28 April 2022

STANDARD LIFE INVESTMENTS PROPERTY INCOME TRUST LIMITED

LEI: 549300HHFBWZRKC7RW84

RESULTS IN RESPECT OF THE YEAR ENDED 31 DECEMBER 2021

STRATEGIC REPORT

2021 FINANCIAL REVIEW

- Financial resources of £50 million as at 31 December 2021 (2020: £55 million) available for investment to enhance earnings in the form of the Company's low cost revolving credit facility.
- Low Loan-to-value of 19.2% (2020: 23.0%) at the year end with scope to increase gearing through available revolving credit facilities.
- Dividends paid of 3.7725p in the year (2020: 3.8080p) with a further increase announced for Q4 2021 to an annualised rate of 4.0p per share. Dividends paid in 2021 equated to a yield of 4.6% based on the share price at 31 December 2021, compared to the FTSE Index yield of 3.1% and the FTSE All-Share REIT Index yield of 2.6%.
- Dividend Yield* 4.6 percent.
- Dividend yield* – FTSE All-Share Index 3.1 percent.
- Dividend yield* – FTSE All-Share REIT Index 2.6 percent.
- NAV total return of 28.6% (2020: –4.6%) as valuations recovered. NAV has outperformed the AIC peer group over the longer term delivering a total return of 188.9% compared to AIC peer group total return of 54.6% over 10 years.
- Share price total return of 43.4% (2020: –29.8%) as sentiment improved towards the UK commercial real estate sector. The share price has delivered strong returns over the longer term with a share price total return over 10 years of 184.8% compared to the AIC peer group of 40.9%.
- Share buybacks totalling £6m in 2020 and 2021 at significant discounts to NAV which are accretive to both NAV performance and earnings.

* Yields based on stats at 31 December 2021 (based on share price at 31 December 2021 of 81.5p).

2021 PORTFOLIO REVIEW

- Portfolio total return of 22.6% (2020: –1.8%) well ahead of the MSCI benchmark return of 18.6% and the Company has outperformed its benchmark over all time periods.
- Rent collection for 2021 of 96% of rent due (2020: 93.6%) as rent collection rates began to normalise towards the end of 2021.
- Occupancy rate of 90.3% (2020: 91.7%) compared to the MSCI rate of 90.0% (2020: 90.8%).
- A total of 10 lease renewals and restructurings were undertaken, securing £2,323,217 pa in rent, and a total of 9 lettings securing £1,494,451 pa.
- 5 rent reviews were settled with uplifts in rent, securing an additional £106,379 (an average increase of 7.4% on previous rent).

- The Company has 6 operational PV schemes totalling 1.2 MWp and is actively engaged in 14 additional schemes that would add a further 4.6 MWp.
- Portfolio is well positioned towards sectors forecast to outperform by our Investment Manager with a 54.7% (2020: 48.2%) weighting in Industrials (MSCI benchmark: 40.1%, 2020: 35.1%) and a 11.3% weighting in Retail (2020: 11.7%) (MSCI benchmark: 20.5%, 2020: 22.8%) with 9.6% positioned in Retail Warehousing (MSCI benchmark: 11.7%), a sector that is expected to outperform the benchmark.

PERFORMANCE SUMMARY

Earnings, Dividends & Costs	31 December 2021	31 December 2020
IFRS earnings per share	21.54	(3.88)
EPRA earnings per share (p) (excluding capital items & swap movements)*	3.69	4.10
Dividends paid per ordinary share (p)	3.7725	3.8080
Dividend cover (%)	98	108
Dividend yield (%)**	4.6	6.3
FTSE All-Share Real Estate Investment Trusts Index Yield (%)	2.6	3.1
FTSE All-Share Index Yield (%)	3.1	3.4
Ongoing Charges***		
As a % of average net assets including direct property costs	2.2	2.0
As a % of average net assets excluding direct property costs	1.2	1.2

Capital Values & Gearing	31 December 2021	31 December 2020	Change %
Total assets (£million)	526.6	459.6	14.6
Net asset value per share (p) (note 22)	101.0	82.0	23.2
Ordinary Share Price (p)	81.5	60.0	35.8
(Discount)/Premium to NAV (%)	(19.3)	(26.8)	
Loan-to-value (%)†	19.2	23.0	

Total Return	1 year % return	3 year % return	5 year % return	10 year % return
NAV‡	28.6	27.7	60.1	188.9
AIC Property Direct – UK Commercial (weighted average) NAV Total Return	17.0	20.3	23.4	54.6
Share Price‡	43.4	18.8	23.9	184.8
AIC Property Direct – UK Commercial (weighted average) Share Price Total Return	26.5	20.7	9.8	40.9
FTSE All-Share Real Estate Investment Trusts Index	29.4	41.8	39.3	177.1
FTSE All-Share Index	18.3	27.2	30.2	110.7

Portfolio Returns & Statistics (%)	31 December 2021	31 December 2020
Portfolio income return	4.7	4.9
MSCI Benchmark income return	4.4	4.7
Portfolio total return	22.6	(1.8)
MSCI Benchmark total return	18.6	(1.6)
Void rate	9.7	8.3

*
Calculated as profit for the period before tax (excluding capital items & swaps costs) divided by weighted average number of shares in issue in the period. EPRA stands for European Public Real Estate Association.

**
Based on dividend paid of 3.7725p and the share price at 31 December 2021 of 81.5p.

***
Calculated as investment manager fees, auditor's fees, directors' fees and other administrative expenses divided by the average NAV for the year.

†
Calculated as bank borrowings less all cash as a percentage of the open market value of the property portfolio as at the end of each year.

‡
Assumes re-investment of dividends excluding transaction costs.

Sources: abrdn, MSCI.

CHAIRMAN'S STATEMENT

BACKGROUND

The COVID-19 pandemic continued to affect all of our lives in 2021. The summer relaxation of restrictions was relatively short lived as new variants caused renewed Government intervention. The extent of the vaccine roll-out, however, meant that the impact on the economy, and by extension the real estate market, was very different from 2020. In April 2022 it appears we are learning how to live with the virus whilst maintaining more normality in our day-to-day lives. At this time, we are also seeing the distressing consequences of the war in Ukraine. The human devastation is clear and, economically, further increases in global inflation, and supply chain issues are inevitable.

REAL ESTATE MARKET

The pandemic has had a significant impact on the UK real estate market, but the Company's portfolio has been well positioned to benefit from some of the structural changes. In particular, the industrial sector has benefited from the surge in online retail, accelerating a trend that had begun already. With many people likely to continue to work from home at least partially, this trend is likely to continue, as the thorny problem of the last mile delivery is solved by having someone to answer the door. We expect the outperformance of industrial properties to continue, given continued occupational demand, and a restricted supply response.

The boom in online retail has, of course, been at the expense of physical retail. In particular, high street and shopping centre investments have suffered, and we do not yet think they will recover in the short term. Retail warehouse investments, however, have already seen a pick-up in demand and values, and this should continue throughout 2022.

Demand for offices remains an area of great debate as many people became used to working from home. It will take several years to fully play out, but hybrid working appears to be here to stay, and many employers are looking to upgrade their offices to attract and encourage skilled employees to come into the office. The Board and Investment Manager have reviewed the Company's office holdings to focus on assets that will continue to meet occupier needs. Four office disposals were made during the year to realign the portfolio.

Environmental, Social and Governance (ESG) issues have continued to increase in importance and focus. SLIPIT has actively embraced this, through activities at asset level, investment decisions, and the purchase of land for reforestation. The Board has created a Sustainability Committee that sits alongside the Audit and Property Valuation Committees to give greater focus to the Company's activities and responsibilities in this space.

Inflation has started to rear its ugly head again, something we have not had to contend with for many years now. Real estate can offer a partial hedge against inflation as a real asset, with some leases having rents linked to CPI or RPI. Owning good quality assets with prospects for rental growth is, in my opinion, one of the best defences against inflation.

PORTFOLIO AND CORPORATE PERFORMANCE

The Company provided shareholders with a share price total return of 43.4% over the 12 months of 2021, which was ahead of the NAV total return of 28.6% for the same period as the share price discount to NAV reduced. The real estate investment portfolio returned 22.6%, which compared favourably to the MSCI benchmark return of 18.6%. The Company's portfolio has outperformed the MSCI quarterly version of the monthly index benchmark over 1, 3, 5 and 10 years.

Although the discount to NAV reduced during the year, the Company's shares traded on a discount for the whole period. The Board pursued its share buyback programme into early 2021 and bought a total of 7.4m shares at an average discount of 25.2%. The Board continues to monitor, as a priority, the discount of the share price against NAV.

IFRS earnings have increased significantly, to 21.54p per share from -3.88p for 2020. This reflects the significant recovery in valuations during the year. EPRA earnings have, however, fallen from 4.10p to 3.69p per share largely reflecting the impact of disposals in 2020 on rental income. The Company is seeking to reinvest in assets with a better outlook in order to grow the earnings per share again.

RENT COLLECTION

The Board and its Investment Manager have been conscious of their ESG obligations to act as a responsible landlord throughout the pandemic. We have worked closely with tenants who have suffered acute financial pressures and negotiated with them on rental assistance where appropriate, whilst balancing the Company's and shareholder's interests. Wherever possible, revised terms exchanged short-term assistance for longer lease commitments, to enhance returns.

As we closed 2021, rent collection rates were beginning to normalise, reflecting the constructive relationships developed with our tenants during this time. This has allowed us to announce a further increase in our dividend, paid in February 2022.

DIVIDENDS

The Board is aware that many of the Company's shareholders have invested in SLIPIT because of the attractive level of income generated. The Board aims to invest in good quality assets that have the potential to provide an above market level of total return as well as an attractive level of income that has scope to grow. The Board paid out a top-up dividend in respect of the 2020 financial year and, as rent collections recovered in 2021, increased the dividend twice in 2021. In the first quarter the dividend was increased by 25%, and by a further 12% in the fourth quarter to an annualised rate of 4p per share.

The Company previously announced a dividend cover figure of 102% for 2021, however, following an adjustment for lease incentives, the figure has been finalised as 98%.

The new dividend level is still below pre-pandemic levels, and further growth is likely to be dependent on reinvesting capital from the sales undertaken over the last 18 months. New purchases, however, are likely to be in lower-yielding assets as the Company positions itself for the next real estate cycle, where high quality assets with strong ESG credentials will provide greater income security prospects for rental and capital growth.

FINANCIAL RESOURCES & PORTFOLIO ACTIVITY

The Company continues to be in a strong financial position with significant unutilised financial resources of approximately £50m available for investment in the form of its low cost, revolving credit facility net of existing cash and financial commitments.

The low Loan-to-value ("LTV") ratio of 19.2% at the year end, means the Company is well placed to deploy capital into accretive assets which fit the portfolio strategy. Discussions have begun to renew this facility and the term loan, both of which are due to expire in 2023.

ANNUAL GENERAL MEETING ("AGM")

In a return to the familiar arrangements prior to the disruption caused by COVID-19, the Annual General Meeting ("AGM") will be held at 10.30am on Wednesday 15 June 2022 in the Manager's offices at Bow Bells House, 1 Bread Street, London EC4M 9HH.The Board looks forward to welcoming shareholders in person where they will have the opportunity to put questions to the Board and/or the Manager. Shareholders are also invited to submit questions to property.income@abrdn.com.

The Board has decided to hold an interactive Online Shareholder Presentation at 2.00pm on Tuesday 14 June 2022. As part of the presentation, shareholders will receive updates from the Chairman and Manager as well as the opportunity to participate in an interactive question and answer session. Further information on how to register for the event can be found on www.workcast.com/register?cpak=4656942387252659

THE BOARD

Huw Evans will be standing down at the forthcoming AGM, having spent nine years on the Board. Huw has provided valuable advice and knowledge to the Board and Investment Manager, as well as to me personally as I stepped up to the role of Chairman in 2020. I am pleased his role as Senior Independent Director will be taken on by Jill May. I am also pleased that Mike Bane has joined the Board to replace Huw. Mike has had a distinguished career as both auditor and advisor to financial services and real estate businesses and brings much knowledge to the role. I would like to thank all the Board for their contribution this last year: we have had more meetings than normal as a result of the challenges of COVID-19, but were able to hold two of the main Board meetings in person.

INVESTMENT POLICY

The Board is proposing to amend its existing Investment Policy by extending the main commercial property sectors within which the Company can hold the majority of its portfolio. The proposed amendments, to be voted on at the AGM, relate to the 'other' sector, including leisure, data centres, student house, hotels, (and apart-hotels) and healthcare. The amendment would allow the Company to adapt to some of the key changes in the UK commercial property industry.

COMPANY NAME

The Investment Manager has changed its name to abrdn, and has sold the rights to use the name Standard Life. The Board has considered a number of options and is recommending to shareholders a change of name to abrdn Property Income Trust Limited. By aligning its name with the Investment Manager, the Company should be able to benefit from brand awareness and the marketing spend of the abrdn Group.

OUTLOOK

Over the last five years all companies have faced a number of challenges, including political uncertainty, Brexit, a global pandemic and now inflation. Your Company has weathered these storms, and I believe is well positioned to face the future. The Board and Investment Manager will continue to manage the portfolio actively so that it is structured to benefit from change. We will continue to put ESG at the forefront of our decision making, as we believe it to be intrinsically linked to maximising returns in the future, and therefore providing the best opportunity to grow value, rents and, in turn, dividends.

27 April 2022
James Clifton-Brown
Chairman

INVESTMENT MANAGER'S REVIEW

MARKET REVIEW

2021 was once again a year characterised by the COVID-19 pandemic, and the key theme for the year was recovery. As the year progressed and the vaccine roll out continued apace, positive economic momentum returned, but was quickly dented by the emergence of the Delta variant, followed by Omicron towards the end of the year. However, the economy recovered once more and, by November 2021, UK GDP was above the level seen pre-pandemic. Overall, the UK economy grew by 7.5% over the course of the year.

The UK real estate market also recovered in 2021, with a total return of 16.5% according to the MSCI Quarterly Index, a level of performance not seen since 2014. Transaction volumes reached £73.9 billion over the course of the year, which was ahead of 2019 (prior to the outbreak of the pandemic). Indeed, the fourth quarter of 2021 was the strongest quarter since the same period in 2019. However, this recovery was highly polarised and the spread between the best and worst performing sectors was the highest on record.

As measured by the MSCI quarterly index, the industrial and logistics sector again produced the best performance, achieving a total return of 36.4%, whereas shopping centres achieved a total return of -5.2% and was the worst performing sector over the course of 2021. The office sector again underperformed against the Index with a total return of 5.3%.

Retail continues to be the sector most negatively affected, as restrictions and changing consumer habits accelerated the pace of structural change already present prior to the pandemic. However, whilst high street and discretionary based retailers have struggled, retail warehouse assets showed a significant recovery in the latter half of the year. Polarisation within sectors is evident elsewhere, including within the office sector. As occupiers and investors have become more mindful of ESG considerations, their focus has increasingly narrowed to best-in-class assets and, as a result, we have seen demand for secondary accommodation weaken.

Following a poor year in 2020, the FTSE UK REIT index returned to positive territory and recorded a strong total return of 28.9% in 2021. This outperformed the FTSE UK All-Share Index, which recorded a total return of 18.3%. Following a significant sell off in September 2021, UK REITs broadly recovered and finished the year at, or close to, all-time highs. The hierarchy of favoured sectors remained broadly the same as in recent years, with the industrial and logistics sector leading the way. However, overall sentiment was positive for all sectors towards the end of the year, with the exception of secondary offices with which there are broad structural concerns. New capital raising has been predominantly tilted towards the industrial sector and, increasingly, the alternatives sector.

OFFICES

The office sector delivered a total return of 5.3% to December 2021 according to the MSCI Quarterly Index, an improvement on the -1.7% recorded in 2020. However, office capital values were relatively stagnant over the course of 2021, with growth of just 1.3%. The worst performing sector geographically was the North East where capital values fell by -3.6%. Once again, the performance of the office market was significantly impacted by the COVID-19 pandemic. As restrictions eased over the course of 2021, occupiers began returning to workplaces. However, the outbreak of the Omicron variant and the subsequent reintroduction of working from home guidance further emphasised the pressure the sector faces. The rise of hybrid working has led occupiers to re-evaluate their office accommodation requirements and, whilst vacancy rates began to show signs of stabilisation, levels of occupation remain far below pre-pandemic levels.

In Central London by the end of 2021, availability remained 71% higher than the ten-year average. However, take-up did recover somewhat, and 9.1m sq ft of accommodation was let during the year. This was 63% above the total for 2020, but down 25% on the long-term average. Polarisation within the sector, however, is becoming ever more apparent as occupier focus pulls towards best-in-class assets with strong ESG and wellbeing credentials. Second-hand availability in central London has almost doubled from pre-pandemic levels and in Q4 2021 accounted for 74% of total office supply.

Occupier demand is therefore focused on a relatively small section of the market. As a result, we expect this trend to drive an increasing wedge between rental growth for the best and the rest across the UK's major office markets. We expect investor appetite to follow a similar pattern, with those assets not meeting current occupational demand at risk of significant value erosion.

RETAIL

Following a number of years of poor performance, the retail sector showed some signs of recovery in 2021, despite continued structural headwinds. However, we believe this is driven primarily by market factors and is a product of the market cycle, rather than sector-specific confidence. As a result, performance was highly polarised within the sector. As was expected, those assets deemed as "essential retail" showed strong performance over the year, whereas retailers selling discretionary items, and those susceptible to greater online penetration, struggled once more against the backdrop of the pandemic.

Whilst retail warehouse assets experienced a strong recovery, particularly in the second half of the year, recording a total return of 21.9% for retail parks, shopping centres continued to drag on the sector and provided a total return of -5.2% in 2021. High Street shops also showed continued poor performance as retailers struggled with ongoing restrictions and a consumer shift to e-commerce. Capital values for retail assets within Central London fell by -5.8%, continuing the trend seen in 2020.

The reintroduction of restrictions towards the end of the year also put further pressure on high streets, as footfall once again fell. On the other hand, supermarkets again provided robust performance due to an increase in consumer spending and their embracing online deliveries. Supermarkets provided a total return of 15.7%, predominantly driven by yield compression, as investors were attracted by secure, index linked, long income.

Consumer habits have changed over the course of the pandemic and it is clear from footfall data that many now prefer to visit units which provide 'drive to convenience' and perceived safety from COVID-19. As a result, investor attention also turned to retail warehouse accommodation, with those assets led by discount or DIY operators. In response, yields within this sector reduced by between 150-250bps during 2021.

Schemes with significant exposure to fashion-led retailers have, however, generated less interest as occupational concerns remain. From an owner's perspective, the situation remains fragile, as government support is withdrawn and the risk of further retailer defaults remains elevated. The prospect for rental growth across the sector is remote. Moving forward, the sector is likely to remain highly polarised but overall retail performance is anticipated to improve when compared to 2021, as the shopping centre and high street retail sectors stabilise.

INDUSTRIAL

Once again, the industrial and logistics market retained its position as the best performing UK commercial real estate sector delivering a total return of 36.4%. Sentiment remained extremely positive over the course of the year as investors were attracted by a wide supply-demand imbalance with consequential rental growth across the sector. This was most keenly felt in supply constrained locations such as London, which remained the best performing market, with total returns for London industrial achieving 43.1% over the year.

As investors have sought to buy into the sector, transactional volumes totalled £17.3bn, the highest level ever recorded, and 80% higher than the total transacted in 2020. As a result, transactions involving the sector accounted for 25.6% of total UK real estate investment activity. From an occupational perspective, demand for accommodation remains extremely high, with take up in 2021 totalling over 55m sq ft, another new all-time record. Distribution and online retailers continue to dominate take-up and, with the UK-wide vacancy rate now below 2.0%, the market fundamentals remain supportive for continued strong rental growth.

Moving forward, rental growth is likely to be the predominant driver of returns as further yield compression, which has been the key driver over the course of 2021, is unsustainable, and particularly so in the prime sector of the market. Yields reduced by between 50-125bps during 2021 across the sector, and prime London estates are now commanding yields of 3.10%, and arguably lower for best-in-class assets, according to Cushman & Wakefield. Sentiment remains very strong for the industrial and logistics market and the sector is well placed structurally to see continued robust growth.

ALTERNATIVES

The UK real estate alternative sector, or “Other Property” as it is categorised by MSCI, represents real estate which falls outside the traditional ‘Retail’, ‘Office’ or ‘Industrial’ definitions. Investor interest in the alternatives sector has increased and a total of £15.7 billion was transacted over the course of 2021, up 25.2% on 2020 and 37.0% above the 10-year average. Total return within this sector was 9.2% which, whilst below the all property total return, was a significant improvement on the total return achieved in 2020 of -5.3%. The reasons for this were largely the result of ongoing restrictions and a change in consumer habits as a result of the COVID-19 pandemic.

The leisure and hotel sectors, which form a large component of the “Other Property” sector, suffered at the beginning of 2020 due to strict government restrictions, with many operators not reopening until Q2 2021 or later. Over the remainder of the year, however, the sector underwent a gradual recovery and regional hotels in particular experienced record bookings, as international travel restrictions boosted the demand for domestically driven ‘staycations.’ As a result, total returns in the hotel and leisure sectors for 2021 were 7.7% and 7.8% respectively. Healthcare also finished the year in a strong position and recorded a total return of 9.5%.

Investor appetite for the Build to Rent (BTR) residential sector also continued its strong trajectory and a record of £4.1 billion was invested into the sector over the course of 2021, beating the previous record of £3.5 billion achieved in 2020. The Purpose Built Student Accommodation (PBSA) sector also performed well in 2021, despite a muted start to the year. Large platform deals have placed further downward pressure on yields, with those assets with index-linked leases now commanding yields of 3.0% according to CBRE. However, performance is polarised, with those assets serving the UK’s top universities best placed to outperform. Moving forward, the ‘alternatives’ sector is likely to become more ‘mainstream’ as it grows in prominence due to its continued resilient performance.

MARKET OUTLOOK 2022

It is clear that we have entered 2022 with significant uncertainty, as geopolitical concerns weigh on the global economy. Whilst it appears we have now passed the worst of the COVID-19 pandemic, the outbreak of conflict in Ukraine in February 2022 has sent shockwaves throughout the world. Whilst the conflict has not materially altered our outlook for UK real estate in 2022, new considerations have emerged as a result. The initial impacts of the Russian invasion of Ukraine, and the subsequent sanctions placed on the Russian economy, are expected to be negligible, primarily as a result of Russian capital having little exposure to UK commercial real estate. This should mean there is a limited impact on market liquidity and a low risk of depressed asset values as a result. In fact, due to increased volatility in other financial markets, UK real estate may benefit due to being viewed as a ‘safe haven’ investment destination.

However, the Ukraine conflict is likely to have wider consequences and the position of UK real estate must be set in the context of the macroeconomic environment. Prior to the outbreak of conflict, there were already significant concerns over rising inflation and tightening of monetary policy, and the conflict has skewed risks even further to the upside.

We now expect inflation to peak around 8.00% in April, before declining through the second half of this year, largely as a result of mechanical base effects. We forecast that the UK CPI rate for 2022 will be significantly over 6.0%, illustrating that inflationary pressures are likely to moderate in the latter half of the year, but remain significantly above the Bank of England's target rate. There are also significant risks that inflation could remain higher for a more prolonged period of time, particularly as the war in Ukraine, and sanction measures on the Russian economy, impact on pricing in the energy sector and on key raw materials.

The high inflation environment is likely to have an effect on households across the UK and we expect consumer sentiment and real wage growth to suffer as a result; however, a build-up in household savings over the course of the previous two years will help to cushion this impact. That said, the distribution of these savings tends to be very heavily skewed towards high income households, with increased pressure on low income households possibly translating to weakening overall consumer consumption.

In response to these inflationary factors, the Bank of England is expected to continue tightening monetary policy over the course of the year, with the base rate expected to reach 1.25% by the end of 2022. The base rate is then expected to peak at 1.75% in 2023, but there is an elevated risk that this could surprise to the upside and peak above 2.00%. Although low in a historical context, base rates and the feed through to the bond market has the potential to act as a natural cap on any further yield compression, particularly for the lower yielding areas of the real estate market. Despite this, a healthy margin between bonds and real estate will be maintained, and investors should continue to view UK real estate as an attractive investment destination, becoming more selective when approaching investment decisions at both the sector and asset level.

Prior to the Russian invasion of Ukraine, GDP growth was forecast to be closer to 4.4% in 2022 but we now expect economic growth to be relatively subdued. This leads to the possibility that we face an environment of weakening economic growth at a time when inflation is running considerably above target. This is likely to impact more heavily on the UK real estate sector as a result of depressed job growth and falling disposable incomes, weighing on the office and retail sectors in particular.

As such, the bifurcation of the office sector is likely to become more pronounced. Demand for prime assets should remain robust but weaker for secondary accommodation. Those office assets not deemed to be "future fit" are likely to see limited occupational and investor demand as ESG considerations become more prominent in investor decision making. The industrial and logistics market is anticipated to remain robust in 2022 but unlikely to match the extremely strong performance achieved over the course of 2021. The prospect of further yield compression, particularly on prime assets, is limited and rental growth is expected to be the main driver of performance in this sector. Demand continues to outstrip supply and although there has been a pick-up in supply in the sector, increasing land values, a shortage of suitable development sites, and increasing build costs mean there are no signs of a correction in the short term.

We still expect the recovery in the retail sector to continue, primarily driven by market factors rather than sector specific confidence. Investor demand will remain focused on discount and food led retail warehouse schemes whilst the occupational market will continue to be heavily impacted by the pandemic induced change in consumer habits and the continued growth of e-commerce. As discussed above, the impact of inflation on household disposable incomes is also likely to weigh heavily on the retail sector, and particularly on discretionary based retailers, throughout the course of 2022 and the prospect of rental value growth remains remote. The alternatives sector will build on strong transactional volumes achieved in 2021 and will grow more prominent in investor

focus. We expect the hotel sectors to recover over the course of 2022 as travel and other restrictions ease. The Purpose Built Student Accommodation (PBSA) and build-to-rent (BtR) residential sectors will continue their positive momentum.

Overall, we expect a positive year for UK real estate but the spread in performance seen in 2021 is unlikely to be repeated and sector performance will begin to converge in 2022, predominantly as a result of where we are in the UK real estate cycle. Geopolitical events, inflationary and base rate pressures are likely to weigh and, as a result, more care will be required when assessing any investment decisions in the year ahead.

PERFORMANCE

There are a number of different measures of performance one can employ, from individual assets to shareholder return. These are detailed below:

Portfolio return:

The Company uses a MSCI Benchmark to measure performance of the underlying assets against the general market. The portfolio is not constructed with reference to the MSCI index, but it can be useful to measure the performance of the Investment Manager. Against this measure, the portfolio demonstrates strong performance relative to the market over 1, 3, 5 and 10 years.

The outperformance results from a combination of structure (having a greater exposure to strongly performing sectors and low exposure to poorly performing sectors), and the active approach to managing the portfolio. Turnover in the portfolio has been higher than the market, indicating a willingness to take profits and reinvest in new productive assets.

NAV return:

The NAV total return is perhaps the best indication of the Company’s performance, rather than just the property portfolio, as it takes all costs and manager-controlled factors (such as borrowing) into account. The table below compares the NAV total return of SLIPIT against the AIC peer group, and as a further source of comparison against the IA open ended fund sector average.

NAV Total Returns to 31 December 2021	1 year (%)	3 years (%)	5 years (%)	10 years (%)
Standard Life Investments Property Income Trust	**28.6**	**27.7**	**60.1**	**188.9**
AIC Property Direct – UK sector (weighted average)	17.0	20.3	23.4	54.6
Investment Association Open Ended Commercial Property Funds sector	9.6	7.1	18.2	56.4

Source: AIC, abrdn

Share Price:

For the investor, share price total return is the real measure of their experience, measuring the share price performance along with the dividends they received. The Company’s market capitalisation at 31 December 2021 was £323.5m against £242.6m a year earlier.

Share Price Total Returns to 31 December 2021	1 year (%)	3 years (%)	5 years (%)	10 years (%)
Standard Life Investments Property Income Trust	**43.4**	**18.8**	**23.9**	**184.8**
FTSE All-Share Index	18.3	27.2	30.2	110.7
FTSE All-Share REIT Index	29.4	41.8	39.3	177.1
AIC Property Direct – UK sector (weighted average)	26.5	20.7	9.8	40.9

Source: AIC, abrdn

VALUATION

The portfolio is valued quarterly by Knight Frank LLP under the provisions of the RICS Red Book. As at 31 December 2021 the portfolio, including the Ralia Estate, was valued at £499.9m (£437.7m at 31 December 2020) and the Company held cash of £13.8m (£9.4m at 31 December 2020). The portfolio consisted of 48 assets at year end (51 assets at 31 December 2020).

INVESTMENT STRATEGY

The Company has a clearly stated investment strategy: “To provide investors with an attractive income return, with the prospect of income and capital growth, through investing in a diversified portfolio of commercial real estate assets in the UK”. The word “Income” features in both the Company’s name, and prominently in the investment strategy.

Our investment activities are centred around providing an attractive level of income. However, you will read throughout the report about the importance of ESG in future returns. The Investment Manager and Board want to provide a level of income that is attractive to investors today, that is sustainable and has scope to grow in the future. We also want to provide a reasonable total return (i.e. not sacrifice capital value to deliver an unsustainable level of income).

We had already begun the process of repositioning the portfolio through the sale of assets in 2019 and 2020 with poorer ESG credentials and this will continue as we invest in better quality assets with improved prospects of future income and capital growth.

ESG

ESG is central to our investment philosophy and, to reflect its importance, the Annual Report now includes a dedicated section on this and we have also adopted early Taskforce for Climate-related Financial Disclosures.

PURCHASES

During 2021 the Company made three investments, two into commercial real estate assets, and one land purchase.

Glass Futures, St Helens:

The Company is funding the development of a 101,085 sq ft industrial facility that will be let for 15 years to St Helens Borough Council at an initial rent of £658,000 pa. The total cost to SLIPIT will be £15.05m. The property will be occupied by Glass Futures in early 2023, a not-for-profit organisation seeking to develop lower carbon solutions for the manufacture of glass.

Griffiths Textiles, Washington:
The Company acquired a 96,6930 sq ft industrial unit with 3.5 acres of unused land. The unit was recently let for 15 years to a carpet manufacturer. As part of the purchase process we engaged with the tenant about ESG enhancements including PV on the roof, which would take the EPC from its current B to an A. The vacant land had no value attributed to it in our appraisal, but provides a number of opportunities. The purchase price of £7.7m reflected an income yield of 5.75%.

Subsequent to the year end, the Company has made one further investment into commercial real estate assets:

Motorpoint, Stockton-on-Tees:
In April 2022, the Company completed the purchase of the Motorpoint car showroom in Stockton-on-Tees for £5m. The transaction was a sale and leaseback, with Motorpoint selling the property and simultaneously taking a lease over it for a period of 25 years, with the option to end the lease after 15 and 20 years. The annual rent will be £350,000 and the lease includes 5-yearly CPI-linked rent reviews. The property itself extends to just over 46,500 sq ft on a 5.2 acre site.

SALES
The Company sold six assets in 2021 for a total of £31.8m. Four office assets were sold for £21m. The decision to sell these properties was based on a comprehensive review of the portfolio in light of the changes in the office market we expect as a result of COVID-19. Several of the assets had recently had the leases extended, providing the optimum exit point to maximise returns.

One industrial unit was sold as it had poor ESG credentials, and we believed that would impact future performance. In addition, a small retail warehouse unit was sold for £2.65m as we felt the rents were relatively unsustainable.

DEBT
The Company has two debt facilities, both with the Royal Bank of Scotland. The term loan of £110m is fully drawn and is subject to an interest rate swap to fix the cost at a rate of 2.725%. The swap value is marked to market each quarter in the NAV and at 31 December 2021 a liability was recorded of £568,036 (down from £3,735,254 in the prior year). The Company also has a revolving credit facility (RCF) of £55m that is currently undrawn. The facility was undrawn throughout 2021. At year end the gearing level or LTV was 19.2%. This is below the target range of 25% – 35% that the Board has set. It is anticipated that the RCF will be utilised again in 2022 to fund new purchases.

Both loan facilities mature in April 2023 and the Investment Manager and Board are in the process of finding a new facility. Early conversations have been encouraging, although with rising interest rates there is a risk that the cost of debt may increase from the current 2.725%.

ASSET MANAGEMENT
The disruption caused by the pandemic impacted on tenants' ability to pay rent, their desire to make decisions on future occupancy, and in many cases led to changes in the contacts we had at different properties. In this difficult context, the Company's asset managers worked hard to maintain good communication

lines with tenants, and delivered strong returns through lease re-gears. It was necessary to give further rent concessions to some tenants where trade was constrained by restrictions imposed by the Government. However, supporting tenants where required is in the best interests of the Company compared with the prospect of tenant failure.

Over the course of 2021 ten leases were renewed or re-geared to extend the term, with a rental value of £2,323,217 pa. Five rent reviews were settled, generating an increase in income of £106,379 pa, and nine lettings completed, securing £1,494,451 pa of new rent. Since the year end a further three lettings have been completed, securing an additional £353,600 pa.

The portfolio vacancy rate at the end of 2021 was 9.7%. This is higher than the Investment Manger targets (5%) and is predominantly within the office portfolio. With a return to the office expected from spring onwards, and with the affordable, good quality fitted suites on offer within our portfolio, we expect to see further progress in reducing vacancy rates over the course of 2022.

Rent collection remained an area of focus. Various restrictions/lockdowns impacted our tenants and their businesses, but we continued to have a flexible approach. We aim to work with tenants based on their individual circumstances. Bad debt provisions increased by £0.4m during the year, against a £2.4m increase for 2020, with the fall in the charge to earnings reflecting the improving rent collection rates. In total, 96% of the rent due in 2021 has been collected, with several tenants repaying arrears on agreed plans over the next couple of years. This compares to 98% for 2020. We anticipate further improvements in the 2021 recovery rate from repayment plans, and additional expected receipts.

Rent Collection

2020	**Quarter**	**% Received**
	1	99%
	2	98%
	3	98%
	4	96%
Total	**2020 FY**	**98%**

2021	**Quarter**	**% Received**
	1	96%
	2	95%
	3	96%
	4	97%

Total	2021 FY	96%

OUTLOOK AND FUTURE STRATEGY

With the increasing importance of ESG driven by both legislation and corporate / individual commitments, the Company will continue to seek to provide buildings that enable tenant businesses to perform well. The current high exposure to the industrial sector is likely to remain beneficial and we will seek to maintain it, although we might rotate out of some assets. We will selectively seek to buy into the retail warehouse sector, and into alternatives such as apart-hotels, student housing, and hotels. The office sector continues to undergo change, and although four assets have already been sold, we will monitor how our retained assets are meeting the future needs of occupiers and investors.

Inflation is of course a significant concern at the moment. The Company has approximately 21% of its leases (by rental value) subject to fixed or indexed rent reviews, however the Investment Manager also expects rental growth to continue from the industrial sector, providing some mitigation against the impacts of inflation. We will continue to seek to hold assets where we can grow rents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

ESG

ESG is central to our investment philosophy, where we seek to invest in assets that tenants want to occupy and where their businesses can thrive. ESG might not be new, but it has grown in scope and importance over the last 12 months. With such a rapid pace of change, it is important to have a considered approach to ESG, based on the best information available. The Company is going through a period of data gathering, and planning of future initiatives, as well as implementing strategies now. Reflecting the importance of ESG, the Annual Report now has this dedicated section on these matters where we set out what we are doing to protect and enhance future shareholder value.

ESG POLICY

ESG Strategy.

ESG factors have come to the fore during the recent pandemic. The Board and Investment Manager have, over the last 5 years, incorporated ESG into their decision making, however it is now a much more prominent consideration externally as well internally and so deserves a place in the Company's Strategic Report.

The Board has created a separate Sustainability Committee to ensure that sufficient focus is placed on ESG, an area it believes will be fundamental to future corporate performance. ESG might be viewed as a cost today, but in the future, it will be viewed as business as usual, and underinvestment today will adversely impact value tomorrow. As such, the Company is actively seeking to embrace ESG and to enhance fund performance through adopting a calculated programme of upgrades to its assets.

ESG Priorities.

The Company has identified two main areas of focus that have the most relevance for the activities it undertakes – Planet and People.

Under Planet, the Company has a primary focus on Energy and Carbon; Climate resilience; and Biodiversity. The report below provides details on the approach and measures, with a particular focus on Energy and Carbon.

People involves our tenants and the users of our properties. It is a wide-ranging theme, covering wellness, supplier management, community engagement, social values, and tenant engagement.

Energy efficiency and decarbonisation.

In 2021, COP26 served to reinforce the need for the rapid decarbonisation of the global economy. The Board and Investment Manager believe the real estate sector has made some progress in the past, but the pace must accelerate from here.

The Company has an active approach to managing carbon emissions across the portfolio and has been implementing energy efficiency improvements and renewable energy projects for several years.

In 2021, we undertook work to establish the operational carbon footprint baseline of the portfolio and model our pathway to net zero. This involved benchmarking the performance of each asset, modelling our future footprint including embodied and operational carbon and identifying the types of measures necessary to fully decarbonise the portfolio by 2050.

Operational Performance Summary.

The Investment Manager has processes in place to ensure operational sustainability performance is monitored and actions are implemented to drive continual improvement. The effect of COVID-19 on occupancy has had an impact on energy consumption and greenhouse gas emissions. It is unfortunately not possible to fully disaggregate this impact from improvement measures undertaken at assets. The performance figures for 2021 should be viewed in this context.

EPRA Sustainability Best Practice Recommendations Guidelines.

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

2021 GRESB Assessment

The GRESB Assessment is the leading global sustainability benchmark for real estate vehicles. The Company has been submitted to GRESB since 2012. In the 2021 assessment, the Company achieved a three star rating, an improvement on 2020's two stars.

Climate Resilience:

As described in the section on TCFD disclosures the Company considers the risks and impact of climate change on the portfolio. At a portfolio level we already monitor the flood risk for each asset and how that might change over time. We have also recently completed a study to quantify the value at risk resulting from physical climate impacts and changes to heating and cooling demand under a high emissions scenario of 4.3°C of warming by 2100. The results are summarised in the TCFD section.

Biodiversity:

Biodiversity is a relatively new focus for the Company. We have initiated a programme of best practice with our managing agents to ensure each asset is assessed with a view to optimising landscaping regimes to support greater biodiversity.

The Company's land purchase of Ralia provides an opportunity to consider biodiversity on a greater scale, as we start with a baseline survey to be able to measure net biodiversity gain.

Ralia:
The Company has acquired over 1,400 hectares of unproductive open moorland in the Cairngorm National Park which represents one of the largest afforestation and peatland restoration projects in the UK.

- The aim is to regenerate more than 900ha of woodland, planting over 1.5m trees and to restore at least 150ha of degraded peatland.
- It is estimated the project will deliver up to 195,000 tonnes of claimable carbon to 2060 at a cost of £22 per tonne on a discounted cash flow basis.
- Focusing on native broad-leaved trees and Scots pine, the woodland creation element of the project will improve amenity, enhance biodiversity, mitigate flooding and improve air quality.
- The site was previously used for grouse shooting and some hunting, but that is no longer viable and the land is not productive for farming.
- One aspect of the estate that appealed was that it had no one living on the land, or directly employed on it. The Company will seek to employ local workers and enhance employment on the site through the planned projects.

CLIMATE CHANGE
As part of the Company's investment process we take long term climate impacts into account. For many years, we have been ensuring that we have a clear understanding of the flood risk of an asset, and what flood mitigation there is in place, before we will invest. If our analysis indicates that there is an unacceptable risk of damage or harm to life, then we will not proceed.

With changing weather patterns as a result of climate change, we know we need to not only assess historic incidents of flooding but also understand potential future risks. We are now assessing not only flooding from rivers, sea and surface water, but also other risks including water scarcity, heat stress, extreme wind and fires – issues that in the past may not have been considered a concern in a UK context. With increased modelling out to 2080 we are better able to forecast future changes and adapt our strategies accordingly.

Rising temperatures will, at some point, require increased cooling of workplaces, something that will require increased energy consumption. Our modelling indicates that whilst physical risks present long term concerns, the increased operational costs associated with cooling demands may be far more significant in the future under a high warming scenario. It is for this reason that we are focusing our efforts on improving the design and operation of the buildings in the portfolio to ensure that they are low carbon and fit for the future.

NET ZERO CARBON
During the course of 2021 the Company undertook a study of its carbon footprint, and what would be required to be net zero by 2050. The key finding was that landlord controlled energy accounts for only 10% of the Company's carbon footprint and we, as landlords, have little direct control over 90% of the output determined by tenants. Following the study, the Company has set a target to be net zero for emissions associated with landlord-procured energy by 2030, and has determined that it will work with tenants to establish a reasonable and realistic target for total carbon emissions over the medium term.

The Company has already taken a number of steps towards achieving its target. All Landlord consumed electricity is certified green energy; and refurbishment decisions are focused around energy performance improvements. The route to net zero for the UK is going to evolve, and so are regulations and solutions/ technology that we can use.

At the moment, the Company's strategy is to focus on ensuring compliance with EPC (Energy Performance Certificates) regulations. At present it is unlawful to lease properties that have an F or G rating. The Government has proposed legislation that will increase the threshold to C in 2027, and B in 2030.

The portfolio currently has a range of EPC ratings and we are working through all assets below C to understand the route to get a C by 2027, and also how to get to B by 2030. Within the office portfolio this takes the form of a detailed maintenance and upgrading programme from now through to 2030 to understand the best times for intervention, and what work will be required.

In most cases, the route to EPC B requires electrification of the buildings. The technology enabling this is developing, and we are identifying the right time for the intervention rather than trying to do everything today, only to find a better solution becomes available in the future.

	% Estimated Rental Value (ERV)	
EPC Rating	**2021**	**2020**
A	2%	0%
B	21%	16%
C	33%	31%
D	35%	39%
E	8%	9%
F	0%	4%
G	1%	1%

The Company has six demises (out of circa 150) that have an EPC rating of G. Four of them are in Scotland (on a twenty five unit multi let industrial estate), where there is different legislation and the rating does not prevent a letting, one is a small old unit on the edge of a retail park, and the other is a large Cinema complex in North London where we are exploring options.

RENEWABLE ENERGY

One of the ways we can reduce the carbon footprint of the Company is through the use of renewable energy. All landlord supplied energy comes from a green tariff, however on-site generation is even better. We have been working with an external party to increase the provision of on-site power in the form of photo voltaic (PV) cells on building roofs.

We have also looked at wind power on a couple of sites, but the planning regime is not supportive.

Progress has been slow. At the end of December 2020, we had six operational schemes totalling 1.2Mwp, but that had not changed by the end of 2021; however, we are actively engaged in 14 new projects, securing grid connections, undertaking structural surveys, and agreeing terms with tenants.

The 14 schemes would add a further 4.6Mwp – enough to power 958 homes for a year, or boil the kettle 32,745,455 times! We have had to put two further schemes on hold because of a lack of Grid capacity – something that is going to limit the speed of electrification possible in the UK.

CARBON OFFSETTING

The Company believes that carbon offsetting is a last resort measure once all other efforts have been made to reduce the carbon emissions of the portfolio. The path to net zero will, however, take time, and some offsetting will be required. During 2021 the Company acquired 1,471 hectares of open moorland in the Scottish Highlands. The intention is a mix of reforestation (planting approximately 1.5m natural broadleaf trees), peatland restoration and other forms of biodiversity gain.

This is a large scale project and we are working with a number of parties to gain approvals for the planting. Where possible, we utilise local labour and expertise, and we have recently been collecting seeds on site to promote regeneration of native trees. The opportunity has the potential to create 373,000 carbon credits over the lifetime of the project at a known fixed cost today. We anticipate significant future cost increases in carbon credits making this asset progressively more valuable economically as well as environmentally.

ELECTRIC VEHICLE CHARGING

Although installing EV charge points does not reduce the Company's energy consumption, it does help with decarbonisation, and provides further amenity to tenants. We have tendered a package of rapid chargers for our retail warehouse parks, where a third party will pay the capital cost of installing the chargers and will operate them, with a small rent coming back to the Company.

In our office properties we are generally installing the chargers directly, mainly offering one or two fast chargers as we see how demand develops. At Hagley Road we have agreed terms for an operator to provide rapid and fast chargers for the public and tenants to use – again adding to the amenity offer at the building.

NET ZERO STRATEGY

Our net zero principles.

Although the goal may seem clear, definitions and standards on net zero and the policy mix to support it remains immature. In this context we have established several key principles that underpin our strategy to ensure it has integrity, is robust and delivers value:

Practical:

- **Asset-level action** – focusing on energy efficiency and renewables is our priority to ensure compliance with energy performance regulations. Our analysis shows that meeting proposed future Energy Performance Certificate standards is a sensible stepping stone towards net zero. This improves the quality of assets for occupiers and reduces the exposure to regulatory and market risk. Our investment in nature-based carbon removal is an addition to asset-level decarbonisation.
- **Timing** – we aim to align improvements at our properties with existing plant replacement cycles and planned refurbishment activities wherever possible. This ensures we are not unnecessarily replacing functional plant ahead of its useful life unless necessary, which reduces cost and embodied carbon.

Realistic:

- **Target** – long-term objectives must be stretching but deliverable and complimented by near-term targets and actions.
- **Policy support** – to fully decarbonise before 2050 the real estate sector requires a supportive policy mix to incentivise action and level the playing field.

Collaborative:

- **Occupiers** – we recognise that we can't achieve net zero for the portfolio in isolation. We will work closely with occupiers on this journey, many of whom have their own decarbonisation strategies covering their leased space. To put this into context, Scope 3 emissions for the company, i.e. the consumption by our tenants, accounts for 90% of the Company's carbon output.
- **Suppliers** – we will work with our suppliers including property managers and consultants so that everyone is clear on their role in achieving net zero.

Measurable:

- Clear key performance indicators at the asset and portfolio level.

Our baseline.

Our operational carbon footprint for 2019 is shown in the adjacent table. We have used 2019 as a baseline for our work as it was unaffected by changes in occupancy due to COVID-19. This shows a total operational footprint of 20,651 tonnes of carbon dioxide equivalent (Co2e). Of this, 10% is associated with Scope 1 and 2 emissions that are directly controlled by the Company, with 90% coming from Scope 3 emissions from tenant procured energy.

For 2019 we gathered energy consumption data for 46% of the portfolio by floor area with representative industry standard benchmarks used to estimate the rest. Based on these assumptions for 2019 the energy intensity at the portfolio level was 237kWh/m2 and the operational emissions intensity was 45 kgCO2e/m2 across Scopes 1, 2 and 3. These will be key metrics as we progress with our delivery strategy.

SLIPIT 2019 Carbon Footprint (tCO2e)

Landlord Gas	4.5%	Scope 1
Landlord Electricity	5.5%	Scope 2
Tenant Gas	35%	Scope 3
Tenant Electricity	55%	Scope 3
Landlord Waste	<0.1%	Scope 3
Landlord Water	<0.1%	Scope 3

Scope 1 and 2 – These are emissions that directly result from the landlord's activities where there is operational control, either through the purchase and consumption of energy or refrigerant losses.

Scope 3 – These are emissions that occur in our supply chains and downstream leased assets (i.e. tenant spaces over which we have a degree of influence but limited control.

Our delivery strategy.

	Near-term (to 2030)	**Long-term (2030–2050)**
Targets	Achieve net zero emissions for Scope 1 and 2 by 2030.	Net zero across all emissions scopes before 2050.

Improve emissions intensity across all scopes by 50% by 2030 from 2019 baseline.

Context

We see these 2030 targets as a sensible stepping-stone towards long-term decarbonisation. In the near term our activities are focused on occupier engagement and compliance with energy performance regulations which will mean significant investment in energy efficiency, heat decarbonisation and renewable energy, whilst acknowledging the Landlord only has direct control over approximately 10% of the energy consumed, it will work with tenants and upgrade properties when it can to try and achieve this challenging target.

We anticipate that actions taken to decarbonise heat before 2030 will mean the company has very low Scope 1 emissions at this date.

Buildings in the UK will have to be fully decarbonised by 2050 through energy efficiency and the decarbonisation of heat and electricity. We will aim to reach our long-term target through these measures with as little use of offsets as possible.

We will keep our long-term target under review and potentially bring it forward
as policy measures and market drivers become clearer in the coming years.

Near-term delivery actions

Standing portfolio:

- Improve ability to obtain tenant energy data through improved engagement, lease agreements and smart metering
- Build improved understanding of tenant decarbonisation strategies and extent of tenant renewable energy procurement
- Implement low-carbon refurbishments to ensure regulatory compliance focusing on energy efficiency and heat decarbonisation and start to quantify and reduce embodied carbon
- Continue to implement solar PV projects and establish power purchase agreements with occupiers
- Progress with nature-based carbon removal strategy in parallel with asset decarbonisation

Acquisitions and developments:

In line with the Investment Manager’s policies:

- Benchmark assets pre-acquisition, understand costs and build decarbonisation into asset management plan from the start of ownership
- Direct development and development funding to be designed to whole life net zero principles

Measurement indicators

- % of tenants data coverage
- Absolute portfolio emissions (tCO2e)
- Energy and emissions intensity (kwh/m2/year; kg CO2e/m2/year)
- Installed solar capacity (MWp)
- Embodied carbon of development projects

SOCIAL AND WELLNESS

Two of our main principles are to own buildings that work for our tenants, and to do the right thing for people who work at those properties. For example, our supplier agreements for on-site staff require a living wage to be paid. Our property managing agent is JLL, who have a very strong commitment to being an ethical company.

Within the industrial sector we have added new requirements when we undertake refurbishments, to include biodiversity measures and wellness considerations for the workers, as well as the normal PV, LED lighting and general upgrades. Such actions will help our tenants recruit and retain staff, enhancing the appeal of the unit.

The office sector is where we can have the greatest impact, ensuring we create places that attract people to work. This is done by assessing the offering we provide in terms of Flexibility, Amenity, Connectivity, Technology, and Sustainability. As well as providing great on-site amenities such as shower and changing facilities, break out areas with coffee machines and shared meeting rooms, we also try to create a sense of community through seasonal engagement packs, education and support, charity stalls and cake bakes, and local charity involvement.

SOCIAL, COMMUNITY AND EMPLOYEE RESPONSIBILITIES

The Group has no direct social, community or employee responsibilities. The Group has no employees and accordingly no requirement to 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 Group's business there are no relevant human rights issues and hence there is no requirement for a human rights policy. The Board does, however, closely monitor the policies of its suppliers to ensure that proper provision is in place.

HEALTH & SAFETY

Alongside environmental principles the Group has a health & safety policy which demonstrates commitment to providing safe and secure buildings that promote a healthy working/customer experience that supports a healthy lifestyle. The Group, through the Investment Manager, manages and controls health & safety risks as systematically as any other critical business activity using technologically advanced systems and environmentally protective materials and equipment. The aim is to achieve a health & safety performance the Group can be proud of and allow the Group to earn the confidence and trust of tenants, customers, employees, shareholders and society at large. The Board reviews health & safety on a regular basis in Board meetings.

TASKFORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES

Taskforce for Climate-related Financial Disclosures (TCFD) was established to provide a standardised way to disclose and assess climate-related risks and opportunities. Recommendations are structured around four key topics: Governance, Strategy, Risk Management and Metrics & Targets. The Company is committed to implementing the recommendations of the TCFD to provide investors with information on climate risks and opportunities that are relevant to SLIPIT.

TCFD covers risks and opportunities associated with two overarching categories of climate risk: transition and physical:

- Transition risks are those that relate to an asset, portfolio or company's ability to decarbonise. An entity can be exposed to risks as a result of carbon pricing, regulation, technological change and shifts in demand related to the transition.
- Physical risks are those that relate to an asset's vulnerability to factors such as increasing temperatures and extreme weather events as a result of climate change. Exposure to physical risks may result in, for example, direct damage to assets, rising insurance costs, health and safety or supply chain disruption.

There is still significant uncertainty and methodological immaturity in assessing climate risks and opportunities and there is not yet a widely recognised net zero standard. Nonetheless, as outlined above we have progressed already with work to model the implications of decarbonising the portfolio in line with a 1.5°C scenario and undertaken analysis to understand potential future physical climate risks. This is the first year that the Company is reporting against TCFD recommendations and we expect our disclosures to evolve over time as methodologies improve and our work develops further.

TCFD Recommendation	Company Approach	Further information
Governance		
Board oversight of climate-related risks and opportunities	The Board has created a separate Sustainability Committee to monitor and oversee the Investment Manager's ESG undertakings. This includes the consideration of climate-related risks and opportunities.	Sustainability Committee Report.
Management's role in assessing and managing climate-related risks and opportunities	At an operational level, the Investment Manager is responsible for integrating a consideration of climate risks and opportunities into the investment and asset management process. In the first instance this is undertaken by adopting abrdn real estate's internal process and policies, and reporting to the Board.	The Company's approach is set out in the Environmental, Social and Governance section.
Risk Management		
The Company's processes for identifying and assessing climate-related risks	Climate-related risks and opportunities are considered and assessed by the Company's Sustainability Committee.	Sustainability Committee Report and our approach to environmental risk.
Metrics and Targets		
The metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	We disclose our emissions in line with EPRA Sustainability Best Practices Recommendations. As part of our decarbonisation strategy we will track progress against our long term aim using interim energy and emissions intensity targets at the portfolio and asset levels.	
Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG)	We disclose our emissions in line with EPRA Sustainability Best Practices Recommendations. This covers Scope 1 and 2 emissions associated with landlord-procured energy as well as Scope 3 emissions from energy sub-metered to occupiers.	

emissions and the related risks.		
The targets used by the organisation to manage climate-related risks and opportunities and performance against targets	We have set long term and short term decarbonisation targets and defined a practical delivery strategy and KPIs. The Company aims to achieve net zero emissions for Scope 1 and 2 by 2030 and is also targeting net zero across all scopes before 2050. Whilst acknowledging the Landlord only has direct control over approximately 10% of the energy consumed, it will work with tenants and upgrade properties when it can to target reducing all scopes by 50% by 2030, based upon the 2019 baseline.	Our delivery strategy is set out in our Strategic Report.
Strategy Climate-related risks and opportunities the organisation has identified over the short, medium, and long term	As part of our investment and asset management process we consider climate-related risks and opportunities over a range of timescales. A summary of our initial assessment over the short, medium and long term is as follows. In the short term (0–5 years) we anticipate regulations affecting the energy performance and emissions of buildings to tighten to align more closely with Government targets for economy-wide decarbonisation. Whilst this will provide clarity of direction to the sector it is likely to increase development and refurbishment costs and will start to affect valuations. These trends, however, will also create opportunities to benefit from moving occupier and investor demand to low-carbon, future-fit assets. Over the medium term (5–15 years) these trends will continue, and we expect regulations and market sentiment to further drive energy efficiency and decarbonisation. We anticipate significant technological change in this period particularly in relation to heat pump solutions which will improve the technical and financial feasibility of decarbonising heat in buildings. Over the long term (15+ years) we are likely to see climate-related extreme weather events increase in frequency and severity which may impact built environment assets depending on their location and characteristics.	
The impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where material	The Board recognises that climate change will affect the built environment, both through decarbonisation and increased physical risks. The trends summarised above are therefore expected to affect the Company's strategy and operations in the coming years. Alongside our net zero planning, a detailed exercise has been completed by the Manager to assess the portfolio's compliance with anticipated Minimum Energy	

Efficiency Standards legislation. This reviews the measures and associated costs of compliance and ensures that any necessary interventions can be appraised and included with the individual asset plans.

We have also recently completed an assessment of value at risk as a result of physical climate risks under the RCP8.5 climate scenario which implies a 4.3° C temperature rise by 2100. Initial results are described below.

In assessing new investment opportunities, and making hold / sell decisions, the Board has adopted the Investment Manager's policy to have a stronger recognition of the potential impact of climate change on the asset's future performance. A particular focus is on flood risk and energy performance.

The resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

We have set out our short-term target to be net zero for company-controlled emissions (Scope 1 and 2) by 2030 and to reduce the emissions intensity of our assets by 50% over the same period. Our long-term target for full decarbonisation aligns with the UK-wide date of 2050 although this will be continually reviewed in the context of the market and policy drivers. We will track progress against our long term aim using interim energy and emissions intensity targets at the portfolio and asset levels.

Our work to establish a net zero pathway for the company is informed by industry benchmarks including the Carbon Risk Real Estate Monitor (CRREM) 1.5°C Paris-aligned emissions trajectories. As part of this work we have identified high level cost estimates for transitioning assets to net zero. We consider that the portfolio and Company strategy is well-positioned to decarbonise in line with this trajectory assuming national energy and climate policy is also supportive of this goal.

We will continue to engage with industry bodies such as the Better Building Partnership to standardise net zero definitions across the industry. We recognise that we cannot act in isolation and that achieving this level of decarbonisation will require supportive climate policy and the cooperation of our occupiers and suppliers.

Our recent work on understanding value at risk as a result of physical climate risk has highlighted the importance of considering changes in wind speeds and flood risk over time as well as the implications of rising temperatures on the demand for cooling within buildings. Our initial assessment of these results is that in general under the RCP8.5 high emissions scenario, physical climate risks generally result in a valuation impact to assets of below 1% by 2080 and there are no meaningful affects until after 2040. Most of the impact is associated with additional cooling demand due to rising temperatures. We

Our delivery strategy is set out in our Strategic Report.

consider that our existing portfolio and Company strategy is resilient to physical climate risks in the short to medium term. We will keep this under regular review, particularly as methodologies for physical risk assessment improve.

STAKEHOLDER ENGAGEMENT

This section, which serves as the Company's section 172 statement, explains how the Directors have promoted the success of the Company for the benefit of its members as a whole during the financial year to 31 December 2021, taking into account the likely long term consequences of decisions, the need to foster relationships with all stakeholders and the impact of the Company's operations on the environment, in accordance with the AIC Code on Corporate Governance.

THE ROLE OF THE DIRECTORS

The Company is a REIT and has no Executive Directors or employees and is governed by a Non-Executive Board of Directors. Its main stakeholders are Shareholders, the Investment Manager, Tenants, Service Providers, Debt Providers, the Environment and the Community.

As set out in the Corporate Governance Report, the Board has delegated day-to-day management of the assets to the Investment Manager and either directly or through the Investment Manager, the Company employs key suppliers to provide services in relation to property management, health & safety, valuation, legal and tax requirements, auditing, depositary obligations and share registration, amongst others. 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, with numerous other ad-hoc meetings, and receives full information on the Company's performance, financial position and any other relevant information. At least once a year, the Board also holds a meeting specifically to review the Group's strategy.

The Board regularly reviews the performance of the Investment Manager, and its other service providers, to ensure they manage the Company, and its stakeholders, effectively and that their continued appointment is in the best long term interests of the stakeholders as a whole.

The Board also reviews its own performance annually to ensure it is meeting its obligations to stakeholders. Engagement with key stakeholders is considered formally as part of the annual evaluation process.

STRATEGIC ACTIVITY DURING THE YEAR

Notable transactions where the interests of stakeholders were actively considered by the Board during the year, and subsequently, include:

- All decisions relating to the Company's dividends – the Board recognised the importance of dividends to its shareholders and have increased the dividend from the 0.714p per share paid in respect of Q4 2020 to 1.0p per share which has been paid in respect of Q4 2021 subsequent to the year end. In addition, a top-up dividend of 0.381p per share was paid in relation to 2020.

- Buyback of shares – the Board bought back 7,394,036 ordinary shares into treasury. The Board believes that investment by the Company in its own shares at the levels of discount to net asset value during the year offered an attractive investment opportunity for its shareholders against the financial resources the Company had available.

- Ongoing investment activity – the Company, with oversight from the Board, disposed of six property assets. The disposals reflected concerns over asset-specific matters such as rent sustainability, ESG credentials and also the pandemic-accelerated structural drivers around office demand. Following these sales, the Company invested into two industrial assets with good ESG credentials in addition to the acquisition of open moorland in the Scottish Highlands as part of our Net Zero strategy.

The Board's primary focus is to promote the long term success of the Company for the benefit of its stakeholders as a whole. The Board oversees the delivery of the investment objective, policy and strategy, as agreed by the Company's shareholders. As set out above, the Board considers the long term consequences of its decisions on its stakeholders to ensure the sustainability of the Company.

SHAREHOLDERS

Shareholders are key stakeholders and the Board places great importance on communication with them. The Board welcomes all shareholders' views and aims to act fairly to all shareholders. The Board believes that the Company's shareholders seek an attractive and sustainable level of income, the prospect of growth of income and capital in the longer term, a well-executed sustainable investment policy, responsible capital allocation and value for money.

The Investment Manager and Company's Broker regularly meet with shareholders, and prospective shareholders, to discuss Company initiatives and seek feedback. The views of shareholders are discussed by the Board at every Board meeting, and action taken to address any shareholder concerns. The Investment Manager provides regular updates to shareholders and the market through the Annual Report, Half-Yearly Report, Quarterly Net Asset Value announcements, Company Factsheets and its website.

The Chair offers to meet with key shareholders at least annually, and other Directors are available to meet shareholders as required. This allows the Board to hear feedback directly from shareholders on the Company's ongoing strategy. Despite the challenges arising from COVID-19, the Chairman and Senior Independent Director have met virtually with shareholders and the Investment Manager undertook several meetings with large shareholders to provide reports on the progress of the Company and receive feedback, which was then provided to the full Board.

The Company's AGM provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Investment Manager of the Company.

The Board welcomes correspondence from shareholders, addressed to the Company's registered office. All shareholders have the opportunity to put questions to the Board at the Annual General Meeting.

This year's AGM is being held on Wednesday 15th June 2022 at 10.30am at the Investment Manager's offices at Bow Bells House, 1 Bread Street, London EC4M 9HH.

The Board hopes that as many shareholders as possible will be able to attend the meeting. As set out in the Chairman's Statement, shareholders are encouraged to submit questions in advance of the AGM by email to: property.income@abrdn.com

The Board has decided to hold an interactive Online Shareholder Presentation at 2.00pm on Tuesday 14 June 2022. As part of the presentation, shareholders will receive updates from the Chairman and Manager as well as the opportunity to participate in an interactive question and answer session. Further information on how to register for the event can be found on www.workcast.com/register?cpak=4656942387252659

TENANTS

Another key stakeholder group is that of the underlying tenants that occupy space in the properties that the Company owns. The Investment Manager works closely with tenants to understand their needs through regular communication and visits to properties.

The Board believes that tenants benefit from a trusting and long term working relationship with the Investment Manager, sustainable buildings and tenancies, value for money and a focus on the community, health & safety and the environment.

The Investment Manager consults with tenants and, on the Board's behalf, invests in our buildings to improve the quality and experience for our occupiers as well as reduce voids and improve values, helping to produce stronger returns. The Board receives reports on tenant engagement and interaction at every Board meeting. The Board also expects the Investment Manager to undertake extensive financial due diligence on potential tenants to mitigate the risk of tenant failure or inability to let properties.

During the COVID-19 pandemic, the Company's Investment Manager has worked closely with tenants to understand their needs. The Board believes that this is a crisis that has impacted on individuals as much as companies and takes the Social aspects of ESG very seriously. The Board firmly believes that by helping tenants during the pandemic and building relationships the Company will have better occupancy over future months and years, which will in turn benefit the Company's cash flow.

DEBT PROVIDER

The Company has a term loan facility and revolving credit facility with The Royal Bank of Scotland International Limited ("RBSI"). RBSI seeks responsible portfolio management and ongoing compliance with the Company's loan covenants. The Company maintains a positive working relationship with RBSI and provides regular updates on business activity and compliance with its loan covenants.

INVESTMENT MANAGER

The Chairman's Statement and Investment Manager's Review detail the key investment decisions taken during the year and subsequently. The Investment Manager has continued to manage the Company's assets in accordance with the mandate provided by shareholders, with the oversight of the Board. The Board receives presentations from the Investment Manager at every Board meeting to help it to exercise effective oversight of the Investment Manager and the Company's Strategy. The Board formally reviews the performance of the Investment Manager, and the fees it receives, at least annually.

OTHER SERVICE PROVIDERS

The Board via the Management Engagement Committee also ensures that the views of its service providers are heard and at least annually reviews these relationships in detail. The aim is to ensure that contractual arrangements remain in line with best practice, services being offered meet the requirements and needs of the Company and performance is in line with the expectations of the Board, Investment Manager and other relevant stakeholders. Reviews will include those of the company secretary, broker and share registrar. The Company's auditor is reviewed annually by the Audit Committee.

THE COMMUNITY AND THE ENVIRONMENT

The Board and the Investment Manager are committed to investing in a responsible manner. There are a number of geopolitical, technological, social and demographic trends underway globally that can, and do, influence real estate investments – many of these changes fall under the umbrella of ESG considerations. As a result, the Investment Manager fully integrates ESG factors into its investment decision making and governance process.

To reflect the importance of ESG factors, and how they shape the decision making of the Company, the Board has created a Sustainability Committee. This Committee shall give greater focus to the responsibilities and actions of the Company in this critical area.

The Board has adopted the Investment Manager's ESG Policy and associated operational procedures and is committed to environmental management in all phases of the investment process.

The Company aims to invest responsibly, to achieve environmental and social benefits alongside returns. By integrating ESG factors into the investment process, the Company aims to maximise the performance of the assets and minimise exposure to risk. Please see our section on Environmental, Social and Governance, our Taskforce for Climate-related Financial Disclosures, our Strategic Overview and the EPRA Financial and Sustainability Reporting, for more information on the Company's approach to ESG.

STRATEGIC OVERVIEW

OBJECTIVE

The objective, and purpose, of the Group 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 Group may also invest in other commercial property such as hotels, nursing homes and student housing.

Investment in property development and investment in co-investment vehicles, where there is more than one investor, is permitted up to a maximum of 10% of the property portfolio.

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

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

As part of its strategy, the Board has contractually delegated the management of the property portfolio, and other services, to Aberdeen Standard Fund Managers Limited ("the Investment Manager").

PROPOSED CHANGE TO INVESTMENT POLICY

Since the formal investment policy was put in place the real estate market has changed in structure and the Company has matured. As part of a review the Board is proposing to change the Company's investment policy, as follows:

"The Directors intend to achieve the investment objective by investing in a diversified portfolio of UK real estate assets in the industrial, office, retail and 'other' sectors, where 'other' includes leisure, data centres, student housing, hotels (and apart-hotels) and healthcare.

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 in the Company, without compromising flexibility, the Directors apply the following restrictions to the Property Portfolio:

- No property will be greater by value than 15% of total assets.
- No tenant (with the exception of the Government) shall be responsible for more than 20% of the Company's rent roll.
- Gearing, calculated as borrowings as a percentage of the Group's gross assets, may not exceed 65%. The Board's current intention is that the Company's gearing will not exceed 45%.

All investment restrictions apply at the time of investment. The Company will not be required to dispose of an asset or assets as a result of a change in valuation.

Any material change to the investment policy of the Company may only be made with the prior approval of its Shareholders."

The Board is seeking shareholder approval to the new investment policy under Resolution 12 at the AGM to be held on 15 June 2022.

STRATEGY

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

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

At the property level, it is intended that the Group remains primarily invested in the commercial sector, while keeping a watching brief on other classes such as student accommodation and care homes as well as other sectors which will enable the Company to meets its environmental targets.

An ordinary resolution has been proposed to modernise the Investment Policy, which previously referred to the three main sectors of office, industrial and retail. As retail has diminished in importance so the "Other" sector has increased, and the Company is actively seeking investments in this area, including hotels, apart-hotels, data centres and student housing – some of which will be more operational in nature. The Company is also undertaking some development to ensure its assets meet the highest standards and will perform well. The development risk is split between pre-let developments and speculative developments (where there is no lease in place for the completed unit). Speculative development will not exceed 10% of the fund.

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.

As part of this investment strategy, the Group recognises that tenants are a key stakeholder and an important objective is therefore to foster a culture whereby the experience of tenants is seen as paramount to the future success of the Group.

The Investment Manager works closely with tenants to understand their needs through regular communication and visits to properties.

The Board recognises the importance of strong ESG credentials within the portfolio. The Investment Manager provides the Board with frequent updates regarding ongoing work to enhance the ESG attributes of the existing portfolio as well as consideration for all acquisition opportunities.

Where required, and in consultation with tenants, the Group refurbishes and manages the owned assets to improve the tenants' experience, including consideration of health & safety and environmental factors, with the aim being to generate greater tenant satisfaction and retention and hence lower voids, higher rental values and stronger returns.

The Board continues to seek out opportunities for further, controlled growth in the Group.

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

THE BOARD

As at 31 December 2021, the Board consisted of a Non-Executive Chairman and four Non-Executive Directors. Mike Bane has since been appointed to the Board on 31 January 2022 and brings a wealth of industry experience and skills which will complement the existing Board. There is also a commitment to achieve the proper levels of diversity.

KEY PERFORMANCE INDICATORS

The Board meets quarterly and at each meeting reviews performance against a number of key measures which are considered to be alternative performance measures ("APMs"). These APMs are in line with recognised industry performance measures both in the Real Estate and Investment Trust industry and help to assess the overall performance of the portfolio and the wider Group:

Property income and total return against the Quarterly Version of the MSCI Balanced Monthly Funds Index ("the Index").

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

ESG

The Board and Investment Manager strive to position SLIPIT as a leader in ESG. The Company has undertaken an initial assessment of its carbon footprint to inform decision making as the Company progresses to net zero. A programme is underway to fully understand the pathway to have all assets EPC B rated

within 5 years, and a clear framework for refurbishment and development standards is in place. The Company now has a separate Sustainability Committee made up of the Non-Executive Directors to monitor progress against the ESG targets set.

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

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

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

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

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

A record of these measures is disclosed in the Financial and Portfolio Review, Chairman's Statement and Investment Manager's Review.

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

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

The overarching risk throughout 2021 was COVID-19, which impacted all areas of society in the UK and abroad. This pandemic caused significant loss of life and global economic disruption. It arguably affects all areas of risk on which the Company reports and maintained the increased risk profile, from the prior year, of the Company.

Although we have seen the successful vaccination roll-out in the UK, and a return towards pre-pandemic normality, we remain vigilant to further strains of the virus as well as the emerging geopolitical risk that exists at the time of writing this report. In the section following, particular consideration has been given to how COVID-19 and geopolitical threats are impacting on the specific risks that are reviewed at each Board meeting.

The Group and its objectives become unattractive to investors, leading to widening of the discount.
This risk is mitigated through regular contact with shareholders, a regular review of share price performance and the level of the discount or premium at which the shares trade to net asset value and regular meetings with the Group's broker to discuss these points and address any issues that arise. COVID-19 and geopolitical risk have increased the volatility of the Company's share price and, reflecting wider market sentiment, has resulted in the Company's shares trading at a discount to prevailing NAV of 11.9% as at 31 March 2022, in-line with other diversified peers in the Company's AIC peer group.

Net revenue falls such that the Group cannot sustain its level of dividend, for example due to tenant failure or inability to let properties.
This risk is mitigated through regular review of forecast dividend cover and of tenant mix, risk and profile. Due diligence work on potential tenants is undertaken before entering into new lease arrangements and tenants are kept under constant review through regular contact and various reports both from the managing agents and the Investment Manager's own reporting process.

Contingency plans are put in place at units that have tenants that are believed to be in financial trouble. The Group subscribes to the MSCI 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.

During 2021, the impact of lockdown restrictions continued to have a severe impact upon retail, particularly traditional, high street locations.

The Group has partially mitigated the risk by having an underweight position to the retail sector (11.3%, against the MSCI benchmark of 20.5%). Reflecting the better performing retail warehouse sub-sector, the Group has a holding of 9.6% which is broadly in line with the 11.7% benchmark level.

As lockdown restrictions were lifted and market uncertainty eased, rent collection rates have improved towards the end of the year and the Board increased the dividend to reflect this. The full extent of the heightened geopolitical risk has yet to be seen but inflationary pressures and vulnerabilities in supply chain could impact upon our tenants' ability to trade profitably.

Uncertainty or change in the macroeconomic environment results in property becoming an undesirable asset class, causing a decline in property values.
This risk is managed through regular reporting from, and discussion with, the Investment Manager and other advisers. Macroeconomic conditions form part of the decision making process for purchases and sales of properties and for sector allocation decisions.

The impact of COVID-19 on the UK economy had seen the largest fall in GDP in over 300 years. This impacted both property values and the ability of tenants to pay rent. The success of the vaccination programme and easing of restrictions has seen an improvement in appetite for real estate, reflected in improving property values.

The full macroeconomic impact of the conflict in Ukraine has not yet materialised but will disrupt supply chains and contribute to inflationary pressures. Real estate holdings of good quality and rental growth prospects can appear more attractive at such times to offer a partial hedge against inflationary pressures.

Environmental.
Environmental risk is considered as part of each purchase and monitored on an ongoing basis by the Investment Manager. However, with extreme weather events both in the UK and globally becoming a more regular occurrence due to climate change, the impact of the environment on the property portfolio and on the wider UK economy is seen as an increasing risk.

Please see the Environmental, Social and Governance Policy section, our Taskforce for Climate-related Financial Disclosures and the Investment Manager's Review for further details on how the Company addresses environmental risk, including climate change.

Other risks faced by the Group include the following:

- **Strategic** – incorrect strategy, including sector and property allocation and use of gearing, could all lead to a poor return for shareholders.
- **Tax efficiency** – the structure of the Group or changes to legislation could result in the Group no longer being a tax efficient investment vehicle for shareholders.
- **Regulatory** – breach of regulatory rules could lead to the suspension of the Group's Stock Exchange Listing, financial penalties or a qualified audit report.
- **Financial** – inadequate controls by the Investment Manager or third party service providers could lead to misappropriation of assets. Inappropriate accounting policies or failure to comply with accounting standards could lead to misreporting or breaches of regulations.
- **Operational** – failure of the Investment Manager's accounting systems or disruption to the Investment Manager's business, or that of third party service providers, could lead to an inability to provide accurate reporting and monitoring, leading to loss of shareholder confidence.
- **Business continuity** – risks to any of the Company's service providers or properties, following a catastrophic event e.g. terrorist attack, cyber-attack, power disruptions or civil unrest, leading to disruption of service, loss of data etc.
- **Refinancing** – risk that the Company is unable to renew its existing facilities, or does so on significantly adverse terms, which does not support the current business strategy.

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

Details of the Group's internal controls are described in more detail in the Corporate Governance Report.

VIABILITY STATEMENT

The Board considers viability as part of its ongoing programme of financial reporting and monitoring risk. The Board continually reviews the prospects for the Company over the longer term taking into account the Company's current financial position, its operating model, and the diversified constituents of its portfolio. In addition the Board considers strong initial due diligence processes, the continued review of the portfolio and the active asset management initiatives. Given the above, the Board believes that the Company has a sound basis upon which to continue to deliver returns over the long term.

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

The Board has also carried out a robust assessment of the principal and emerging risks faced by the Group. The main risks which the Board considers will affect the business model are: future performance, solvency, liquidity, tenant failure leading to a fall in dividend cover and macroeconomic uncertainty.

These risks have all been considered in light of the financial and economic impact that arose from COVID-19 and considering the emerging geopolitical risks.

The Board takes any potential risks to the ongoing success of the Group, and its ability to perform, very seriously and works hard to ensure that risks are consistent with the Group's risk appetite at all times. In assessing the Group's viability, the Board has carried out thorough reviews of the following:

- Detailed NAV, cash resources and income forecasts, prepared by the Company's Investment Manager, for a five year period under both normal and stressed conditions;
- The Group's ability to pay its operational expenses, bank interest, tax and dividends over a five year period;
- Future debt repayment dates and debt covenants, in particular those in relation to LTV and interest cover;
- The ability of the Company to refinance its debt facilities in April 2023;
- Demand for the Company's shares and levels of premium or discount at which the shares trade to NAV;
- Views of shareholders; and
- The valuation and liquidity of the Group's property portfolio, the Investment Manager's portfolio strategy for the future and the market outlook.

Despite the uncertainty in the UK regarding the future impact of the COVID-19 pandemic, including the potential for new strains of the virus, and the emerging geopolitical conflict, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next five years. This assessment is based on the current financial position of the Company, its performance track record and feedback it receives from shareholders.

APPROVAL OF STRATEGIC REPORT

The Strategic Report comprises the Financial and Portfolio Review, Performance Summary, Chairman's Statement, Investment Manager's Review, Environmental, Social and Governance, Taskforce for Climate-related Financial Disclosures, Stakeholder Engagement and Strategic Overview. The Strategic Report was approved by the Board and signed on its behalf by:

27 April 2022

James Clifton-Brown
Chairman

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

In preparing those Consolidated 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 Consolidated Financial Statements; and
- Prepare the Group Consolidated 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 Consolidated 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 through its Investment Manager; 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 Consolidated Financial Statements since they were initially presented on the website. Legislation in Guernsey governing the preparation and dissemination of the consolidated financial statements may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors in respect of the Consolidated Annual Report under the Disclosure and Transparency Rules.

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

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

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

Approved by the Board on
27 April 2022
James Clifton-Brown
Chairman

FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income for the year ended 31 December 2021	Notes	31-Dec-21 £	31-Dec-20 £
Rental income		26,485,585	29,439,549
Service charge income		4,097,344	3,543,976
Surrender premium		—	21,250
Valuation gain/(loss) from investment properties	7	72,188,550	(27,640,224)
Valuation loss from land	8	(501,550)	—
Loss on disposal of investment properties	7	(634,368)	(4,806,137)
Investment management fees	4	(3,301,074)	(3,198,519)
Valuer's fees	4	(77,457)	(84,638)
Auditor's fees	4	(111,540)	(118,400)
Directors' fees and subsistence	23	(221,742)	(236,953)
Service charge expenditure		(4,097,344)	(3,543,976)
Impairment loss on trade receivables		(406,475)	(2,444,966)
Other direct property expenses		(3,430,243)	(2,460,002)
Other administration expenses		(751,270)	(512,849)
Operating profit/(loss)		**89,238,416**	**(12,041,889)**
Finance income	5	763	3,896
Finance costs	5	(3,506,359)	(3,744,074)
Profit/(loss) for the year before taxation		**85,732,820**	**(15,782,067)**
Taxation			
Tax charge	6	—	—
Profit/(loss) for the year, net of tax		**85,732,820**	**(15,782,067)**

Other Comprehensive Income			
Valuation gain/(loss) on interest rate swap	15	3,167,218	(1,514,638)
Total other comprehensive gain/(loss)		**3,167,218**	**(1,514,638)**
Total comprehensive gain/(loss) for the year, net of tax		**88,900,038**	**(17,296,705)**
		2021 (p)	**2020 (p)**
Earnings per share			
Basic and diluted earnings per share	20	21.54	(3.88)

All items in the above Consolidated Statement of Comprehensive Income derive from continuing operations.
The notes are an integral part of these Consolidated Financial Statements.

Consolidated Balance Sheet as at 31 December 2021

ASSETS	Notes	31-Dec-21 £	31-Dec-20 £
Non-current assets			
Investment properties	7	484,514,085	428,412,375
Lease incentives	7	8,802,294	5,885,270
Land	8	7,500,000	—
Rental deposits held on behalf of tenants		904,189	855,866
		501,720,568	**435,153,511**
Current assets			
Investment properties held for sale	9	—	4,300,000
Trade and other receivables	11	11,024,100	10,802,197
Cash and Cash equivalents	12	13,818,008	9,383,371
		24,842,108	**24,485,568**

	Note		
Total Assets		**526,562,676**	**459,639,079**
LIABILITIES			
Current liabilities			
Trade and other payables	13	13,618,457	13,096,054
Interest rate swap	15	546,526	1,472,387
		14,164,983	**14,568,441**
Non-current liabilities			
Bank borrowings	14	109,723,399	109,542,823
Interest rate swap	15	21,510	2,262,867
Obligations under finance leases	16	901,129	902,645
Rent deposits due to tenants		904,189	855,866
		111,550,227	**113,564,201**
Total liabilities		**125,715,210**	**128,132,642**
Net assets		**400,847,466**	**331,506,437**
EQUITY			
Capital and reserves attributable to Company's equity holders			
Share capital	18	228,383,857	228,383,857
Treasury share reserve	18	(5,991,417)	(1,450,787)
Retained earnings	19	8,521,081	7,339,209
Capital reserves	19	72,095,573	(604,214)
Other distributable reserves	19	97,838,372	97,838,372
Total equity		**400,847,466**	**331,506,437**

Approved and authorised for issue by the Board of Directors on 27 April 2022 and signed on their behalf by James Clifton-Brown.
The accompanying notes are an integral part of these Consolidated Financial Statements. Company Number: 41352 (Guernsey)

Consolidated Statement of Changes in Equity for the year ended 31 December 2021

	Notes	Share Capital £	Treasury shares £	Retained earnings £	Capital reserves £	Other Distributable Reserves £	Total equity £
Opening balance 1 January 2021		**228,383,857**	**(1,450,787)**	**7,339,209**	**(604,214)**	**97,838,372**	**331,506,437**
Profit for the year		—	—	85,732,820	—	—	85,732,820
Other comprehensive income		—	—	—	3,167,218	—	3,167,218
Total comprehensive income for the period		—	—	85,732,820	3,167,218	—	88,900,038
Ordinary shares issued net of issue costs	18	—	(4,540,630)	—	—	—	(4,540,630)
Dividends paid	21	—	—	(15,018,379)	—	—	(15,018,379)
Other transfer between reserves		—	—	1,520,063	(1,520,063)	—	—
Valuation gain from investment properties	7	—	—	(72,188,550)	72,188,550	—	—
Valuation loss from land	8	—	—	501,550	(501,550)	—	—
Loss on disposal of investment properties	7	—	—	634,368	(634,368)	—	—
Balance at 31 December 2021		**228,383,857**	**(5,991,417)**	**8,521,081**	**72,095,573**	**97,838,372**	**400,847,466**

Consolidated Statement of Changes in Equity for the year ended 31 December 2020

	Notes	Share Capital £	Treasury shares £	Retained Earnings £	Capital Reserves £	Other Distributable Reserves £	Total equity £
Opening balance 1 January 2020		**227,431,057**	**—**	**6,168,350**	**33,356,785**	**97,838,372**	**364,794,564**

Loss for the year		—	—	(15,782,067)	—	—	(15,782,067)
Other comprehensive income		—	—	—	(1,514,638)	—	(1,514,638)
Total comprehensive loss for the period		—	—	(15,782,067)	(1,514,638)	—	(17,296,705)
Ordinary shares issued net of issue costs	18	952,800	—	—	—	—	952,800
Ordinary shares placed into treasury net of issue costs	18	—	(1,450,787)	—	—	—	(1,450,787)
Dividends paid	21	—	—	(15,493,435)	—	—	(15,493,435)
Valuation loss from investment properties	7	—	—	27,640,224	(27,640,224)	—	—
Loss on disposal of investment properties	7	—	—	4,806,137	(4,806,137)	—	—
Balance at 31 December 2020		**228,383,857**	**(1,450,787)**	**7,339,209**	**(604,214)**	**97,838,372**	**331,506,437**

The notes are an integral part of these Consolidated Financial Statements.

Consolidated Cash Flow Statement for the year ended 31 December 2021

Cash flows from operating activities	**Notes**	**12 months to 31-Dec-21 £**	**12 months to 31-Dec-20 £**
Profit/(loss) for the year before taxation		85,732,820	(15,782,067)
Movement in lease incentives		(2,966,033)	(1,694,642)
Movement in trade and other receivables		(270,226)	(6,446,180)
Movement in trade and other payables		536,404	3,421,484
Finance costs	5	3,506,359	3,744,074
Finance income	5	(763)	(3,896)
Other transfer between reserves		1,520,063	—
Valuation gain/(loss) from investment properties	7	(72,188,550)	27,640,224
Valuation loss from land	8	501,550	—
Loss on disposal of investment properties	7	634,368	4,806,137
Net cash inflow from operating activities		**17,005,992**	**15,685,134**

	Note		
Cash flows from investing activities			
Interest received	5	763	3,896
Purchase of investment properties	7	(11,741,501)	(21,297,754)
Purchase of land	8	(8,001,550)	—
Capital expenditure on investment properties	7	(1,819,229)	(4,947,828)
Net proceeds from disposal of investment properties	7	31,840,632	50,973,863
Net cash inflow from investing activities		**10,279,115**	**24,732,177**
Cash flows from financing activities			
Proceeds on issue of ordinary shares	18	—	952,800
Shares bought back during the year	18	(4,540,630)	(1,450,787)
Bank borrowing	14	—	27,000,000
Repayment of RCF	14	—	(45,000,000)
Interest paid on bank borrowing		(1,872,545)	(2,479,388)
Payments on interest rate swaps		(1,418,916)	(1,038,749)
Dividends paid to the Company's shareholders	21	(15,018,379)	(15,493,435)
Net cash outflow from financing activities		**(22,850,470)**	**(37,509,559)**
Net increase in cash and cash equivalents		**4,434,637**	**2,907,752**
Cash and cash equivalents at beginning of year	12	9,383,371	6,475,619
Cash and cash equivalents at end of year	**12**	**13,818,008**	**9,383,371**

The notes are an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 GENERAL INFORMATION

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

The address of the registered office is PO Box 255, Trafalgar Court, Les Banques, St Peter Port, Guernsey.

These audited Consolidated Financial Statements were approved for issue by the Board of Directors on 27th April 2022.

2 ACCOUNTING POLICIES

2.1 Basis of preparation

The audited Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and as issued by the International Accounting Standards Board, 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, land and derivative financial instruments at fair value. The Consolidated Financial Statements are presented in pounds sterling and all values are not rounded except when otherwise indicated.

The Directors have considered the basis of preparation of the accounts given the COVID-19 pandemic and believe that it is still appropriate for the accounts to be prepared on the going concern basis.

Changes in accounting policy and disclosure

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

- Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases – Interest Rate Benchmark Reform (Phase 2).

In the prior year, the Group adopted the Phase 1 amendments Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged item or hedging instruments are amended as a result of the interest rate benchmark reform.

In the current year, the Group adopted the Phase 2 amendments Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements. The Group has not restated the prior period. Instead, the amendments have been applied retrospectively with any adjustments recognised in the appropriate components of equity as at 1 January 2021.

Both the Phase 1 and Phase 2 amendments are relevant to the Group because it applies hedge accounting to its interest rate benchmark exposures. The application of the amendments impacts the Group's accounting in the following ways.

- The amendments permit continuation of hedge accounting even if in the future the hedged benchmark interest rate, LIBOR, may no longer be separately identifiable and there is uncertainty about the replacement of the floating interest rates included in the interest rate swaps. However, this relief does not extend to the requirement that the designated interest rate risk component must continue to be reliably measurable. If the risk component is no longer reliably measurable, the hedging relationship will be discontinued.
- The Group will continue to apply the Phase 1 amendments to IFRS 9/IAS 39 until the uncertainty arising from the interest rate benchmark reform with respect to the timing and the amount of the underlying cash flows to which the Group is exposed ends. The Group expects this uncertainty will continue until the Group's contracts that reference IBORs are amended to specify the date on which the interest rate benchmark will be replaced and the basis for the cash flow of the alternative benchmark rate are determined including any fixed spread.
- When the contractual terms of the Group's bank borrowings are amended as a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the basis immediately preceding the change, the Group changes the basis for determining the contractual cash flows prospectively by revising the effective interest rate.

Annual improvements to IFRS
The Group has made no adjustments to its financial statements in relation to IFRS Standards detailed in the annual Improvements to IFRS 2018–2020 Cycle (effective for annual reporting periods beginning on or after 1 January 2022). The Group will consider these amendments in due course to see if they will have any impact on the Group

2.2 Significant accounting judgements, estimates and assumptions
The preparation of the Group's Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainties about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. The most significant estimates and judgements are set out below. There were no critical accounting judgements.

Fair value of investment properties
Investment properties are stated at fair value as at the Balance Sheet date. Gains or losses arising from changes in fair values are included in the Consolidated Statement of Comprehensive Income in the year in which they arise. The fair value of investment properties is determined by external real estate valuation experts using recognised valuation techniques. The fair values are determined having regard to any recent real estate transactions where available, with similar characteristics and locations to those of the Group's assets.

In most cases however, the determination of the fair value of investment properties requires the use of valuation models which use a number of judgements and assumptions. The only model used was the income capitalisation method. Under the income capitalisation method, a property's fair value is judged based on the normalised net operating income generated by the property, which is divided by the capitalisation rate (discounted by the investor's rate of return). Under the income capitalisation method, over (above market rent) and under-rent situations are separately capitalised (discounted).

The sensitivity analysis in note 7 details the decrease in the valuation of investment properties if equivalent yield increases by 50 basis points or rental rates (ERV) decreases by 5% which the Board believes are reasonable sensitivities to apply given historical movements in valuations.

Lease incentive accounting
As set out under Accounting Policy C(ii), rental income from those operating leases which include rent free provisions and stepped rent increases is recognised on a straight line basis over the lease term. During 2021, it was identified that there were historic leases dating back to 2016 where the required rent smoothing adjustments had not been applied. The total of these adjustments up to the end of the prior year (31 December 2020) amounted to £1,520,063.

Having considered the key financial measures of the Group, and the accumulated profile of this balance, the Directors are satisfied that the appropriate correction is a transfer of the identified adjustment from Capital Reserves to Retained Earnings in the current year.

This adjustment has no effect on the previously reported NAVs of the Group.

Fair value of financial instruments
When the fair value of financial assets and financial liabilities recorded in the Consolidated Balance Sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair value. The judgements include considerations of liquidity and model inputs such as credit risk (both own and counterparty's), correlation and volatility.

Changes in assumptions about these factors could affect the reported fair value of financial instruments. The models are calibrated regularly and tested for validity using prices from any observable current market transactions in the same instrument (without modification or repackaging) or based on any available observable market data.

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

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

Provision for impairment of receivables
Provision for impairment of receivables are also a key estimation uncertainty. These are measured with reference to amounts included as income at the year end but not yet collected. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Due to the impact of COVID-19 and geopolitical risk on collection rates, there remains an elevated assessed credit risk. Each individual rental income debtor is reviewed to assess whether it is believed there is a probability of default and expected credit loss given the knowledge of and intelligence about the individual tenant and an appropriate provision made.

2.3 Summary of significant accounting policies

A Basis of consolidation

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

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

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

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

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

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

B Functional and presentation currency

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

C Revenue Recognition

Revenue is recognised as follows:

i) Bank interest

Bank interest income is recognised on an accruals basis.

ii) Rental income

Rental income from operating leases is net of sales taxes and value added tax ("VAT") recognised on a straight line basis over the lease term including lease agreements with stepped rent increases. The initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income. The cost of any lease incentives provided are recognised over the lease term, on a straight line basis as a reduction of rental income. The resulting asset is reflected as a receivable in the Consolidated Balance Sheet.

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.

iii) Other income
The Group is classified as the principal in its contract with the managing agent. Service charges billed to tenants by the managing agent are therefore recognised gross.

iv) Property disposals
Where revenue is obtained by the sale of properties, it is recognised once the sale transaction has been completed, regardless of when contracts have been exchanged.

D Expenditure
All expenses are accounted for on an accruals basis. The investment management and administration fees, finance and all other revenue expenses are charged through the Consolidated Statement of Comprehensive Income as and when incurred. The Group also incurs capital expenditure which can result in movements in the capital value of the investment properties.

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

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

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

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

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

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

i) Reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments.
ii) Increased by the carrying amount of any liability to the superior leaseholder or freeholder (for properties held by the Group under operating leases) that has been recognised in the Balance Sheet as a finance lease obligation.

Acquisitions of investment properties are considered to have taken place on exchange of contracts unless there are significant conditions attached. For conditional exchanges acquisitions are recognised when these conditions are satisfied. Investment properties are derecognised when they have been disposed of and no future economic benefit is expected from their disposal. Any gains or losses on the disposal of investment properties are recognised in the Consolidated Statement of Comprehensive Income in the year of retirement or disposal.

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

G Investment properties held for sale
Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value (except for investment property measured using fair value model).

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

H Land
The Group’s land is capable of woodland creation and peatland restoration projects which would materially assist the Group’s transition to Net Zero.

Land is initially measured at cost including transaction costs. Transaction costs include transfer taxes and professional fees for legal services. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Land is not depreciated but instead, subsequent to initial recognition, recognised at fair value based upon periodic valuations provided by the external valuers. Gains or losses arising from changes in the fair values are included in the Consolidated Statement of Comprehensive Income in the year in which they arise.

I 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 expected credit 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.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

A provision for impairment of trade receivables is established where the Property Manager has indicated concerns over the recoverability of arrears based upon their individual assessment of all outstanding balances which incorporates forward looking information. Given this detailed approach, a collective assessment methodology applying a provision matrix to determine expected credit losses is not used.

The amount of the provision is recognised in the Consolidated Balance Sheet and any changes in provision recognised in the Statement of Comprehensive Income.

J 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.

K 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.

L Accounting for derivative financial instruments and hedging activities

Interest rate swaps are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured 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 are recognised.

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

M Service charge

IFRS15 requires the Group to determine whether it is a principal or an agent when goods or services are transferred to a customer. An entity is a principal if the entity controls the promised good or service before the entity transfers the goods or services to a customer. An entity is an agent if the entity's performance obligation is to arrange for the provision of goods and services by another party.

Any leases entered into between the Group and a tenant require the Group to provide ancillary services to the tenant such as maintenance works etc, therefore these service charge obligations belong to the Group. However, to meet this obligation the Group appoints a managing agent, Jones Lang Lasalle Inc "JLL" and directs it to fulfil the obligation on its behalf. The contract between the Group and the managing agent creates both a right to services and the ability to direct those services. This is a clear indication that the Group operates as a principal and the managing agent operates as an agent. Therefore it is necessary to recognise the gross service charge revenue and expenditure billed to tenants as opposed to recognising the net amount.

N Other financial liabilities

Trade and other payables are recognised and carried at invoiced value as they are considered to have payment terms of 30 days or less and are not interest bearing. The balance of trade and other payables are considered to meet the definition of an accrual and have been expensed through the Income Statement or Balance Sheet depending on classification. VAT payable at the Balance Sheet date will be settled within 31 days of the Balance Sheet date with Her Majesty's Revenue and Customs ("HMRC") and deferred rental income is rent that has been billed to tenants but relates to the period after the Balance Sheet date. Rent deposits recognised in note 13 as current 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 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, liquidity risk and capital 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 Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Market risk

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

i) Interest Rate risk

The Group invests cash balances with RBS, Citibank and Barclays. 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 14 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 15). The Group has floating rate borrowings of £110,000,000. The full £110,000,000 of these borrowings has been fixed via an interest rate swap.

The fair value of the interest rate swap is exposed to changes in the market interest rate as their fair value is calculated as the present value of the estimated future cash flows under the agreements. The accounting policy for recognising the fair value movements in the interest rate swaps is described in note 2.3 L.

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

The tables below set out the carrying amount of the Group's financial instruments excluding the amortisation of borrowing costs as outlined in note 14 Bank borrowings have been fixed due to an interest rate swap and is detailed further in note 15:

At 31 December 2021	**Fixed Rate**	**Variable Rate** **£**	**Interest Rate** **£**
Cash and cash equivalents	-	13,818,008	0.020%
Bank borrowings	110,000,000	-	2.725%

At 31 December 2020	**Fixed Rate**	**Variable Rate** **£**	**Interest Rate** **£**
Cash and cash equivalents	-	9,383,371	0.020%
Bank borrowings	110,000,000	-	2.725%

At 31 December 2021, if market rate interest rates had been 100 basis points higher, which is deemed appropriate given historical movements in interest rates, with all other variables held constant, the profit for the year would have been £138,180 higher (2020: £93,834 higher) as a result of the higher interest income on cash and cash equivalents. Other Comprehensive Income and the Capital Reserve would have been £1,657,653 higher (2020: £2,507,886 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 2021, 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 £138,180 lower (2020: £93,834 lower) as a result of the lower interest income on cash and cash equivalents. Other Comprehensive Income and the Capital Reserve would have been £1,657,731 lower (2020: £2,519,221 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 risk associated with the real estate portfolio. The risks following, in particular b and c and also credit risk have remained high given the ongoing COVID-19 pandemic and the resultant effect on tenants' ability to pay rent:

a) The cost of any development schemes may increase if there are delays in the planning process given the inflationary environment. The Group uses advisers who are experts in the specific planning requirements in the scheme's location in order to reduce the risks that may arise in the planning process.
b) major tenants may become insolvent causing a significant loss of rental income and a reduction in the value of the associated property (see also credit risk). To reduce this risk, the Group reviews the financial status of all prospective tenants and decides on the appropriate level of security required via rental deposits or guarantees.
c) The exposure of the fair values of the portfolio to market and occupier fundamentals. The Group aims to manage such risks by taking an active approach to asset management (working with tenants to extend leases and minimise voids), capturing profit (selling when the property has delivered a return to the Group that the Group believes has been maximised and the proceeds can be reinvested into more attractive opportunities) and identifying new investments (generally at yields that are accretive to the revenue account and where the Group believes there will be greater investment demand in the medium term).

Credit risk

Credit risk is the risk that a counterparty will be unable to meet a commitment that it has entered into with the Group. In the event of default by an occupational tenant, the Group will suffer a rental income shortfall and incur additional related costs. The Investment Manager regularly reviews reports produced by Dun and Bradstreet and other sources, including the MSCI 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 £5,418,733 (2020: £6,019,917) as detailed in note 11. The Investment Manager also has a detailed process to identify the expected credit loss from tenants who are behind with rental payments.

This involves a review of every tenant who owes money with the Investment Manager using their own knowledge and communications with the tenant to assess whether a provision should be made. This resulted in the provision for bad debts increasing to £2,990,034 at the year end (2020: £2,583,559).

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 2021 £1,392,240 (2020: £921,920) was placed on deposit with The Royal Bank of Scotland plc ("RBS"), £1,145,830 (2020: £7,749,473) was held with Citibank and £11,279,938 (2020: £711,978) was held with Barclays. The credit risk associated with the cash deposits placed with RBS is mitigated by virtue of the Group having a right to off-set the balance deposited against the amount borrowed from RBS should RBS be unable to return the deposits for any reason. Citibank is rated A-2 Stable by Standard & Poor's and P-2 Stable by Moody's. RBS is rated A-1 Stable by Standard & Poor's and P-1 Stable by Moody's. Barclays is rated A-1 Positive by Standard & Poor's and P-1 Stable by Moody's.

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

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

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

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

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

Year ended 31 December 2021	On demand £	12 months £	1 to 5 years £	>5 years £	Total £
Interest-bearing loans	—	1,744,875	110,436,219	—	112,181,094
Interest rate swaps	—	1,252,625	313,156	—	1,565,781
Trade and other payables	8,187,362	26,068	104,271	2,606,785	10,924,486
Rental deposits due to tenants	—	65,720	550,084	354,105	969,909
	8,187,362	**3,089,288**	**111,403,730**	**2,960,890**	**125,641,270**

Year ended 31 December 2020	On demand £	12 months £	1 to 5 years £	>5 years £	Total £
Interest-bearing loans	—	1,565,575	112,168,436	—	113,734,011
Interest rate swaps	—	1,431,925	1,789,906	—	3,221,831
Trade and other payables	4,986,275	26,068	104,271	2,632,853	7,749,467
Rental deposits due to tenants	—	736,793	521,194	334,673	1,592,660
	4,986,275	**3,760,361**	**114,583,807**	**2,967,526**	**126,297,969**

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

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

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

The gearing ratios at 31 December 2021 and at 31 December 2020 were as follows:

	2021	2020
	£	£
Total borrowings (excluding unamortised arrangement fees)	110,000,000	110,000,000
Gross assets	526,562,676	459,639,079
Gearing ratio (must not exceed 65%)	20.89%	23.93%

The Group also monitors the Loan-to-value ratio which is calculated as gross borrowings less cash divided by portfolio valuation. As at 31 December 2021 this was 19.2% (2020: 23.0%).

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 at amortised cost.

	Carrying Amount		Fair Value	
	2021	2020	2021	2020
Financial Assets	£	£	£	£
Cash and cash equivalents	13,818,008	9,383,371	13,818,008	9,383,371
Trade and other receivables	11,024,100	10,802,197	11,024,100	10,802,197
Financial Liabilities				
Bank borrowings	109,723,399	109,542,823	110,119,830	113,000,998

Interest rate swaps	568,036	3,735,254	568,036	3,735,254
Trade and other payables	8,359,405	5,797,386	8,359,405	5,797,386

The fair value of trade receivables and payables are materially equivalent to their amortised cost.

The fair value of the financial assets and liabilities are included at an estimate of the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used to estimate the fair value:

- Cash and cash equivalents, trade and other receivables and trade and other payables are the same as fair value due to the short-term maturities of these instruments.
- The fair value of bank borrowings is estimated by discounting future cash flows using rates currently available for debt on similar terms and remaining maturities. The fair value approximates their carrying values gross of unamortised transaction costs. This is considered as being valued at level 2 of the fair value hierarchy and has not changed level since 31 December 2020.
- 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 2020. The definition of the valuation techniques are explained in the significant accounting judgements, estimates and assumptions.

The below table shows an analysis of the fair values of financial assets and liabilities recognised in the Balance Sheet by the level 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.

Please see note 7 for details on the valuation of Investment properties.

Year ended 31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Financial assets				
Trade and other receivables	—	11,024,100	—	11,024,100
Cash and cash equivalents	13,818,008	—	—	13,818,008
Rental deposits held on behalf of tenants	904,189	—	—	904,189
Right of use asset	—	901,129	—	901,129

	Level 1	Level 2	Level 3	Total fair value
	14,722,197	**11,925,229**	**—**	**26,647,426**
Financial liabilities				
Trade and other payables	—	6,554,087	—	6,554,087
Interest rate swap	—	568,036	—	568,036
Bank borrowings	—	110,119,830	—	110,119,830
Obligations under finance leases	—	901,129	—	901,129
Rental deposits held on behalf of tenants	904,189	—	—	904,189
	904,189	**118,143,082**	—	**119,047,271**

Year ended 31 December 2020	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Trade and other receivables	—	10,802,197	—	10,802,197
Cash and cash equivalents	9,383,371	—	—	9,383,371
Rental deposits held on behalf of tenants	855,866	—	—	855,866
Right of use asset	—	902,645	—	902,645
	10,239,237	**11,704,842**		**21,944,079**
Financial liabilities				
Trade and other payables	—	4,038,874	—	4,038,874
Interest rate swap	—	3,735,254	—	3,735,254
Bank borrowings	—	113,000,998	—	113,000,998
Obligations under finance leases	—	902,645	—	902,645
Rental deposits held on behalf of tenants	855,866	—	—	855,866
	855,866	**121,677,771**	—	**122,533,637**

4 FEES

Investment management fees

On 19 December 2003 Standard Life Investments (Corporate Funds) Limited ("the Investment Manager") was appointed as Investment Manager to manage the property assets of the Group. A new Investment Management Agreement ("IMA") was entered into on 7 July 2014, appointing the Investment Manager as the AIFM ("Alternative Investment Fund Manager"). On 10 December 2018, the Investment Manager's contract was novated on the same commercial terms to Aberdeen Standard Fund Managers Limited.

From 1 July 2019, under the terms of the IMA the Investment Manager is entitled to investment management fees 0.70% of total assets up to £500 million; and 0.60% of total assets in excess of £500 million. The total fees charged for the year amounted to £3,301,074 (2020: £3,198,519). The amount due and

payable at the year end amounted to £893,048 excluding VAT (2020: £779,737 excluding VAT). In addition the Company paid the Investment Manager a sum of £160,250 excluding VAT (2020: £131,000 excluding VAT) to participate in the Manager's marketing programme and Investment Trust share plan.

Administration, secretarial fees
On 19 December 2003 Northern Trust International Fund Administration Services (Guernsey) Limited ("Northern Trust") was appointed administrator and secretary to the Group. Northern Trust is entitled to an annual fee, payable quarterly in arrears, of £65,000. Northern Trust is also entitled to reimbursement of reasonable out of pocket expenses. Total fees and expenses charged for the year amounted to £65,000 (2020: £65,000). The amount due and payable at the year end amounted to £16,250 (2020: £16,250).

Valuer's fee
Knight Frank LLP ("the Valuers"), external international real estate consultants, was appointed as valuers in respect of the assets comprising the property portfolio. The total valuation fees charged for the year amounted to £77,457 (2020: £84,638). The total valuation fee comprises a base fee for the ongoing quarterly valuation, and a one off fee on acquisition of an asset. The amount due and payable at the year end amounted to £21,246 excluding VAT (2020: £18,602 excluding VAT).

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

Auditor's fee
At the year end date Deloitte LLP continued as independent auditor of the Group. The audit fees for the year amounted to £111,540 (2020: £118,400) and relate to audit services provided for the 2021 financial year. Deloitte LLP did not provide any non-audit services in the year (2020: nil).

5 FINANCE INCOME AND COSTS

	2021 £	2020 £
Interest income on cash and cash equivalents	763	3,896
Finance income	763	3,896
Interest expense on bank borrowings	1,613,050	2,202,152
Non-utilisation charges on facilities	329,186	277,236
Payments on interest rate swap	1,383,547	1,038,749
Amortisation of arrangement costs (see note 14)	180,576	225,937
Finance costs	3,506,359	3,744,074

Of the finance costs above, £409,487 of the interest expense on bank borrowings and £247,093 of payments on interest rate swaps were accruals at 31 December 2021 and included in Trade and other payables.

6 TAXATION

UK REIT Status

The Group migrated tax residence to the UK and elected to be treated as a UK REIT with effect from 1 January 2015. As a UK REIT, the income profits of the Group's UK property rental business are exempt from corporation tax as are any gains it makes from the disposal of its properties, provided they are not held for trading or sold within three years of completion of development. The Group is otherwise subject to UK corporation tax at the prevailing rate.

As the principal company of the REIT, the Company is required to distribute at least 90% of the income profits of the Group's UK property rental business. There are a number of other conditions that also require to be met by the Company and the Group to maintain REIT tax status. These conditions were met in the period and the Board intends to conduct the Group's affairs such that these conditions continue to be met for the foreseeable future.

Accordingly, deferred tax is not recognised on temporary differences relating to the property rental business.

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

A reconciliation between the tax charge and the product of accounting profit multiplied by the applicable tax rate for the year ended 31 December 2021 and 2020 is as follows:

	2021 **£**	**2020** **£**
Profit/(loss) before tax	85,732,820	(15,782,067)
Tax calculated at UK statutory corporate tax rate of 19% (2020: 19%)	16,289,236	(2,998,593)
UK REIT exemption on net income	(2,789,236)	(3,166,216)
Valuation (gain)/loss in respect of investment properties not subject to tax	(13,500,000)	6,164,809
Current income tax charge	—	—

7 INVESTMENT PROPERTIES

	UK Industrial 2021 £	UK Office 2021 £	UK Retail 2021 £	UK Other 2021 £	Total 2021 £
Market value at 1 January	211,200,000	142,695,000	51,150,000	32,650,000	437,695,000
Purchase of investment properties	11,690,631	—	50,870	—	11,741,501
Capital expenditure on investment properties	125,634	1,712,322	(35,227)	16,500	1,819,229
Opening market value of disposed investment properties	(9,400,000)	(20,425,000)	(2,650,000)	—	(32,475,000)
Valuation gain from investment properties	58,043,007	1,580,786	7,762,099	3,282,595	70,668,487
Movement in lease incentives receivable	1,905,978	711,892	247,258	100,905	2,966,033
Market value at 31 December	273,565,250	126,275,000	56,525,000	36,050,000	492,415,250
Investment property recognised as held for sale	—	—	—	—	—
Market value net of held for sale at 31 December	273,565,250	126,275,000	56,525,000	36,050,000	492,415,250
Right of use asset recognised on leasehold properties	—	901,129	—	—	901,129
Adjustment for lease incentives	(4,405,288)	(2,921,649)	(808,188)	(667,169)	(8,802,294)
Carrying value at 31 December	269,159,962	124,254,480	55,716,812	35,382,831	484,514,085

The valuation gain on investment properties in the Statement of Comprehensive Income & Statement of Changes in Equity is adjusted by the lease incentive adjustment disclosed under Accounting Policies 2.2. in arriving at the £70,668,487 presented in the table within this note.

	UK Industrial 2020 £	UK Office 2020 £	UK Retail 2020 £	UK Other 2020 £	Total 2020 £
Market value at 1 January	252,800,000	163,305,000	42,270,000	34,800,000	493,175,000
Purchase of investment properties	5,099	623,074	20,669,581	—	21,297,754
Capital expenditure on investment properties	727,680	4,051,295	168,853	—	4,947,828
Opening market value of disposed investment properties	(41,100,000)	(10,700,000)	(3,980,000)	—	(55,780,000)
Valuation loss from investment properties	(2,093,045)	(15,149,700)	(8,286,927)	(2,110,552)	(27,640,224)
Movement in lease incentives receivable	860,266	565,331	308,493	(39,448)	1,694,642

Market value at 31 December	211,200,000	142,695,000	51,150,000	32,650,000	437,695,000
Investment property recognised as held for sale	—	(4,300,000)	—	—	(4,300,000)
Market value net of held for sale at 31 December	211,200,000	138,395,000	51,150,000	32,650,000	433,395,000
Right of use asset recognised on leasehold properties	—	902,645	—	—	902,645
Adjustment for lease incentives	(2,499,310)	(2,209,756)	(609,940)	(566,264)	(5,885,270)
Carrying value at 31 December	208,700,690	137,087,889	50,540,060	32,083,736	428,412,375

The valuations of investment properties were performed by Knight Frank LLP, accredited external valuers with recognised and relevant professional qualifications and recent experience of the location and category of the investment properties being valued. The valuation models used by Knight Frank are in accordance with Royal Institute of Chartered Surveyors ('RICS') requirements on disclosure for Regulated Purpose Valuations (RICS Valuation – Professional Standards January 2014 published by the Royal Institution of Chartered Surveyors) and are consistent with the principles in IFRS 13. The market value provided by Knight Frank at the year end was £492,415,250 (2020: £437,695,000) however an adjustment has been made for lease incentives of £8,802,294 (2020: £5,885,270) that are already accounted for as an asset. In addition, as required under IFRS 16, a right of use asset of £901,129 (2020: £902,645) has been recognised in respect of the present value of future ground rents and an amount of £901,129 (2020: £902,645) has also been recognised as an obligation under finance leases in the balance sheet, as explained in note 16.

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

	2021 **£**	**2020** **£**
Opening market value of disposed investment properties	32,475,000	55,780,000
Loss on disposal of investment properties	(634,368)	(4,806,137)
Net proceeds from disposal of investment properties	31,840,632	50,973,863

Valuation methodology
The fair values of completed investment properties are determined using the income capitalisation method.

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

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

investment properties.

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

The management group that determines the Company's valuation policies and procedures for property valuations is the Property Valuation Committee as. The Committee reviews the quarterly property valuation reports produced by the valuers before they are submitted to the Board, focusing in particular on:

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

The Chair 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 Chair submits an annual report to the Board summarising the Committee's activities during the year and the related significant results and findings.

The table below outlines the valuation techniques and inputs used to derive Level 3 fair values for each class of investment properties. The table includes:

- The fair value measurements at the end of the reporting period.
- The level of the fair value hierarchy (e.g. Level 3) within which the fair value measurements are categorised in their entirety.
- A description of the valuation techniques applied.
- Fair value measurements, quantitative information about the significant unobservable inputs used in the fair value measurement.
- The inputs used in the fair value measurement, including the ranges of rent charged to different units within the same building.

Sector 2021	**Fair Value 2021 £**	**Key Unobservable Input 2021**	**Range**	**(Weighted average)**
Industrial	273,565,250	▸ Initial Yield	0.00% to 7.49%	(4.48%)
		▸ Reversionary Yield	0.0% to 7.72%	(5.11%)
		▸ Equivalent Yield	0.0% to 7.00%	(5.07%)
		▸ Estimated rental value per sq ft	£4.00 to £9.50	(£6.19)
Office	126,275,000	▸ Initial Yield	2.71% to 6.28%	(4.77%)
		▸ Reversionary Yield	5.25% to 9.23%	(7.28%)
		▸ Equivalent Yield	5.16% to 8.17%	(6.84%)

		▸ Estimated rental value per sq ft	£17.00 to £46.09	(£26.19)
Retail	56,525,000	▸ Initial Yield	4.56% to 8.43%	(6.18%)
		▸ Reversionary Yield	5.25% to 7.48%	(5.83%)
		▸ Equivalent Yield	5.52% to 8.12%	(6.40%)
		▸ Estimated rental value per sq ft	£8.74 to £29.32	(£15.31)
Other	36,050,000	▸ Initial Yield	4.57% to 8.10%	(5.40%)
		▸ Reversionary Yield	4.39% to 7.90%	(5.22%)
		▸ Equivalent Yield	4.62% to 7.90%	(5.35%)
		▸ Estimated rental value per sq ft	£9.24 to £18.68	(£15.09)
	492,415,250			

Descriptions and definitions

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

Estimated rental value (ERV)

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

Equivalent yield

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

Initial yield

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

Reversionary yield

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

Sector 2020	Fair Value 2020 £	Key Unobservable Input 2020	Range	(Weighted average)
Industrial	211,200,000	▸ Initial Yield	0.00% to 8.08%	(5.54%)
		▸ Reversionary Yield	4.29% to 10.29%	(6.26%)
		▸ Equivalent Yield	4.26% to 8.55%	(6.21%)
		▸ Estimated rental value per sq ft	£2.75 to £8.50	(£5.70)
Office	142,695,000	▸ Initial Yield	0.00% to 13.36%	(5.24%)

		▸ Reversionary Yield	5.32% to 10.01%	(7.66%)
		▸ Equivalent Yield	5.23% to 8.55%	(7.11%)
		▸ Estimated rental value per sq ft	£10.25 to £111.00	(£25.54)
Retail	51,150,000	▸ Initial Yield	4.79% to 8.49%	(7.99%)
		▸ Reversionary Yield	5.12% to 7.84%	(6.83%)
		▸ Equivalent Yield	5.63% to 8.05%	(7.43%)
		▸ Estimated rental value per sq ft	£8.35 to £90.00	(£15.53)
Other	32,650,000	▸ Initial Yield	4.91% to 6.89%	(5.90%)
		▸ Reversionary Yield	5.03% to 6.90%	(5.80%)
		▸ Equivalent Yield	5.01% to 6.91%	(5.87%)
		▸ Estimated rental value per sq ft	£7.50 to £30.00	(£19.75)
	437,695,000			

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.

	2021	**2020**
ERV p.a.	£31,542,350	£32,180,024
Area sq ft	3,517,993	3,825,017
Average ERV per sq ft	£8.97	£8.41
Initial Yield	4.8%	5.8%
Reversionary Yield	4.8%	6.9%

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of completed investment property. The Board believe these are reasonable sensitivities given historic movements in valuations.

	2021 **£**	**2020** **£**
Increase in equivalent yield of 50 bps	(41,659,430)	(34,483,590)

Decrease of 5% in ERV	(19,561,811)	(17,437,618)

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 LAND

During the year, the Group acquired 1,471 hectares of the Ralia Estate. The land is capable of woodland creation and peatland restoration, projects which would materially assist the Group's transition to Net Zero. The acquisition of this site is unlike the existing portfolio in that it is not being held to create income or primarily for capital return.

Valuation methodology

The Land is held at fair value.

The Group appoints suitable valuers (such appointment is reviewed on a periodic basis) to undertake a valuation of the land on a quarterly basis. The valuation is undertaken in accordance with the current RICS guidelines by Knight Frank LLP whose credentials are set out in note 7.

Reconciliation of carrying amount	**2021**	**2020**
Cost		
Balance at the beginning of the year	—	—
Additions	8,001,550	—
Balance at the end of the year	8,001,550	—
Unrealised fair value gains/(losses)		
Balance at the beginning of the year	—	—
Valuation loss from land	(501,550)	—
Balance at the end of the year	(501,550)	—
Carrying amount as at 31 December	**7,500,000**	**—**

9 INVESTMENT PROPERTIES HELD FOR SALE

As at 31 December 2021, the Group was not actively seeking a buyer for any of the Investment Properties.

As at 31 December 2020, the Group was actively seeking a buyer for Interfleet House, Derby. The Group both exchanged contracts and completed this sale on 8 January 2021 for a price of £4,346,000.

10 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

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

The Group undertakings consist of the following 100% owned subsidiaries at the Balance Sheet date:

- Standard Life Investments Property Holdings Limited, a company with limited liability incorporated in Guernsey, Channel Islands.
- Standard Life Investments (SLIPIT) Limited Partnership, a limited partnership established in England.
- Standard Life Investments SLIPIT (General Partner) Limited, a company with limited liability incorporated in England.
- Standard Life Investments SLIPIT (Nominee) Limited, a company with limited liability incorporated and domiciled in England.
- Hagley Road Limited, a company with limited liability incorporated in Jersey, Channel Islands.

11 TRADE AND OTHER RECEIVABLES

	2021 £	2020 £
Trade receivables	8,408,767	8,603,476
Less: provision for impairment of trade receivables	(2,990,034)	(2,583,559)
Trade receivables (net)	5,418,733	6,019,917
Rental deposits held on behalf of tenants	65,720	736,793
Other receivables	5,539,647	4,045,487
Total trade and other receivables	11,024,100	10,802,197

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

	2021 £	2020 £
Opening balance	(2,583,559)	(138,593)
Charge for the year	(406,475)	(2,444,966)
Closing balance	(2,990,034)	(2,583,559)

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

The trade receivables above relate to rental income receivable from tenants of the investment properties. When a new lease is agreed with a tenant the Investment Manager performs various money laundering checks and makes a financial assessment to determine the tenant's ability to fulfil 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 at 31 December 2021, trade receivables of £2,990,034 (2020: £2,583,559) were considered impaired and provided for.

If the provision for impairment of trade receivables increased by £1 million then the Company's earnings and net asset value would decrease by £1 million. If it decreased by £1 million then the Company's earnings and net asset value would increase by £1 million.

The ageing of these receivables is as follows:

	2021 £	2020 £
0 to 3 months	(162,132)	(252,550)
3 to 6 months	(451,417)	(705,740)
Over 6 months	(2,376,485)	(1,625,269)
Closing balance	(2,990,034)	(2,583,559)

As of 31 December 2021, trade receivables of £5,418,733 (2020: £6,019,917) were less than 3 months past due but considered not impaired.

12 CASH AND CASH EQUIVALENTS

	2021	2020
	£	£
Cash held at bank	12,425,768	8,461,451
Cash held on deposit with RBS	1,392,24	921,920
	0	
	13,818,008	**9,383,371**

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.

13 TRADE AND OTHER PAYABLES

	2021	2020
	£	£
Trade and other payables	6,488,367	3,302,081
VAT payable	1,698,995	1,684,195
Deferred rental income	5,365,375	7,372,985
Rental deposits due to tenants	65,720	736,793
	13,618,457	**13,096,054**

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

14 BANK BORROWINGS

	2021 £	2020 £
Loan facility and drawn down outstanding balance	110,000,000	110,000,000
Opening carrying value	109,542,823	127,316,886
Borrowings during the year	—	27,000,000
Repayment of RCF	—	(45,000,000)
Amortisation of arrangement costs	180,576	225,937
Closing carrying value	109,723,399	109,542,823

On 28 April 2016 the Group entered into an agreement to extend £145 million of its existing £155 million debt facility with Royal Bank of Scotland (“RBS”), now Royal Bank of Scotland International (“RBSI”). The debt facility consisted of a £110 million seven year term loan facility and a £35 million five year Revolving Credit Facility (“RCF”) which was extended by two years in May 2018 with the margin on the RCF reset to LIBOR plus 1.45%. Interest was payable on the Term Loan at 3 month LIBOR plus 1.375% which equates to a fixed rate of 2.725% on the Term Loan.

In June 2019, the Group also entered into a new arrangement with RBSI to extend its RCF by £20 million. This facility had a margin of 1.60% above LIBOR. As at 31 December 2021 none of the RCF was drawn (2020: £nil).

The London Interbank Offer Rate (LIBOR) was one of the main interest rate benchmarks used in financial markets to determine interest rates for financial contracts globally. The low volume of underlying transactions since the global financial crisis in 2008/2009 made LIBOR unsustainable and as a result, and in line with announcements from the Financial Conduct Authority (FCA), 24 of the 35 LIBOR settings ceased from 1 January 2022. Various risk free rates are available as an alternative to LIBOR including the Sterling Overnight Index Average (SONIA) benchmark.

The Group has taken steps, before the date of transition, to ensure that any exposure to LIBOR was identified with actions taken to rebase and re-document any financial contracts where LIBOR was previously used. This led to minor amendments to operational processes to cater for this change but there is not expected to be a material impact on the assets and liabilities of the Group as a result of the phase out of LIBOR. The switch to SONIA took effect from the first interest payment date following cessation of LIBOR (20th January 2022).

Under the terms of the loan facility there are certain events which would entitle RBSI to terminate the loan facility and demand repayment of all sums due. Included in these events of default is the financial undertaking relating to the LTV percentage. The loan agreement notes that the LTV percentage is calculated as the loan amount less the amount of any sterling cash deposited within the security of RBSI divided by the gross secured property value, and that this percentage should not exceed 60% for the period to and including 27 April 2021 and should not exceed 55% after 27 April 2021 to maturity

	2021 £	2020 £
Loan amount	110,000,000	110,000,000
Cash	(13,818,008)	(9,383,371)
	96,181,992	100,616,629
Portfolio valuation	499,915,250	437,695,000
LTV percentage	19.2%	23.0%

Other loan covenants that the Group is obliged to meet include the following:

- that the net rental income is not less than 150% of the finance costs for any three month period;
- that the largest single asset accounts for less than 15% of the Gross Secured Asset Value;
- that the largest ten assets accounts for less than 75% of the Gross Secured Asset Value;
- that sector weightings are restricted to 55%, 45% and 55% for the Office, Retail and Industrial sectors respectively;
- that the largest tenant accounts for less than 20% of the Group's annual net rental income;
- that the five largest tenants account for less than 50% of the Group's annual net rental income;
- that the ten largest tenants account for less than 75% of the Group's annual net rental income.

During the year, the Group complied with its obligations and loan covenants under its loan agreement.

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

15 INTEREST RATE SWAP

As part of the refinancing of loans (see note 14), on 28 April 2016 the Group completed an interest rate swap of a notional amount of £110,000,000 with RBS, now RBSI. The interest rate swap effective date is 28 April 2016 and it has a maturity date of 27 April 2023. 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 1.35%.

The interest rate swap is the Group's only hedging instrument and the "interest rate benchmark reform" amendments have been applied to it. The switch to SONIA took effect from the first interest payment date following cessation of LIBOR (20th January 2022).

	2021 £	2020 £

Opening fair value of interest rate swaps at 1 January	(3,735,254)	(2,220,616)
Valuation (loss)/gain on interest rate swaps	3,167,218	(1,514,638)
Closing fair value of interest rate swaps at 31 December	(568,036)	(3,735,254)

The split of the swap liability is listed below.

	2021 **£**	**2020** **£**
Current liabilities	(546,526)	(1,472,387)
Non-current liabilities	(21,510)	(2,262,867)
Total fair value	(568,036)	(3,735,254)

16 OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments 2021 **£**	**Interest 2021** **£**	**Present value of minimum lease payments 2021** **£**
Less than one year	26,068	(24,511)	1,557
Between two and five years	104,271	(97,607)	6,664
More than five years	2,606,785	(1,713,877)	892,908
Total	2,737,124	(1,835,995)	901,129

	Minimum lease payments 2020 **£**	**Interest 2020** **£**	**Present value of minimum lease payments 2020** **£**
Less than one year	26,068	(24,552)	1,516

Between two and five years	104,271	(97,784)	6,487
More than five years	2,632,853	(1,738,211)	894,642
Total	2,763,192	(1,860,547)	902,645

The above table shows the present value of future lease payments in relation to the ground lease payable at Hagley Road, Birmingham as required under IFRS 16. A corresponding asset has been recognised and is part of Investment properties as shown in note 7.

17 LEASE ANALYSIS

The Group has granted leases on its property portfolio. This property portfolio as at 31 December 2021 had an average lease expiry of six years and one month. 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:

	2021 **£**	**2020** **£**
Within one year	24,857,300	26,667,702
Between one and two years	22,613,540	24,233,138
Between two and three years	19,869,754	21,755,932
Between three and four years	14,371,388	17,825,125
Between four and five years	10,352,802	12,404,878
More than five years	44,233,215	60,572,038
Total	136,297,999	163,458,813

The largest single tenant at the year end accounts for 6.1% (2020: 5.6%) of the current annual passing rent.

18 SHARE CAPITAL

Under the Company's Articles of Incorporation, the Company may issue an unlimited number of ordinary shares of 1 pence each, subject to issuance limits set at the AGM each year. As at 31 December 2021 there were 396,922,386 ordinary shares of 1p each in issue (2020: 404,316,422). 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:

	2021 £	2020 £
Opening balance	228,383,857	227,431,057
Shares issued	—	960,000
Issue costs associated with new ordinary shares	—	(7,200)
Closing balance	228,383,857	228,383,857

Treasury Shares

From November 2020, the Company undertook a share buyback programme at various levels of discount to the prevailing NAV. In the period to 31 December 2021 7,394,036 shares had been bought back (2020: 2,548,997) for £4,540,630 after costs (2020: £1,450,787) and are included in the Treasury share reserve.

	2021 £	2020 £
Opening balance	1,450,787	—
Bought back during the year	4,540,630	1,450,787
Closing balance	5,991,417	1,450,787

The number of shares in issue as at 31 December 2021/2020 are as follows:

	2021 Number of shares	2020 Number of shares
Opening balance	404,316,422	405,865,419
Issued during the year	—	1,000,000
Bought back during the year and put into Treasury	(7,394,036)	(2,548,997)
Closing balance	396,922,386	404,316,422

19 RESERVES

The detailed movement of the below reserves for the years to 31 December 2021 and 31 December 2020 can be found in the Consolidated Statement of Changes in Equity.

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

Capital reserves
This reserve represents realised gains and losses on disposed investment properties and unrealised valuation gains and losses on investment properties and cash flow hedges since the Company's launch.

Other distributable reserves
This reserve represents the share premium raised on launch of the Company which was subsequently converted to a distributable reserve by special resolution dated 4 December 2003.

20 EARNINGS PER SHARE

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

The earnings per share for the year is set out in the table below. In addition one of the key metrics the Board considers is dividend cover.

This is calculated by dividing the net revenue earnings in the year (profit for the year net of tax excluding all capital items and the swaps breakage costs) divided by the dividends payable in relation to the financial year. For 2021 this equated to a figure of 98% (2020: 108%). The following reflects the income and share data used in the basic earnings per share computations:

	2021	**2020**
	£	**£**
Profit for the year net of tax	85,732,820	(15,782,067)
	2021	**2020**
	£	**£**
Weighted average number of ordinary shares outstanding during the year	398,041,380	406,650,268
Earnings per ordinary share (p)	21.54	(3.88)

Profit for the year excluding capital items	14,680,188	16,664,294
EPRA earnings per share (p)	3.69	4.10

21 DIVIDENDS AND PROPERTY INCOME DISTRIBUTION GROSS OF INCOME TAX

			2021					2020		
Dividends	**PID pence**	**Non-PID pence**	**Total pence**	**PID £**	**Non-PID £**	**PID pence**	**Non-PID pence**	**Total pence**	**PID £**	**Non-PID £**
Quarter to 31 December of prior year (paid in February)	0.7140	—	0.7140	2,878,508	—	0.6290	0.5610	1.1900	2,557,687	2,284,011
Top-up for 2020 (paid in May)	0.3810	—	0.3810	1,512,274	—	—	—	—	—	—
Quarter to 31 March (paid in May)	0.8925	—	0.8925	3,542,532	—	0.9520	0.2380	1.1900	3,873,359	968,340
Quarter to 30 June (paid in August)	0.8925	—	0.8925	3,542,532	—	0.7140	—	0.7140	2,905,019	—
Quarter to 30 September (paid in November)	0.2519	0.6406	0.8925	999,848	2,542,685	0.7140	—	0.7140	2,905,019	—
Total dividends paid	3.1319	0.6406	3.7725	12,475,694	2,542,685	3.0090	0.7990	3.8080	12,241,084	3,252,351
Quarter to 31 December of current year (paid after year end)	0.7910	0.2090	1.0000	3,138,371	—	0.7140	—	0.7140	2,878,508	—
Prior year dividends (per above)	(0.7140)	—	(0.7140)	(2,878,508)	—	(0.6290)	(0.5610)	(1.1900)	(2,557,687)	(2,284,011)
Total dividend for year	3.2089	0.8496	4.0585	12,735,557	2,542,685	3.0940	0.2380	3.3320	12,561,905	968,340

On 25 February 2022 a dividend in respect of the quarter to 31 December 2021 of 1.0 pence per share was paid split as 0.791p Property Income Distribution, and 0.209p Non Property Income Distribution.

22 RECONCILIATION OF CONSOLIDATED NAV TO PUBLISHED NAV

The NAV attributable to ordinary shares is published quarterly and is based on the most recent valuation of the investment properties.

	2021	2020
Number of ordinary shares at the reporting date	396,922,386	404,316,422

	2021 £	2020 £
Total equity per audited consolidated financial statements	400,847,466	331,506,437
NAV per share (p)	101.0	82.0

23 RELATED PARTY DISCLOSURES

Directors' remuneration
The Directors of the Company are deemed as key management personnel and received fees for their services. Further details are provided in the Directors' Remuneration Report (unaudited). Total fees for the year were £221,742 (2020: £236,953) none of which remained payable at the year end (2020: nil).

Aberdeen Standard Fund Managers Limited, as the Manager of the Group from 10 December 2018, (previously Standard Life Investments (Corporate Funds) Limited), received fees for their services as Investment Managers. Further details are provided in note 4.

	2021	2020
Robert Peto*	—	30,077
Huw Evans	36,000	36,000
Mike Balfour	40,000	40,000
James Clifton-Brown**	47,000	39,638
Jill May	36,000	36,000
Sarah Slater	36,000	36,000
Employers national insurance contributions	17,338	18,737
	212,338	236,452
Directors expenses	9,404	501

	221,742	236,953

* Retired from the Board on 25 August 2020.

** Appointed as Chairman from 25 August 2020.

24 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.

25 CAPITAL COMMITMENTS

The Group had contracted capital commitments as at 31 December 2021 of £11.9 million (31 December 2020: £nil). The commitment is to forward fund a new industrial development in St Helens.

26 EVENTS AFTER THE BALANCE SHEET DATE

On 25 February 2022 a dividend in respect of the quarter to 31 December 2021 of 1.0 pence per share was paid split as 0.791p Property Income Distribution, and 0.209p Non Property Income Distribution.

On 14 April 2022, the Company completed the purchase of the Motorpoint car showroom in Stockton-on-Tees for £5m.

Events in Russia/Ukraine

Post the Balance Sheet date, on 24th February 2022, Russia launched a military offensive against Ukraine resulting in widespread sanctions on Russia and heightened security and cyber threats.

As at the date of the report the Company did not hold any assets in Ukraine or Russia. The Company’s key suppliers also do not have operations pertaining to the Company in Ukraine or Russia.

The situation in the region is rapidly evolving and the Board and Investment Manager continue to monitor the situation carefully and will take whatever steps are necessary and in the best interests of the Company’s Stakeholders. This includes but is not limited to ensuring that the requirements of all international sanctions are adhered to, managing the assets of the Company proactively to best mitigate risk and ensuring that the Investment Manager and other key suppliers continue to operate all protections, protocols and monitoring of heightened cyber threats

This Annual Financial Report announcement is not the Company's statutory accounts for the year ended 31 December 2021. The statutory accounts for the year ended 31 December 2021 received an audit report which was unqualified.

The Annual Report will be posted to shareholders in May 2022 and will be available by download from the Company's webpage (www.slipit.co.uk).

Please note that past performance is not necessarily a guide to the future and that the value of investments and the income from them may fall as well as rise. Investors may not get back the amount they originally invested.

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