Annual Report

Standard Life Investments Property Income Trust Limited

Annual Report and Financial Statements
Year ended 31 December 2013

Standard Life Investments

Contents

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Standard Life Investments Property Income Trust Limited

Financial Highlights

- Net Asset Value total return of 25.2% for the year ended 31 December 2013
- Share price increased by 20.2% over the year to 70.0p
- Dividend yield of 6.5% based on year end share price of 70.0p
- 4 properties purchased for £22.6m excluding costs and 2 properties sold for £15.7m
- Share capital increased 11.0% over the year at an average premium to Net Asset Value of 4.9%

Total Returns (with dividends re-invested)	31 December 2013	31 December 2012
Net Asset Value total return	+25.2%	-2.9%
Share Price total return	+29.2%	+21.1%

Capital Values	31 December 2013	31 December 2012	% Change
Net Asset Value per share [1]	65.5p	57.7p	+13.5%
EPRA* Net Asset Value per share[2]	65.6p	62.7p	+4.6%
Share Price	70.0p	58.25p	+20.2%
Premium of Share Price to Net Asset Value	6.9%	1.0%	
Total assets	£191.6m	£176.0m	+8.9%
Loan to value[3]	40.9%	43.9%	
Cash balance	£12.3m	£13.5m	

Dividends	31 December 2013	31 December 2012
Dividends per share [4]	4.532p	4.532p
Dividend yield	6.5%	7.8%

Property Returns	Year ended 31 December 2013	Year ended 31 December 2012
Property income return [5]	7.7%	9.7%
IPD property income monthly index [6]	6.1%	6.2%
Property total return (property only) [7]	11.7%	4.1%
IPD property total return monthly index [6]	9.9%	1.6%

1 Calculated under International Financial Reporting Standards.

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 2013.

4 Dividends paid during the 12 months to 31 December 2013.

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

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

Standard Life Investments Property Income Trust Limited

Strategic Report: Chairman's Statement

Paul Orchard-Lisle
Chairman

The Company's Annual Report for 2013 is in a new format. It reflects the expectations of the Financial Reporting Council ('FRC') and we have also taken note of recommendations made by numerous other bodies. Report writing is indeed now an industry in itself, I hope to the benefit of shareholders rather than those who are making it their occupation.

Generally, 2013 was a good year for the Company. The dividend per share was maintained, the net asset value per share ('NAV') increased and the share price rose significantly. The NAV total return to shareholders over the year was 25.2%. Overall, performance over the year was ahead of the most commonly accepted benchmarks. While this is satisfying, there is more to do if we are to meet our targets for the future.

The Property Portfolio

The Investment Manager's report provides detailed information on the portfolio. At the end of the year, it was valued at £176.4m*. Additionally, there was a positive cash balance of £12.3m, giving total assets of £191.6m (2012: £176.0m). The fund's NAV at year end was 65.5p per share (2012: 57.7p), an uplift of 13.5% 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 2012	57.7	100.0
Increase in valuation of property portfolio	4.0	7.0
Decrease in interest rate swap liability	4.4	7.6
Other reserve movements	(0.6)	(1.1)
NAV as at 31 December 2013	65.5	113.5

The net income return on capital invested at year end was 7.7% and there were no material arrears of rent. On average, 99% of rents were received within 21 days of the relevant quarter end date and, following the completion of the agreement for lease at Staines in March 2014 and the letting of the fourth floor at Cheltenham, void levels as at mid March were only 1.6%. The IPD average void rate is reported as being 7.6%.

The most significant sale during the year was the disposal of our mixed use office and industrial development in Aberdeen, which realised a gain of 29% over book cost. The proceeds enabled us to acquire a large office building close to the M25 in Rickmansworth and three retail warehouses let to Matalan, Argos and Homebase. Important asset management agreements were reached in respect of our holdings at Witham, Mansfield and Monck Street London.

* This is the open market value unadjusted for lease incentives or finance lease obligations.

Standard Life Investments Property Income Trust Limited

Strategic Report: Chairman's Statement
(Continued)

Shares and Share Price

At the year end, there were 154,994,237 shares in issue, an increase of 11.0% over the year. Our plans for the size of the Company are set out in the Strategic Overview on page 4.

The share price on 31 December 2013 was 70.0p, an uplift of 20.2% over the 12 month period, and representing a premium of 6.9% over NAV.

Earnings and Dividends

During the year the Company paid four quarterly dividends of 1.133p per share each, totalling 4.532p per share (2012: 4.532p per share) and representing a yield of 6.5% on the share price at the year end.

Loan to Value ratio

At 31 December 2013, the LTV ratio was 40.9%, which is within the range of 35-45% determined by the Board. Our loan agreement with RBS sets an upper limit of 65% until December 2016, reducing to 60% for the two remaining 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 David Moore's retirement, Huw Evans was elected as a director. His experience in the financial services sector is of particular value to the Company.

I will be retiring as Chairman and Director of the Company at the 2014 AGM and I am delighted that the Board has agreed that Dick Barfield will succeed me as Chairman.

I am pleased to report that Robert Peto will be appointed as a Director immediately following the AGM on 28 May 2014. Robert has a wealth of experience in UK commercial real estate and is currently chairman of DTZ Investment Management Limited.

Conversion to UK REIT

In my statement last year, I reported that the Board was considering the tax efficiency of the Company's present structure. The review has now been completed and it concluded that it would be in the best interests of the vast majority of shareholders if the Company was to convert to a UK based REIT.

Steps are therefore being taken to address the requirements of possible conversion and, once concluded, the Board will send details of the scheme to all shareholders as a prelude to an EGM that will probably take place in the autumn of 2014. If the proposals receive consent, conversion could take place by 31 December 2014.

Outlook

The improved business climate in the UK has given new impetus to the property market. There is strong demand from investors for well let and well positioned property, creating a significant uplift in prices. The occupational market has been slower to respond, with few tenants prepared to commit to new leases with a term certain of more than 5 years. So far, we have seen little evidence of rental values increasing.

My expectations for the future have to be tempered by the uncertainty of the outcome of the General Election expected in 2015. Even so, I believe that real estate will remain a favoured asset class and that we will see continuing demand for good secondary holdings. It is the occupational market that is and will remain the more fragile, and we will need to be alert to keep our good tenants and to fill voids by lettings to companies that have a positive long term future.

The Board is confident that the Company has a portfolio that is generally in line with current requirements and that good management and asset management will produce further growth.

Paul Orchard-Lisle CBE
Chairman
16 April 2014

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 the property portfolio valuation) will be between 35% and 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 (the 'Investment Manager').

Strategy

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

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

At the 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 and industrial property and intends to remain so. There are seen to be some opportunities in the retail market, primarily out-of-town. In all sectors, poor secondary and tertiary locations are regarded as high risk and will be avoided, as indeed will the low yielding office sector.

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

While the financial size of the Company has increased significantly over the year, it remains below the level that some investors find attractive. The Board intends therefore to seek out opportunities for further growth in the Company provided that it is in the long term interests of existing shareholders.

As noted in the Chairman's Statement, the Board has concluded that there would be significant advantages for the Company by converting into a UK REIT and will be consulting shareholders accordingly.

The European Alternative Investment Fund Managers Directive (AIFMD) has a final implementation date of 22 July 2014 and the Board has decided to appoint its Investment Manager, Standard Life Investments (Corporate Funds) Limited, as AIFM, to undertake the necessary regulatory returns, initial authorisations and registrations. The Company will also be appointing a depositary under the new regime.

Standard Life Investments Property Income Trust Limited

Strategic Report: Strategic Overview
(Continued)

Retail Distribution

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

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

The Board

The Board currently consists of a non-executive Chairman and four non-executive Directors. The names and biographies of those directors who held office at 31 December 2013 and at the date of this report appear on page 24 and indicate their range of property, investment, commercial and professional experience. As well as selecting Directors who can contribute fully to the progression of the Company's performance, there is a requirement to maintain the correct balance of onshore and offshore membership of the Board. There is also a commitment to achieve the proper levels of diversity in all respects. At 31 December 2013, the Board consisted of two 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 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 limiting 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.

Standard Life Investments Property Income Trust Limited

Strategic Report: Strategic Overview
(Continued)

A record of these measures are disclosed in the financial highlights on page 1, in the Chairman's Statement section of the Strategic Report and in the 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 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 prior to making a recommendation to the Board in relation to a proposed property purchase. 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, in order to fix the interest rate on the bank borrowings. These swap instruments are valued on a quarterly 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 returns for shareholders.
- Tax efficiency – the structure of the Company or changes to legislation could result in the Company no longer being a tax efficient investment vehicle for shareholders.
- Regulatory – breach of regulatory rules could lead to the suspension of the Company's Stock Exchange Listing, financial penalties or a qualified audit report.
- Financial – inadequate controls by the Investment Manager or third party service providers could lead to misappropriation of assets. Inappropriate accounting policies or failure to comply with accounting standards could lead to misreporting or breaches of regulations.

Standard Life Investments Property Income Trust Limited

Strategic Report: Strategic Overview
(Continued)

- 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 Board seeks to mitigate and manage these 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 25.

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 report separately in this area as the management of the portfolio has been delegated to the Investment Manager. In light of the nature of the 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 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 2013.

Bank Debt

In January 2012 the Company entered into a new debt facility with RBS. The original facility of £84m was due to expire in December 2013. The new facility, for the same amount, is for a term of 7 years expiring in December 2018, at a margin of 1.75% over 3 month Libor (the margin can vary depending on the LTV).

The Company has entered into interest rate swaps in order to fix the interest rate on the bank borrowings. During the year, the Company had three interest rate swaps in place. The first, for £72m, matured in December 2013. The Company now has two swaps, for a total of £84m, entered into in January 2012, expiring in December 2018 with a liability of £0.1m at the year end.

Following the expiry of the £72m swap in December 2013, the effective cost of debt has dropped to 3.8% per annum, saving the Company £2m per annum.

Approved by the Board on 16 April 2014
Paul Orchard-Lisle
Chairman

Standard Life Investments Property Income Trust Limited

Investment Manager's Report

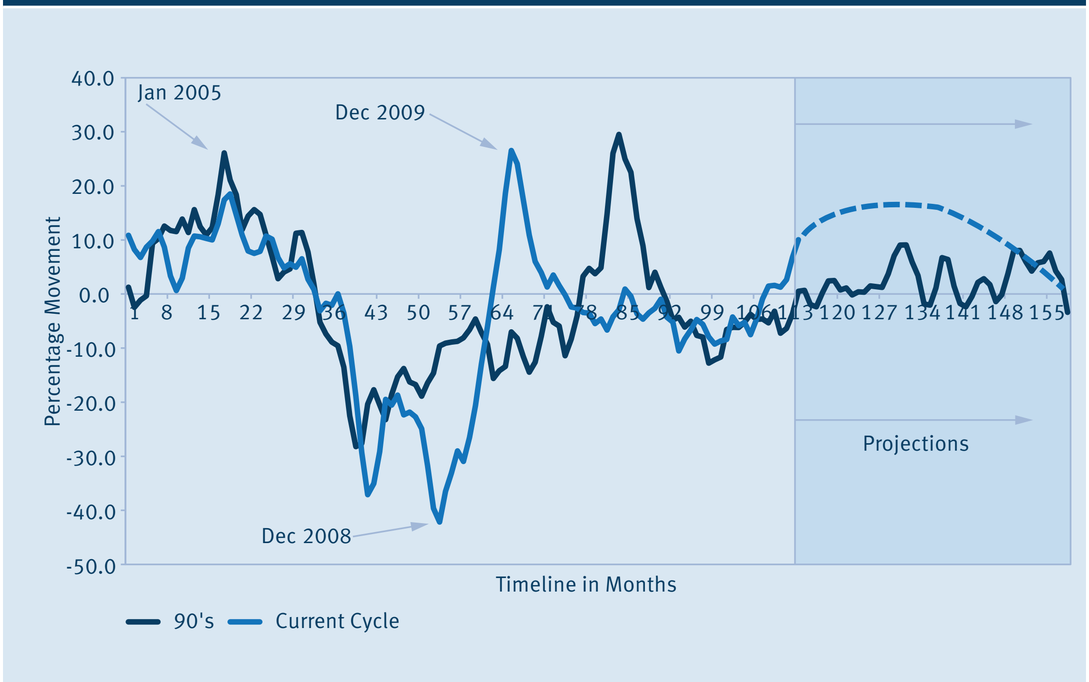
Jason Baggaley
Fund Manager

UK Real Estate Market

The recovery playing out in UK real estate gathered momentum over the final quarter with the IPD quarterly version of the monthly index funds (which is considered to be a benchmark for the Group) recording a total return of 9.9% p.a. in the twelve months to end December. The asset class is beginning to reap the benefits of the improving economic conditions; business confidence is picking up and occupiers are increasingly relocating for expansion reasons rather than simply because they have come to the end of their lease. Capital growth is improving due to increased allocations to real estate and also investors' expectations of the more favourable rental environment. Capital values rose by 4.3% p.a. in the twelve months to end December. Rents are improving modestly at a broad level and these are expected to pick up further into the recovery cycle. Rents rose by 0.9% p.a. in the twelve months to end December.

Despite some volatility over the year, the performance of the FTSE EPRA/NAREIT UK* listed sector was positive over this period and bodes well for the direct sector as the listed sector's performance is generally a strong lead indicator for the performance of the direct sector. The listed sector rose by 23.8% in the

UK IPD All Property Real Capital Value Movement (3 Month Annualised)



Source: Standard Life Investments / IPD

*The FTSE EPRA/NAREIT UK Index is a subset of the FTSE EPRA/NAREIT Developed Index and is designed to track the performance of real estate companies and REITS listed on the London Stock Exchange. By making the index constituents free-float adjusted, liquidity, size and revenue screened, the series is suitable for use as the basis for investment products, such as derivatives and Exchange Traded Funds.

Standard Life Investments Property Income Trust Limited

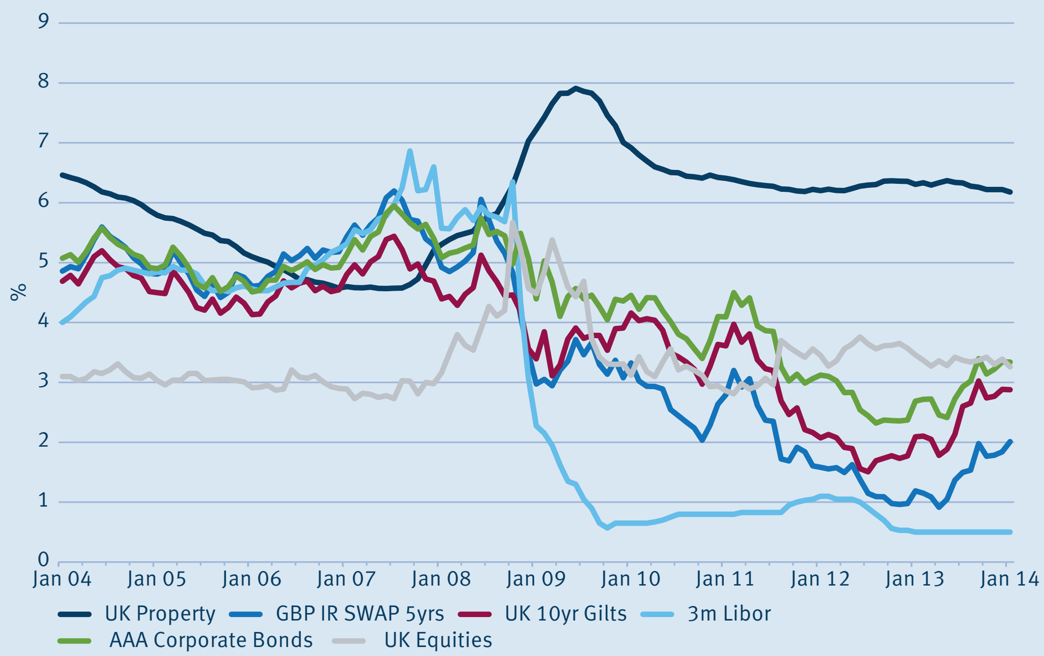
Investment Manager's Report
(Continued)

twelve months to end December. Performance was ahead of the FTSE All Share which rose by 20.8% over the same timeframe.

Investment Outlook

In the favourable environment of improving confidence and reducing void rates, investors are allocating more capital to the sector and consequently, given the increased weight of capital, risk appetite is increasing. In terms of outlook, we expect reasonable positive total returns for investors on a three year hold period. The sector remains attractive from a fundamental point of view, i.e. improving economic drivers and a constrained 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 but the prospects for retail towards the South East and Central London are expected to improve as economic recovery gains more traction. Ensuring the quality and sustainability of income remains a key investment decision making criterion. Investors remain cautious towards poorer quality secondary and tertiary stock and it is these types of assets that continue to be most vulnerable to softness in pricing because of the relatively high levels of availability, the weaker prospects for economic growth in most secondary centres and the increasing supply of these assets from banks as they work through their problem loan books. However, opportunities are arising in the transactions market for reasonable quality secondary buildings where these assets can be repositioned as prime. We continue to expect asset management initiatives and locational choices to be the defining characteristics contributing to income returns in 2014. We also expect income to be the main component of returns over this period as capital values will, we believe, only appreciate modestly. Prime/good quality secondary assets and selective poorer quality secondary assets in stronger locations are likely to provide the best opportunities in the improving economic environment we anticipate in 2014.

Yields on Different Assets



Source: ONS, Thomson Reuters DataStream

Investment Manager's Report
(Continued)

Investment Management Strategy

The investment strategy we follow is aligned with the Company Objective of providing an attractive income return with prospects for capital and income growth. We aim to achieve this 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 us that we believe 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 we think there will be greater investment demand in the medium term).

Purchases

The purchase philosophy for the Company is to invest in assets that offer an attractive income return, and have good medium / long term prospects. We like to invest in assets that will require asset management, or that we believe will become more attractive to investors in the medium term.

During the course of 2013 four properties were purchased:

We completed the purchase of an office in Maple Cross, Rickmansworth in Q3 for £9.85m (excluding costs), a yield of 11.1%. The property, which is located close to junction 17 of the M25 motorway, is let to Trebor Bassett for a further 9 years at a rent of £1,156,900 pa.

In Q4 we completed the purchase of three retail warehouse investments from Morrison Supermarkets. Two units are let to Matalan, and one property is let to Argos and Homebase. The combined purchase price of £12.7m (excluding costs) reflected a yield of 8%.

At the year end we had agreed terms to buy an industrial investment of two logistics units for £3.6m, a yield of 10.6% and this was purchased at the end of March 2014. The purchase was not contractually agreed at 31 December 2013.

Sales

Over the course of 2013 two properties were sold:

In Q2 we sold a vacant old retail warehouse to an owner occupier. The sale price of £0.9m was at valuation and the carrying value of the property as at 31 December 2012 was £0.9m.

In Q3 we completed the sale of a mixed office and industrial investment in Aberdeen for £14.77m which had a carrying value of £14.25m as at 31 December 2012. The development of the property was funded by the Company in 2010 and the sale proceeds were 29% ahead of book cost at the completion date of the development. Although the property was let to a good tenant on a long lease we believed it was sensible to capture the profit and recycle the funds, as the property would have become quite over rented at the forthcoming fixed increase review.

Asset management

The focus of our asset management is to protect income and enhance values. We have a policy of meeting with tenants to understand their needs and seek an early renewal of leases or removal of break clauses.

The chart below shows the lease expiry profile for the Company. The average weighted unexpired term to the earliest of break or lease expiry is 5.2 years. The IPD average lease length for all leases is 10.2 years, but if leases over 35 years are excluded (they are rare and mainly ground rents) then the average is 7.3 years. The latest research from Strutt and Parker / IPD suggested that the average length of new leases granted in 2012 was 4.9 years. We now live in an environment where tenants are used to having lease flexibility with breaks or only five year commitments, and although an improved economic environment and low supply might improve the chance of obtaining longer leases the impact of new accounting rules and a more global market (used to shorter leases) means commercial real estate investors and valuers are going to have to get used to shorter leases.

Standard Life Investments Property Income Trust Limited

Investment Manager's Report
(Continued)

The Company has just under 53% of its lease income expiring in the next 5 years. 2014 and 2016 were the two main years, but following asset management initiatives the distribution is now fairly even over the next 4 years. For example 2014 had 19 lease events and we had already dealt with 7 of those before the start of the year. Of the remaining twelve we have terms agreed or advanced negotiations on seven, and from current discussions expect to renew leases on at least 10 of the 12 properties.

Examples of the main asset management initiatives during 2013 are:

Witham – we regeared the lease on an industrial unit. The original lease was due to expire in 2016, and the property was over rented with a weak covenant. We reduced the rent but got annual fixed increases for the next ten years, and obtained a parent company guarantee.

Mansfield – We took a lease surrender and simultaneously granted a new lease to the sub-tenant for 7 years at the same rent. The original lease was due to expire in 2014. We also let another unit on the same estate.

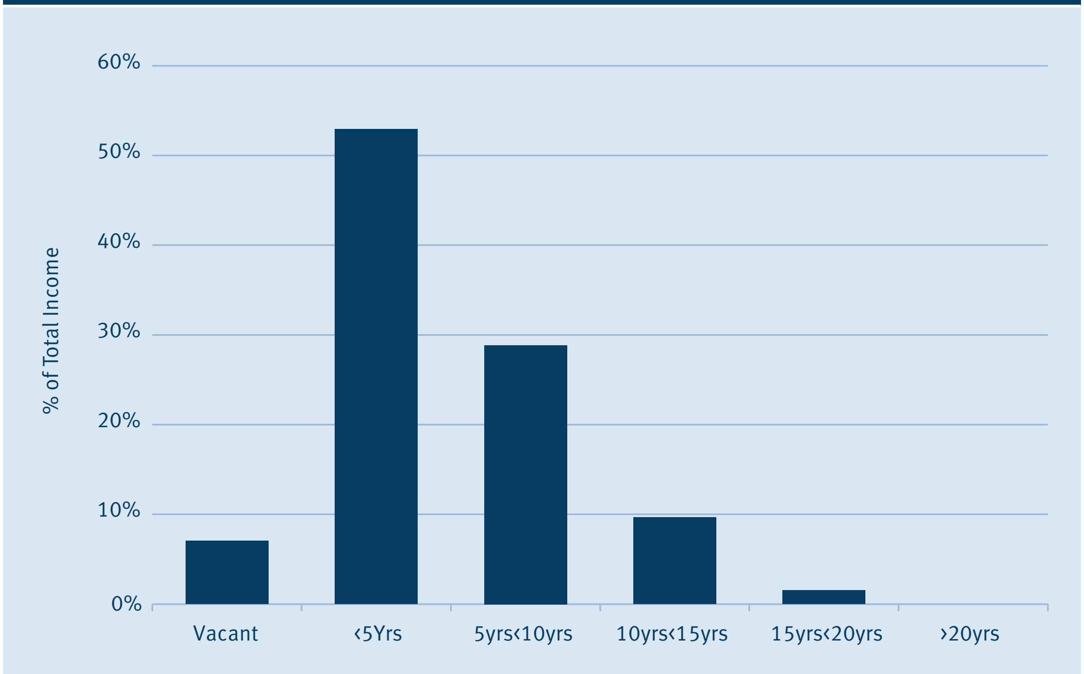
Wymondham – We let the largest void in the fund to Poundstretcher. We had previously agreed terms with a supermarket operator on a 'subject to planning' basis. However, due to changes in planning case law we undertook a letting to a non-food operator whilst maintaining some optionality for the future if we can gain the correct planning consent. After the reporting period a court appeal on a similar planning case went against the Company, and the prospect of getting a food consent is now very remote.

Aberdeen – Several small industrial units were let, so that the estate was fully let for most of the year. Terms were also agreed to renew leases on all of the units with expiries in 2013.

Monck Street, London – We extended the lease on a ground floor office and increased the rent, setting new market evidence for the remaining units.

Bourne House Staines – During the year we commenced a full refurbishment of the property, and agreed terms to let it on a good covenant for a term of 10 years with a break in year 7.

Lease Expiry/Break Profile



Source: Standard Life Investments

Standard Life Investments Property Income Trust Limited

Investment Manager's Report
(Continued)

The agreement for lease on this letting was completed in March 2014, after the reporting period.

Portfolio Valuation

The Company's investments were valued on a quarterly basis throughout 2013 by Jones Lang La Salle.

At the year end the Company's real estate portfolio was valued at £176.4m excluding adjustments for lease incentives and finance lease obligations, with cash holdings of £12.3m. This compares to £161.6m and £13.5m at the end of December 2012. The Company has allocated £3.0m to the cost of refurbishing Staines, and £3.6m to the purchase of Cullen Square Livingston.

At the year end the Company's real estate portfolio had a net initial yield of 7.6% and an equivalent yield of 7.7%.

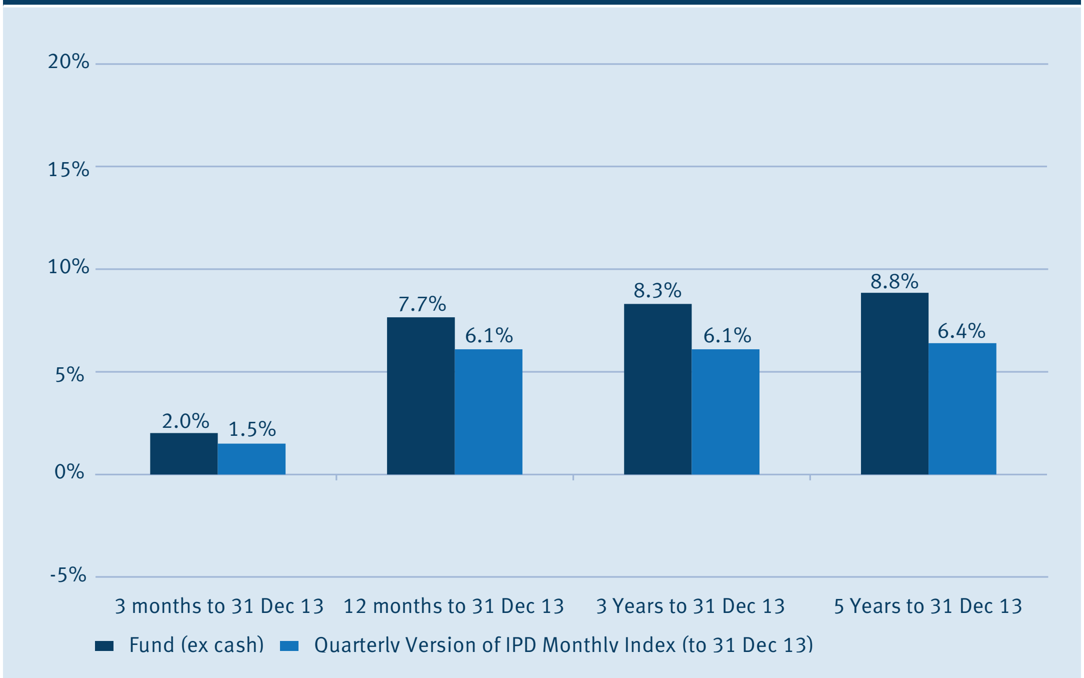
Performance

The Company seeks to provide an attractive income return with some capital and income growth through investing in UK commercial real estate.

The chart below (Property Income Return) shows that at an underlying asset level the Company's portfolio has continued to deliver strong underlying performance compared to the IPD index, which is considered the main measure of UK direct real estate returns.

Although the income return is important, we also remain committed to providing an attractive total return, and as the chart on the following page (Property Total Return) demonstrates, the Company has achieved top quartile performance against the IPD quarterly index over one, three and five years.

Property Income Return



Source: Standard Life Investments

Standard Life Investments Property Income Trust Limited

Investment Manager's Report
(Continued)

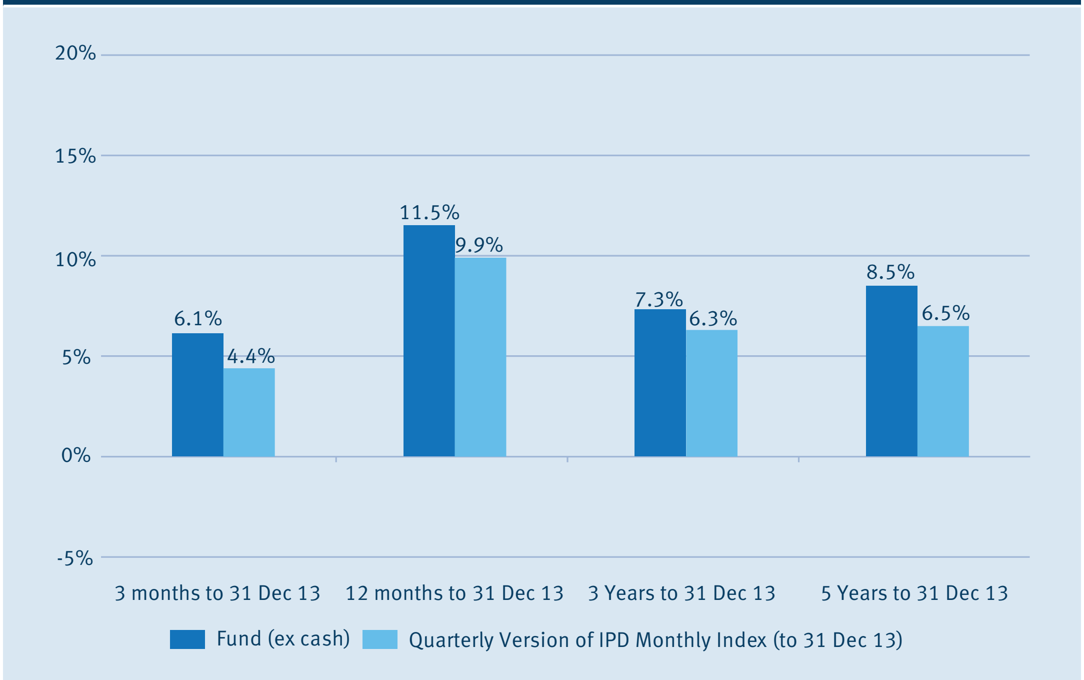
The Company has a ranking of the weighted risk score on the 18.5 percentile according to the IPD Iris report on income security, which reflects the good quality of tenants the Company has. Over 99% of rent due was collected within 21 days each quarter of 2013.

The property level returns provide a comparison of performance to the wider market, but do not represent the overall performance of the Company. The Net Asset Value total return is a better measure, and is one the Board focuses on. For the 12 months to end December 2013 the Company maintained its strong performance with a NAV total return of 25.2% against a sector average of 15.3%. (Source Winterfloods)

NAV Total Return (with dividends re-invested)	1 year	3 years	5 years
F&C Commercial Property	15.0%	33.4%	73.0%
Picton Property Income	12.2%	9.3%	16.9%
Schroder Real Estate	9.4%	17.6%	27.1%
F&C UK Real Estate Investment	16.4%	15.6%	53.3%
Standard Life Investments Property Income Trust	25.2%	29.9%	54.0%
UK Commercial Property	13.5%	17.9%	48.3%
Sector Average	15.3%	20.6%	45.4%

Source: Winterflood Securities

Property Total Return



Source: Standard Life Investments

Standard Life Investments Property Income Trust Limited

Investment Manager's Report
(Continued)

Geographic Weightings

Regional Split	Value	%
London Mid-Town	£12,750,000	7%
London West End	£8,750,000	5%
London City	-	0%
Rest of London	£10,600,000	6%
South East	£41,650,000	22%
South West	£16,925,000	9%
Midlands	£13,125,000	7%
Northern England	£49,690,000	26%
Wales	£1,900,000	1%
Scotland	£21,025,000	11%
Total	**£176,415,000**	**100%**

Source: Standard Life Investments

IPD Sector Weightings

IPD Sectors	Value	%
South East Std Retail	£10,600,000	6%
Rest of UK Std Retail	-	0%
Shopping Centres	-	0%
Retail Warehouses	£37,695,000	21%
Central London Offices	£21,500,000	12%
South East Offices	£33,525,000	19%
Rest of UK Offices	£24,920,000	14%
South East Industrial	£8,125,000	5%
Rest of UK Industrial	£40,050,000	23%
Other	-	0%
Total	**£176,415,000**	**100%**

Source: Standard Life Investments

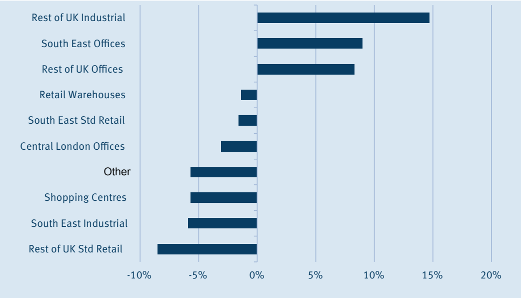
Sector Weights

Sectors	Value	%
Retail	£48,295,000	26%
Office	£79,945,000	42%
Industrial	£48,175,000	26%
Other	-	0%
Cash	£12,300,000	6%
Total	**£188,715,000**	**100%**

Source: Standard Life Investments

Relative Sector Weights v IPD Monthly

IPD Sub Sectors



Source: Standard Life Investments

The Company looks to invest in a balanced portfolio of good quality real estate. We utilise the Standard Life Investments House View to identify sectors and locations that we believe will perform well then seek suitable investments, but are more deal led than benchmark led.

We have a very low exposure to High Street retail as that is an area that generally has low yields, and faces structural issues over the next few years due to increased importance of internet retailing. Instead, we have a higher exposure to the office and industrial sectors where we believe we can add value through lease regears, lettings, and renewals.

Standard Life Investments Property Income Trust Limited

Investment Manager's Report
(Continued)

Ten Largest Properties

Name	Location	Capital Value £	Income Yield	Type
Tesco Wingates	Bolton	14 – 16m	8.0%	Distribution Warehouses
White Bear Yard , Clerkenwell	London	12 – 14m	3.2%	Standard Office
Hertford Place Rickmansworth	Rickmansworth	10 – 12m	9.9%	Office Park
Hollywood Green, London	London	10 – 12m	6.3%	High St Retail
St James Cheltenham	Cheltenham	8 – 10m	8.1%	Standard Office
Ocean Trade Centre Aberdeen	Aberdeen	8 – 10m	7.7%	Industrial Park
Monck St London	London	8 – 10m	5.8%	Standard Office
Clough Road, Kingston Upon Hull	Hull	6 – 8m	6.2%	Retail Warehouse
Explorer Crawley	Crawley	6 – 8m	10.3%	Standard Office
Bathgate Retail Park	Bathgate	6 – 8m	7.5%	Retail Warehouse

Source: Standard Life Investments

Top Ten Tenants

Name	Rent Passing	% of Rent	Earliest Termination Date
Tesco Stores Ltd	£1,232,662	8.6%	26/09/2016
Trebor Bassett Limited	£1,156,900	8.1%	19/12/2022
Norcross Group (Holdings) Ltd	£825,723	5.8%	11/12/2014
Matalan Retail Limited	£696,778	4.9%	20/11/2028
Grant Thornton UK LLP	£680,371	4.7%	13/05/2017
Yusen Logistics (UK) Ltd	£450,000	3.1%	30/06/2017
B&Q PLC	£392,150	2.7%	23/06/2022
Interfleet Technology ltd	£390,000	2.7%	22/07/2019
Minister of Economy and Transport	£361,500	2.5%	15/06/2014
Emcor Group (UK) Plc	£340,850	2.4%	25/07/2016

Source: Standard Life Investments

Olympian Way, Leyland

Standard Life Investments Property Income Trust Limited

Investment Manager's Report
(Continued)

Property Investments as at 31 December 2013

Name	Location	Sub-sector	Market Value £	Tenure	Area sq ft	Occupancy Rate (sq ft)
Tesco Wingates	Bolton	Industrial – Rest of UK	14 – 16m	Freehold	275,638	100%
White Bear Yard	London	Offices - London West End	12 – 14m	Freehold	21,361	100%
Hertford Place	Rickmansworth	Offices – South East	10 – 12m	Freehold	55,545	100%
Hollywood Green	London	Retail – South East	10 – 12m	Freehold	64,001	100%
St James's House	Cheltenham	Offices - Rest of UK	8 – 10m	Freehold	83,825	85%
Ocean Trade Centre	Aberdeen	Industrial - Rest of UK	8 – 10m	Freehold	104,703	100%
Monck Street	London	Offices – West End	8 – 10m	Leasehold	17,615	99%
Clough Road Retail Park	Hull	Retail Warehouses	6 – 8m	Freehold	95,500	100%
Explorer 1 & 2, Mitre Court	Crawley	Offices - South East	6 – 8m	Freehold	46,205	100%
Bathgate Retail Park	Bathgate	Retail Warehouses	6 – 8m	Freehold	45,168	100%
Dorset Street	Southampton	Offices - South East	4 – 6m	Freehold	25,101	100%
Marsh Way	Rainham	Industrial - South East	4 – 6m	Leasehold	82,090	100%
Drakes Way	Swindon	Industrial - Rest of UK	4 – 6m	Freehold	140,557	100%
Bourne House	Staines	Offices - South East	4 – 6m	Freehold	25,779	0%
Crostons Retail Park	Bury	Retail Warehouses	4 – 6m	Freehold	49,210	100%
Homebase & Argos	Leyland	Retail Warehouses	4 – 6m	Leasehold	31,781	100%
Matalan	Kings Lynn	Retail Warehouses	4 – 6m	Leasehold	33,991	100%
Eleven Business Park	Wymondham	Retail Warehouses	4 – 6m	Freehold	26,334	100%
140 West George Street	Glasgow	Offices - Rest of UK	4 – 6m	Freehold	22,931	100%
Interfleet House	Derby	Offices - Rest of UK	2 – 4m	Freehold	28,735	100%
Matalan	Bradford	Retail Warehouses	2 – 4m	Leasehold	25,282	100%
Chancellors Place	Chelmsford	Offices - South East	2 – 4m	Freehold	22,096	100%
Windsor Court & Crown Farm	Mansfield	Industrial - Rest of UK	2 – 4m	Leasehold	88,859	100%
Turin Court South	Manchester	Offices - Rest of UK	2 – 4m	Freehold	23,881	100%
Coal Road	Leeds	Industrial - Rest of UK	2 – 4m	Freehold	57,775	100%
Farah Unit, Crittal Road	Witham	Industrial - South East	2 – 4m	Freehold	57,328	100%
31 / 32 Queen Square	Bristol	Offices - Rest of UK	2 – 4m	Freehold	13,124	100%
Easter Park	Bolton	Industrial - Rest of UK	2 – 4m	Freehold	35,534	100%
De Ville Court	Weybridge	Offices - South East	2 – 4m	Freehold	10,810	100%
Halfords	Paisley	Retail Warehouses	1 – 2m	Freehold	20,161	100%
Phase II, Telelink	Swansea	Offices - Rest of UK	1 – 2m	Leasehold	38,084	100%
Unit 14 Interlink Park	Bardon	Industrial - Rest of UK	1 – 2m	Freehold	32,747	100%
Portrack Lane	Stockton on Tees	Industrial - Rest of UK	1 – 2m	Freehold	32,693	100%
Total property portfolio			**176,415,000***			**97.8%**

*** This is the open market value unadjusted for lease incentives or finance lease obligations.**

Standard Life Investments Property Income Trust Limited

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 2013.

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).

Listing

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

The Company was listed on the Channel Islands Stock Exchange (secondary listing) up to 18 December 2012 and delisted with effect from that date.

The Company has complied with the relevant provisions of, and the requirements set out in, the United Kingdom Listing Authority regulations throughout the year and also the relevant provisions of the Channel Islands Stock Exchange LBG Rules up to 18 December 2012.

Substantial Shareholdings

As at 31 December 2013 and 16 April 2014, the following entities had a holding of 3% or more of the Company's issued share capital.

	% holding	
	31/12/2013	16/4/2014
Standard Life Assurance	19.2	15.2
Brewin Dolphin	19.1	18.8
M&G Investment Management	6.2	6.0
BlackRock	3.8	3.7
Legal & General Investment Management	3.0	2.9

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 2013, save for Huw Evans who was appointed on 11 April 2013, are shown on page 24. David Moore retired as a Director on 14 May 2013.

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

	Ordinary Shares held	
	31/12/2013	31/12/2012
Paul Orchard-Lisle	34,275	34,275
Richard Barfield	50,128	40,128
Sally-Ann Farnon	15,000	15,000
Shelagh Mason	15,000	15,000
Huw Evans (appointed 11 April 2013)	15,000	n/a
David Moore (retired 14 May 2013)	n/a	15,000

There have been no changes in the above interests between 31 December 2013 and 16 April 2014.

Directors' Indemnity

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

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 were 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 of the Company to continue as a going concern for a period of not less than 12 months from the date of the approval of the financial statements. The Directors have satisfied themselves that the Company has adequate resources to continue in operational existence for the foreseeable future and the Board believes it is appropriate to adopt the going concern basis in preparing the financial statements.

Corporate Governance

The Directors' report on Corporate Governance is detailed on pages 20 to 26 and forms part of the Directors' Report.

Share Capital and Voting Rights

As at 31 December 2013 there were 154,994,237 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.

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 9.00am on 28 May 2014, may be found on pages 78 to 81.

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

Directors' Report
(Continued)

Directors Authority to Buy Back Shares (resolution 10)
The Company did not purchase any shares for cancellation during the financial year ending 31 December 2013. Unless renewed the current authority of the Company to make market purchases of shares will expire at the end of the Annual General Meeting.

Consequently, resolution 10 as set out in the notice of the Annual General Meeting seeks authority for the Company to make market purchases of up to 14.99 per cent. of the issued ordinary share capital, such authority to last until the earlier of 28 November 2015 and the Annual General Meeting in 2015. Any buy back of ordinary shares will be made subject to Guernsey law, the UK Listing Authority's (UKLA) 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) and 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 UKLA which provide that the price to be paid must not be more than the higher of; (i) 105 per cent of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the Ordinary Shares for the five business days before the shares are purchased; and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue on which the purchase is carried out. Any shares purchased under the authority will be cancelled or held in treasury.

Directors Authority to allot shares on a non pre-emptive basis (resolution 11)
Resolution 11 as set out in the notice of the Annual General Meeting gives the Directors, for the period until the conclusion of the annual general meeting in 2015 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 £160,709. This is equivalent to approximately 10% of the issued ordinary share capital of the Company as at 16 April 2014. 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 all of 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 16 April 2014
Paul Orchard-Lisle
Chairman

Standard Life Investments Property Income Trust Limited

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 the 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 with all of the Directors non-executive. The Company has therefore not reported further on these provisions.

The Board

The Board comprises solely of non-executive Directors of which Paul Orchard-Lisle is Chairman and Richard Barfield has been designated as Senior Independent Director. Biographical details of each Director are shown on page 24. 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.

Huw Evans was appointed as a Director on 11 April 2013 and David Moore retired as a Director on 14 May 2013.

Until 31 January 2013, Mr Moore was a partner with Mourant Ozannes Advocates and Notaries Public in Guernsey ("Mourant Ozannes"). Mourant Ozannes provide Guernsey legal advice to the Company and Mourant Ozannes Securities Limited, an associated company, was the Company's Guernsey sponsor in relation to the Company's listing on the Channel Islands Stock Exchange up to 18 December 2012. Mr Moore was not directly involved in the provisions of the sponsorship services by Mourant Ozannes Securities Limited and refrained from participation in and voting upon any board resolutions concerning the appointment or remuneration of Mourant Ozannes and Mourant Ozannes Securities Limited. The total fees payable to Mourant Ozannes and Mourant Ozannes Securities Limited for general services provided to the Group in the year ended 31 December 2013, was £3,485(2012: £15,330).

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.

The Directors have access to the company secretarial and administration services of the Company Secretary, Northern Trust International Fund 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:

- management of the investment portfolio
- accounting services
- company secretarial and administration services
- shareholder registration services

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

Board Committees

The Board has appointed a number of Committees – the Property Valuation Committee, the Audit Committee, the Management Engagement Committee, the Nomination Committee and the Remuneration Committee. Copies of their terms of reference, which clearly define the responsibilities and

Corporate Governance Report
(Continued)

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 Paul Orchard-Lisle, 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 27 to 29.

Management Engagement Committee
The Management Engagement Committee is chaired by Shelagh Mason 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. Consideration of Board diversity forms part of the responsibilities of this Committee.

Remuneration Committee
The Remuneration Committee is chaired by Richard Barfield, 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.

Paul Orchard-Lisle, Richard Barfield and Shelagh Mason were appointed as Directors of the Company on 18 November 2003. Sally-Ann Farnon was appointed on 1 July 2010 and Huw Evans was appointed on 11 April 2013.

Pursuant to the Articles of Association of the Company, one third, or the number nearest to but not exceeding one third, of the Directors are required to retire and stand for re-election at the Annual General Meeting each year, provided that each Director shall retire and stand for re-election at the Annual General Meeting immediately following their appointment then at intervals of no more than three years. However, in accordance with the recommendations of the AIC Code and the UK Code, the Board has agreed that all Directors will retire annually and, if appropriate will seek re-election. Following this policy, all of the directors were re-elected at the Annual General Meeting of the Company held on 14 May 2013.

Richard Barfield, Sally-Ann Farnon, Shelagh Mason and Huw Evans will stand for re-election at the forthcoming Annual General Meeting. The Board has reviewed the skills of each and has no hesitation in recommending their re-election to shareholders.

Corporate Governance Report
(Continued)

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

Paul Orchard-Lisle will be retiring as Chairman and Director of the Company at the AGM on 28 May 2014 and Richard Barfield will be appointed as Chairman from that date.

Standard Life Investments Property Income Trust Limited

Corporate Governance Report
(Continued)

Directors Information

Biographical details of each Director as at 31 December 2013 are set out below.

Paul Orchard-Lisle, CBE, (Chairman), is a UK resident. He is a chartered surveyor and until 2000 he was the senior partner of Healey & Baker (now Cushman and Wakefield). He was chairman of Slough Estates (now Segro plc) and was executive chairman of The Falcon Property Trust. He has been an advisor to the UK government on property matters and was formerly the President of The Royal Institution of Charted Surveyors. He is currently a director of Stobart Group and Chairman of Apache 2012 Ltd. He is also advisor to Crown Golf UK.

Richard Barfield is a UK resident. He is Chairman of The Baillie Gifford Japan Trust plc. He is an adviser to two pension funds, a trustee of another and a member of the Board of the Pension Protection Fund. He was previously the Chief Investment Manager of Standard Life until 1996.

Sally-Ann (Susie) Farnon is a resident of Guernsey. Susie 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 is currently Vice-Chairman of The Guernsey Financial Services Commission and a non executive director of Ravenscroft Ltd, Breedon Aggregates Ltd, Dexion Absolute Ltd, HICL Infrastructure Company Ltd and Threadneedle UK Select Trust Ltd.

Shelagh Mason is a resident of Guernsey. She is an English property solicitor with over 25 years experience in commercial property. She was previously a senior partner of Edge & Ellison (now part of Hammonds) and is currently a partner of Spicer & Partners Guernsey LLP. She is a non-executive director of a number of other companies, including The Renewables Infrastructure Group Ltd, and is also a past Chairman of the Guernsey Branch of the Institute of Directors. She is a member of the Chamber of Commerce and the Guernsey International Legal Association.

Huw Evans is a resident of Guernsey. He qualified as a Chartered Accountant with KPMG (then Peat Marwick Mitchell) in 1983. He subsequently worked for three years in the corporate finance department of Schroders before joining Phoenix Securities Limited in 1986. Over the next twelve years he advised a wide range of companies in the 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.

Standard Life Investments Property Income Trust Limited

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.

Following the evaluation, it was agreed to implement improvements to volume and timeliness of board papers, to timing of discussions at board meetings and to communication of shareholder views.

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

Meeting Attendance

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

Investment Management Agreement

As noted above, the Management Engagement Committee reviews the performance of, and contractual arrangements with, the Investment Manager on an annual basis. Under the investment management agreement between the Company and the Investment Manager, the Investment Manager is entitled to an annual fee equal to 0.85% of the total assets of the Company, payable quarterly in arrears except where cash balances exceed 10% of total assets. The fee applicable to the amount of cash exceeding 10% of the total assets is reduced to 0.20% per annum, payable quarterly in arrears. The Investment Manager has 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 does not affect the reduced fee of 0.20% on cash holding above 10% of total assets. The investment management agreement is terminable upon 12 months' notice (or a payment in lieu of notice equal to any unexpired portion of that 12 month period) and may be terminated summarily in certain limited circumstances. The Board has considered the appropriateness of the continuing appointment of the Investment Manager in view of the performance of the Investment Manager, the fees payable to the Investment Manager and the notice period under the investment management agreement. 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 reviews the effectiveness of the Company's system of internal controls,

	Full board	Audit Committee	Management engagement Committee	Property valuation Committee	Nomination Committee	Remuneration Committee
Paul Orchard-Lisle	4 (4)	3 (3)	4 (4)	2 (2)	3 (3)	1 (1)
Richard Barfield	4 (4)	3 (3)	4 (4)	2 (2)	3 (3)	1 (1)
Sally Ann Farnon	4 (4)	3 (3)	4 (4)	2 (2)	3 (3)	1 (1)
Shelagh Mason	4 (4)	3 (3)	4 (4)	2 (2)	3 (3)	1 (1)
Huw Evans	3 (3)	2 (2)	3 (3)	2 (2)	2 (2)	1 (1)
David Moore	2 (2)	1 (1)	2 (2)	0 (0)	1 (1)	0 (0)

Corporate Governance Report
(Continued)

including financial, operational and compliance controls and risk management systems and has procedures in place for the review of such controls on an annual basis. Investment management services and administration services are provided to the Company by Standard Life Investments (Corporate Funds) Limited (the Investment Manager) and Northern Trust International Fund Administration Services (Guernsey) Limited (the Administrator) respectively. The Company's system of internal control therefore is substantially reliant on the Investment Manager's and the Administrator's own internal controls. The Board has considered the AAF 01/06 internal controls report issued by the Investment Manager, for the period from 1 October 2012 to 30 September 2013 along with additional confirmation for the period to 31 December 2013, and similar reports issued by the Administrator. This process accords with the Turnbull guidance whereby a risk matrix is created that identifies the key functions of the Investment Manager and other service providers, the individual activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise risk. The risk matrix is regularly reviewed and updated by the Board. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives. The system can only provide reasonable not absolute assurance against material misstatement or loss.

Internal control procedures have been in place throughout the year and up to the date of approval of this Report, and the Board is satisfied with their effectiveness. 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 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 the 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.

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.

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.co.uk/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 33 and the Statement of Going Concern is included in the Directors' Report on page 18. The Independent Auditor's Report is on pages 34 to 36.

Paul Orchard-Lisle
Chairman
16 April 2014

Standard Life Investments Property Income Trust Limited

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 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

Audit Committee Report
(Continued)

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.

As the Company has a deferred tax asset arising as a result of tax losses carried forward, the recognition of this asset is a key risk considered by the Audit Committee. The recognition of the asset is dependent on the likelihood of the Company having profits chargeable to income tax in the foreseeable future. In considering this risk, the Audit Committee reviews financial forecasts prepared by the Investment Manager to determine the correct treatment of the deferred tax asset in the financial statements. Details of the deferred tax asset recognised in the financial statements as at 31 December 2013 are contained in note 6 to the financial statements.

Review of Activities

The Audit Committee met three times during the year under review, on 19 March 2013, 20 August 2013 and 21 November 2013. Following the year end, the Audit Committee met on 13 March 2014.

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

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

External Audit Process

The Audit Committee meets at least 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.

After each audit, the Audit Committee reviews the external audit process and considers its effectiveness, taking into consideration the standing, skills and experience of the audit firm and the audit team.

Auditor assessment and independence

The Audit Committee reviews the performance, cost effectiveness and general relationship with the external auditor each year. In addition, on an annual basis the Audit Committee reviews the independence and objectivity of the external auditor.

Standard Life Investments Property Income Trust Limited

Audit Committee Report
(Continued)

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

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 Audit Partner responsible for the audit every five years. There are no contractual obligations which restrict the Committee's choice of auditor.

During the year ended 31 December 2013, EY provided non-audit services in relation to the impact of REIT conversion for £6,000 (2012: £nil).

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 28 May 2014, for the re-appointment of EY, as external auditor.

Sally-Ann Farnon
Audit Committee Chairman
16 April 2014

Standard Life Investments Property Income Trust Limited

Directors' Remuneration Report

Remuneration Committee

The Remuneration Committee comprises the full Board and is chaired by Richard Barfield. The Remuneration 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.

Directors' 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 companies with the peer group.

The Directors' fees for the forthcoming financial year, based on current fee levels and Board composition, are shown in the table below.

	Year to 31 Dec 2014	Year to 31 Dec 2013
Paul Orchard-Lisle (Chairman)	£32,000	£32,000
Richard Barfield	£24,000	£24,000
Sally Ann Farnon (Audit Committee Chairman)	£27,000	£25,000
Shelagh Mason	£24,000	£24,000
Huw Evans (appointed 11 April 2013)	£24,000	£17,063
David Moore (retired 14 May 2013)	n/a	£8,893
Total	**£131,000**	**£130,956**

It is intended that the above Remuneration Policy will continue to apply for the forthcoming financial year and subsequent years. It is the Board's intention that the Remuneration Policy will be put to a shareholders' vote at least once every three years.

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

Standard Life Investments Property Income Trust Limited

Directors' Remuneration Report
(Continued)

Directors' Annual Report on Remuneration

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

	Year to 31 Dec 2013	Year to 31 Dec 2012
Paul Orchard-Lisle (Chairman)	£32,000	£30,000
Richard Barfield	£24,000	£22,500
Sally Ann Farnon (Audit Committee Chairman)	£25,000	£23,500
Shelagh Mason	£24,000	£22,500
Huw Evans (appointed 11 April 2013)	£17,063	n/a
David Moore (retired 14 May 2013)	£8,893	£22,500
Total	**£130,956**	**£121,000**

Following a review of Directors' fees by the Remuneration Committee in November 2013 it was decided by the Board that, with effect from 1 January 2014, the level of fees per annum for the Audit Committee Chairman would increase to £27,000.

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

	Year to 31 Dec 2013	Year to 31 Dec 2012
Aggregate Directors' Remuneration	£130,956	£121,000
Aggregate Shareholder Distributions	£6,749,020	£6,254,466

At the Annual General Meeting in May 2013 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
99.7	0.3	nil

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

	Year to 31 Dec 2013	Year to 31 Dec 2012
Paul Orchard-Lisle	34,275	34,275
Richard Barfield	50,128	40,128
Sally Ann Farnon	15,000	15,000
Shelagh Mason	15,000	15,000
Huw Evans (appointed 11 April 2013)	15,000	n/a
David Moore (retired 14 May 2013)	n/a	15,000

There have been no changes in the above interests between 31 December 2013 and 16 April 2014.

Standard Life Investments Property Income Trust Limited

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 25.
The graph below compares the total return (assuming all dividends re-invested) to ordinary shareholders compared with the total return on the IPD Quarterly Index over the five years to 31 December 2013.

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 16 April 2014
Richard Barfield
Director

Standard Life Investments Property Income Trust Limited

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 that:

- the Annual Report and 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 16 April 2014.

Paul Orchard-Lisle
Chairman

Sally-Ann Farnon
Director

Standard Life Investments Property Income Trust Limited

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

To the members of Standard Life Investments Property Income Trust Limited

We have audited the consolidated financial statements of Standard Life Investments Property Income Trust Limited for the year ended 31 December 2013 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 33, 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 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.

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 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Standard Life Investments Property Income Trust Limited

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

Our assessment of risks of material misstatement

We identified the following risks of material misstatement that had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team:

- valuation of investment properties;
- incomplete or inaccurate rental income recognition; and
- valuation of deferred tax assets.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit and in evaluating the effect of misstatements on the audit and in the auditor's report on the financial statements and in forming our audit opinion. We apply the concept of materiality to the individual account or balance level through our determination of performance materiality, which is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

When establishing our overall strategy we determined materiality for the group to be £1,016,000 which is 1% of total equity. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

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 50 per cent of materiality, namely £508,000. Our objective in adopting this approach was to ensure that total detected and undetected audit differences in all accounts did not exceed our planning materiality level.

We agreed that all audit differences in excess of £50,800 would be reported to the audit committee, as well as differences below that threshold that, in our view warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group audit team performed a full scope audit on 100% of the group's equity. Our response to the risks identified above was as follows:

- We addressed the risk of valuation of the group's investment properties by:
  - identifying and performing walk-through tests on the controls over valuation processes operated by the Manager, as described in the AAF 01/06 report dated 18 December 2013;
  - reading third party valuation reports to assess the appropriateness and suitability of the reported values;
  - assessing the independence and qualifications of the valuers; and
  - engaging our own internal valuation experts to challenge the valuation of a sample of properties by assessing the reasonableness of the valuation methodologies used and the key inputs and assumptions by reference to published market data and comparable transaction evidence.
- We addressed the risk of incomplete or inaccurate revenue recognition by:
  - identifying and performing walk-through tests on the controls over valuation processes operated by the Manager, as described in the AAF 01/06 report dated 18 December 2013;
  - understanding the changes in rental income from the previous period and obtaining explanations for them and agreeing the amounts to tenancy agreements on a sample basis; and

Standard Life Investments Property Income Trust Limited

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

- assessing the appropriateness of the accounting treatment for a sample of tenancy agreements with rent free periods and other rental patterns not on a straight line basis.

- We addressed the risk of valuation of deferred tax assets by:
  - reviewing the reasonableness of assumptions used to calculate the amount of tax losses the group expects to use before it converts to a REIT;
  - testing the arithmetical accuracy of the calculations in the forecasting model used to support the deferred tax calculations; and
  - engaging our taxation specialists to challenge the appropriateness of the accuracy of tax computations

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 group's compliance with the nine provisions of the UK Code specified for our review.

Michael Bane
for and on behalf of Ernst & Young LLP
Recognised Auditors
Guernsey
16 April 2014

Standard Life Investments Property Income Trust Limited

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2013

	Notes	2013 £	2012 £
Rental income		13,395,478	13,488,771
Surrender premium income		–	2,448,000
Valuation gain / (loss) from investment properties	7	5,795,851	(9,216,816)
Profit on disposal of investment properties		430,205	176,215
Investment management fees	4	(1,327,746)	(1,305,792)
Other direct property operating expenses		(1,258,515)	(867,750)
Directors' fees and expenses	21	(135,693)	(123,441)
Valuer's fee	4	(30,260)	(30,503)
Auditor's fee	4	(45,800)	(41,440)
Non-audit fee	4	(6,000)	–
Other administration expenses		(222,000)	(232,499)
Operating profit		16,595,520	4,294,745
Finance income	5	75,193	46,856
Finance costs	5	(5,433,993)	(5,765,295)
Profit / (loss) for the year before taxation		11,236,720	(1,423,694)
Taxation			
Tax credit	6	587,315	–
Profit / (loss) for the year, net of tax		11,824,035	(1,423,694)
Other comprehensive income			
Valuation gain / (loss) on cash flow hedges	12	6,829,111	(786,410)
Total comprehensive income / (loss) for the year, net of tax		18,653,146	(2,210,104)
Earnings per share:		pence	pence
Basic and diluted earnings per share	16	7.95	(1.03)
Adjusted (EPRA) earnings per share	16	3.77	5.53

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

The notes on pages 43 to 75 are an integral part of these Consolidated Financial Statements.

Standard Life Investments Property Income Trust Limited

Consolidated Balance Sheet
as at 31 December 2013

	Notes	2013 £	2012 £
ASSETS			
Non-current assets			
Investment properties	7	172,886,556	158,073,412
Lease incentives	7	3,269,593	3,246,707
Interest rate swaps	12	1,207,299	–
Deferred Tax	6	587,315	–
		177,950,763	161,320,119
Current assets			
Trade and other receivables	8	1,305,524	1,171,842
Cash and cash equivalents	9	12,303,310	13,527,186
		13,608,834	14,699,028
Total assets		191,559,597	176,019,147
EQUITY			
Capital and reserves attributable to Company's equity holders			
Share capital	14	31,337,024	22,280,186
Retained earnings	15	6,560,853	7,711,894
Capital reserves	15	(34,144,454)	(47,199,621)
Other distributable reserves	15	97,838,372	97,838,372
Total equity		101,591,795	80,630,831
LIABILITIES			
Non-current liabilities			
Bank borrowings	11	83,866,594	83,752,959
Interest rate swaps	12	–	2,757,732
Other liabilities		6,094	6,094
Rent deposits due to tenants		336,596	353,535
		84,209,284	86,870,320
Current liabilities			
Trade and other payables	10	4,519,722	4,415,120
Interest rate swaps	12	1,238,296	4,102,376
Other liabilities		500	500
		5,758,518	8,517,996
Total liabilities		89,967,802	95,388,316
Total equity and liabilities		191,559,597	176,019,147

Standard Life Investments Property Income Trust Limited

Consolidated Balance Sheet (continued)
as at 31 December 2013

	Notes	2013 £	2012 £
Net Asset Value (NAV) per share			
NAV	18	65.5p	57.7p
EPRA NAV	18	65.6p	62.7p

Approved by the Board of Directors on 16 April 2014 and signed on its behalf by:

Sally-Ann Farnon
Director

The notes on pages 43 to 75 are an integral part of these Consolidated Financial Statements.

Standard Life Investments Property Income Trust Limited

Consolidated Statement of Changes in Equity
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	12	–	–	6,829,111	–	6,829,111
Total comprehensive gain for the year		–	11,824,035	6,829,111	–	18,653,146
Ordinary shares issued	14	9,056,838	–	–	–	9,056,838
Dividends paid	17	–	(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 43 to 75 are an integral part of these Consolidated Financial Statements.

Standard Life Investments Property Income Trust Limited

Consolidated Statement of Changes in Equity (continued)
for the year ended 31 December 2012

	Notes	Share capital £	Retained earnings £	Capital reserves £	Other distributable reserves £	Total equity £
Opening balance 1 January 2012		20,440,011	6,349,453	(37,372,610)	97,838,372	87,255,226
Loss for the year		–	(1,423,694)	–	–	(1,423,694)
Valuation loss on cash flow hedges	12	–	–	(786,410)	–	(786,410)
Total comprehensive loss for the year		–	(1,423,694)	(786,410)	–	(2,210,104)
Ordinary shares issued	14	1,840,175	–	–	–	1,840,175
Dividends paid	17	–	(6,254,466)	–	–	(6,254,466)
Valuation loss from investment properties	7	–	9,216,816	(9,216,816)	–	–
Profit on disposal of investment properties		–	(176,215)	176,215	–	–
Balance at 31 December 2012		22,280,186	7,711,894	(47,199,621)	97,838,372	80,630,831

The notes on pages 43 to 75 are an integral part of these Consolidated Financial Statements.

Standard Life Investments Property Income Trust Limited

Consolidated Cash Flow Statement
for the year ended 31 December 2013

	Notes	2013 £	2012 £
Cash generated from operating activities	19	10,564,919	14,249,201
Cash flows from investing activities			
Interest received	5	75,193	46,856
Purchase of investment properties	7	(23,840,453)	(13,165,401)
Capital expenditure on investment properties	7	(326,840)	(306,514)
Net proceeds from disposal of investment properties	19	15,580,205	4,905,048
Net cash used in investing activities		(8,511,895)	(8,520,011)
Cash flows from financing activities			
Ordinary shares issued net of issue costs	14	9,056,838	1,840,175
Bank borrowing arrangement costs	11	–	(112,159)
Interest paid on bank borrowing	5	(2,164,092)	(2,209,219)
Payments on interest rate swaps	5	(3,420,626)	(3,291,716)
Dividends paid to the Company's shareholders	17	(6,749,020)	(6,254,466)
Net cash used in financing activities		(3,276,900)	(10,027,385)
Net decrease in cash and cash equivalents in the year		(1,223,876)	(4,298,195)
Cash and cash equivalents at beginning of year		13,527,186	17,825,381
Cash and cash equivalents at end of year	9	12,303,310	13,527,186

The notes on pages 43 to 75 are an integral part of these Consolidated Financial Statements.

Standard Life Investments Property Income Trust Limited

Notes to the Consolidated Financial Statements
for the year ended 31 December 2013

1 GENERAL INFORMATION

Standard Life Investments Property Income Trust Limited ("the Company") and its subsidiary (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 16 April 2014.

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 property 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

New standards, interpretations and amendments to existing standards which have been published and are mandatory for the Group's annual reporting periods beginning on or after 1 January 2014, are detailed below and have not been adopted early:

– IFRS 10 Consolidated Financial Statements

– IFRS 11 Joint Arrangements

– IFRS 12 Disclosure of Interests in Other Entities

– IAS 27 Separate Financial Statements

– IAS 28 Investments in Associates and Joint Ventures

– IAS 39 Financial Instruments : Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)

– Amendment to IAS 32 Financial Instruments: Presentation

– Amendment to IAS 36 Impairment of Assets

– Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities

The standards mentioned above are not expected to have a significant impact on the reported financial position or performance of the Group.

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations as of 1 January 2013. There have been other new and amended standards issued or have come into effect from 1 January 2013. However, they do not impact the annual consolidated financial statements of the Group and hence not discussed.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group has considered the specific requirements relating to highest and best use, valuation premise, and principal (or most advantageous) market. The methods, assumptions, processes and procedures for determining fair value were revisited and adjusted where applicable. The assessment of fair value under IFRS 13 has not materially changed the fair values recognised or disclosed.

IFRS 13 mainly impacts the disclosures of the Group. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures.

The disclosure requirements of IFRS 13 apply prospectively and need not be provided for comparative periods before initial application. Consequently, comparatives of these disclosures have not been provided.

Amendment to IFRS 7 Financial Instruments: Disclosures

The amendment to IFRS 7 requires additional disclosures for financial assets and liabilities which are offset in the financial statements or are subject to enforceable master netting agreements or similar arrangements . The additional disclosures are presented in note 8 - Trade and other receivables.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 became effective 1 July 2012. The amendments introduce a grouping of items presented in other comprehensive income (OCI). Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on available-for-sale financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation reserve). The amendment affected presentation only and had no impact on the Group's financial position or performance.

Amendment to IAS 12 Income Taxes: Deferred Tax

IAS 12 requires an explanation of the relationship between tax expense (income) and accounting profit in either or both of the following forms:

– A numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the applicable tax rate(s), also disclosing the basis on which the applicable tax rate(s) is (are) computed.

– A numerical reconciliation between the average effective tax rate and the applicable tax rate, also disclosing the basis on which the applicable tax rate is computed.

The additional disclosures are presented in note 6 - Taxation.

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.

Fair value of investment properties

Investment property is 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 first model used was the income capitalisation method.

Under the income capitalisation method, a property's fair value is estimated 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 other method used in determining the fair value of investment property is the development appraisal method.

Notes to the Consolidated Financial Statements (Continued)
for the year ended 31 December 2013

Under the development appraisal method, estimates of capital outlays and construction cost, development costs, and anticipated sales income are estimated to arrive at a series of net cash flows that are then discounted over the projected development and marketing periods. Specific development risks such as planning, zoning, licences, and building permits are separately valued.

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.

Deferred Tax Asset

The Group has recognised a deferred tax asset as detailed in Note 6. The Directors exercise judgement in estimating the amount of the tax losses that will be available for utilisation against future taxable profits and the most important estimate is the expected date of REIT conversion which, based on conditions at the Balance Sheet date, was estimated to be 30 June 2014.

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.

Subsidiaries are entities over which the Group has the power to govern the financial and operating polices generally evidenced by a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are de-consolidated from the date that control ceases. Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 pounds 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.

Notes to the Consolidated Financial Statements (Continued)
for the year ended 31 December 2013

ii) Rental income

Rental income from operating leases is net of sales taxes and VAT recognised on a straight line basis over the lease term. 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.

Surrender premiums received by the Group following the break of a lease are recognised as income to the extent that there are no obligations directly related to that surrender.

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 (including interest on the bank facility and the finance cost of the redeemable preference shares) and all other expenses are charged through the Consolidated Statement of Comprehensive Income as and when incurred. The Group had no properties during the year that did not earn any income during the 12 months to 31 December 2013.

E Taxation

i) Taxes

The Group is subject to income 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 property

Investment property comprises 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 property is 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 property is 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 income statement 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 property is 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 property are recognised in the income statement in the year of retirement or disposal.

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

G 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.

H 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.

I 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.

J 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.

K 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

Notes to the Consolidated Financial Statements (Continued)
for the year ended 31 December 2013

agent for the service charge and not a principal. The table in note 20 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 2013, 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.

L 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 HMRC and deferred rental income is rent that has been billed to tenants but relates the period after the Balance Sheet date. Rent deposits recognised in note 10 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 below 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 11 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 12). 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.

Notes to the Consolidated Financial Statements (Continued)
for the year ended 31 December 2013

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 12:

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%

As at 31 December 2012	Fixed rate	Variable rate	Weighted average interest rate
	£	£	£
Cash and cash equivalents	–	13,527,186	0.441%
Bank borrowings	72,000,000	–	6.765%
Bank borrowings	12,432,692	–	3.521%

At 31 December 2013, 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 £118,666 higher (2012: £10,945 lower loss) as a result of the higher interest income on cash and cash equivalents. Other Comprehensive Income and the Capital Reserve would have been £3,737,770 higher (2012: £4,914,863 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 2013, 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 £127,400 lower (2012: £10,945 higher loss) as a result of the lower interest income on cash and cash equivalents. Other Comprehensive Income and the Capital Reserve would have been £3,921,801 lower (2012: £3,738,374 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.

Notes to the Consolidated Financial Statements (Continued)
for the year ended 31 December 2013

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 £410,679 (2012: £381,917) as detailed in note 8 on page 63.

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 2013 £11,669,292 (2012: £9,442,122) was placed on deposit with The Royal Bank of Scotland plc ("RBS") and £634,018 (2012: £4,085,064) 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 property in which the Group invests is 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.

Notes to the Consolidated Financial Statements (Continued)
for the year ended 31 December 2013

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

Year ended 31 December 2012

	On demand	12 months	1 to 5 years	>5 years	Total
	£	£	£	£	£
Interest-bearing loans	–	2,183,737	8,734,948	86,616,429	97,535,114
Interest rate swaps	–	3,462,240	3,127,972	781,993	7,372,205
Leasehold obligations	–	500	2,000	53,500	56,000
Trade and other payables	606,032	–	–	–	606,032
Rental deposits due to tenants	–	12,662	353,535	–	366,197
	606,032	5,659,139	12,218,455	87,451,922	105,935,548

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.

Notes to the Consolidated Financial Statements (Continued)
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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 2013 and at 31 December 2012 were as follows:

	2013 £	2012 £
Total Borrowings (excluding amortisation of arrangement fees)	84,432,692	84,432,692
Less: cash and cash equivalents	(12,303,310)	(13,527,186)
Net debt	72,129,382	70,905,506
Total equity	101,591,795	80,630,831
Total capital	173,721,177	151,536,337
Gearing ratio	42%	47%

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 the property portfolio valuation) will be between 35% and 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	
	2013 £	2012 £	2013 £	2012 £
Financial Assets				
Cash and cash equivalents	12,303,310	13,527,186	12,303,310	13,527,186
Interest rate swaps	1,207,299	—	1,207,299	—
Trade and other receivables	1,305,524	1,171,842	1,305,524	1,171,842
Financial Liabilities				
Bank borrowings	83,866,594	83,752,959	84,032,782	83,680,288
Interest rate swaps	1,238,296	6,860,108	1,238,296	6,860,108
Trade and other payables	1,099,285	883,054	1,099,285	883,054

Notes to the Consolidated Financial Statements (Continued)
for the year ended 31 December 2013

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 2012.

– 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 2012. The definition of the valuation techniques are explained in the significant accounting judgements, estimates and assumptions on page 45.

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 2013

	Level 1	Level 2	Level 3	Total fair value
Interest rate swaps	–	30,997	–	30,997

31 December 2012

	Level 1	Level 2	Level 3	Total fair value
Interest rate swaps	–	6,860,108	–	6,860,108

*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.

Notes to the Consolidated Financial Statements (Continued)
for the year ended 31 December 2013

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.

Under the terms of the Investment Management Agreement the Investment Manager is 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 total assets. The fee applicable to the amount of cash exceeding 10% of total assets is altered to be 0.20% per annum, payable quarterly in arrears. The Investment Manager has 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 is applicable from the quarter ending 31 December 2008 onwards and does not affect the reduced fee of 0.20% on cash holdings above 10% of total assets. The total fees charged for the year ended 31 December 2013 amounted to £1,327,746 (2012: £1,305,792). The amount due and payable at the year end amounted to £347,343 excluding VAT (2012: £321,685 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 2013 amounted to £80,899 (2012: £75,510). The amount due and payable at the year end amounted to £nil (2012: £16,250 excluding VAT).

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 2013 amounted to £30,260 (2012: £30,503) of which minimum fees of £2,500 (2012: £7,500) were incurred due to adding new properties to the portfolio. The amount due and payable at the year end amounted to £7,071 excluding VAT (2012: £7,129 excluding VAT).

Notes to the Consolidated Financial Statements (Continued)
for the year ended 31 December 2013

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 2013 amounted to £45,800 (2012: £41,440) and relate to audit services provided for the 2013 financial year. Ernst & Young LLP also provided non-audit services in respect of advice relating to the potential consequences of REIT conversion. Fees incurred up to the Balance Sheet date amounted to £6,000 (2012: £nil)

5 FINANCE INCOME AND COSTS

	2013 £	2012 £
Interest income on cash and cash equivalents	75,193	46,856
Finance income	75,193	46,856
Interest expense on bank borrowings	1,899,732	2,171,407
Payments on interest rate swaps	3,420,626	3,291,716
Amortisation of arrangement costs (See Note 11)	113,635	302,172
Finance costs	5,433,993	5,765,295

6 TAXATION

Current income tax

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

	2013 £	2012 £
Consolidated Income Statement		
Current Income Tax		
Current Income Tax Charge	–	–
Deferred Income Tax		
Recognition of deferred tax asset	(587,315)	–
Income Tax credit reported in the income statement	(587,315)	–

Notes to the Consolidated Financial Statements (Continued)
for the year ended 31 December 2013

A reconciliation between the tax credit and the product of accounting profit multiplied by the applicable tax rate for the year ended 31 December 2013 and 2012 is, as follows:

	2013 £	2012 £
Profit / (loss) before tax	11,236,720	(1,423,694)
Tax calculated at UK statutory income tax rate of 20% (2012: 20%)	2,247,344	(284,739)
Valuation gain / (loss) from investment properties not subject to tax	(1,245,211)	1,808,120
Income not subject to tax	(155,673)	(940,095)
Expenditure not allowed for income tax purposes	57,914	50,222
Tax loss utilised	(904,374)	(633,508)
Recognition of Deferred Tax Asset	(587,315)	–
Total income tax credit	(587,315)	–

	Consolidated Balance Sheet		Consolidated Income Statement	
	2013 £	2012 £	2013 £	2012 £
Deferred income tax assets				
Losses available for offset against future taxable income	587,315	–	(587,315)	–
Deferred income tax asset/ (credit)	587,315	–	(587,315)	–

The Group has available deferred tax assets of £2,954,557 (2012: £3,174,161) 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. A deferred tax asset of £587,315 (2012: £Nil) has been recognised in respect of these losses. The remaining £2,367,242 of deferred tax assets have not been recognised as the Company expects to convert from a Guernsey Investment Company to a Real Estate Investment Trust (REIT) in 2014 and as a result these tax losses would not be utilised. As a REIT, any future profit generated by the Company would not be taxable in the Company.

The Company and its 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 subsidiary continue to remain eligible for exemption.

7 INVESTMENT PROPERTIES

Country	UK	UK	UK	Total	Total
Class	Industrial	Office	Retail	2013	2012
	£	£	£	£	£
Market value as at 1 January	44,695,000	78,895,000	38,010,000	161,600,000	161,075,000
Purchase of investment property	–	10,375,567	13,464,886	23,840,453	13,165,401
Capital expenditure on investment properties	10,505	316,335	–	326,840	306,514
Carrying value of disposed investment properties	–	(14,250,000)	(900,000)	(15,150,000)	(3,700,000)
Valuation gain / (loss) from investment properties	3,469,495	4,606,242	(2,279,886)	5,795,851	(9,216,816)
Movement in lease incentives receivable	–	1,856	–	1,856	(30,099)
Market value at 31 December	48,175,000	79,945,000	48,295,000	176,415,000	161,600,000
Adjustment for lease incentives*				(3,535,038)	(3,533,182)
Adjustment for finance lease obligations				6,594	6,594
Carrying value at 31 December				172,886,556	158,073,412

*Lease incentives are split between non current of £3,269,593 and current of £265,445 (note 8).

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

Notes to the Consolidated Financial Statements (Continued)
for the year ended 31 December 2013

	2013 Number of properties	2012 Number of properties	2013 £	2012 £
Freehold	25	26	141,970,000	142,425,000
Leasehold	8	5	34,445,000	19,175,000
Market value at 31 December	33	31	176,415,000	161,600,000

The fair value of completed investment property, except two properties described below, is determined using the income capitalisation method. In the case of the two properties valued using alternative techniques the valuer has used the development appraisal approach as this is the technique most suited to valuing both assets and the details on the specific valuation technique is detailed in the definition below. Neither of these properties are considered to be development properties. The property in Swindon is still generating income for the Group but has development potential in the future, the Group therefore continue to categorize this as an investment property. The property in Staines is undergoing a refurbishment that will be completed by approximately June 2014 and has an agreement for a lease in place. The Group still consider this to be an investment property. Both properties are therefore not shown separately as properties under construction and have been included as investment property in the table on page 58.

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 are valued using alternative methods:

The industrial estate in Swindon and the office building in Staines Upon Thames have been valued using the development appraisal method. In the case of the development appraisal method, estimates of capital outlays and construction cost, development costs, and anticipated sales income are estimated to arrive at a series of net cash flows. Specific development risks such as planning, zoning, licences, and building permits are separately valued. Allowances for developers profit and finance costs during construction and marketing periods are also reflected.

One property has changed valuation technique during the year. As at 31 December 2012 the industrial estate in Swindon was valued using the income capitalisation approach. The change in valuation technique was due to the possibility that there could be future development potential and capital expenditure on the property during the coming year. For this reason it was felt the development appraisal technique was more appropriate for this property.

Notes to the Consolidated Financial Statements (Continued)
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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 property 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, March 2012 published by the Royal Institution of Chartered Surveyors). These valuation models are consistent with the principles in IFRS 13.

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 22. 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 property is 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 property 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 property:

– 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	47,671,631	· Income Capitalisation	· Initial Yield	· 0% to 10.42% (6.91%)
			· Reversionary Yield	· 0% to 10.42% (7.60%)
			· Equivalent Yield	· 4.75% to 9.57% (7.89%)
			· Estimated rental value per Sq.m	· £34.77 to £191.06 (£65.97)
		· Development Appraisal (Swindon property only)	· Construction costs per Sq.m (exclude fees)	· £1,291.68
			· Profit on cost %	· 30%
UK Office Level 3	79,461,585	· Income Capitalisation	· Initial Yield	· 0% to 17.96% (9.23%)
			· Reversionary Yield	· 0% to 14.15% (8.26%)
			· Equivalent Yield	· 5.48% to 10.90% (8.11%)
			· Estimated rental value per Sq.m	· £80.55 to £400.34 (£197.78)
		· Development Appraisal (Staines property only)	· Construction costs per Sq.m (exclude fees)	· £1,046.80
			· Profit on cost %	· 8%
UK Retail Level 3	45,753,340	· Income Capitalisation	· Initial Yield	· 0% to 7.96% (6.60%)
			· Reversionary Yield	· 6.46% to 12.34% (8.24%)
			· Equivalent Yield	· 4.79% to 8.81% (7.39%)
			· Estimated rental value per Sq.m	· £76.56 to £226.85 (£121.41)
	172,886,556			

Notes to the Consolidated Financial Statements (Continued)
for the year ended 31 December 2013

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.

	2013	2012
	£	£
ERV p.a.	15,202,884	14,274,892
Area sq. ft.	1,734,445	1,721,366
Average ERV per sq. ft.	£8.77	£8.29
Initial Yield	7.67%	7.47%
Reversionary Yield	6.59%	7.31%

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

	2013 £	2012 £
Increase in equivalent yield of 25 bps	(6,200,000)	(5,700,000)
Decrease in rental rates of 5% (ERV)	(6,700,000)	(5,900,000)

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 TRADE AND OTHER RECEIVABLES

	2013 £	2012 £
Trade receivables	525,301	416,834
Less: provision for impairment of trade receivables	(114,622)	(34,917)
Trade receivables (net)	410,679	381,917
Lease incentives due within one year	265,445	286,475
Rental deposits held on behalf of tenants	376,489	366,197
Other receivables	252,911	137,253
Total trade and other receivables	1,305,524	1,171,842

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

	2013 £	2012 £
Opening balance	(34,917)	(52,116)
(Increase)/decrease in provision for doubtful debts during the year	(79,705)	17,199
Closing balance	(114,622)	(34,917)

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 on page 63 relate to rental income receivable from tenants of the investment properties. When a new lease is agreed with a tenant the Investment Manager performs various money laundering checks and makes a financial assessment to determine the tenant's ability to fulfil its obligations under the lease agreement for the foreseeable future. The majority of tenants are invoiced for rental income quarterly in advance and are issued with invoices at least 21 days before the relevant quarter starts. Invoices become due on the first day of the quarter and are considered past due if payment is not received by this date. Other receivables are considered past due when the given terms of credit expire.

Amounts are considered impaired when it becomes unlikely that the full value of a receivable will be recovered. Movement in the balance considered to be impaired has been included in other direct property costs in the Consolidated Statement of Comprehensive Income. As of 31 December 2013, trade receivables of £114,622 (2012: £34,917) were considered impaired and provided for.

The ageing of these receivables is as follows:

	2013 £	2012 £
0 to 3 months	66,476	34,917
3 to 6 months	48,146	–
	114,622	34,917

As of 31 December 2013, trade receivables of £410,679 (2012: £381,917) were less than 3 months past due but considered not impaired.

9 CASH AND CASH EQUIVALENTS

	2013 £	2012 £
Cash held at bank	634,018	4,085,064
Cash held on deposit with RBS (see note 11)	11,669,292	9,442,122
	12,303,310	13,527,186

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.

Notes to the Consolidated Financial Statements (Continued)
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10 TRADE AND OTHER PAYABLES

	2013 £	2012 £
Trade payables	442,890	322,396
Other payables	616,502	283,636
Interest on borrowings	–	264,360
VAT payable	348,711	825,756
Deferred rental income	3,071,726	2,706,310
Rental deposits due to tenants	39,893	12,662
	4,519,722	4,415,120

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

11 BANK BORROWINGS

	2013 £	2012 £
Loan facility and drawn down outstanding balance	84,432,692	84,432,692
Opening carrying value	83,752,959	84,238,408
Arrangement costs of new facility	–	(787,621)
Amortisation of arrangement costs	113,635	302,172
Closing carrying value	83,866,594	83,752,959

On 20 January 2012 the Company completed the drawdown of £84,432,692 loan with The Royal Bank of Scotland plc (“RBS”) and simultaneously repaid the old loan facility. 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.

Standard Life Investments Property Income Trust Limited

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	2013 £	2012 £
Loan amount	84,432,692	84,432,692
Cash deposited within the security of RBS	(11,669,292)	(9,442,122)
	72,763,400	74,990,570
Investment property valuation	176,415,000	161,600,000
Loan to value percentage	41.2%	46.4%
Loan to value percentage covenant	65.0%	65.0%
Loan to value percentage if all cash is deposited within the security of RBS	40.9%	43.9%

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 period the Group did not breach any of its loan covenants, nor did it 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.

12 INTEREST RATE SWAPS

The Company had two interest rate swap agreements with RBS which ended on 29 December 2013. The first swap agreement was entered into on 29 December 2003. Under this first swap the Company agreed to receive a floating interest rate linked to 3 month Libor and pay a fixed interest rate of 5.115%. The second swap agreement was entered into on 19 December 2008. Under this second swap the Company agreed to pay a floating interest rate linked to 3 month Libor and receive a floating interest rate linked to 1 month Libor plus a margin of 0.1%. Both agreements are for a notional principal amount of £72,000,000. These swap agreements together qualify as a fully effective cash flow hedge and fair value changes are shown in Other Comprehensive Income in the Consolidated Statement of Comprehensive Income. The £72,000,000 loan and the interest rate swaps have the same critical terms and so the hedge is fully effective. The effective interest rate of the combined swap agreements is 5.015% (2012: 5.015%).

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%.

	2013	2012
	£	£
Opening fair value of interest rate swaps at 1 January	(6,860,108)	(6,073,698)
Valuation gain / (loss) on interest rate swaps	6,829,111	(786,410)
Closing fair value of interest rate swaps at 31 December	(30,997)	(6,860,108)
Interest rate swaps due:		
Less than one year	(1,238,296)	(4,102,376)
Between one and five years	1,207,299	(2,596,035)
More than five years	–	(161,697)
Closing fair value of interest rate swaps at 31 December	(30,997)	(6,860,108)

Notes to the Consolidated Financial Statements (Continued)
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The individual swap assets and liabilities are listed below:

Interest rate swap with a start date of 29 December 2003 maturing on 29 December 2013	–	(3,277,157)
Basis swap with a start date of 29 December 2008 maturing on 29 December 2013	–	41,394
Interest rate swap with a start date of 20 January 2012 maturing on 16 December 2018	137,469	(519,771)
Interest rate swap with a start date of 29 December 2013 maturing on 16 December 2018	(168,466)	(3,104,574)
	(30,997)	(6,860,108)

13 LEASE ANALYSIS

Lease length

The Group has entered into leases on its property portfolio. This property portfolio as at 31 December 2013 had an average lease expiry of 5 years and 4 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:

	2013 £	2012 £
Within one year	12,698,386	12,540,307
After one year, but not more than five years	33,865,858	25,882,324
More than five years	30,525,848	38,280,554
Total	77,090,092	76,703,185

The largest single tenant at the year end accounts for 8.6% (2012: 10.24%) of the current annual passing rent.

Notes to the Consolidated Financial Statements (Continued)
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14 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 2013 there were 154,994,237 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:	2013 £	2012 £
Opening balance	22,280,186	20,440,011
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	–
Shares issued between 10 May 2012 and 31 October 2012 at a price of between 60.3p and 63.5p per share	–	1,856,500
Issue costs associated with new ordinary shares	(72,332)	(16,325)
Closing balance	31,337,024	22,280,186

	2013 Number of Shares	2012 Number of Shares
Opening balance	139,631,746	136,631,746
Issued during the year	15,362,491	3,000,000
Closing balance	154,994,237	139,631,746

Transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements are detailed in note 24.

15 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.

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 2013 and 31 December 2012 can be found in the Statement of Changes in Equity on pages 40 and 41.

16 EARNINGS PER SHARE NET OF TAX

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:

	2013 £	2012 £
Profit / (loss) for the year net of tax	11,824,035	(1,423,694)
	2013 Number of Shares	**2012 Number of Shares**
Weighted average number of ordinary shares outstanding during the year	148,648,972	137,728,194
Profit / (loss) per ordinary share	7.95p	(1.03p)

Standard Life Investments Property Income Trust Limited

Notes to the Consolidated Financial Statements (Continued)
for the year ended 31 December 2013

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 property together with the effect of movements in the fair value of financial instruments.

	2013 £	2012 £
Earning for basic earning per share	11,824,035	(1,423,694)
Less: revaluation movements on investment properties	(5,795,851)	9,216,816
Less: profit on disposal of investment properties	(430,205)	(176,215)
Adjusted (EPRA) profit for the year	5,597,979	7,616,907

	2013 Number of Shares	2012 Number of Shares
Weighted average number of ordinary shares outstanding during the year	148,648,972	137,728,194
Adjusted (EPRA) earnings per share	3.77p	5.53p

17 DIVIDENDS

	2013 £	2012 £
1.133p per ordinary share paid in February relating to the quarter ending 31 December (2012: 1.133p)	1,599,022	1,548,038
1.133p per ordinary share paid in May relating to the quarter ending 31 March (2012: 1.133p)	1,665,870	1,556,535
1.133p per ordinary share paid in August relating to the quarter ending 30 June (2012: 1.133p)	1,728,043	1,567,865
1.133p per ordinary share paid in November relating to the quarter ending 30 September (2012: 1.133p)	1,756,085	1,582,028
	6,749,020	6,254,466

On 21 February 2014 a dividend of £1,756,085, 1.133p per ordinary share (2012: £1,582,028, 1.133p per ordinary share) in respect of the quarter to 31 December 2013 was paid.

Notes to the Consolidated Financial Statements (Continued)
for the year ended 31 December 2013

18 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.

	2013 Number of Shares	2012 Number of Shares
Number of ordinary shares at the reporting date	154,994,237	139,631,746

	2013 £	2012 £
Total equity per audited consolidated financial statements	101,591,795	80,630,831
Net asset value per share	65.5p	57.7p

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.

	2013 £	2012 £
Total equity per audited consolidated financial statements	101,591,795	80,630,831
Adjustments:		
Less: fair value of derivatives	30,997	6,860,108
EPRA net asset value	101,622,792	87,490,939
EPRA net asset value per share	65.6p	62.7p

Notes to the Consolidated Financial Statements (Continued)
for the year ended 31 December 2013

19 CASH GENERATED OPERATING ACTIVITIES

	2013 £	2012 £
Profit / (loss) for the year before taxation	11,236,720	(1,423,694)
Movement in non-current lease incentives	(22,886)	270,041
Movement in trade and other receivables	(133,682)	470,760
Movement in trade and other payables	352,023	437,414
Finance costs	5,433,993	5,500,935
Finance income	(75,193)	(46,856)
Valuation (gain) / loss from investment properties	(5,795,851)	9,216,816
Profit on disposal of investment properties	(430,205)	(176,215)
Cash generated from operating activities	10,564,919	14,249,201

In the Consolidated Cash Flow Statement, proceeds from disposal of investment properties comprise:	2013 £	2012 £
Carrying value of disposed investment properties (Note 7)	15,150,000	3,700,000
Carrying value of disposed investment properties	–	998,000
Movement in trade and other payables	–	30,833
Profit on disposal of investment properties	430,205	176,215
Net proceeds from disposal of investment properties	15,580,205	4,905,048

20 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 has 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.

	2013 £	2012 £
Total service charge expenditure incurred	1,620,103	1,115,952
Total service charge billed to tenants	1,709,678	1,323,549
Service charge billed to the Group in respect of void units	60,870	102,945
Service charge due to tenants as at 31 December	(150,445)	(310,542)
	1,620,103	1,115,952

Notes to the Consolidated Financial Statements (Continued)
for the year ended 31 December 2013

21 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 14,982,501 (2012: 14,982,501) of the issued ordinary shares at the Balance Sheet date on behalf of its Unit Linked Property Funds. This equates to 9.7% (2012: 10.7%) of the ordinary share capital in issue at the Balance Sheet date. Standard Life Assurance Limited held 14,724,580 (2012: 14,724,580) of the issued ordinary shares at the Balance Sheet date on behalf of its heritage with profits fund. This equates to 9.5% (2012: 10.5%) 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. Those parties related to the Investment Manager waived their rights to commission on the initial purchase of these shares in order to maintain the fairness of the transaction to all parties.

Between 31 December 2013 and 16 April 2014 Standard Life Assurance Limited had decreased its holding by 5,267,643 shares on behalf of its heritage with profits fund. As at 16 April 2014 Standard Life Assurance Limited held 9,456,937 of the issued ordinary shares held on behalf of its heritage with profits fund which equates to 5.9% of the ordinary share capital in issue as at 16 April 2014.

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.

	2013 £	2012 £
Paul Orchard-Lisle	32,000	30,000
Sally-Ann Farnon	25,000	23,500
David Moore (retired 14th May 2013)	8,893	22,500
Richard Barfield	24,000	22,500
Shelagh Mason	24,000	22,500
Huw Evans (appointed 11th April 2013)	17,063	–
	130,956	121,000
Directors expenses	4,737	2,441
	135,693	123,441

David Moore was until January 2013 a partner of Mourant Ozannes Advocates and Notaries Public (Guernsey) who are the Group's solicitors. As at 31 December 2013, the fees paid during the year to Mourant Ozannes Advocates and Notaries Public (Guernsey) were £3,485 (2012: £15,330).

Investment Manager

Standard Life Investments (Corporate Funds) Limited is the Investment Manager. Transactions with the Investment Manager in the year are detailed in note 4.

22 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.

23 COMMITMENTS

As at 31 December 2013, the Group had agreed a refurbishment contract with third parties and is committed to future expenditure of £3.0m for Bourne House, Staines.

24 EVENTS AFTER THE BALANCE SHEET DATE

On 21 February 2014 a dividend of £1,756,085 in respect of the quarter to 31 December 2013 was paid.

Between 7 March 2014 and 21 March 2014, the company approved the allotment of 5,715,000 ordinary shares of 1p each, which rank pari passu with the existing shares in issue, under the Company's blocklisting facility at a price of 71.5p per share. As a result of these allotments, the total number of ordinary shares in issue stands at 160,709,237.

On 26 March 2014 the Group completed the purchase of units 1 and 2 Cullen Square, an industrial investment in Livingston for £3.6m excluding costs.

As stated in the Chairman's Statement the Board has agreed that it would be in the best long term interest of shareholders for the Company to convert to a UK Real Estate Investment Trust. The Board will send proposals to shareholders in due course and, if approved, conversion could take place by 31 December 2014.

Standard Life Investments Property Income Trust Limited

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.

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

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 and there is no initial, exit or annual management charge.

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 £11,880 in the tax year 2014/2015. As with Standard Life's Savings Scheme, the minimum investment in Standard Lifes ISA is a £1,000 lump sum or £100 per month. There is no initial, exit or annual management charge. ISA 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 there is no initial, exit or annual management charge.

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. Shares values may go down as well as up which may result in a shareholder receiving less than 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 the Company 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

Notice of Annual General Meeting

Notice is hereby given that the Tenth Annual General Meeting of Standard Life Investments Property Income Trust Limited ('the Company') will be held at Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3QL, Channel Islands on 28 May 2014 at 9.00 AM 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 2013.

Resolution 2 To receive and approve the Directors' Remuneration Report (other than the Directors' Remuneration Policy) for the year to 31 December 2013.

Resolution 3 To receive and approve the Directors' Remuneration Policy.

Resolution 4 To re-appoint Ernst & Young LLP as Auditor of the Company until the conclusion of the next Annual General Meeting.

Resolution 5 To authorise the Board of Directors to determine the Auditor's Remuneration.

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

Resolution 7 To re-elect Richard Barfield as a Director of the Company.

Resolution 8 To re-elect Shelagh Mason as a Director of the Company.

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

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

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

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

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

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

Standard Life Investments Property Income Trust Limited

Notice of Annual General Meeting
(Continued)

d. unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 28 November 2015 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2015, 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.

Resolution 11 That the Directors of the Company be and they are hereby generally empowered, to allot ordinary shares in the Company or grant rights to subscribe for, or to convert securities into, ordinary shares in the Company ("equity securities"), including the grant of rights to subscribe for, or to convert securities into ordinary shares held by the Company as treasury shares for cash 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 £160,709 being approximately 10 per cent of the nominal value of the issued share capital of the Company, as at 16 April 2014.

By Order of the Board
For and on behalf of
Northern Trust International Fund Administration
Services (Guernsey) Limited
Secretary
16 April 2014

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.

Notice of Annual General Meeting
(Continued)

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 9.00 AM on 26 May 2014.

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 9.00 AM on 26 May 2014.

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 9.00 AM on 26 May 2014. 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.

Notice of Annual General Meeting
(Continued)

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

12. As at 16 April 2014, the latest practicable date prior to publication of this document, the Company had 160,709,237 ordinary shares in issue with a total of 160,709,237 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.

Standard Life Investments Property Income Trust Limited

Directors and Company Information

Directors

Paul David Orchard-Lisle CBE (Chairman) [1]
Richard Arthur Barfield [2]
Sally-Ann Farnon [3]
Shelagh Yvonne Mason [4]
Huw Griffith Evans

Registered Office

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

Registered Number

41352

Administrator & Secretary

Northern Trust International Fund
Administration Services (Guernsey) Limited
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

Independent Auditors

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

Legal Advisors

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

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