 28 May 2014)	27,435	n/a
Shelagh Mason (retired 31 December 2014)	15,000	15,000
Paul-Orchard Lisle (appointed 28 May 2014)	n/a	34,275

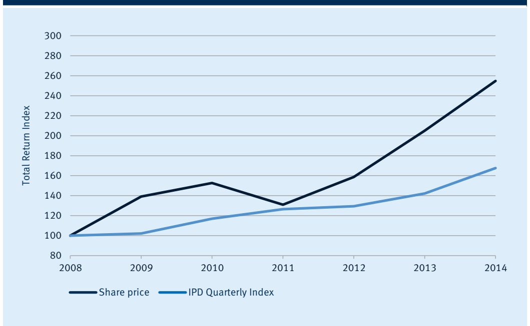
There have been no changes in the above interests between 31 December 2014 and 31 March 2015.

Governance
Directors' Remuneration Report (continued)

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Investment Manager through the investment management agreement, as referred to in the Corporate Governance Report on page 23.
The graph below compares the total return (assuming all dividends re-invested) to ordinary shareholders compared with the total return on the IPD Quarterly Index over the six years to 31 December 2014. This index was chosen for comparison purposes only as it is a widely used indicator for the property market in which the Company invests.

Total Return Index



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 31 March 2015
Huw Evans
Director

Standard Life Investments Property Income Trust Limited

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.

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

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

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

The Directors are responsible for keeping adequate accounting records, that are sufficient to show and explain the 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

Statement under the Disclosure and Transparency Rules

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

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

Statement under the UK Corporate Governance Code

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

- the Annual Report and Consolidated Financial Statements taken as a whole are fair, balanced and understandable and provide the information necessary to assess the Group's performance, business model and strategy.

Approved by the Board on 31 March 2015.

Richard Barfield
Chairman

Standard Life Investments Property Income Trust Limited

Financial Statements

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

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the Group's affairs as at 31 December 2014 and of its profit for the year then ended;
- Have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

What we have audited

We have audited the financial statements of Standard Life Investments Property Income Trust Limited, and its wholly owned subsidiary Standard Life Investments Property Holdings Limited (together 'the Group') for the year ended 31 December 2014 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Group's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the 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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 32, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our assessment of risks of material misstatement

We identified the following risks of material misstatement 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. The table also contains our response to the risks:

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

Risks identified (as disclosed in the Audit Committee report on pages 26 and 27)	Our Response
Valuation and title of investment properties The valuation of the properties held in the investment portfolio is the key driver of the Group's net asset value and total return. Incorrect property valuation or a failure to maintain proper legal title of the assets held by the Group could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.	We identified and performed walk-throughs on controls over the valuation process operated by the Manager, as described in their AAF 01/06 Internal Controls report dated 28 November 2014, in order to gain an understanding of the process and identify the key points in the process where the valuation and title of investment properties could be materially mis-stated. This is for the period 1 January 2014 to 30 September 2014. For the period 1 October 2014 to 31 December 2014 we enquired of management and observed the month end valuation process, to confirm that no substantive changes had occurred in the valuation process since 30 September 2014 . We agreed the value of all the properties held at 31 December 2014 to the open market valuations included in the valuation report provided by the Group's independent valuer. We read third party valuation reports to agree the appropriateness and suitability of the reported values and the changes in value from the previous accounting period. We assessed the independence and competence of the valuer. We engaged our own valuation experts to discuss and challenge the valuation of a sample of properties by assessing the reasonableness of the valuation methodologies used and challenging the key inputs and assumptions relating to equivalent yield and rental rates by reference to published market data and comparable transaction evidence through market activity. We agreed all properties held (per the Group's records) to independent sources, i.e. land registry data, to confirm title and charges.
Incomplete or inaccurate rental income recognition Rental income received by the Group during the period directly drives the Group's ability to make a dividend payment to shareholders. Incomplete or inaccurate rental income recognition could have a significant impact on profit or loss of the Group, which could then impact the dividend paid to shareholders.	We identified and performed walk-throughs on controls over the rental income process operated by the Manager, as described in their AAF 01/06 Internal Controls report dated 28 November 2014, in order to gain an understanding of the process and identify the key points in the process where the recognition of rental income could be materially mis-stated. This is for the period 1 January 2014 to 30 September 2014. For the period 1 October 2014 to 31 December 2014 we enquired of management and observed the month end rental income process, to confirm that no substantive changes had occurred in the process since 30 September 2014. We performed detailed analytical review procedures on renatal income to identify any items that did not meet our expectations formed on the underlying agreements and previous period experience. We agreed rental rates to tenancy agreements on a sample basis. We agreed a rental income received to bank statements on a sample basis. For a sample of tenancy agreements we assessed the appropriateness of the accounting treatment in accordance with IFRSs as adopted by the European Union.

Standard Life Investments Property Income Trust Limited

Financial Statements

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

Our application of materiality

We applied the concept of materiality in planning and performing our audit, in evaluating the effect of identified misstatements on our audit and of uncorrected misstatements on the financial statements, and in forming our audit opinion. When establishing our overall audit strategy, we determined the magnitude of omissions or uncorrected misstatements that we judged would be material to the financial statements as a whole. This provided a basis for determining the nature of our risk assessment procedures, identifying and assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures.

When establishing our overall strategy we determined materiality for the Group to be £1.8m (2013: £1.0m) which is 1% of total equity. This provided a basis for determining the nature, timing and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. We have derived our materiality calculation based on a proportion of total equity as equity is a key financial metric on which shareholders investing in the Group for total returns would judge the performance of the Group.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 75% of materiality, namely £1.35m (2013: 50% of materiality, namely £0.5m). Our objective in adopting this approach was to ensure that total uncorrected and undetected audit differences in all accounts did not exceed our materiality level. Based on our risk assessment in the current year, we have increased our materiality threshold to 75% as the risk of there being an error in 2014 has decreased compared to the risk in the prior year.

We agreed that all audit differences in excess of £0.09m (2013: £0.05m) would be reported to the Audit Committee as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

An overview of the scope of the audit

The Group consists of the company and its wholly owned subsidiary, which are both subject to a full audit by the audit team.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- Materially inconsistent with the information in the audited financial statements; or
- Apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- Is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

We have nothing to report in respect of the following matters where under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- Proper accounting records have not been kept; or
- The financial statements are not in agreement with the accounting records; or
- We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Andrew Dann
for and on behalf of Ernst & Young LLP
Guernsey, Channel Islands
31 March 2015

Standard Life Investments Property Income Trust Limited

Financial Statements

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2014

	Notes	2014 £	2013 £
Rental income		16,145,930	13,395,478
Surrender premium income		38,469	–
Valuation gain from investment properties	7	21,197,869	5,795,851
Gain on asset acquisition	9	136,938	–
(Loss) / profit on disposal of investment properties		(1,840,412)	430,205
Investment management fees	4	(1,690,233)	(1,327,746)
Other direct property operating expenses		(1,000,785)	(1,258,515)
Directors' fees and expenses	22	(145,997)	(135,693)
Valuer's fee	4	(56,542)	(30,260)
Auditor's fee	4	(46,513)	(45,800)
Non-audit fee	4	(94,000)	(6,000)
Other administration expenses		(264,161)	(222,000)
Operating profit		**32,380,563**	**16,595,520**
Finance income	5	72,326	75,193
Finance costs	5	(3,282,172)	(5,433,993)
Profit for the year before taxation		**29,170,717**	**11,236,720**
Taxation			
Tax (charge) / credit	6	(587,315)	587,315
Profit for the year, net of tax		**28,583,402**	**11,824,035**
Other comprehensive income			
Valuation (loss) / gain on cash flow hedges	14	(2,643,942)	6,829,111
Total comprehensive income for the year, net of tax		**25,939,460**	**18,653,146**
Earnings per share:		pence	pence
Basic and diluted earnings per share	18	15.40	7.95
Adjusted (EPRA) earnings per share	18	4.90	3.77

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

The notes on pages 42 to 75 are an integral part of these Consolidated Financial Statements.

Standard Life Investments Property Income Trust Limited

Financial Statements

Consolidated Balance Sheet

as at 31 December 2014

	Notes	2014 £	2013 £
ASSETS			
Non-current assets			
Investment properties	7	261,672,121	172,886,556
Lease incentives	7	2,436,976	3,269,593
Interest rate swaps	14	–	1,207,299
Deferred Tax	6	–	587,315
		264,109,097	177,950,763
Current assets			
Investment properties held for sale	8	6,550,100	–
Trade and other receivables	10	2,660,440	1,305,524
Cash and cash equivalents	11	5,399,095	12,303,310
		14,609,635	13,608,834
Total assets		**278,718,732**	**191,559,597**
LIABILITIES			
Current liabilities			
Trade and other payables	12	7,205,415	4,519,722
Interest rate swaps	14	1,386,451	1,238,296
Other liabilities		500	500
		8,592,366	5,758,518
Non-current liabilities			
Bank borrowings	13	83,980,382	83,866,594
Interest rate swaps	14	1,288,488	–
Other liabilities		6,094	6,094
Rent deposits due to tenants		483,880	336,596
		85,758,844	84,209,284
Total liabilities		**94,351,210**	**89,967,802**
Net assets		**184,367,522**	**101,591,795**

Standard Life Investments Property Income Trust Limited

Financial Statements

Consolidated Balance Sheet

as at 31 December 2014 (continued)

	Notes	2014 £	2013 £
EQUITY			
Capital and reserves attributable to Company's equity holders			
Share capital	16	96,188,648	31,337,024
Retained earnings	17	7,634,503	6,560,853
Capital reserves	17	(17,294,001)	(34,144,454)
Other distributable reserves	17	97,838,372	97,838,372
Total equity		**184,367,522**	**101,591,795**
Net Asset Value (NAV) per share			
NAV	20	75.5p	65.5p
EPRA NAV	20	76.6p	65.6p

Approved by the Board of Directors on 31 March 2015 and signed on its behalf by:

Richard Barfield
Director

The notes on pages 42 to 75 are an integral part of these Consolidated Financial Statements.

Standard Life Investments Property Income Trust Limited

Financial Statements

Consolidated Statement of Changes in Equity

for the year ended 31 December 2014

	Notes	Share capital £	Retained earnings £	Capital reserves £	Other distributable reserves £	Total equity £
Opening balance 1 January 2014		31,337,024	6,560,853	(34,144,454)	97,838,372	101,591,795
Profit for the year		–	28,583,402	–	–	28,583,402
Valuation loss on cash flow hedges	14	–	–	(2,643,942)	–	(2,643,942)
Total comprehensive gain for the year		–	28,583,402	(2,643,942)	–	25,939,460
Ordinary shares issued net of issue costs	16	64,851,624	–	–	–	64,851,624
Dividends paid	19	–	(8,015,357)	–	–	(8,015,357)
Valuation gain of investment properties	7	–	(21,197,869)	21,197,869	–	–
Gain on asset acquisition	9	–	(136,938)	136,938	–	–
Loss on disposal of investment properties		–	1,840,412	(1,840,412)	–	–
Balance at 31 December 2014		**96,188,648**	**7,634,503**	**(17,294,001)**	**97,838,372**	**184,367,522**

The notes on pages 42 to 75 are an integral part of these Consolidated Financial Statements.

Standard Life Investments Property Income Trust Limited

Financial Statements

Consolidated Statement of Changes in Equity (Continued)

for the year ended 31 December 2013

	Notes	Share capital £	Retained earnings £	Capital reserves £	Other distributable reserves £	Total equity £
Opening balance 1 January 2013		22,280,186	7,711,894	(47,199,621)	97,838,372	80,630,831
Profit for the year		–	11,824,035	–	–	11,824,035
Valuation gain on cash flow hedges	14	–	–	6,829,111	–	6,829,111
Total comprehensive gain for the year		–	11,824,035	6,829,111	–	18,653,146
Ordinary shares issued net of issue costs	16	9,056,838	–	–	–	9,056,838
Dividends paid	19	–	(6,749,020)	–	–	(6,749,020)
Valuation gain of investment properties	7	–	(5,795,851)	5,795,851	–	–
Profit on disposal of investment properties		–	(430,205)	430,205	–	–
Balance at 31 December 2013		**31,337,024**	**6,560,853**	**(34,144,454)**	**97,838,372**	**101,591,795**

The notes on pages 42 to 75 are an integral part of these Consolidated Financial Statements.

Standard Life Investments Property Income Trust Limited

Financial Statements

Consolidated Cash Flow Statement

for the year ended 31 December 2014

	Notes	2014 £	2013 £
Cash flows from operating activities			
Profit for the year before taxation		29,170,717	11,236,720
Movement in non-current lease incentives		(1,290,976)	(22,886)
Movement in trade and other receivables		(1,354,916)	(133,682)
Movement in trade and other payables		2,917,533	352,023
Finance costs	5	3,282,172	5,433,993
Finance income	5	(72,326)	(75,193)
Valuation (gain) from investment properties	7	(21,197,869)	(5,795,851)
Gain on asset acquisition	9	(136,938)	–
Loss / (profit) on disposal of investment properties		1,840,412	(430,205)
Net cash inflow from operating activities		13,157,809	10,564,919
Cash flows from investing activities			
Interest received	5	72,326	75,193
Purchase of investment properties	7	(97,853,799)	(23,840,453)
Capital expenditure on investment properties	7	(2,708,022)	(326,840)
Net proceeds from disposal of investment properties	7	26,759,588	15,580,205
Net cash used in investing activities		(73,729,907)	(8,511,895)
Cash flows from financing activities			
Proceeds on issue of ordinary shares	16	65,868,956	9,129,170
Transaction costs of issue of shares	16	(1,017,332)	(72,332)
Interest paid on bank borrowing	5	(1,931,665)	(2,164,092)
Payments on interest rate swaps	5	(1,236,719)	(3,420,626)
Dividends paid to the Company's shareholders	19	(8,015,357)	(6,749,020)
Net cash used in financing activities		53,667,883	(3,276,900)
Net decrease in cash and cash equivalents in the year		**(6,904,215)**	**(1,223,876)**
Cash and cash equivalents at beginning of year		12,303,310	13,527,186
Cash and cash equivalents at end of year	11	**5,399,095**	**12,303,310**

The notes on pages 42 to 75 are an integral part of these Consolidated Financial Statements.

Standard Life Investments Property Income Trust Limited

Financial Statements

Notes to the Consolidated Financial Statements

for the year ended 31 December 2014

1 GENERAL INFORMATION

Standard Life Investments Property Income Trust Limited ("the Company") and its subsidiaries (together the "Group") carries on the business of property investment through a portfolio of freehold and leasehold investment properties located in the United Kingdom. The Company is a limited liability company incorporated and domiciled 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 31 March 2015.

2 ACCOUNTING POLICIES

2.1 Basis of preparation

The audited Consolidated Financial Statements of the Group have been prepared in accordance with and comply 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 properties and derivative financial instruments at fair value. The consolidated financial statements are presented in pound sterling and all values are not rounded except when otherwise indicated.

Changes in accounting policy and disclosure

The accounting policies adopted are consistent with those of the previous financial year. There have been other new and amended standards issued or have come into effect from 1 January 2014 but either these were not applicable or did not have a material impact on the annual consolidated financial statements of the Group and hence not discussed.

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

- Amendment to IAS 19 regarding defined benefit plans
- Annual improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle

The directors do not expect the adoption of these EU adopted standards and interpretations to have a material impact on the consolidated or company financial statements in the period of initial application.

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, uncertainty 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.

Judgements other than estimates

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 independent real estate valuation experts using recognised valuation techniques. The fair values are determined based on recent real estate transactions with similar characteristics and locations to those of the Group's assets.

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

Fair value of financial instruments

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

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

The sensitivity analysis on page 49 (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.

Estimates

Deferred Tax Asset

The Group recognised a deferred tax asset for the year ending 31 December 2013 as detailed in note 6. As a result of the Group converting to a UK REIT on 1 January 2015 the deferred tax asset was fully utilised at the Balance Sheet date. The deferred tax asset utilisation is recognised as an expense in the Statement of Comprehensive Income for the year ended 31 December 2014. See note 6 for further details.

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 only material wholly owned subsidiary undertaking, Standard Life Investments Property Holdings Limited, a company with limited liability incorporated and domiciled in Guernsey, Channel Islands.

During the year the Group, through its subsidiary Standard Life Investments Property Holdings Limited, acquired two wholly owned subsidiaries as detailed in note 9, both of which are not considered as being material as at the Balance Sheet date.

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.

B Functional and presentation currency

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

C Revenue recognition

Revenue is recognised as follows;

i) Bank interest

Bank interest income is recognised on an accruals basis.

ii) Rental income

Rental income from operating leases is net of sales taxes and value added tax ("VAT") recognised on a straight line basis over the lease term for 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 2014 were £38,469 (2013: £nil) as detailed in the Statement of Comprehensive Income and related to two tenant breaks during the year.

iii) Property disposals

Where revenue is obtained by the sale of properties, it is recognised when the significant risks and returns have been transferred to the buyer. This will normally take place on exchange of contracts unless there are significant conditions attached. For conditional exchanges, sales are recognised when these conditions are satisfied.

D Expenditure

All expenses are accounted for on an accruals basis. The investment management and administration fees, finance and all other revenue expenses are charged through the Consolidated Statement of Comprehensive Income as and when incurred. The Group also incurs capital expenditure which can result in movements in the capital value of the investment properties. The movements in capital expenditure are reflected in the Statement of Comprehensive Income as a valuation gain/(loss). The Group had no properties during the year that did not earn any income during the 12 months to 31 December 2014 (2013: no non-income producing properties).

E Taxation

i) Taxes

The Group is subject to income tax in the United Kingdom and is exempt from capital gains tax. Significant judgement is required to determine the total provision for current and deferred taxes.

The Group recognises liabilities for current taxes based on estimates of whether additional taxes will be due. Where 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 tax assets and liabilities are recognised on a net basis to the extent they relate to the same fiscal unity and fall due in approximately the same period.

ii) Current income tax

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 equity is recognised in equity and not in the income statement. Positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation are reviewed periodically and provisions are established where appropriate.

iii) Deferred income tax

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, with the following exceptions:

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled by the parent, and it is probable that the temporary differences will not reverse in the foreseeable future.

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 investment property measured at fair value a rebuttable presumption exists that its carrying amount will be recovered through sale. For more details on the judgements used to determine the deferred tax asset please see note 6.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

F Investment properties

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 independent 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 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 less costs to sell.

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 are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

H Trade and other receivables

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

I Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits, and other short-term highly liquid investments readily convertible within three months or less to known amounts of cash and subject to insignificant risk of changes in value.

J Borrowings and interest expense

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

K Accounting for derivative financial instruments and hedging activities

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

Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expenses is 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 hedged instrument is classified consistent with the classification of the underlying hedged item.

L Service charge

The Company has appointed a managing agent to deal with the service charge at the investment properties and the Company is acting as an agent for the service charge and not a principal. As a result the Group recognises 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 2014, 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 back to 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.

3 FINANCIAL RISK MANAGEMENT

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

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

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

Market risk

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

i) Interest Rate risk

As described on page 50 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 £72,000,000 and £12,432,692, all of which has been fixed via interest rate swaps.

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 swaps 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 following tables set out the carrying amount of the Group's financial instruments excluding the amortisation of borrowing costs as outlined in note 5. Bank borrowings have been fixed due to interest rate swaps and are detailed further in note 14:

As at 31 December 2014	Fixed rate £	Variable rate £	Weighted average interest rate £
Cash and cash equivalents	–	5,399,095	0.645%
Bank borrowings	72,000,000	–	3.802%
Bank borrowings	12,432,692	–	3.521%

As at 31 December 2013	Fixed rate £	Variable rate £	Weighted average interest rate £
Cash and cash equivalents	–	12,303,310	0.576%
Bank borrowings	72,000,000	–	6.765%
Bank borrowings	12,432,692	–	3.521%

At 31 December 2014, if market rate interest rates had been 100 basis points higher with all other variables held constant, the profit for the year would have been £182,269 higher (2013: £118,666 higher profit) as a result of the higher interest income on cash and cash equivalents. Other Comprehensive Income and the Capital Reserve would have been £2,313,008 higher (2013: £3,737,770 higher) as a result of an increase in the fair value of the derivative designated as a cash flow hedge of floating rate borrowings.

At 31 December 2014, if market rate interest rates had been 100 basis points lower with all other variables held constant, the profit for the year would have been £127,268 lower (2013: £127,400 lower profit) as a result of the lower interest income on cash and cash equivalents. Other Comprehensive Income and the Capital Reserve would have been £3,254,898 lower (2013: £3,921,801 lower) as a result of a decrease in the fair value of the derivative designated as a cash flow hedge of floating rate borrowings.

ii) Real estate risk

The Group has identified the following risks associated with the real estate portfolio:

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

b) A major tenant may become insolvent causing a significant loss of rental income and a reduction in the value of the associated property (see also credit risk below). 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 of 8% plus 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 £1,738,063 (2013: £410,679) as detailed in note 10 on page 64.

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 2014 £4,634,184 (2013: £11,669,292) was placed on deposit with The Royal Bank of Scotland plc ("RBS") and £764,911 (2013: £634,018) 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 Negative by Standard & Poor's and P-2 Stable by Moody's, as at the Balance Sheet date.

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.

Financial Statements

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2014

Year ended 31 December 2014

	On demand £	12 months £	1 to 5 years £	>5 years £	Total £
Interest-bearing loans	–	1,868,495	90,038,178	–	91,906,673
Interest rate swaps	–	1,223,953	3,665,814	–	4,889,767
Leasehold obligations	–	500	2,000	52,500	55,000
Trade and other payables	2,066,393	–	–	–	2,066,393
Rental deposits due to tenants	–	155,728	386,380	97,500	639,608
	2,066,393	3,248,676	94,092,372	150,000	99,557,441

Year ended 31 December 2013

	On demand £	12 months £	1 to 5 years £	>5 years £	Total £
Interest-bearing loans	–	1,921,899	92,120,289	–	94,042,188
Interest rate swaps	–	1,254,981	5,011,868	–	6,266,849
Leasehold obligations	–	500	2,000	53,000	55,500
Trade and other payables	1,059,392	–	–	–	1,059,392
Rental deposits due to tenants	–	39,893	302,996	33,600	376,489
	1,059,392	3,217,273	97,437,153	86,600	101,800,418

The disclosed amount for interest rate swaps in the above table are the estimated net undiscounted cash flows.

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

Capital risk

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

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

Financial Statements

Notes to the Consolidated Financial Statements (Continued)
for the year ended 31 December 2014

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the Consolidated Balance Sheet, plus net debt.

The gearing ratios at 31 December 2014 and at 31 December 2013 were as follows:

	2014	2013
	£	£
Total Borrowings (excluding amortisation of arrangement fees)	84,432,692	84,432,692
Less: cash and cash equivalents	(5,399,095)	(12,303,310)
Net debt	79,033,597	72,129,382
Total equity	184,367,522	101,591,795
Total capital	263,401,119	173,721,177
Gearing ratio	30%	42%

Gearing, calculated as borrowings as a percentage of gross assets at 31 December 2014 was 31% and must not exceed 65%. The Board's current intention is that the Company's loan to value ratio (calculated as borrowings less all cash as a proportion of the property portfolio valuation) will not exceed 45%.

Fair values

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

	Carrying Amount		Fair Value	
	2014	2013	2014	2013
	£	£	£	£
Financial Assets				
Cash and cash equivalents	5,399,095	12,303,310	5,399,095	12,303,310
Interest rate swaps	–	1,207,299	–	1,207,299
Trade and other receivables	2,660,440	1,305,524	2,660,440	1,305,524
Financial Liabilities				
Bank borrowings	83,980,382	83,866,594	84,202,020	84,032,782
Interest rate swaps	2,674,939	1,238,296	2,674,939	1,238,296
Trade and other payables	2,706,001	1,435,881	2,706,001	1,435,881

The fair value of the financial assets and liabilities are included at an estimate of the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair value:

- Cash and cash equivalents, trade and other receivables 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 2013.
- 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 2013. The definition of the valuation techniques are explained in the significant accounting judgements, estimates and assumptions on page 42.

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*:

31 December 2014	Level 1	Level 2	Level 3	Total fair value
Interest rate swaps	–	2,674,939	–	2,674,939
31 December 2013				
Interest rate swaps	–	30,997	–	30,997

*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.

Financial Statements

Notes to the Consolidated Financial Statements (Continued)
for the year ended 31 December 2014

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 dated 19 December 2003, the Investment Manager was entitled to receive a fee at the annual rate of 0.85% of the total assets, payable quarterly in arrears except where cash balances exceed 10% of the total assets. The fee applicable to the amount of cash exceeding 10% of total assets was altered to be 0.20% per annum, payable quarterly in arrears. The Investment Manager also agreed to reduce its charge to 0.75% of the total assets of the Group until such time as the net asset value per share returns to the launch level of 97p. This was applicable from the quarter ending 31 December 2008 onwards and did not affect the reduced fee of 0.20% on cash holdings above 10% of total assets.

Under the terms of the IMA dated 7 July 2014, the above fee arrangements apply up to 31 July 2014. From 1 August 2014, the fee was changed 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 ended 31 December 2014 amounted to £1,690,233 (year ended 31 December 2013: £1,327,746). The amount due and payable at the year end amounted to £500,165 excluding VAT (year ended 31 December 2013: £347,343 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 ended 31 December 2014 amounted to £82,927 (2013:£80,899). The amount due and payable at the year end amounted to £nil (2013:£nil).

Valuer's fee

On 4 December 2007, Jones Lang LaSalle ("the Valuer"), independent international real estate consultants, was appointed as valuer in respect of the assets comprising the property portfolio. The Valuer is entitled to an annual fee of 0.017% of the average portfolio value calculated over the preceding quarter and a start up fee of 0.0225% (with a minimum fee of £2,500) of the value of each property added to the portfolio. The total valuation fees charged for the year ended 31 December 2014 amounted to £56,542 (2013: £30,260) of which minimum fees of £2,500 per property (2013: £2,500) were incurred due for new properties added to the portfolio. The amount due and payable at the year end amounted to £10,590 excluding VAT (2013: £7,071 excluding VAT).

Auditor's fee

At the year end date Ernst & Young LLP continued as independent auditor of the Group. The auditor's fees for the year ended 31 December 2014 amounted to £46,513 (2013: £45,800) and relate to audit services provided for the 2014 financial year. Ernst & Young LLP also provided non-audit services in respect of advice relating to the potential consequences of REIT conversion for the company in 2014 of £94,000 (2013: £6,000) recognised as an expense in the Consolidated Statement of Comprehensive Income. Ernst & Young LLP also carried out due diligence work for the Group in 2014 recognised as a valuation loss on investment properties in the Consolidated Statement of Comprehensive Income totalling £32,000 (2013: £nil). Total non-audit fees incurred up to the Balance Sheet date amounted to £126,000 (2013: £6,000). A competitive tender process was carried out for legal and tax advice and other third party services in connection with the REIT conversion and fund raising projects.

5 FINANCE INCOME AND COSTS

	2014 £	2013 £
Interest income on cash and cash equivalents	72,326	75,193
Finance income	72,326	75,193
Interest expense on bank borrowings	1,931,665	1,899,732
Payments on interest rate swaps	1,236,719	3,420,626
Amortisation of arrangement costs (See Note 13)	113,788	113,635
Finance costs	3,282,172	5,433,993

6 TAXATION

Current income tax

The major components of income tax expense for the years ended 31 December are:

	2014 £	2013 £
Consolidated Income Statement		
Current Income Tax		
Current Income Tax Charge	–	–
Deferred Income Tax		
Utilisation / (recognition) of deferred tax asset	587,315	(587,315)
Income Tax charge/(credit) reported in the income statement	587,315	(587,315)

Standard Life Investments Property Income Trust Limited

Financial Statements

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2014

A reconciliation between the tax charge / (credit) and the product of accounting profit multiplied by the applicable tax rate for the year ended 31 December 2014 and 2013 is, as follows:

	2014 £	2013 £
Profit before tax	29,170,717	11,236,720
Tax calculated at UK statutory income tax rate of 20% (2013: 20%)	5,834,143	2,247,344
Valuation gain from investment properties not subject to tax	(4,266,961)	(1,159,170)
Loss / (profit) on disposal of investment properties not subject to tax	368,082	(86,041)
Income not subject to tax	(716,760)	(155,673)
Expenditure not allowed for income tax purposes	86,711	57,914
Tax loss utilised	(1,305,215)	(904,374)
Utilisation / (recognition) of Deferred Tax Asset	587,315	(587,315)
Total income tax charge / (credit)	587,315	(587,315)

	Consolidated Balance Sheet		Consolidated Income Statement	
	2014 £	2013 £	2014 £	2013 £
Deferred Income Tax				
Losses available for offset against future taxable income	–	587,315	587,315	(587,315)
Deferred income tax asset/ (credit)	–	587,315	587,315	(587,315)

The Group has available deferred tax assets of £2,075,946 (2013: £2,954,557) due to tax losses which arose in Guernsey that are available for offset against future taxable profits of the Company in which the losses arose. The deferred tax asset of £587,315 recognised at the year ended 31 December 2013 has been utilised in calculation of these losses.

The Company converted from a Guernsey Investment Company to a Real Estate Investment Trust (REIT) on 1 January 2015. As a result, tax losses of the Guernsey Investment Company can no longer be utilised.

The Company and its material 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. The Board intend to conduct the Group's affairs such that the Company and its material subsidiary continue to remain eligible for exemption.

7 INVESTMENT PROPERTIES

Country Class	UK Industrial 2014 £	UK Office 2014 £	UK Retail 2014 £	Total 2014 £
Market value as at 1 January	48,175,000	79,945,000	48,295,000	176,415,000
Purchase of investment properties	72,084,707	15,097,439	10,671,653	97,853,799
Capital expenditure on investment properties	29,971	2,779,559	(101,508)	2,708,022
Carrying value of disposed investment properties	(14,550,000)	–	(14,050,000)	(28,600,000)
Valuation gain from investment properties	2,961,019	16,132,344	2,104,506	21,197,869
Movement in lease incentives receivable	(40,697)	310,758	205,349	475,410
Investment properties recategorised as held for sale	–	(6,550,100)	–	(6,550,100)
Market value at 31 December	108,660,000	107,715,000	47,125,000	263,500,000
Adjustment for lease incentives*	(462,673)	(800,767)	(571,033)	(1,834,473)
Adjustment for finance lease obligations	–	6,594	–	6,594
Carrying value at 31 December	108,197,327	106,920,827	46,553,967	261,672,121

*Lease incentives totalling £1,834,473 are split between non current assets of £2,436,976 and current liabilities of £602,503 (note 12).

The valuations were performed by Jones Lang Lasalle, an accredited independent valuer with a recognised and relevant professional qualification and recent experience of the location and category of the investment properties being valued. The valuation model in accordance with Royal Institute of Chartered Surveyors ('RICS') requirements on disclosure for Regulated Purpose Valuations has been applied (RICS Valuation - Professional Standards January 2014 published by the Royal Institution of Chartered Surveyors). These valuation models are consistent with the principles in IFRS 13. The market value provided by Jones Lang Lasalle at the year end was £270,225,000 (2013: £176,415,000) however an adjustment has been made for lease incentives of £1,834,473* (2013: £3,535,038) that are already accounted for as an asset. In accordance with the accounting policy in note 2.3, in order to arrive at fair value the market values of leasehold investment properties have been adjusted to reflect the fair value of finance lease obligations. The year end valuation of £270,225,000 includes £3,150,000 in relation to De Ville Court and £3,575,000 in relation to Chancellors Place, two investment properties held for sale at the Balance Sheet date (see note 8).

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 (completed and under construction) held at the end of the reporting period.

Standard Life Investments Property Income Trust Limited

Financial Statements

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2014

Country Class	UK Industrial 2013 £	UK Office 2013 £	UK Retail 2013 £	Total 2013 £
Market value as at 1 January	44,695,000	78,895,000	38,010,000	161,600,000
Purchase of investment properties	–	10,375,567	13,464,886	23,840,453
Capital expenditure on investment properties	10,505	316,335	–	326,840
Carrying value of disposed investment properties	–	(14,250,000)	(900,000)	(15,150,000)
Valuation gain / (loss) from investment properties	3,469,495	4,606,242	(2,279,886)	5,795,851
Movement in lease incentives receivable	–	1,856	–	1,856
Market value at 31 December	48,175,000	79,945,000	48,295,000	176,415,000
Adjustment for lease incentives*	(503,369)	(490,009)	(2,541,660)	(3,535,038)
Adjustment for finance lease obligations	–	6,594	–	6,594
Carrying value at 31 December	47,671,631	79,461,585	45,753,340	172,886,556

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

	2014 £	2013 £
Carrying value of disposed investment properties	28,600,000	15,150,000
(Loss) / profit on disposal of investment properties	(1,840,412)	430,205
Net proceeds from disposal of investment properties	26,759,588	15,580,205

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 valuer has 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 valuer has made allowances for voids and rent free periods 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.

Two properties have changed valuation technique during the year. As at 31 December 2013 the industrial estate in Swindon and the office building in Staines had been valued using the development appraisal method, as the valuer determined this was the technique most suited to valuing both assets. At that time, neither of these properties were considered to be development properties as the property in Swindon was still generating income for the Group but had development potential in the future. The property in Staines was undergoing a refurbishment due to complete in June 2014 and had an agreement for lease in place. Leases were agreed on the property in Staines in September 2014 and in Swindon in December 2014. Therefore at the balance sheet date the income capitalisation method is now more appropriate for valuing both assets.

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

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

The management group that determines the Company's valuation policies and procedures for property valuations is the Property Valuation Committee as detailed on page 21. The Committee reviews the quarterly property valuation report produced by the Valuer (or such other person as may from time to time provide such property valuation services to the Company) before its submission to the Board, focussing 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 61 outlines the valuation techniques used to derive Level 3 fair values for each class of investment properties:

- 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	108,197,327	Income Capitalisation	Initial Yield	0% to 9.45% (6.42%)
			Reversionary Yield	5.83% to 9.16% (7.31%)
			Equivalent Yield	5.83% to 8.69% (7.15%)
			Estimated rental value per square metre	£40.83 to £186.03 (£76.16)
UK Office Level 3	113,470,928	Income Capitalisation	Initial Yield	0% to 13.29% (6.69%)
			Reversionary Yield	5.42% to 14.94% (7.09%)
			Equivalent Yield	5.34% to 11.05% (6.86%)
			Estimated rental value per square metre	£51.13 to £340.16 (£132.52)
UK Retail Level 3	46,553,966	Income Capitalisation	Initial Yield	6.13% to 7.46% (6.75%)
			Reversionary Yield	5.38% to 7.41% (6.45%)
			Equivalent Yield	6.51% to 7.45% (6.98%)
			Estimated rental value per square metre	£31.85 to £522.60 (£183.66)
	268,222,221**			

**includes the market values of the two properties held for sale as detailed in note 8.

Financial Statements

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2014

Descriptions and definitions

The table on page 61 includes the following descriptions and definitions relating to valuation techniques and key unobservable 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 to ERV at the next review, but with no further rental growth.

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.

	2014	2013
	£	£
ERV p.a.	20,460,185	15,202,884
Area sq. ft.	2,736,927	1,734,445
Average ERV per sq. ft.	£7.48	£8.77
Initial Yield	6.59%	7.67%
Reversionary Yield	5.13%	6.59%

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

	2014	2013
	£	£
Increase in equivalent yield of 25 bps	(10,100,000)	(6,200,000)
Decrease in rental rates of 5% (ERV)	(10,100,000)	(6,700,000)

Below is a list of how the interrelationships in the sensitivity analysis above can be explained.

In both cases outlined in the sensitivity table the estimated Fair Value would increase (decrease) if:
· The ERV is higher (lower)
· Void periods were shorter (longer)
· The occupancy rate was higher (lower)
· Rent free periods were shorter (longer)
· The capitalisation rates were lower (higher)

8 INVESTMENT PROPERTIES HELD FOR SALE

As at 31 December 2014 the Group had exchanged contracts with third parties for the sale of De Ville Court, Weybridge for a price of £3,150,000 and Chancellors Place, Chelmsford for £3,525,000. The sale of De Ville Court completed on 20 January 2015 and the sale of Chancellors Place is due to complete in December 2015. The independently assessed market value of De Ville Court as at 31 December 2014 was £3,150,000 and the independently assessed market value of Chancellors Place as at 31 December 2014 was £3,575,000. As at 31 December 2014 the carrying value of De Ville Court is £3,038,250 (net of transaction costs of £111,750) and the carrying value of Chancellors Place is £3,511,850 (net of transaction costs of £63,150). No investment properties were held for sale at 31 December 2013.

Reconciliation of investment properties held for sale to independent valuers report

	2014 £	2013 £
De Ville Court	3,150,000	–
Chancellors Place	3,575,000	–
Less: transaction costs	(174,900)	–
Adjusted Market Value at 31 December	6,550,100	–

9 INVESTMENT IN SUBSIDIARY UNDERTAKINGS

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

The Group, through its subsidiary, acquired 100 per cent of the issued ordinary share capital of Huris (Farnborough) Limited in June 2014, a company incorporated in the Cayman Islands whose principal business is property investment.

The Group, through its subsidiary, acquired 100 per cent of the issued ordinary share capital of HEREF Eden Main Limited in November 2014, a company incorporated in Jersey whose principal business is property investment.

The two companies were acquired because the vendors were selling the companies and not the individual assets. This provided enhanced returns to the Group in the form of lower purchase costs. The companies were only purchased after full due diligence to ensure the Group is not exposed to unexpected liabilities.

The above acquisitions were accounted for as acquisitions of assets (investment properties of £39,364,944) which generated a gain of £136,938 in the year ended 31 December 2014 as detailed in the Consolidated Statement of Comprehensive Income on page 36. The directors believe that such treatment is appropriate as it better reflects the substance of the transactions i.e. the acquired companies are shell companies which hold investment properties and had immaterial other net assets. The Group intends to liquidate both companies early in the next financial year. As at the balance sheet date the investment properties owned by Huris (Farnborough) Limited and HEREF Eden Main Limited have been transferred to Standard Life Investments Property Holdings Limited. The remaining liabilities of both companies total £44,273 (2013: £nil) at the balance sheet date and have been included in trade and other payables.

10 TRADE AND OTHER RECEIVABLES

	2014 £	2013 £
Trade receivables	1,745,004	525,301
Less: provision for impairment of trade receivables	(6,941)	(114,622)
Trade receivables (net)	1,738,063	410,679
Lease incentives due within one year	–	265,445
Rental deposits held on behalf of tenants	639,608	376,489
Other receivables	282,769	252,911
Total trade and other receivables	2,660,440	1,305,524

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

	2014 £	2013 £
Opening balance	(114,622)	(34,917)
Charge for the year	(6,941)	(114,622)
Reversal of provision	114,622	34,917
Closing balance	(6,941)	(114,622)

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

The trade receivables above relate to rental income receivable from tenants of the investment properties. When a new lease is agreed with a tenant the Investment Manager performs various money laundering checks and makes a financial assessment to determine the tenant's ability to fulfil it's 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 2014, trade receivables of £6,941 (2013: £114,622) were considered impaired and provided for.

The ageing of these receivables is as follows:

	2014 £	2013 £
0 to 3 months	1,562	66,476
3 to 6 months	5,379	48,146
	6,941	114,622

As of 31 December 2014, trade receivables of £1,738,063 (2013: £410,679) were less than 3 months past due but considered not impaired.

11 CASH AND CASH EQUIVALENTS

	2014 £	2013 £
Cash held at bank	764,911	634,018
Cash held on deposit with RBS (see note 13)	4,634,184	11,669,292
	5,399,095	12,303,310

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

	2014 £	2013 £
Trade payables	553,969	442,890
Other payables	1,512,424	616,502
VAT payable	473,469	348,711
Deferred rental income	3,907,322	3,071,726
Rental deposits due to tenants	155,728	39,893
Lease incentives due within one year	602,503	–
	7,205,415	4,519,722

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

13 BANK BORROWINGS

	2014 £	2013 £
Loan facility and drawn down outstanding balance	84,432,692	84,432,692
Opening carrying value	83,866,594	83,752,959
Amortisation of arrangement costs	113,788	113,635
Closing carrying value	83,980,382	83,866,594

On 20 January 2012 the Company completed the drawdown of £84,432,692 loan with The Royal Bank of Scotland plc ("RBS"). The new facility is repayable on 16 December 2018. Interest is payable at a rate equal to the aggregate of 3 month Libor, a margin of 1.65% (below 40% LTV) or 1.75% (40% to 60% LTV inclusive) or 1.95% (above 60% LTV).

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 loan to value percentage. The loan agreement notes that the loan to value 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 65% for the first five years and then 60% from the fifth anniversary to maturity.

	2014 £	2013 £
Loan amount	84,432,692	84,432,692
Cash deposited within the security of RBS	(4,634,184)	(11,669,292)
	79,798,508	72,763,400
Investment properties valuation including properties held for sale (note 7)	270,225,000	176,415,000
Loan to value percentage	29.5%	41.2%
Loan to value percentage covenant	65.0%	65.0%
Loan to value percentage if all cash is deposited within the security of RBS	29.2%	40.9%

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 45% 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 exceeded its sector weighting threshold in offices of 55%. The exception was waived by RBS in the event that the cash holding would be utilised to return the weighting below the 55% threshold once the Group had undertaken planned property purchases. The Group did not default on any other of its obligations under its loan agreement.

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

14 INTEREST RATE SWAPS

The Company has two interest rate swap agreements with RBS which both have a maturity date of 16 December 2018.

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

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

	2014 £	2013 £
Opening fair value of interest rate swaps at 1 January	(30,997)	(6,860,108)
Valuation (loss) / gain on interest rate swaps	(2,643,942)	6,829,111
Closing fair value of interest rate swaps at 31 December	(2,674,939)	(30,997)

Interest rate swaps due:		
Less than one year	(1,386,451)	(1,238,296)
Between one and five years	(1,288,488)	1,207,299
Closing fair value of interest rate swaps at 31 December	(2,674,939)	(30,997)

The individual swap assets and liabilities are listed below:

Interest rate swap with a start date of 20 January 2012 maturing on 16 December 2018	(278,270)	137,469
Interest rate swap with a start date of 29 December 2013 maturing on 16 December 2018	(2,396,669)	(168,466)
	(2,674,939)	(30,997)

15 LEASE ANALYSIS

Lessor length

The Group has entered into leases on its property portfolio. This property portfolio as at 31 December 2014 had an average lease expiry of 6 years and 5 months. Leases include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain options to break before the end of the lease term.

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

	2014 £	2013 £
Within one year	17,200,407	12,698,386
After one year, but not more than five years	54,964,023	33,865,858
More than five years	48,214,243	30,525,848
Total	120,378,673	77,090,092

The largest single tenant at the year end accounts for 6.7% (2013: 8.6%) 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. As at 31 December 2014 there were 244,216,165 ordinary shares of 1p each in issue. All ordinary shares rank equally for dividends and distributions and carry one vote each. There are no restrictions concerning the transfer of ordinary shares in the Company, no special rights with regard to control attached to the ordinary shares, no agreements between holders of ordinary shares regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid.

Allotted, called up and fully paid:	2014 £	2013 £
Opening balance	31,337,024	22,280,186
Shares issued between 7 March 2014 and 19 November 2014 at a price of between 71.5p and 76.0p per share	65,868,956	–
Shares issued between 6 February 2013 and 6 November 2013 at a price of between 58.5p and 67.0p per share	–	9,129,170
Issue costs associated with new ordinary shares	(1,017,332)	(72,332)
Closing balance	96,188,648	31,337,024

	2014 Number of Shares	2013 Number of Shares
Opening balance	154,994,237	139,631,746
Issued during the year	89,221,928	15,362,491
Closing balance	244,216,165	154,994,237

17 RESERVES

Retained earnings

This is a distributable reserve and represents the cumulative revenue earnings of the Group less dividends declared as payable 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. This reserve also represents the realised gain on the acquisition of two subsidiaries during the year to 31 December 2014 as detailed in note 9.

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.

The detailed movement of the above reserves for the years to 31 December 2014 and 31 December 2013 can be found in the Consolidated Statement of Changes in Equity on pages 39 and 40.

18 EARNINGS PER SHARE

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

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

	2014 £	2013 £
Profit for the year net of tax	28,583,402	11,824,035

	2014 Number of Shares	2013 Number of Shares
Weighted average number of ordinary shares outstanding during the year	185,548,062	148,648,972
Earnings per ordinary share	15.40p	7.95p

EPRA (as defined on page 1) publishes guidelines for calculating adjusted earnings that represent earnings from the core operational activities. Therefore, it excludes the effect of movements in the fair value of, and results from sales of, investment properties together with the effect of movements in the fair value of financial instruments.

	2014 £	2013 £
Profit for the year net of tax	28,583,402	11,824,035
Less: revaluation movements on investment properties	(21,197,869)	(5,795,851)
Less: Gain on asset acquisition	(136,938)	–
Less: loss / (profit) on disposal of investment properties	1,840,412	(430,205)
Adjusted (EPRA) profit for the year	9,089,007	5,597,979

	2014 Number of Shares	2013 Number of Shares
Weighted average number of ordinary shares outstanding during the year	185,548,062	148,648,972
Adjusted (EPRA) earnings per share	4.90p	3.77p

19 DIVIDENDS

	2014 £	2013 £
1.133p per ordinary share paid in February relating to the quarter ending 31 December (2013: 1.133p)	1,756,085	1,599,022
1.161p per ordinary share paid in May relating to the quarter ending 31 March (2013: 1.133p)	1,865,834	1,665,870
1.161p per ordinary share paid in August relating to the quarter ending 30 June (2013: 1.133p)	1,865,834	1,728,043
1.161p per ordinary share paid in November relating to the quarter ending 30 September (2013: 1.133p)	2,527,604	1,756,085
	8,015,357	6,749,020

20 RECONCILIATION OF CONSOLIDATED NET ASSET VALUE TO PUBLISHED NET ASSET VALUE

The net asset value attributable to ordinary shares is published quarterly and is based on the most recent valuation of the investment properties and calculated on a basis which adjusts the underlying reported IFRS numbers. The adjustment made is to include a provision for payment of a dividend in respect of the quarter then ended.

	2014 Number of Shares	2013 Number of Shares
Number of ordinary shares at the reporting date	244,216,165	154,994,237

	2014 £	2013 £
Total equity per audited consolidated financial statements	184,367,522	101,591,795
Net asset value per share	75.5p	65.5p

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

	2014 £	2013 £
Total equity per audited consolidated financial statements	184,367,522	101,591,795
Adjustments:		
Less: fair value of derivatives	2,674,939	30,997
EPRA net asset value	187,042,461	101,622,792
EPRA net asset value per share	76.6p	65.6p

21 SERVICE CHARGE

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

	2014 £	2013 £
Total service charge expenditure incurred	1,557,269	1,620,103
Total service charge billed to tenants	1,663,864	1,709,678
Service charge billed to the Group in respect of void units	120,164	60,870
Service charge due to tenants as at 31 December	(226,759)	(150,445)
	1,557,269	1,620,103

22 RELATED PARTY DISCLOSURES

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

Ordinary share capital

Standard Life Assurance Limited held 19,644,001 (2013: 14,982,501) of the issued ordinary shares at the Balance Sheet date on behalf of its Unit Linked Property Funds. This equates to 8.0% (2013: 9.7%) of the ordinary share capital in issue at the Balance Sheet date. Standard Life Assurance Limited held nil (2013: 14,724,580) of the issued ordinary shares at the Balance Sheet date on behalf of its Heritage with profits fund. This equates to nil% (2013: 9.5%) of the ordinary share capital in issue at the Balance Sheet date. Standard Life Assurance Limited is not considered to exercise control of the Group.

Directors remuneration

The remuneration of the key management personnel is detailed below. Further details on the key management personnel can be found in the Director's Remuneration Report and The Corporate Governance Report.

	2014 £	2013 £
Richard Barfield (appointed chairman 29th May 2014)	31,223	24,000
Sally-Ann Farnon	29,500	25,000
Shelagh Mason (retired 31st December 2014)	26,500	24,000
Huw Evans (appointed 11th April 2013)	26,500	17,063
Robert Peto (appointed 28th May 2014)	16,736	–
Paul Orchard-Lisle (retired 28th May 2014)	13,107	32,000
David Moore (retired 14th May 2013)	–	8,893
	143,566	130,956
Directors expenses	2,431	4,737
	145,997	135,693

Investment Manager

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

23 SEGMENTAL INFORMATION

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

24 EVENTS AFTER THE BALANCE SHEET DATE

On 1 January 2015 the Group converted to a UK REIT.

On 20 January 2015 the Group completed the sale of De Ville Court, an office investment in Weybridge for £3.15m excluding costs.

On 20 February 2015 a dividend of £2,835,350 in respect of the quarter to 31 December 2014 was paid.

On 25 February 2015 the Group raised £24.5m through the issue of 31.3m new ordinary shares at a price of 78.1p per share under its placing programme.

On 3 March 2015 the Group completed the purchase of an industrial investment in Preston for £15.8m excluding costs.

On 4 March 2015 the Group raised £1.0m through the issue of 1.3m new ordinary shares at a price of 80.2p per share.

The Group has entered into a contract with third parties after the Balance Sheet date for a refurbishment at Ocean Trade Centre, Aberdeen for £1.0m net of dilapidations.

The Board has approved expenditure of £1.3m after the Balance Sheet date for a refurbishment including the provision of air conditioning to the ground floor at White Bear Yard, London.

Standard Life Investments Property Income Trust Limited

Additional Information

Information for Investors

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

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

Share Information

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

Details of the Company may also be found on the Investment Manager's website which can be found at: www.standardlifeinvestments.com/its, at Interactive Investor Investment Trust Service, website address: www.iii.co.uk and on TrustNet, website address: www.trustnet.co.uk.

Ordinary shares may be purchased or sold directly through a stockbroker or through your bank, solicitor, accountant, or other professional adviser or through the Company's Registrars or the Company's Savings Plan and Individual Savings Account, details of which are shown at the back of this report.

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

Effect of REIT Status on Payment of Dividends

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

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

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

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

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, is required to be made available to investors. In accordance with the Directive, the AIFM's remuneration policy is available from Standard Life Investments (Corporate Funds) Limited on request and the numerical remuneration disclosures in relation to the AIFM's first relevant accounting period (year ended 31 December 2015) will be made available in due course.

The Company's maximum and average actual leverage levels at 31 December 2014 are shown below

Leverage exposure	Gross method	Committment method
Maximum limit	400%	250%
Actual	197%	150%

Standard Life Investments Property Income Trust Limited

Additional Information

Information for Investors (continued)

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.

Other Information

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

Standard Life Investments Property Income Trust Limited

Additional Information
How to Make Future Investments

Introduction

Investors may subscribe to Standard Life Investments Property Income Trust Limited through Standard Life's Savings Scheme, Individual Savings Account ('ISA') or Individual Saving Account transfer ('ISA transfer'). Alternatively, investors may buy shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or financial adviser.

Investment Trust Savings Scheme

Standard Life's Savings Scheme is a straightforward way to invest in the Standard Life Investments Property Income Trust Limited. The minimum investment through Standard Life's Savings Scheme is £100 per month or a £1,000 lump sum. There is no maximum amount that can be invested in the Company through Standard Life's Savings Scheme.

Investment Trust ISA

Standard Life's stocks and shares ISA is a tax efficient savings vehicle as investors pay no additional income tax or capital gains tax on any money generated by their investments. Investors can invest in the Standard Life Investments Property Income Trust Limited through the Stocks and Shares ISA. Investors have the opportunity to invest up to £15,240 in the tax year 2015/2016. As with Standard Life's Savings Scheme, the minimum investment in Standard Life's ISA is a £1,000 lump sum or £100 per month. ISAs attract tax reliefs which the Government may change in the future. The value of these reliefs to each investor depends on their own personal circumstances.

Investment Trust ISA Transfer

Investors may also gain access to the Company by transferring any existing ISA (including a former PEP 'Personal Equity Plan') investments to a Standard Life ISA. As with the Standard Life ISA.

How to invest

For further information on how to invest and an application pack containing full details of the products and their charges, please call Standard Life Investments on 0845 60 24 247, Lines are open from 9am to 5pm Monday to Friday.

For information on Standard Life Investments' range of Investment Trusts and Standard Life's views on the markets, please call 0845 60 60 062.

This is not a recommendation to buy, sell or hold shares in Standard Life Investments Property Income Trust Limited. Shareholders who are unsure of what action to take should contact a financial adviser authorised under the Financial Services and Markets Act 2000. Share values may go down as well as up which may result in a shareholder receiving less that he/she originally invested.

Risk Warnings – General

- Past performance is no guarantee of future performance.
- The value of your investment and any income from it may go down as well as up and you may not get back the amount invested. This is because the share price is determined by the changing conditions in the market in which the Company invests and by the supply and demand for the Company's shares.
- As the shares in an investment trust are traded on a stockmarket, the share price will fluctuate in accordance with supply and demand and may not reflect the underlying net asset value of shares; where the share price is less than the underlying value of the assets, the difference is known as the 'discount'. For these reasons, investors may not get back the original amount invested.
- Investors should note that tax rates and reliefs may change at any time in the future.
- The value of ISA tax advantages will depend on personal circumstances. The favourable tax treatment of ISAs may not be maintained.

Standard Life Investments Property Income Trust Limited

Additional Information
Directors and Company Information

Directors

Richard Arthur Barfield (Chairman) 1
Sally-Ann Farnon 2
Huw Griffith Evans 3
Robert Peto 4

Registered Office

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

Registered Number

41352

Administrator & Secretary

Northern Trust International Fund Administration Services (Guernsey) Limited
PO Box 255
Trafalgar Court
Les Banques
St. Peter Port
Guernsey GY1 3QL

Registrar

Computershare Investor Services (Guernsey) Limited
Le Truchot
St. Peter Port
Guernsey GY1 1WD

Investment Manager

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

1 Chairman of the Nomination Committee
2 Chairman of the Audit Committee and Senior Independent Director
3 Chairman of the Remuneration Committee and Management Engagement Committee
4 Chairman of the Property Valuation Committee

Independent Auditors

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

Solicitors

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

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

Broker

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

Principal Bankers

The Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR

Property Valuers

Jones Lang LaSalle Limited
22 Hanover Square
London W1A 2BN

Depositary

Citibank International plc
Canada Square
London
E14 5LB

Standard Life Investments Property Income Trust Limited

Annual General Meeting

Notice of Annual General Meeting

Notice is hereby given that the Eleventh Annual General Meeting of Standard Life Investments Property Income Trust Limited ('the Company') will be held at 30 St Mary Axe, London EC3A 8EP on Wednesday 27 May 2015 at 11.30am for the following purposes:

ORDINARY BUSINESS

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

Resolution 1 To receive and approve the Annual Report and Financial Statements of the Company for the year ended 31 December 2014.

Resolution 2 To receive and approve the Directors' Remuneration Report for the year ended 31 December 2014.

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

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

Resolution 5 To re-elect Richard Barfield as a Director of the Company.

Resolution 6 To re-elect Sally-Ann Farnon as a Director of the Company.

Resolution 7 To re-elect Huw Evans as a Director of the Company.

Resolution 8 To elect Robert Peto as a Director of the Company.

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

Resolution 9 To authorise the Company, in accordance with The Companies (Guernsey) Law, 2008, as amended (the "Law") to make market acquisitions of its own shares of 1 pence each (either for retention as treasury shares for future resale or transfer or cancellation) provided that;

a. the maximum number of Ordinary Shares hereby authorised to be purchased shall be 14.99 per cent of the issued Ordinary Shares on the date on which this resolution is passed;

b. the minimum price which may be paid for an Ordinary Share shall be 1p;

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

d. unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 27 November 2016 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2016, save that the Company may, prior to such expiry, enter into a contract to acquire Ordinary Shares under such authority and may make an acquisition of Ordinary Shares pursuant to any such contract.

Standard Life Investments Property Income Trust Limited

Annual General Meeting

Notice of Annual General Meeting (continued)

Resolution 10 That the Directors of the Company be and they are hereby generally empowered, to allot ordinary shares in the Company or grant rights to subscribe for, or to convert securities into, ordinary shares in the Company ("equity securities"), including by way of a sale of ordinary shares held by the Company as treasury shares, as if any pre-emption rights in relation to the issue of shares as set out in the listing rules made by the Financial Services Authority under part VI of the Financial Services and Markets Act 2000 (as amended) did not apply to any such allotment of equity securities, provided that this power:

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

b. shall be limited to the allotment of equity securities up to an aggregate nominal value of £276,779 being approximately 10 per cent of the nominal value of the issued share capital of the Company, as at 31 March 2015.

By Order of the Board
For and on behalf of
Northern Trust International Fund Administration
Services (Guernsey) Limited
Secretary
31 March 2015

Notes

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

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

3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different Ordinary Shares. You may not appoint more than one proxy to exercise rights attached to any one Ordinary Share. To appoint more than one proxy you may photocopy the enclosed form of proxy. Please indicate the proxy holder's name and the number of Ordinary Shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of Ordinary Shares held by you). Please also

indicate if the proxy instruction is one of multiple instructions given by you. All hard copy forms of proxy must be signed and should be returned together in the same envelope.

4. The form of proxy should be completed and sent, together with the power of attorney or authority (if any) under which it is signed, or a notarially certified copy of such power or authority, so as to reach Computershare Investor Services (Guernsey) Limited, The Pavilions, Bridgwater Road, Bristol BS99 6ZY no later than 11.30am on 25 May 2015.

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 11.30am on 25 May 2015.

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 11.30am on 25 May 2015. 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 per cent or more of the voting rights is required for the Meeting. If, within half an hour after the time appointed for the Meeting, a quorum is not present the Meeting shall be adjourned for seven days at the same time and place or to such other day and at such other time and place as the Board may determine and no notice of adjournment need be given at any such adjourned meeting. Those Shareholders present in person or by proxy shall constitute the quorum at any such adjourned meeting.

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

Annual General Meeting

Notice of Annual General Meeting (continued)

12. As at 31 March 2015, the latest practicable date prior to publication of this document, the Company had 276,779,237 ordinary shares in issue with a total of 276,779,237 voting rights.

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