



IRP Property Investments Limited

Interim Report

For the six months ended

31 December 2010

Company Summary

Objective

To provide ordinary shareholders with an attractive level of income together with the potential for capital and income growth from investing in a diversified UK commercial property portfolio.

Investment Managers

F&C Investment Business Limited, a wholly owned subsidiary of F&C Asset Management. The investment management of the Company has been delegated to F&C REIT Asset Management.

Total Assets Less Current Liabilities

£165.2 million at 31 December 2010

Shareholders' Funds

£95.9 million at 31 December 2010

Capital Structure

At launch, on 1 June 2004, the Company had a capital structure comprising approximately

60 per cent ordinary shares and 40 per cent bank debt.

Ordinary shareholders are entitled to all dividends declared by the Company and to all the Company's assets after repayment of its borrowings. As at 31 December 2010 borrowings consisted of a loan of £60 million drawn down for a period of ten years to 10 January 2017. The loan carries interest at 0.50 per cent over LIBOR for the first three years and 0.45 per cent thereafter; this variable rate had been fixed through an interest rate swap, which matures on 10 January 2017. This swap fixes interest payable on the initial drawdown at 5.65 per cent per annum for the first three years and 5.60 per cent per annum thereafter.

ISA/PEP Status

The Company's shares are eligible for Individual Savings Accounts (ISAs) and PEP transfers.

Financial Highlights and Performance Summary

Financial Highlights

- Net asset value per share total return since launch of 37.3 per cent
- Net asset value per share total return of 5.9 per cent for the 6 months
- Portfolio ungeared total return of 4.2 per cent for the 6 months
- Share price total return of 2.3 per cent for the 6 months
- Dividend of 3.6 pence per share for the period
- Dividend yield of 8.7 per cent as at 31 December 2010

Performance Summary

Total Return

	Six months to 31 December 2010
Net asset value per share*	5.9%
Ordinary Share price*	2.3%
Investment Property Databank UK All Quarterly and Monthly Valued Funds	5.2%
FTSE All-Share Index*	22.0%

Capital Values

	31 December 2010	30 June 2010	Change
Total assets less current liabilities £000's	165,170	162,095	1.9%
Net asset value per share	86.8p	85.4p	1.6%
Ordinary Share price	82.5p	84.3p	(2.1)%
Investment Property Databank UK Quarterly and Monthly Valued Funds Index	94.1	92.2	2.1%
FTSE All-Share Index	3,062.9	2,543.5	20.4%
Discount to net asset value per share	5.0%	1.3%	
Net Gearing†	32.6%	33.6%	

* Total return assumes that gross dividends are reinvested

† (Bank debt less net current assets) ÷ fair value of portfolio.

Sources: F&C Investment Business, Investment Property Databank ('IPD'), and Datastream.

Chairman's Statement

The UK commercial property market continued to see positive performance during the second half of 2010 with capital growth of 2.1 per cent, according to the Investment Property Databank ('IPD') All Quarterly and Monthly Funds Index and a total return over the period of 5.2 per cent. The Company's property portfolio recorded a total return of 4.2 per cent for the six month period to 31 December 2010. This under-performance over the last six months can primarily be attributed to the portfolios lack of exposure to Central London offices or shopping centres. The portfolio has outperformed IPD over three and five years. The Company benefited from its use of borrowings which enhanced returns and the net asset value ('NAV') total return per share for the period was 5.9 per cent, with the NAV per share at the period end at 86.8 pence.

The share price has continued to trade close to the net asset value with a discount of 5.0 per cent at the period end. The share price has traded around this level of discount for a number of months now which is perhaps an indication that the market is not predicting much capital growth in UK commercial property in the near term.

Dividends

The Company is currently paying an annualised dividend of 7.2 pence per share in the form of quarterly interim dividends of 1.80 pence per share, a yield of 8.7 per cent on the period end share price. The first interim dividend for the year ending 30 June 2011 was paid in December 2010, with a second interim dividend of 1.80 pence per

share to be paid on 25 March 2011 to shareholders on the register on 4 March 2011. The Board remains comfortable with the Company's position relative to its banking covenants and with its level of income collection and is therefore happy to confirm that, in the absence of unforeseen circumstances, it intends to pay a further two dividends at this rate in respect of the current financial year.

Borrowings

The Company is in a relatively strong financial position with a long term facility of £75 million available until 2017. £60 million of this facility has been drawn down to date and, as at 31 December 2010, the loan to value ratio ('LTV') was 32.6 per cent, net of current assets and liabilities of £9.8 million. This remains comfortably within the LTV restriction of 60 per cent. The other principal covenant is the amount by which rental income covers interest, with a minimum restriction of 150 per cent. As at 31 December the interest rate cover was 218 per cent, providing significant headroom.

The interest rate on the £60 million loan has been fixed with an interest rate swap at 5.60 per cent. The valuation of the swap was a liability on the balance sheet as at 31 December of £8.9 million. This liability will reduce as the swap gets closer to its expiry date in 2017 and would be expected to decrease if interest rates increase from their current low levels.

Property Market

The second half of the year saw a more subdued performance from that witnessed in

the first half of 2010. Offices and retail both outperformed the all property average with industrials lagging but performance was uneven within sectors. Central London offices were the strongest part of the property market but capital values turned negative for offices outside London during the period. Performance was generally weaker in the regions than in London and the South East.

Rental values stabilised during the period, with growth in Central London office and shop rents offsetting rental falls in most other parts of the market. Occupational demand is generally muted and driven by lease events rather than expansion but there are patches of rental growth in areas where supply is tight.

Portfolio

The Company sold 88–90 The Parade, Leamington Spa for £3.6 million reflecting a net initial yield of 4.9 per cent. The sale price was significantly ahead of the valuation of £3.3 million, and its book cost of £2.8 million. The property is let to Superdrug Stores plc at £188,250 per annum for a further 9.7 years. The property was sold to reduce the Company's exposure to Leamington Spa where it also owns 30–40, The Parade, which has a current valuation of £10.5 million.

The Company has actively managed its portfolio with a view to maintaining and enhancing income streams and the portfolio enjoys a relatively low void rate. Further new

lettings have seen the vacant area (as measured by estimated rental value) fall from 2.1 per cent to 1.5 per cent over the period.

This low figure compares very favourably with the IPD void rate average of 8.1 per cent.

The Company re-let the entire property at Chippenham Drive, Milton Keynes with effect from the lease expiry date of 30 September 2010, to the sub-tenant in occupation. The warehouse premises comprising an area 73,600 square feet were let for five years at an annual rent rising to £406,000 per annum. The Company has also re-let Unit 7, Lakeside Road, Colnbrook at a rent of £121,950 per annum for a term of five and a half years.

As at 31 December 2010 the average weighted unexpired lease term for the Company's portfolio was 7.8 years.

Outlook

With 2011 set to be another testing year, the focus remains on the maintenance of income streams and keeping vacant property to a minimum. There is expectation in the market that capital values will fall slightly during the year, particularly on properties which are secondary in nature, although total returns are expected to be positive.

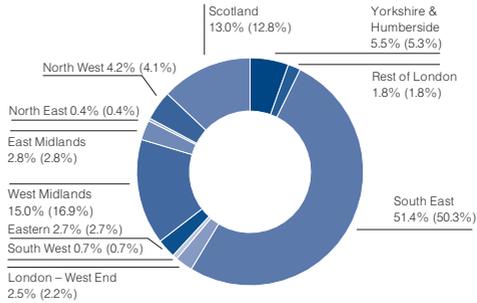
Quentin Spicer

Chairman

28 February 2011

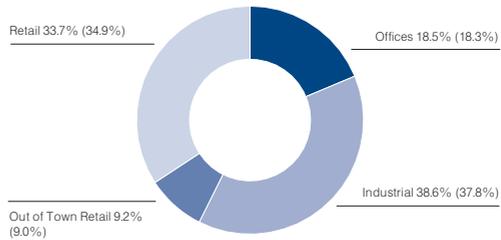
Portfolio Statistics

Geographical Analysis as at 31 December 2010 (figures as at 30 June 2010 in brackets)



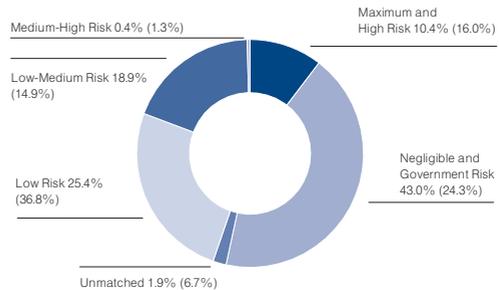
Sector Analysis

as at 31 December 2010
(figures as at 30 June 2010
in brackets)



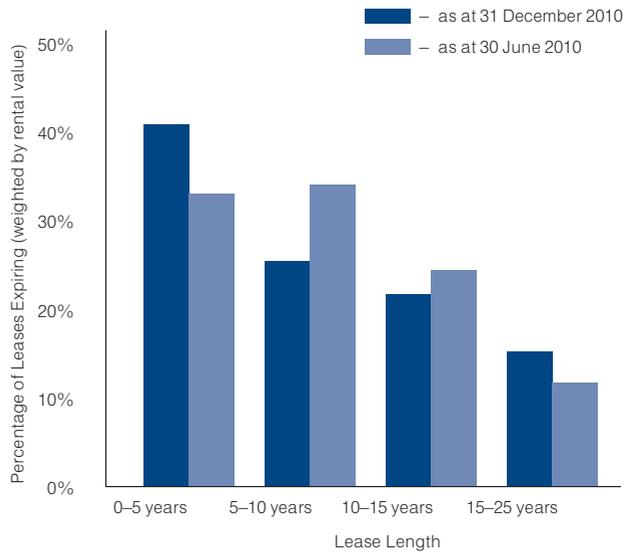
Covenant Strength

as at 31 December 2010
(figures as at 30 June 2010
in brackets)



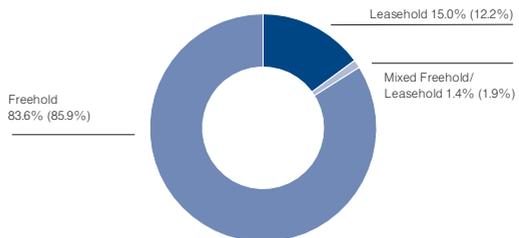
As measured by: Investment Property Databank (IPD)

Lease Expiry Profile



As at 31 December 2010 the average lease length for the portfolio, assuming all break options are exercised, was 7.8 years (as at 30 June 2010: 7.7 Years)

Tenure Analysis as at 31 December 2010 (figures as at 30 June 2010 in brackets)



Property Portfolio

as at 31 December 2010

Property	Sector	Book Cost £'000	Fair Value £'000†	% of Total Assets (less current liabilities)
Banbury, 3663 Unit, Echo Park	Industrial	14,751	17,003‡	10.3%
Colnbrook, Units 1-8 Lakeside Road	Industrial	10,845	12,050	7.3%
Eastleigh, Southampton International Park	Industrial	11,375	11,350	6.9%
Leamington Spa, 30-40 The Parade & 47/59a Warwick Street	Retail	9,340	10,520	6.4%
Bellshill, Mercury House, Strathclyde Business Park	Offices	11,680	9,600	5.8%
Hemel Hempstead, Hemel Gateway	Industrial	8,510	8,750	5.3%
York, Clifton Moor Gate *	Retail Warehouse	8,550	8,590	5.2%
Edinburgh, 1-2 Lochside Way, Edinburgh Park	Offices	15,166	8,120	4.9%
Rugby, Swift House, Cosford Lane *	Industrial	6,700	6,190	3.7%
Nelson, Churchill Way	Retail Warehouse	5,566	5,680	3.4%
Ten largest property holdings		102,483	97,853	59.2%
Winchester, 7-8 High St. & 50 Colebrook Street	Retail	4,720	5,490	3.3%
Guildford, 51-53 High Street	Retail	3,940	4,750	2.9%
Brookwood, The Clock Tower	Offices	5,160	4,575	2.8%
Sutton Coldfield, 63-67 The Parade	Retail	4,330	4,500	2.7%
Nottingham, Standard Hill	Offices	4,710	4,450	2.7%
London SW1, 24 Haymarket & 1/2 Panton Street *	Retail	2,974	3,850	2.3%
Milton Keynes, Site E Chippenham Drive	Industrial	4,730	3,450	2.1%
Southampton, Units 1 & 2, Above Bar Church *	Retail	4,161	3,140	1.9%
Sunningdale, 53/79 Chobham Road, Berkshire	Retail	1,912	2,950	1.8%
Croydon, 17, 19 & 21 George Street	Retail	2,980	2,865	1.7%
Twenty largest property holdings		142,100	137,873	83.4%
Edinburgh, 100A Princes Street	Retail	2,395	2,480	1.5%
Rayleigh, 81/87 High Street.	Retail	1,770	2,325	1.4%
Nuneaton, 1-2 Church Street	Retail	1,890	2,200	1.3%
Marlow, Globe Park, Unit GP9	Offices	3,780	2,040	1.2%
Wickford, 12/20 High Street	Retail	1,310	1,910	1.2%
Guildford, 7/11 Bridge Street	Retail	2,449	1,780	1.1%
Brighton, 2-3 Pavilion Buildings *	Retail	1,760	1,485	0.9%
Swindon, Unit 5, Newcombe Drive	Industrial	1,280	1,125	0.7%
Newbury, 25 Northbrook Street *	Retail	630	660	0.4%
South Shields, 67/69 King Street	Retail	1,120	625	0.4%
Thirty largest property holdings		160,484	154,503	93.5%
Rochdale, 40 Yorkshire Street	Retail	730	445	0.3%
Rochdale, 42 Yorkshire Street	Retail	570	440	0.3%
Total property portfolio		161,784	155,388	94.1%
Net current assets			9,782	5.9%
Total assets less current liabilities			165,170	100.0%

* Leasehold Property.

† Based upon market value.

‡ The market value of Banbury is £17,875,000. The difference between the market value and the fair value is the reverse lease surrender premium of £872,000 which is recorded in the accounts as a current asset.

Consolidated Statement of Comprehensive Income

	Notes	Six months to 31 December 2010 (unaudited) £'000	Six months to 31 December 2009 (unaudited) £'000	Year to 30 June 2010 (audited) £'000
Revenue				
Rental income		5,797	5,722	11,651
Gains on investment properties	2	1,357	14,555	20,218
Total income		7,154	20,277	31,869
Expenditure				
Investment management fee		(544)	(524)	(1,064)
Direct operating expenses of let rental property		(328)	(222)	(526)
Provision for bad debts		30	(47)	(99)
Administrative fee		(35)	(27)	(61)
Valuation and other professional fees		(69)	(65)	(136)
Directors' fees		(52)	(52)	(105)
Other expenses		(124)	(115)	(237)
Total expenditure		(1,122)	(1,052)	(2,228)
Net operating profit before finance costs		6,032	19,225	29,641
Net finance costs				
Interest receivable		33	94	120
Finance costs		(1,717)	(1,735)	(3,436)
		(1,684)	(1,641)	(3,316)
Net profit from ordinary activities before taxation		4,348	17,584	26,325
Taxation on profit on ordinary activities		(246)	–	(241)
Net profit for the period		4,102	17,584	26,084
Other comprehensive income:				
Net profit/(loss) on cash flow hedges net of tax		1,451	(846)	(4,335)
Net comprehensive gain for the period, net of tax		5,553	16,738	21,749
Basic and diluted earnings per share	3	3.7p	15.9p	23.6p

This financial information has been prepared on the basis of the accounting standards and policies set out in the Annual Report and Accounts for the year ended 30 June 2010.

All items in the above statement derive from continuing operations.

All of the profit/(loss) for the period is attributable to the owner.

Consolidated Balance Sheet

	Notes	31 December 2010 (unaudited) £'000	31 December 2009 (unaudited) £'000	30 June 2010 (audited) £'000
Non-current assets				
Investment properties		155,388	151,791	157,609
Current assets				
Trade and other receivables		3,142	1,945	2,478
Cash and cash equivalents		10,679	10,386	8,761
		13,821	12,331	11,239
Total assets		169,209	164,122	168,848
Non-current liabilities				
Interest-bearing bank loan		(60,365)	(60,322)	(60,335)
Interest rate swap		(8,902)	(6,863)	(10,352)
		(69,267)	(67,185)	(70,687)
Current liabilities				
Trade and other payables		(4,039)	(3,641)	(3,833)
Total liabilities		(73,306)	(70,826)	(74,520)
Net assets		95,903	93,296	94,328
Represented by:				
Share capital		1,105	1,105	1,105
Special distributable reserve		93,082	95,456	94,314
Capital reserve		10,618	3,598	9,261
Other reserve		(8,902)	(6,863)	(10,352)
Equity shareholders' funds		95,903	93,296	94,328
Net asset value per share	4	86.8p	84.4p	85.4p

Consolidated Statement of Changes in Equity

	Notes	Six months to 31 December 2010 (unaudited) £'000	Six months to 31 December 2009 (unaudited) £'000	Year to 30 June 2010 (audited) £'000
Opening net assets		94,328	80,535	80,535
Net profit for the period		4,102	17,584	26,084
Dividends paid	5	(3,978)	(3,977)	(7,956)
Movement in other reserve		1,451	(846)	(4,335)
Closing net assets		95,903	93,296	94,328

Consolidated Statement of Cash Flow

	Six months to 31 December 2010 (unaudited) £'000	Six months to 31 December 2009 (unaudited) £'000	Year to 30 June 2010 (audited) £'000
Cash flows from operating activities			
Net operating profit for the period before taxation	4,348	17,584	26,325
Adjustments for:			
Gains on investment properties	(1,357)	(14,555)	(20,218)
(Increase)/decrease in operating trade and other receivables	(664)	294	(240)
Increase/(decrease) in operating trade and other payables	28	(104)	(120)
Net finance costs	1,684	1,641	3,316
	4,039	4,860	9,063
Taxation	(45)	–	–
Net cash inflow from operating activities	3,994	4,860	9,063
Cash flows from investing activities			
Purchase of investment properties	–	(5,538)	(5,537)
Capital expenditure	(47)	(29)	(180)
Sale of investment properties	3,625	217	212
Interest received	33	94	120
Net cash inflow/(outflow) from investing activities	3,611	(5,256)	(5,385)
Cash flows from financing activities			
Dividends paid	(3,978)	(3,978)	(7,956)
Bank loan interest paid	(288)	(342)	(706)
Payments under interest swap arrangement	(1,421)	(1,372)	(2,729)
Net cash outflow from financing activities	(5,687)	(5,692)	(11,391)
Net increase/(decrease) in cash and cash equivalents	1,918	(6,088)	(7,713)
Opening cash and cash equivalents	8,761	16,474	16,474
Closing cash and cash equivalents	10,679	10,386	8,761

Notes to the Interim Report

for the six months to 31 December 2010

1. The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), IAS 34 'Interim Financial Reporting' and the accounting policies set out in the statutory accounts of the Group for the year ended 30 June 2010. The condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the Group for the year ended 30 June 2010 which were prepared under full IFRS requirements.

2. Investment properties

	Six month period to 31 December 2010 £'000
Opening valuation	157,609
Capital expenditure	47
Sale proceeds	(3,625)
Gains on investment properties	1,357
Closing valuation	155,388

3. Earnings per Ordinary Share are based on 110,500,000 shares, being the weighted average number of shares in issue during the period (31 December 2009 – 110,500,000; 30 June 2010 – 110,500,000). Earnings for the six months to 31 December 2010 should not be taken as a guide to the results for the year to 30 June 2011.

4. The net asset value per Ordinary Share is based on net assets of £95,903,000 (31 December 2009 – £93,296,000 and 30 June 2010 – £94,328,000) and 110,500,000 Ordinary Shares (31 December 2009 – 110,500,000 and 30 June 2010 – 110,500,000), being the number of shares in issue at the period end.

5. Dividends paid

	Six months to 31 December 2010		Six months to 31 December 2009		Year ended 30 June 2010	
	Rate	Rate	Rate	Rate	Rate	Rate
	£'000	(pence)	£'000	(pence)	£'000	(pence)
Fourth interim dividend	1,989	1.80	1,989	1.80	1,989	1.80
First interim dividend	1,989	1.80	1,988	1.80	1,989	1.80
Second interim dividend					1,989	1.80
Third interim dividend					1,989	1.80
	3,978	3.60	3,977	3.60	7,956	7.20

A second interim dividend for the year to 30 June 2011, of 1.8 pence per share, will be paid on 25 March 2011 to shareholders on the register at close of business on 4 March 2011.

6. 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, and that therefore the Company has only a single operating segment. The Board of Directors, as a whole, has been identified as constituting the chief operating decision maker of the Company. The key measure of performance used by the Board to assess the Company's performance is the total return on the Company's net asset value, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the condensed consolidated financial statements.

7. No Director has an interest in any transactions which are or were unusual in their nature or significant to the Group. F&C REIT Asset Management received fees for its services as Investment Managers. The total charge to the Income Statement during the period was £543,900 of which £305,000 remained payable at the period end.

The Directors of the Company received fees for their services totalling £52,500, of which £nil remained payable at the period end.

8. The accounts have not been audited nor reviewed under the requirements of ISRE 2410 'Review of interim financial information performed by the independent auditor of the Company'.

9. The Group results consolidate those of IRP Holdings Limited ('IRPH'), a wholly-owned subsidiary. IRPH is incorporated in Guernsey and its principal business is that of an investment and property company.

Statement of Principal Risks and Uncertainties

The Company's assets consist of direct investments in UK commercial property. Its principal risks are therefore related to the UK commercial property market in general but also the particular circumstances of the properties in which it is invested and their tenants. Other risks faced by the Company include economic, strategic, regulatory, management and control, financial and operational. These risks, and the way in which they are mitigated and managed, are described in more detail under the heading Principal Risks and Uncertainties within the Report of the Directors in the Company's Annual Report for the year ended 30 June 2010. The Company's principal risks and uncertainties have not changed materially since the date of that report and are not expected to change materially for the remaining six months of the Company's financial year.

Directors' Responsibility Statement in Respect of the Half-yearly Financial Report

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS34 'Interim Financial Reporting';
- the Chairman's Statement constituting the Interim Management Report together with the Statement of Principal Risks and Uncertainties include a fair review of the information required by the Disclosure and Transparency Rules ('DTR') 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated financial statements; and
- the Chairman's Statement together with the financial statements include a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period, and any changes in the related party transactions described in the last Annual Report that could do so.

On behalf of the Board

Quentin Spicer

Chairman

28 February 2011

Corporate Information

Directors

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Andrew E G Gulliford†
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* Chairman of the Nomination Committee and Management Engagement Committee.

† Chairman of the Property Valuation Committee.

‡ Chairman of the Audit Committee.



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