

# Interim Report and Condensed Financial Statements

1 January 2010 to 30 June 2010



Standard Life Investments  
Property Income Trust Limited

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*IF YOU HAVE SOLD OR TRANSFERRED ALL YOUR SHARES IN THE COMPANY, YOU SHOULD PASS THIS DOCUMENT AND IT'S ACCOMPANYING DOCUMENTS TO THE PERSON THROUGH WHOM THE SALE OR TRANSFER WAS EFFECTED FOR TRANSMISSION TO THE PURCHASER OR TRANSFEREE.*

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Tesco Distribution Unit, Bolton

## Objective

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

## Investment Policy

The Directors intend to achieve the investment objective by investing in a diversified portfolio consisting of UK commercial properties. The majority of the portfolio will be invested in direct holdings within the three main sectors of Retail, Office, and Industrial, although it may also invest in “other” commercial property such as hotels, nursing homes and student housing. Limited development and investment in co-investment vehicles is permitted (maximum 10% of the portfolio).

In order to manage risk in the Company, without compromising flexibility, the Directors will apply the following restrictions to the portfolio in normal market conditions:

- No property will be greater by value than 15% of total assets.
- No tenant (excluding Government) shall be responsible for more than 20% of the Company’s rent roll.
- Borrowings as a percentage of gross assets may not exceed 65%. The Company operates such that the Loan to Value ratio calculated as borrowings less all cash as a proportion of property portfolio valuation does not exceed 65%.

An analysis of how the portfolio was invested as at 30 June 2010 is contained within the Investment Manager's Report.

## Financial Highlights

- Dividend yield of 6.9% based on 30 June share price
- Net Asset Value per share increased by 8.3% to 61.3p
- Open market value of property portfolio as at 30 June 2010: £151.2m\*
- Four properties purchased during the period for £35.9m (excluding purchase costs)
- Two properties sold during the period for £25.6m (excluding selling costs)

## Financial Summary

	30 June 2010	31 December 2009	% Change
IFRS Net Asset Value per share**	62.4p	57.6p	8.3%
Published adjusted IFRS Net Asset Value per share***	61.3p	56.6p	8.3%
Share Price	63.75p	64.5p	(1.2%)
Value of total assets	£176.8m	£169.2m	4.5%
Loan to value****	40.1%	39.2%	-
Cash balance	£23.7m	£30.8m	-
Dividends per share *****	2.10p	4.00p	-
Special dividend	-	0.25p	-

\* As valued by the Group's independent property valuer, Jones Lang LaSalle Limited.

\*\* Calculated under International Financial Reporting Standards.

\*\*\* Calculated under International Financial Reporting Standards, adjusted to include the dividend declared in respect of the quarter ending 30 June 2010.

\*\*\*\* Calculated as bank borrowings less full cash balance as a percentage of the open market value of the property portfolio as at 30 June 2010.

\*\*\*\*\* Dividends paid during the six months ended 30 June 2010 (paid during twelve months ended 31 December 2009)

## Directors' Responsibility Statement

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

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

The Interim Report, for the six months ended 30 June 2010, comprises an Interim Management Report in the form of the Chairman's Statement, the Investment Manager's Report, the Directors' Responsibility Statement and a condensed set of Unaudited Consolidated Financial Statements.

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

David Moore  
Chairman

## Chairman's Statement

### Performance: Property Income and Total Return

The Company's property total return excluding cash, was 10.4% compared with the IPD Monthly Index of 9.6%. The Company's property total return including cash over the period was 8.8%. The Company generated a property income return of 3.6% on its properties which matched that of the IPD monthly index of 3.6% in respect of the six months ended 30 June 2010.

### Performance: Net Asset Value

The Company's published net asset value increased over the reporting period from 56.6p per share to 61.3p. As can be seen from the table below, the vast majority of the uplift in published net asset value related to the increase in the valuation of the Company's commercial property, including the impact of gearing, which accounted for 8.0p of the increase in net asset value over the period. The impact of the movement in the valuation of the interest rate swap which the Company put in place to fix the borrowing rate at launch reduced the net asset value by 2.2p. Other reserve movements reduced the net asset value by 1.1p.

	Pence per share	% of opening net asset value
Published net asset value as at 31 December 2009	56.6	100.0
Increase in valuation of property portfolio	8.0	14.1
Decrease in interest rate SWAP valuation	(2.2)	(3.9)
Other reserve movements	(1.1)	(1.9)
Published net asset value as at 30 June 2010	61.3	108.3

The net asset value is calculated under International Financial Reporting Standards ("IFRS") and includes a provision for the payment of the second interim dividend of 1.10p per ordinary share for the quarter to 30 June 2010.

### Earnings and Dividends

On 19 March 2010 the Company announced a 10% increase in the level of quarterly dividends for the year to 31 December 2010 with the first interim dividend increased to 1.10p per share paid in May 2010.

The Board intends to have a progressive dividend policy based upon a covered dividend. Revenue reserves if required, are available to make up short term shortfall in cover.

### Borrowings and Cash Position

As at 30 June 2010 the Company had borrowings of £84.4m and a cash position of £23.7m (excluding rent deposits) therefore cash as a percentage of debt was 28.1%. As a reminder to shareholders £72m of the Company's borrowings are at a fixed rate of interest of 5.115% until 2013 and the rate on the remaining £12.4m varies with LIBOR plus a margin. Currently the rate payable on the £12.4m is 2.05% and this is being rolled over monthly.

### Loan to Value Ratio

As at 30 June 2010 the loan to value ratio (assuming all cash is placed with RBS as an offset to the loan balance) was 40.1%. The covenant level is 65%.

## Chairman's Statement (continued)

### Activity

The Company has been very active in the first six months of the financial year with the purchase of four properties for a total consideration of £35.9m at yields ranging between 7% and 8%.

As reported in the last set of accounts the Company accepted a bid of £19.2m, considerably in excess of the year end valuation, for its Uxbridge property and intends to invest the proceeds in other properties to enhance the Company's revenue account. The Company also sold Century Plaza for £6.4m representing a yield of 6.9% and in June agreed the sale of Bucknall St. London for £8.6m for completion in September. Further details of the activity in the first half can be found in the Investment Manager's Report.

### Risks and Uncertainties

The Company's assets consist of direct investments in UK commercial property. Its principal risks therefore relate to the commercial property market in general but also the particular circumstances of the properties in which it is invested and their tenants. The Directors with the Investment Manager have established an ongoing process for identifying, evaluating and managing key risks faced by the Company. The Investment Manager also seeks to mitigate these risks through continual review of the portfolio, active asset management initiatives and by carrying out due diligence work on potential tenants before entering into new lease agreements. Other risks faced by the Company include economic, strategic, regulatory, financial and operational risks. These risks are mitigated and managed these risks through continual review, policy setting and enforcement of contractual obligations. More detailed explanations of these risks and the way in which they are managed are provided in the 2009 Annual Report.

These principal risks and uncertainties have not changed from those disclosed in the 2009 Annual Report.

### Share Price

The share price at 30 June 2010 of 63.75p per share represented a premium of 4.0% to the net asset value of 61.3p. At the date of writing the share price is 64.75p equivalent to a premium of 5.6% to the 30 June 2010 net asset value.

### Dividend Yield

The current share price of 64.75p represents an attractive dividend yield of 6.8%. The current dividend yield compares with bank deposit rates of around 0.5% and redemption yields on 10 years UK gilts of just under 2.9%.

### Directors

John Hallam resigned on the 30 June 2010 as a non-executive director. The board would like to thank John for all his efforts on behalf of the Company and wishes him well for the future.

Sally Ann (Susie) Farnon was appointed to the board on 30 June 2010 as a non-executive director. Susie was a banking and finance partner with KPMG for over 10 years and is a director of a number of private property and listed investment companies. Susie will chair the audit committee for the Company.

### Investment Outlook

Property values have stabilised and continue to offer an attractive yield. The first half of the year has benefited from a number of asset management initiatives to generate both capital growth and enhance the revenue and this will remain the Company's focus over the long term.

David Moore  
Chairman  
25 August 2010

# Investment Manager's Report

## UK Commercial Property Market

The first half of 2010 saw a continuation of the recovery in pricing that started in quarter 2 of 2009, although the pace of increase in values has slowed over the six months, with capital values increasing by 3.9% in the first quarter and 2.0% in the second (as measured by the IPD Monthly Index). Having fallen by circa 45% in the downturn capital values have now risen by circa 15% from their low point.

UK commercial property continues to provide a reasonable margin over government bonds (320bps at end June 2010), as can be seen on the chart below. The income yield from property also remains favourable compared to 5 years swap rates and 3 month interbank rates – but the continued unavailability of debt makes this less relevant as a driver of valuers.

The listed sector has continued to lag the direct property market. It is generally considered to be a lead indicator of direct property pricing, and supports the Standard Life Investment's house view that capital values will decline slightly in the UK commercial property market in the second half of 2010, with moderate growth in 2011 and 2012. This should lead to high single digit total returns over the next three years.

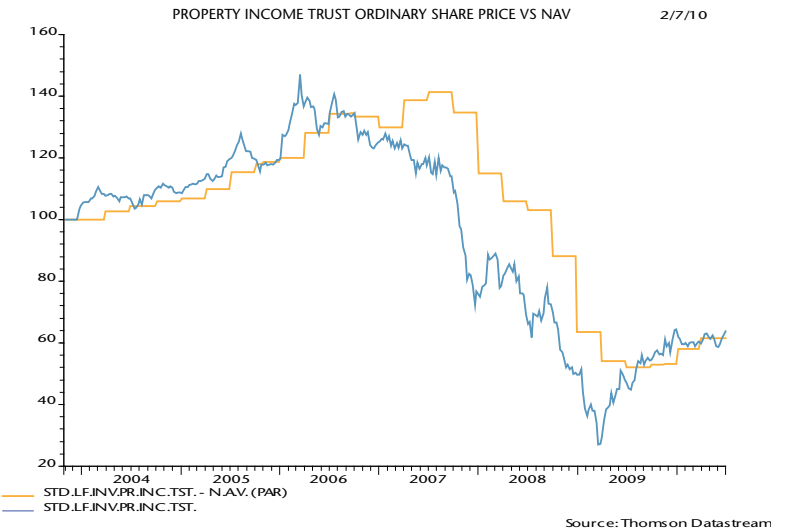
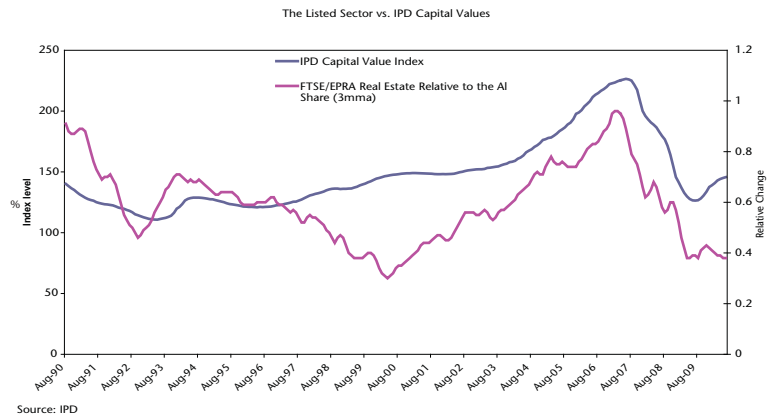
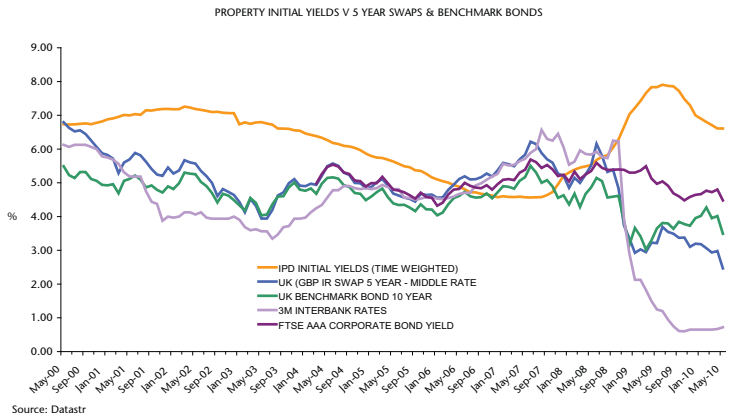
## Portfolio Valuation

The property portfolio continues to be valued by Jones Lang LaSalle Ltd on a quarterly basis. As at 30 June 2010 the property portfolio was valued at £151.2m with cash of £23.7m (excluding rent deposits). This compares to £136.8m and £30.8m respectively as at 31 December 2009. During the period four purchases were made for a total of £35.9m including a pre let development, and sales totalling £25.6m completed.

## Portfolio Performance

The primary objective of the Company is to provide an attractive level of income, and the property portfolio has been constructed to achieve that. During the first half of the year the income level has matched the IPD Monthly Index.

The Company has funded a pre-let development in Aberdeen, with the majority of the development costs being paid through 2010. The property will become income producing in January 2011, boosting the revenue account. We also expect to invest the Company's cash into properties that will be accretive to value and the revenue account.



## Investment Manager's Report continued

### Property Investments as at 30 June 2010

Name	Town	Sub-sector	Market Value £
Tesco Distribution	Bolton	Industrial - Rest of UK	14-16m
Northern & Shell Tower	London	Offices - South East	10-12m
Hollywood Green	London	Retail - South East	8-10m
2-4 Bucknall Street	London	Offices - London West End	8-10m
Clough Road Retail Park	Hull	Retail Warehouses	6-8m
Drakes Way	Swindon	Industrial - Rest of UK	6-8m
Ocean Trade Centre	Aberdeen	Industrial - Rest of UK	6-8m
White Bear Yard	London	Offices - London West End	6-8m
Croston's Retail Park	Bury	Retail Warehouses	4-6m
Bathgate Retail Park	Bathgate	Retail Warehouses	4-6m
Eleven Business Park	Norwich	Retail Warehouses	4-6m
Gateway Business Park	Aberdeen	Industrial - Rest of UK	4-6m
Chancellors Place	Chelmsford	Offices - South East	4-6m
Marsh Way	Rainham	Industrial - South East	4-6m
Interfleet House	Derby	Offices - Rest of UK	4-6m
Pit Hey Place	Skelmersdale	Industrial - Rest of UK	2-4m
Farah Unit, Crittal Road	Witham	Industrial - South East	2-4m
Turin Court	South Manchester	Offices - Rest of UK	2-4m
Windsor Court & Crown Farm	Mansfield	Industrial - Rest of UK	2-4m
Phase II, Telelink	Swansea	Offices - Rest of UK	2-4m
Esporta	Chislehurst	Leisure	2-4m
Coal Road	Leeds	Industrial - Rest of UK	2-4m
De Ville Court	Weybridge	Offices - South East	2-4m
31 / 32 Queen Square	Bristol	Offices - Rest of UK	2-4m
Easter Park	Bolton	Industrial - Rest of UK	2-4m
Halfords	Paisley	Retail Warehouses	2-4m
Eurolink Normanton	Leeds	Industrial - Rest of UK	1-2m
Wardley Industrial Estate	Manchester	Retail Warehouses	1-2m
Lister House	Leeds	Offices - Rest of UK	1-2m
Unit 14 Interlink Park	Bardon	Industrial - Rest of UK	1-2m
Portrack Lane	Stockton on Tees	Industrial - Rest of UK	1-2m



31-32 Queens Square, Bristol



Halfords, Paisley



Gateway Business Park, Aberdeen

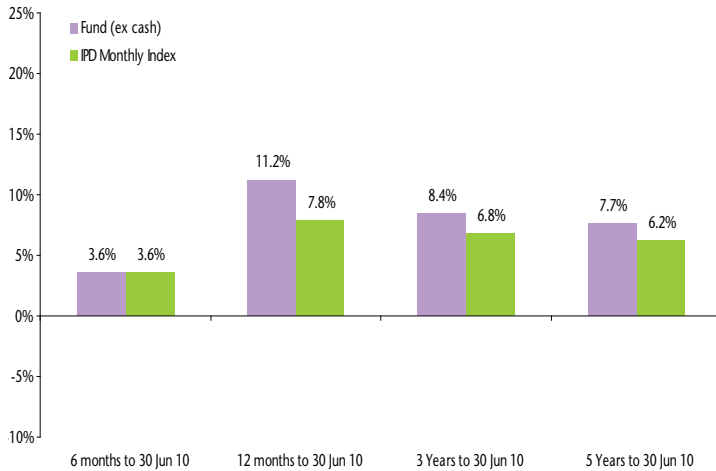


White Bear Yard, London



## Investment Manager's Report continued

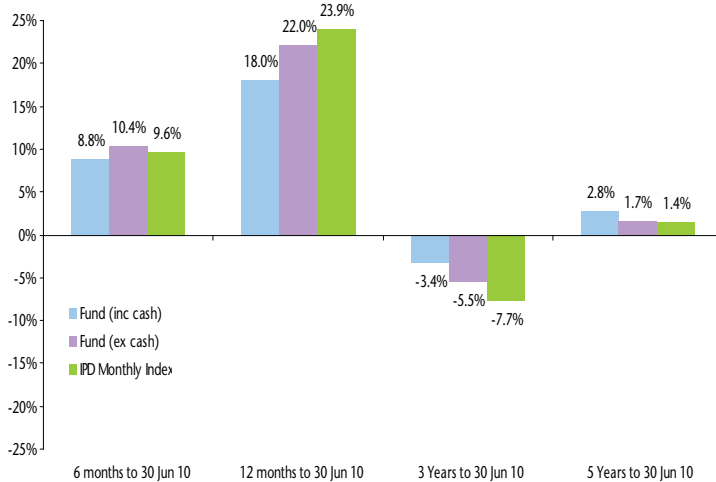
Property Income Return (measured against the IPD Monthly Index)



Source: IPD, Standard Life Investment, 30 June 2010

Although income is the main focus we also seek to out perform the IPD Monthly Index on a total return basis. This has been achieved in the first half of 2010, and over three and five year periods. Over one year the Company is behind the index as it did not benefit from the rapid recovery in long dated income in quarter 4 of 2009. The index does not include cash, and as can be seen below cash has had a negative impact over the reporting period, but our decision to go long on cash in mid 2007 has been beneficial over the longer time periods. We have made significant investment over the last 12 months, but also undertook some sales in the buoyant market at the end of 2009 / beginning of 2010 to rebalance the portfolio and take profit. The underlying property performance was boosted by the impact of gearing over the reporting period, which fed through into the net asset value as can

Property Total Return (measured against the IPD Monthly Index)



Source: IPD, Standard Life Investment, 30 June 2010

be seen in the chart below. Unfortunately the interest rate swap had a negative impact over the period, and at end June 2010 it had a value of £(8.8)m, from £(6.1)m at the end of December 2009. The growth in net asset value over the reporting period was 8.3%, and investors saw a share price return of 2.7% (dividends reinvested) against the FTSE all share (6.2)% and FTSE EPRA/NAREIT UK of (13.3)% (source datastream).



DeVile Court, Weybridge



Turin Court, South Manchester



Ocean Trade Centre, Aberdeen

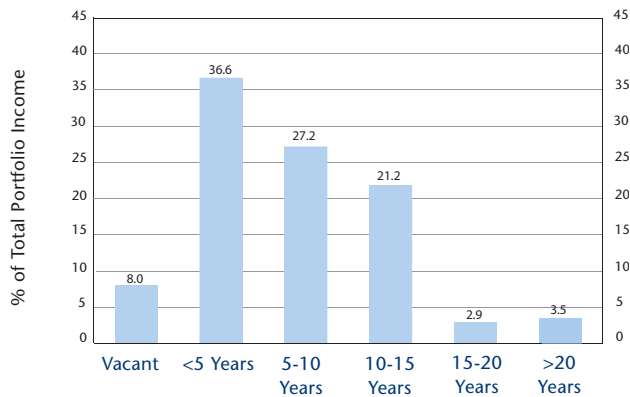


Focus, Norwich

## Investment Manager's Report continued

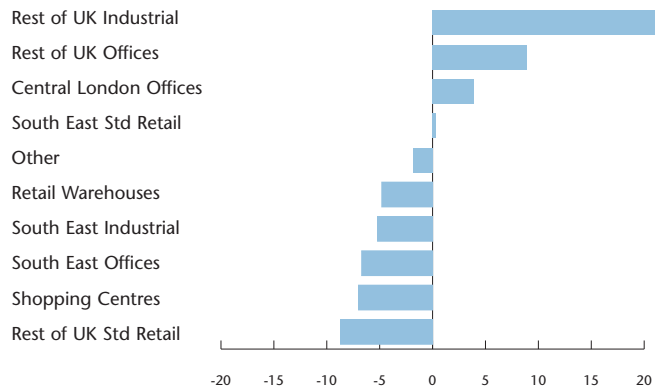
### Portfolio Characteristics

#### Lease expiry profile as at 30 June 2010



Source: Standard Life Investments

#### Portfolio Sub Sector Structure Relative to IPD Monthly Index as at 30 June 2010



Source: Standard Life Investments

### Investment Activity

The Company has had an active first half of 2010 with four purchases totalling £35.9m completed and two sales worth a total of £25.6m completed, with a third exchanged and due to complete at the end of September 2010 for £8.6m.

#### Purchases

- Focus DIY Unit, Norwich, £5.0m, 8% initial yield
- Tesco Distribution Unit, Bolton, £14.1m, 8% initial yield
- Pre let Development, Aberdeen, £11.7m, 8% initial yield (development due to complete January 2011)
- B&Q Unit, Bury, £5.3m, 7% initial yield

#### Sales

- Capital Court, Uxbridge £19.2m, 6.5%
- Century Plaza, Edgware, £6.4m, 6.9%
- Bucknall St, London, £8.6m, 6.5% (due to complete September 2010)

Asset management has remained an important focus over the last six months, with lease renewals completed on three units, future break clauses removed on a further two leases, and rent reviews completed with a small uplift above ERV on two buildings.

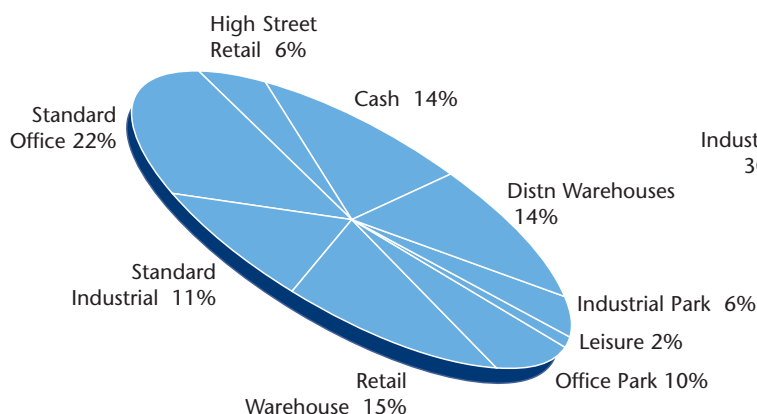
The letting market has been difficult with deals taking a long time, however we are beginning to see an increase in interest across the sectors, and indeed have agreed terms on one unit that only became vacant on 24 June 2010.

### Development

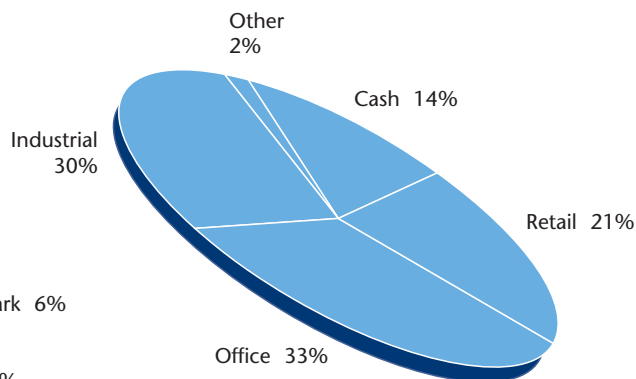
The Company entered into a development funding of a pre-let office investment in Aberdeen that is due to complete in January 2011. The total cost to the fund is £11.7m, the majority of which will be incurred in 2010. The property will become income producing in January 2011 at £1m p.a.

## Investment Manager's Report continued

### Sub-Sector Weights



### Sector Weights



Source: Standard Life Investments

### Bank Loan Facility

There have been no changes to the facility over the reporting period. The £84m of borrowings from RBS are termed out to December 2013, at a margin of 150bps above one month LIBOR. £72m of the debt is subject to an interest rate swap at a rate of 5.115%. The swap is out of the money by £8.8m as at 30 June 2010.

The Company's loan to value ratio of 40.1% and interest cover ratio of 223% compare favourably to the main bank covenants of 65% and 170% respectively.

### Table of Top Ten Tenants and Credit Rating

Company Name	Passing Rent	% of Rent	Earliest Termination Date	Risk Band*
Tesco Stores Ltd	£ 1,189,323	10.5%	26/09/2016	negligible
Northern and Shell plc	£ 909,000	8.0%	18/12/2022	negligible
Norcross Group (Holdings) Ltd	£ 825,723	7.3%	11/12/2014	Low
Inspired Broadcast Networks Ltd	£ 585,000	5.2%	05/06/2014	Low
Yusen Air and Sea Service (UK) LTD	£ 512,544	4.5%	30/06/2012	Low-Medium
Focus (DIY) Ltd	£ 426,303	3.8%	28/09/2033	Maximum
B&Q PLC	£ 392,150	3.5%	23/06/2022	negligible
Interfleet Technology ltd	£ 390,000	3.5%	22/07/2019	Low
Welsh Development Agency	£ 361,500	3.2%	15/06/2014	negligible
Perry Ellis Europe Limited	£ 350,000	3.1%	18/07/2016	Low-Medium

Source: IPD IRIS Report\*

\* The IPD IRIS Report assesses the risk of a catastrophic event occurring to the company based on information from Dun & Bradstreet.

Standard Life Investments  
25 August 2010

**Unaudited Consolidated Statement of Comprehensive Income  
for the period ended 30 June 2010**

	Note	01 Jan 10 to 30 Jun 10 £	01 Jan 09 to 30 Jun 09 £
Rental income		5,633,089	5,894,418
Valuation gain / ( loss) on investment properties	4	7,310,916	(14,304,587)
Realised gain / (loss) on disposal of investment properties		1,812,387	(27,391)
Investment management fees	3	(624,712)	(521,981)
Other direct property operating expenses		(555,401)	(423,579)
Directors' fees and subsistence	3	(51,402)	(51,268)
Valuer's fee		(23,099)	(10,034)
Auditor's fee		(16,000)	(32,263)
Other administration expenses		(92,402)	(165,973)
<b>Operating profit / (loss)</b>		<b>13,393,376</b>	<b>(9,642,658)</b>
Finance income		41,874	391,583
Finance costs		(2,762,832)	(2,362,673)
<b>Gain / (loss) for the period</b>		<b>10,672,418</b>	<b>(11,613,748)</b>
<b>Other comprehensive income</b>			
Valuation (loss) / gain on cash flow hedges		(2,519,448)	2,060,693
<b>Total comprehensive gain / ( loss) for the period</b>		<b>8,152,970</b>	<b>(9,553,055)</b>
Gain / (loss) per share for the period attributable to the equity holders of the Company			
Basic and diluted		9.33 pence	(11.17) pence

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

The notes on pages 14 to 18 are an integral part of these Unaudited Consolidated Financial Statements

**Unaudited Consolidated Balance Sheet  
as at 30 June 2010**

	Note	30 Jun 10 £	31 Dec 09 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Freehold investment properties	4	109,665,176	108,475,658
Leasehold investment properties	4	25,056,594	24,316,594
Under construction investment property	4	5,900,000	-
Lease incentives		1,859,583	3,878,541
		<u>142,481,353</u>	<u>136,670,793</u>
<b>Investment property held for sale</b>	5	<u>8,575,000</u>	<u>-</u>
<b>Current assets</b>			
Trade and other receivables		2,005,042	1,608,329
Cash and cash equivalents		23,738,734	30,796,998
		<u>25,743,776</u>	<u>32,405,327</u>
<b>Total assets</b>		<u><b>176,800,129</b></u>	<u><b>169,076,120</b></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to Company's equity holders</b>			
Share capital		6,671,438	6,671,438
Share premium		-	5,217,022
Retained earnings	6	5,778,870	6,662,276
Capital reserves		(39,451,907)	(46,055,762)
Other distributable reserves		98,394,465	93,433,322
<b>Total equity</b>		<u>71,392,866</u>	<u>65,928,296</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings		84,091,918	84,043,766
Interest rate swaps		5,765,499	3,032,234
Redeemable preference shares		8,785,181	8,529,302
Leasehold obligations		6,094	6,094
		<u>98,648,692</u>	<u>95,611,396</u>
<b>Current liabilities</b>			
Trade and other payables		3,896,924	4,460,964
Interest rate swaps		2,861,147	3,074,964
Leasehold obligations		500	500
		<u>6,758,571</u>	<u>7,536,428</u>
<b>Total liabilities</b>		<u>105,382,263</u>	<u>103,147,824</u>
<b>Total equity and liabilities</b>		<u><b>176,800,129</b></u>	<u><b>169,076,120</b></u>

Approved by the Board of Directors on 25 August 2010

Sally Ann Farnon  
Director

David Moore  
Chairman

The notes on pages 14 to 18 are an integral part of these Unaudited Consolidated Financial Statements

**Unaudited Consolidated Statement of Changes in Equity  
for the period ended 30 June 2009**

	Note	Share capital £	Share premium £	Retained earnings £	Capital reserves £	Other distributable reserves £	Total equity £
Opening balance 1 January 2009		1,040,000	5,217,022	1,717,458	(36,661,539)	93,916,114	65,229,055
Loss for the period		-	-	(11,613,748)	-	-	(11,613,748)
Valuation gain on cash flow hedges		-	-	-	2,060,693	-	2,060,693
Total comprehensive loss for the period		-	-	(11,613,748)	2,060,693	-	(9,553,055)
Valuation loss on investment properties		-	-	14,304,587	(14,304,587)	-	-
Realised loss on disposal of investment properties		-	-	27,391	(27,391)	-	-
Transfer between reserves*		-	-	241,395	-	(241,395)	-
Dividends	7	-	-	(2,080,000)	-	-	(2,080,000)
Balance at 30 June 2009		1,040,000	5,217,022	2,597,083	(48,932,824)	93,674,719	53,596,000

\* this is a transfer to move redeemable preference share finance costs from the retained earnings reserve to the other distributable reserves.

**Unaudited Consolidated Statement of Changes in Equity  
for the period ended 30 June 2010**

	Note	Share capital £	Share premium £	Retained earnings £	Capital reserves £	Other distributable reserves £	Total equity £
Opening balance 1 January 2010		6,671,438	5,217,022	6,662,276	(46,055,762)	93,433,322	65,928,296
Gain for the period		-	-	10,672,418	-	-	10,672,418
Valuation loss on cash flow hedges		-	-	-	(2,519,448)	-	(2,519,448)
Total comprehensive gain for the period		-	-	10,672,418	(2,519,448)	-	8,152,970
Valuation gain on investment properties		-	-	(7,310,916)	7,310,916	-	-
Realised gain on disposal of investment properties		-	-	(1,812,387)	1,812,387	-	-
Transfer between reserves*		-	-	255,879	-	(255,879)	-
Transfer between reserves**		-	(5,217,022)	-	-	5,217,022	-
Dividends	7	-	-	(2,688,400)	-	-	(2,688,400)
Balance at 30 June 2010		6,671,438	-	5,778,870	(39,451,907)	98,394,465	71,392,866

\* this is a transfer to move redeemable preference share finance costs from the retained earnings reserve to the other distributable reserves.

\*\* on 18 March 2010 the Audit Committee approved the re-categorisation of the share premium to other distributable reserves under the provisions of The Companies (Guernsey) Law, 2008.

The notes on pages 14 to 18 are an integral part of these Unaudited Consolidated Financial Statements

**Unaudited Consolidated Cash Flow Statement  
for the period ended 30 June 2010**

	Note	01 Jan 10 to 30 Jun 10 £	01 Jan 09 to 30 Jun 09 £
<b>Cash generated from operating activities</b>	8	5,328,278	3,007,563
<b>Cash flows from investing activities</b>			
Interest received		41,874	391,583
Purchase of investment properties	4	(25,729,251)	(11,544,026)
Capital expenditure on investment properties	4	(4,776,751)	(56,332)
Proceeds from / (costs of) disposal of investment properties		23,224,787	(27,391)
Net cash used from investing activities		<u>(7,239,341)</u>	<u>(11,236,166)</u>
<b>Cash flows from financing activities</b>			
Interest paid on bank borrowing		(852,074)	(1,026,814)
Interest rate swap cost		(1,606,727)	(1,094,464)
Dividends paid to the Company's shareholders	7	(2,688,400)	(2,080,000)
Net cash used in financing activities		<u>(5,147,201)</u>	<u>(4,201,278)</u>
<b>Net decrease in cash and cash equivalents in the period</b>		<u><b>(7,058,264)</b></u>	<u><b>(12,429,881)</b></u>
Cash and cash equivalents at beginning of period		30,796,998	45,089,452
<b>Cash and cash equivalents at end of period</b>		<u><b>23,738,734</b></u>	<u><b>32,659,571</b></u>

The notes on pages 14 to 18 are an integral part of these Unaudited Consolidated Financial Statements

## Notes to the Unaudited Condensed Consolidated Financial Statements for the period ended 30 June 2010

### 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 primary listing on the London Stock Exchange with a secondary listing on the Channel Islands Stock Exchange.

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

These Unaudited Consolidated Financial Statements were approved for issue by the Board of Directors on 25 August 2010.

The Audited Consolidated Financial Statements of the Company for the year ended 31 December 2009 are available upon request from the registered office.

### 2 ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The Unaudited Consolidated Financial Statements of the Group have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS"), and all applicable requirements of The Companies (Guernsey) Law, 2008. The Unaudited Consolidated Financial Statements have been prepared under the historical cost convention as modified by the measurement of investment property and derivative financial instruments at fair value. The Unaudited Consolidated Financial Statements are presented in pound sterling and all values are not rounded except when otherwise indicated.

These statements do not contain all of the information required for full annual statements and should be read in conjunction with the Audited Consolidated Financial Statements of the Company for the year ended 31 December 2009. Except as noted below, the same accounting policies and methods of computation are followed in these interim financial statements as compared with the Audited Consolidated Financial Statements prepared for the year ended 31 December 2009.

#### 2.2 Summary of significant accounting policies

##### A Investment property under construction (New)

Investment property under construction held which meet the criteria of an investment property as defined by IAS 40 is measured at market value with movements in value recognised as unrealised gains and losses in the Consolidated Statement of Comprehensive Income. Fair value as disclosed in the Consolidated Financial Statements is based on the market valuations of the properties as reported by Jones Lang LaSalle, a firm of independent international real estate consultants, as at the balance sheet date. In the exceptional cases when a fair value cannot be reliably determined, such properties are recorded at cost.

On completion of the investment property under construction, the property will be reclassified as either a freehold investment property or a leasehold investment property.

##### B Non-current assets held for sale (New)

Investment property is transferred to non-current assets held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case, the property must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such property and its sale must be highly probable. The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. On re-classification, investment property is measured at market value less an estimate of costs required to fulfill the property sale. Market value is based on the market valuations of the properties as reported by Jones Lang LaSalle, a firm of independent international real estate consultants, as at the balance sheet date.



## Notes to the Unaudited Condensed Consolidated Financial Statements for the period ended 30 June 2010

### 3 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.

#### Redeemable preference shares

On 19 December 2003 the Company issued 6,000,000 25p redeemable zero dividend preference shares for £6,000,000 to The Standard Life Assurance Company. On 10 July 2006 these shares were transferred to Standard Life Assurance Limited. These shares have a nominal value of £1,500,000 and are redeemable on the tenth anniversary of admission at a redemption price of £1.7908. These shares do not carry any voting rights.

#### Ordinary share capital

Standard Life Investment Funds Limited held 21,769,609 of the issued ordinary shares throughout the period on behalf of its Unit Linked Property Funds (2009: 21,769,609). This equates to 19.1% (31 December 2009: 19.1%) of the ordinary share capital in issue at the balance sheet date, however, Standard Life Investments Funds 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.

#### Directors

The Directors each hold the following number of Ordinary Shares in the Company:

	30 Jun 10	31 Dec 09
David Moore	15,000	15,000
Richard Barfield	30,000	30,000
John Hallam (resigned on 30 June 2010)	15,000	15,000
Sally Ann Farnon (appointed on 30 June 2010)	-	-
Shelagh Mason	15,000	15,000
Paul Orchard-Lisle	25,000	25,000

No Director has any interest in any transactions which are or were unusual in their nature or conditions or significant to the business of the Group and which were effected by any member of the Group since its date of incorporation. Total fees relating to the Directors in the period under review were £51,402 (period ended 30 June 2009: £51,268), being £50,000 (period ended 30 June 2009: £50,000) in respect of fees and £1,402 (period ended 30 June 2009: £1,268) in respect of subsistence.

David Moore is a partner of Mourant Ozannes (Guernsey) who are the Group's solicitors. As at 30 June 2010, the fees paid during the period to Mourant Ozannes (Guernsey) were £1,252 (period ended 30 June 2009: £nil).

#### Investment Manager

On 19 December 2003 Standard Life Investments (Corporate Funds) Limited ("the Investment Manager") was appointed as Investment Manager to manage the property assets of the Group.

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. On 1 July 2008 a supplemental agreement to the Investment Management Agreement was put in place to amend the fee basis to be 0.85% per annum of the total assets 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 period amounted to £624,712 (period ended 30 June 2009: £521,981). The amount due and payable at the period end amounted to £320,892 excluding VAT (period ended 30 June 2009: £265,211 excluding VAT).

Notes to the Unaudited Condensed Consolidated Financial Statements for the period ended 30 June 2010

4 INVESTMENT PROPERTIES

	30 Jun 10 Construction £	30 Jun 10 Freehold £	30 Jun 10 Leasehold £	30 Jun 10 Total £
Market value as at 31 December 2009	-	112,490,000	24,310,000	136,800,000
Purchase of investment property	-	25,729,251	-	25,729,251
Capital expenditure on investment properties	4,686,604	89,897	250	4,776,751
Carrying value of disposed investment properties	-	(21,412,400)	-	(21,412,400)
Valuation gain on investment properties	1,213,396	5,357,770	739,750	7,310,916
Movement in lease incentives receivable	-	(1,959,518)	-	(1,959,518)
Investment property recategorised as held for sale	-	(8,575,000)	-	(8,575,000)
<b>Market value as at 30 June 2010</b>	<b>5,900,000</b>	<b>111,720,000</b>	<b>25,050,000</b>	<b>142,670,000</b>
Adjustment for lease incentives	-	(2,054,824)	-	(2,054,824)
Adjustment for finance lease obligations	-	-	6,594	6,594
<b>Fair value at 30 June 2010</b>	<b>5,900,000</b>	<b>109,665,176</b>	<b>25,056,594</b>	<b>140,621,770</b>
	<b>31 Dec 09 Construction £</b>	<b>31 Dec 09 Freehold £</b>	<b>31 Dec 09 Leasehold £</b>	<b>31 Dec 09 Total £</b>
Market value as at 31 December 2008	-	108,595,000	14,385,000	122,980,000
Purchase of investment property	-	11,545,776	10,546,304	22,092,080
Capital expenditure on investment properties	-	136,534	-	136,534
Valuation loss on investment properties	-	(10,213,531)	(621,304)	(10,834,835)
Movement in lease incentives receivable	-	2,426,221	-	2,426,221
<b>Market value at 31 December 2009</b>	<b>-</b>	<b>112,490,000</b>	<b>24,310,000</b>	<b>136,800,000</b>
Adjustment for lease incentives	-	(4,014,342)	-	(4,014,342)
Adjustment for finance lease obligations	-	-	6,594	6,594
<b>Fair value at 31 December 2009</b>	<b>-</b>	<b>108,475,658</b>	<b>24,316,594</b>	<b>132,792,252</b>

Investment properties were revalued at the period end by Jones Lang LaSalle, independent international real estate consultants, on the basis of market value. The market values of leasehold investment properties have been adjusted to reflect the discounted present value of minimum lease payments to reflect their fair value in accordance with IFRS. The portfolio market value (including investment property held for sale - see note 5) reported by Jones Lang LaSalle at the period end was £151,245,000 (31 December 2009: £136,800,000), however an adjustment has been made for lease incentives of £2,054,824 (31 December 2009: £4,014,342) that are already accounted for as an asset.

The valuations have been prepared in accordance with the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors.

Notes to the Unaudited Condensed Consolidated Financial Statements for the period ended 30 June 2010

5 INVESTMENT PROPERTY HELD FOR SALE

As at 30 June 2010 the Group had exchanged contracts with a third party for the sale of 2-4 Bucknall Street, London for a price of £8,600,000. The sale is due to complete on the 29th September 2010. The independently assessed market value of this property as at 30 June 2010 was £8,600,000. As at 30 June 2010 the carrying value of the investment property held for sale is £8,575,000. No investment property was held for sale at 31 December 2009.

6 RETAINED EARNINGS

	30 Jun 10 £	31 Dec 09 £
Opening balance as at 1 January	6,662,276	1,717,458
Gain / (loss) for the period / year	10,672,418	(2,180,200)
Transfer from other distributable reserves	255,879	482,792
Valuation (gain) / loss on investment properties transferred to capital reserves	(7,310,916)	10,834,835
Realised (gain) / loss on disposal of investment properties transferred to capital reserves	(1,812,387)	27,391
Dividends paid	(2,688,400)	(4,220,000)
Closing balance	<u>5,778,870</u>	<u>6,662,276</u>

This is a distributable reserve and represents the cumulative revenue earnings of the Group less dividends declared as payable to the Company's shareholders.

7 DIVIDENDS

The interim dividends paid to date in 2010 are as follows (2009: £2,080,000) :

£286,000	(0.25p per ordinary share) paid in February relating to a special dividend for the year 31 December 2009
£1,144,000	(1p per ordinary share) paid in February relating to the quarter ending 31 December 2009
£1,258,400	(1.1p per ordinary share) paid in May relating to the quarter ending 31 March 2010
<u>£2,688,400</u>	

A further dividend of £1,258,400 (2008: £1,040,000) in respect of the quarter to 30 June 2010 was approved in August 2010.

These Unaudited Consolidated Financial Statements do not reflect this dividend, however, the published net asset value as at 30 June 2010 does.

8 CASH GENERATED FROM OPERATIONS

	01 Jan 10 to 30 Jun 10 £	01 Jan 09 to 30 Jun 09 £
Gain / (loss) for the period	10,672,418	(11,613,748)
Movement in lease incentives	2,018,958	(1,949,229)
Movement in trade and other receivables	(396,713)	455,612
Movement in trade and other payables	(564,040)	(188,140)
Finance costs	2,762,832	2,362,673
Finance income	(41,874)	(391,583)
Valuation (gain) / loss on investment properties	(7,310,916)	14,304,587
Realised (gain) / loss on disposal of investment properties	(1,812,387)	27,391
Cash generated from operations	<u>5,328,278</u>	<u>3,007,563</u>

**Notes to the Unaudited Condensed Consolidated Financial  
Statements for the period ended 30 June 2010**

**9 SEGMENTAL INFORMATION**

For investment property, discrete financial information is provided to the Board either on a property by property basis or on a portfolio wide basis. The Board does not make investment decisions on the basis of segmental information.

**10 COMMITMENTS**

As at 30 June 2010, the Group had agreed construction contracts with third parties and is consequently committed to future capital expenditure in respect of investment property under construction of £7.0m (31 Dec 2009: £nil).





# Standard Life Investments Property Income Trust Limited

## Directors and Company Information

<b>DIRECTORS</b>	David Christopher Moore (Chairman) Richard Arthur Barfield John Edward Hallam (resigned 30 June 2010) Sally Ann Farnon (appointed 30 June 2010) Shelagh Yvonne Mason Paul David Orchard-Lisle CBE
<b>REGISTERED OFFICE</b>	Trafalgar Court Les Banques St. Peter Port Guernsey GY1 3QL
<b>ADMINISTRATOR, SECRETARY AND REGISTRAR</b>	Northern Trust International Administration Services (Guernsey) Limited Trafalgar Court Les Banques St. Peter Port Guernsey GY1 3QL
<b>REGISTERED NUMBER</b>	41352
<b>INVESTMENT MANAGER</b>	Standard Life Investments (Corporate Funds) Limited 1 George Street Edinburgh EH2 2LL
<b>INDEPENDENT AUDITORS</b>	Ernst & Young LLP Royal Chambers St Julian's Avenue St Peter Port Guernsey GY1 4AF
<b>SOLICITORS</b>	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
<b>PRINCIPAL BANKERS</b>	The Royal Bank of Scotland plc 135 Bishopsgate London EC2M 3UR
<b>PROPERTY VALUERS</b>	Jones Lang LaSalle Limited 22 Hanover Square London W1A 2BN

Standard Life Investments Limited, tel. +44 131 225 2345, a company registered in Scotland (SC 123321) Registered Office 1 George Street, Edinburgh EH2 2LL.

The Standard Life Investments group includes Standard Life Investments (Mutual Funds) Limited, SLTM Limited, Standard Life Investments (Corporate Funds) Limited and SL Capital Partners LLP. Standard Life Investments Limited acts as Investment Manager for Standard Life Assurance Limited and Standard Life Pension Funds Limited.

Standard Life Assurance Limited, registered in Scotland (SC286833) Standard Life House 30 Lothian Road Edinburgh EH1 2DH. Tel. +44 131 225 2552.

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