ISIS Property Trust 2 Limited

Interim Report

For the six months ended

31 December 2007

F&C Investments

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

Total Assets Less Current Liabilities

£207.3 million at 31 December 2007

Shareholders' Funds

£146.4 million at 31 December 2007

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 2007 borrowings consisted of a loan of £60 million drawn down for a period of 10 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 5.655 per cent per annum for the first 3 years and 5.605 per cent per annum thereafter.

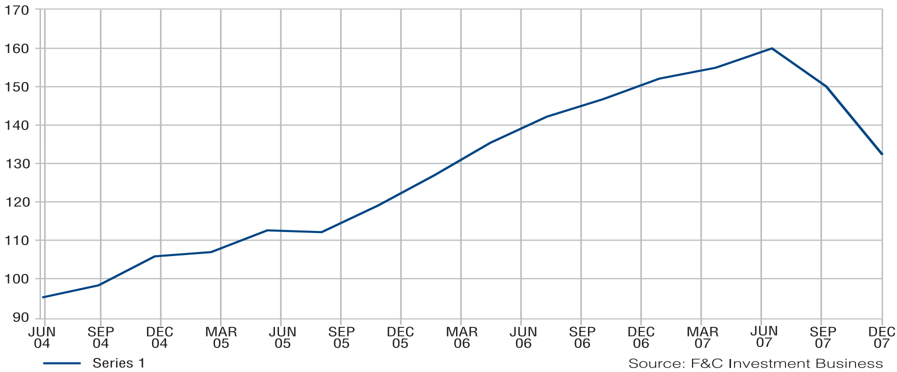
Isa/Pep Status

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

Financial Highlights and Performance Summary

- Net asset value total return since launch of 63.9 per cent
- Net asset value per share decreased by 17.0 per cent
- Dividend yield of 8.1 per cent, based on period end share price
- Dividend of 3.6 pence per share for the period, an increase of 4.0 per cent

ISIS Property Trust 2 Limited NAV from Launch



Total Return	**Six months to 31 December 2007**
Net asset value per share*	**(14.9)%**
Ordinary Share price*	**(27.0)%**
Investment Property Databank UK Monthly Index	**(9.5)%**
FTSE All-Share Index	**(2.1)%**

Capital Values	**31 December 2007**	30 June 2007	Change
Total assets less current liabilities £000's	**207,312**	236,703	(12.4)%
Net asset value per share	**132.5p**	159.6p	(17.0)%
Ordinary Share price	**88.5p**	125.5p	(29.5)%
FTSE All-Share Index	**3,286.7**	3,404.1	(3.4)%
Discount to net asset value per share	**(33.2)%**	(21.4)%	(11.8)
Net Gearing†	**28.1%**	19.0%	9.1

* Total return assumes that gross dividends are reinvested

† (Bank debt less net current assets) ÷ total assets less current liabilities.

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

Chairman's Statement

Results

The six months to 31 December 2007 witnessed a fall in property values, as a widely expected market correction commenced. The Company's net asset value total return for the period was –14.9 per cent with the net asset value ('NAV') per share falling to 132.5 pence.

The share price fell by 29.5 per cent to 88.5 pence per share, representing a discount of 33.2 per cent to NAV as at 31 December 2007. This trend was experienced across the offshore property investment company sector and the wider UK Real Estate sector as a whole, as sentiment towards UK commercial property deteriorated.

The fall in the share prices was initially triggered by a belief that property yields were unsustainable, as they had fallen below returns available on risk-free gilts. The price adjustment which followed was exacerbated by concerns over the level of borrowings in the sector, amidst fears that companies were going to breach their covenants and would be unable to sustain the rate of their dividends.

Dividends

As explained in the Chairman's Statement for the year ended 30 June 2007, the Board took the decision to increase the quarterly interim dividends to 1.80 pence per share with the first interim dividend at the new rate being paid in December 2007. A second interim dividend of 1.80 pence per share will be paid on 11 April 2008 to shareholders on the register on 14 March 2008 and, in the absence of unforeseen circumstances, it is the intention of the Board to maintain the quarterly dividends at 1.80 pence per share. This will result in a total dividend for the year ending 30 June 2008 of 7.20 pence per share, an increase of 2.9 per cent on the prior year.

Borrowings

As mentioned in my previous Chairman's Statement, the Company re-financed its borrowings in January 2007, entering into a new facility while reducing the level of borrowings from £70.7m to £60m on a revolving credit facility of £75m.

As at 31 December 2007, the Company had gearing, net of cash, of 28.1 per cent. The maximum level of borrowings permitted under the loan agreement is 60 per cent of gross assets, a limit which is comfortably met.

Property Market

The consistent positive returns achieved by the property market over the last 15 years saw a dramatic reversal of fortune in 2007 with total returns of –5.5 per cent, according to the Investment Property Databank ('IPD') UK Monthly Index. The downturn, which principally occurred in the second half of 2007 and accelerated in the last quarter, affected all sectors of the market and both prime and secondary stock. The adjustment was swifter and more severe than in previous cycles with the IPD All Property Yield moving out from an historic low of 4.57 per cent in July 2007 to 5.19 per cent in December 2007.

Portfolio

The property portfolio recorded a capital return of –11.0 per cent for the six month period to 31 December 2007, which compared with a capital return of –11.7 per cent as measured by the IPD UK Monthly Index. Further out-performance against IPD income returns meant that the total property return for the Company for the period was –8.5 per cent, compared with an IPD UK Monthly Index total return of –9.5 per cent.

The Company sold two properties in November 2007. These were small lot sizes and were sold in accordance with the strategy of disposing of smaller, mainly retail properties which, due to their lot sizes, were unlikely to contribute meaningfully to portfolio performance.

A single retail property at 9, High Street, Hereford was sold at auction for £1.7m, which compared to its book cost of £1.5m and its previous valuation of £1.9m. The sale price reflected a yield of 6 per cent and the property had a lease expiry in 2010. A single retail property at 97, High Street, Sutton was also sold at auction for £1.0m, compared with its book cost of £0.9m and its previous valuation of £1.1m. The sale price reflected a yield of 5.7 per cent and the property was let until 2014.

The Company purchased 1 and 2, Lochside Way, Edinburgh Park, Edinburgh, a modern headquarters office building of 41,277 sq. ft. for £15.2m, including purchase costs, reflecting a yield of 5.5 per cent. The property is let to HSBC Securities Services (UK) Limited and guaranteed by HSBC Bank plc, until August 2014, with a rent review in 2009. The current rent is £837,380 p.a. which equates to just over £20 per sq. ft.

The void rate within the property portfolio was 2.0 per cent at 31 December 2007, significantly lower than the IPD All Property average of 7.6 per cent. In order to take advantage of this vacant space, a number of initiatives are being pursued. Following a lease expiry of the fifth floor of the office building at 48/49 St James's Street, London, the Manager is taking the opportunity to carry out a scheme of refurbishment at an approximate cost of £210,000 with a view to re-letting on completion at a significantly improved rent, thereby enhancing the capital value of the whole building. In similar vein, there was a lease expiry at Unit 6, Lakeside Road Industrial Estate, Colnbrook, which has enabled the unit to be refurbished and it is now available for re-letting.

With the purchase of the property at Edinburgh Park, the risk profile of the Company's tenants has improved. The top five tenants (including guarantors) account for 31 per cent of the Company's rental income and are all ranked by IPD as negligible risk.

Outlook

The UK commercial property sector has experienced a turbulent six months. There is uncertainty as to how much further property values will fall and some believe that most of the correction has taken place, with property offering fair value. This is backed up by the number of new buyers now entering the market.

However, concerns over the availability of debt and doubts over the state of the UK economy continue to loom, with growth, both in the UK and globally, predicted to slow in 2008. If this deterioration is more marked than currently predicted, this could affect the occupational property market.

The Managers predict another weak year with the market eventually levelling out. Thereafter, it is expected that there will be positive real rates of return, with performance being largely income driven.

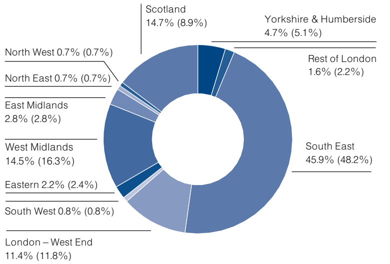
The Company's performance in 2008 should be driven by income protection, income enhancement and prudent property selection. The Company has a significant level of distributable reserves and no pressures with regards to its existing borrowings. It also has a reliable income stream with an average lease length of 8.9 years and has a very low level of un-let property in the portfolio. The Manager will continue to work on enhancing income returns within the existing portfolio and will proceed cautiously with regards to any capital transactions until it is clear that value can be added.

Quentin Spicer
Chairman

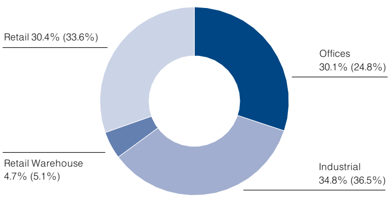
20 February 2008

Portfolio Statistics

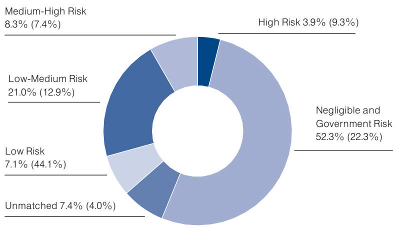
Geographical Analysis
as at 31 December 2007
(figures as at 30 June 2007 in brackets)



Sector Analysis
as at 31 December 2007
(figures as at 30 June 2007 in brackets)

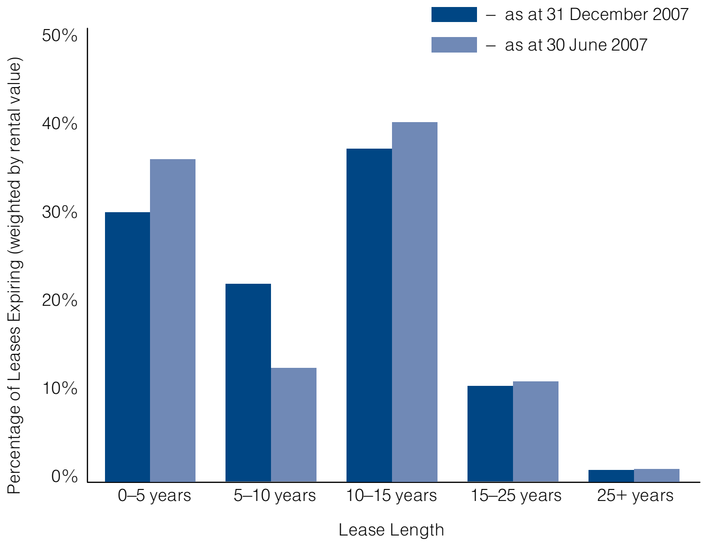


Covenant Strength
as at 31 December 2007
(figures as at 30 June 2007 in brackets)



As measured by: Investment Property Databank (IPD)

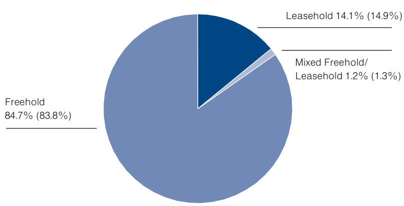
Lease Expiry Profile



As at 31 December 2007 the average lease length for the portfolio, assuming all break options are exercised, was 8.9 years (as at 30 June 2007: 9.1 Years)

Tenure Analysis

as at 31 December 2007
(figures as at 30 June 2007 in brackets)



Property Portfolio

as at 31 December 2007

Property	Fair Value £'000‡	% of Total Assets (less current liabilities)
London SW1, 48/49 St James's Street	19,400	9.4
Banbury, 3663 Unit, Echo Park	16,824†	8.1
Colnbrook, Units 1-8 Lakeside Road	16,425	7.9
Bellshill, Mercury House, Strathclyde Business Park	14,250	6.9
Edinburgh, 1-2 Lochside Way, Edinburgh Park	13,200	6.4
Eastleigh, Southampton International Park	13,000	6.3
Leamington Spa, 30-40 The Parade & 47/59a Warwick Street	11,330	5.5
Hemel Hempstead, Hemel Gateway	9,835	4.7
York, Clifton Moor Gate*	9,645	4.6
Rugby, Swift House, Cosford Lane*	7,940	3.8
Ten largest property holdings	**131,849**	**63.6**
Nottingham, Standard Hill	5,740	2.8
Brookwood,The Clock Tower	5,725	2.8
Winchester, 7-8 High Street & 50 Colebrook Street	5,415	2.6
Milton Keynes, Site E Chippenham Drive	5,150	2.5
Sutton Coldfield, 63-67 The Parade	4,775	2.3
Southampton, Units 1 & 2, Above Bar Church*	4,625	2.2
Guildford, 51-53 High Street	4,375	2.1
London SW1, 24 Haymarket & 1/2 Panton Street*	4,050	2.0
Marlow, Globe Park, Unit GP9	3,785	1.8
Leamington Spa, 88/90 The Parade	3,570	1.7
Twenty largest property holdings	**179,059**	**86.4**
Guildford, 7/11 Bridge Street	3,300	1.6
Croydon, 17, 19 & 21 George Street	3,245	1.6
Edinburgh, 100A Princes Street	2,925	1.4
Rayleigh, 81/87 High Street	2,715	1.3
Sunningdale, 53/79 Chobham Road, Berkshire	2,700	1.3
Nuneaton, 1-2 Church Street	2,305	1.1
Wickford, 12/20 High Street	1,905	0.9
Brighton, 2-3 Pavilion Buildings*	1,870	0.9
Swindon, Unit 5, Newcombe Drive	1,560	0.8
South Shields, 67/69 King Street	1,530	0.7
Thirty largest property holdings	**203,114**	**98.0**
Rochdale, 40 Yorkshire Street	815	0.4
Newbury, 25 Northbrook Street*	725	0.3
Rochdale, 42 Yorkshire Street	595	0.3
Total property portfolio	**205,249**	**99.0**
Net current assets	**2,063**	**1.0**
Total assets less current liabilities	**207,312**	**100.0**

* Leasehold property.

† The market value of Banbury is £17,870,000. The difference between the market value and the fair value is the reverse lease surrender premium of £1,046,000 which is recorded in the accounts as a current asset.

‡ Based on market value.

Consolidated Income Statement

	Notes	Six months to 31 December 2007 (unaudited) £'000	Six months to 31 December 2006 (unaudited) £'000	Year to 30 June 2007 (audited) £'000
Revenue				
Rental income		**6,228**	6,106	11,809
(Losses)/gains on investment properties	2	**(25,459)**	11,173	16,832
Total income		**(19,231)**	17,279	28,641
Expenditure				
Investment management fee		**(946)**	(1,024)	(2,006)
Direct operating expenses of let rental property		**(143)**	(240)	(416)
Administrative fee		**(33)**	(32)	(64)
Valuation and other professional fees		**(79)**	(78)	(170)
Directors' fees		**(52)**	(52)	(105)
Other expenses		**(79)**	(94)	(201)
Total expenditure		**(1,332)**	(1,520)	(2,962)
Net operating (loss)/profit before finance costs		**(20,563)**	15,759	25,679
Net finance costs				
Interest revenue receivable		**227**	187	747
Interest payable		**(1,751)**	(2,265)	(4,024)
Loss on termination of interest rate swap		**–**	–	(1,610)
		(1,524)	(2,078)	(4,887)
Net (loss)/profit from ordinary activities before taxation		**(22,087)**	13,681	20,792
Taxation on profit on ordinary activities		**–**	–	–
Net (loss)/profit for the period		**(22,087)**	13,681	20,792
Earnings per Ordinary Share	3	**(20.0)p**	12.4p	18.8p

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 2007.

All items in the above statement derive from continuing operations.

Consolidated Balance Sheet

	Notes	31 December 2007 (unaudited) £'000	31 December 2006 (unaudited) £'000	30 June 2007 (audited) £'000
Non-current assets				
Investment properties		**205,249**	212,471	218,025
Interest rate swap		**–**	–	3,397
		205,249	212,471	221,422
Current assets				
Trade and other receivables		**2,893**	3,306	2,870
Cash and cash equivalents		**3,681**	28,822	16,945
		6,574	32,128	19,815
Total assets		**211,823**	244,599	241,237
Non-current liabilities				
Interest bearing bank loan		**(60,408)**	(70,725)	(60,326)
Interest rate swap		**(514)**	(1,807)	–
		(60,922)	(72,532)	(60,326)
Current liabilities				
Trade and other payables		**(4,511)**	(4,181)	(4,534)
Total liabilities		**(65,433)**	(76,713)	(64,860)
Net assets		**146,390**	167,886	176,377
Represented by:				
Share capital		**1,105**	1,105	1,105
Special distributable reserve		**99,648**	103,288	99,648
Capital reserve		**46,768**	66,568	72,227
Revenue reserve		**(617)**	(1,268)	–
Other reserve		**(514)**	(1,807)	3,397
Equity shareholders' funds		**146,390**	167,886	176,377
Net asset value per Ordinary Share	5	**132.5p**	151.9p	159.6p

Consolidated Statement of Changes in Equity

	Notes	Six months to 31 December 2007 (unaudited) £'000	Six months to 31 December 2006 (unaudited) £'000	Year to 30 June 2007 (audited) £'000
Opening net assets		**176,377**	157,136	157,136
Net (loss)/profit for the period		**(22,087)**	13,681	20,792
Dividends paid	6	**(3,989)**	(3,776)	(7,600)
Movement in other reserve		**(3,911)**	845	6,049
Closing net assets		**146,390**	167,886	176,377

Consolidated Statement of Cash Flows

	Six months to 31 December 2007 (unaudited) £'000	Six months to 31 December 2006 (unaudited) £'000	Year to 30 June 2007 (audited) £'000
Cash flows from operating activities			
Net operating (loss)/profit for the period before finance costs	**(20,563)**	15,759	25,679
Adjustments for:			
Losses/(gains) on investment properties	**25,459**	(11,173)	(16,832)
Increase in operating trade and other receivables	**(190)**	(367)	(176)
(Decrease)/increase in operating trade and other payables	**(24)**	87	207
	4,682	4,306	9,230
Interest received	**182**	187	702
Bank loan interest paid	**(1,953)**	(2,611)	(3,759)
Receipts/(payments) under interest rate swap arrangement	**497**	(330)	(380)
	(1,274)	(2,754)	(3,437)
Net cash inflow from operating activities	**3,408**	1,552	5,793
Cash flows from investing activities			
Purchase of investment properties	**(15,164)**	–	–
Capital expenditure	**(197)**	(615)	(510)
Sale of investment properties	**2,678**	26,610	26,610
Net cash (outflow)/inflow from investing activities	**(12,683)**	25,995	26,100
Cash flows from financing activities			
Repayment of previous bank loan	**–**	–	(70,662)
Drawdown on new bank loan	**–**	–	60,000
New loan set-up costs paid	**–**	–	(127)
Payment on termination of interest rate swap	**–**	–	(1,610)
Dividends paid	**(3,989)**	(3,776)	(7,600)
Net cash outflow from financing activities	**(3,989)**	(3,776)	(19,999)
Net (decrease)/increase in cash and cash equivalents	**(13,264)**	23,771	11,894
Opening cash and cash equivalents	**16,945**	5,051	5,051
Closing cash and cash equivalents	**3,681**	28,822	16,945

Notes to the Interim Report

for the six months to 31 December 2007

1. The unaudited interim results have been prepared on the basis of International Financial Reporting Standards as adopted by the European Union, in compliance with IAS34 and the accounting policies set out in the statutory accounts of the Group for the year ended 30 June 2007.

2. Investment properties

	Six month period to 31 December 2007 £'000
Opening valuation	**218,025**
Purchases at cost	**15,164**
Capital expenditure	**197**
Sales proceeds	**(2,678)**
Losses on investment properties	**(25,459)**
Closing valuation	**205,249**
Gains/(losses) on investments disposed in period	
– Original cost of investment properties sold	**2,418**
– Market value of investment properties sold as at 30 June 2007	**3,075**
Sale proceeds	**2,678**
Gain/(loss) on disposal calculated with reference to	
– Original cost	**260**
– 30 June 2007 valuation	**(397)**

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 2006 – 110,500,000; 30 June 2007 – 110,500,000).

4. Earnings for the six months to 31 December 2007 should not be taken as a guide to the results for the year to 30 June 2008.

5. The net asset value per Ordinary Share is based on net assets of £146,390,000 (31 December 2006 – £167,886,000 and 30 June 2007 – £176,377,000) and 110,500,000 Ordinary Shares (31 December 2006 – 110,500,000 and 30 June 2007 – 110,500,000), being the number of shares in issue at the period end.

6. Dividends

	Six months to 31 December 2007		Six months to 31 December 2006		Year ended 30 June 2007	
	£'000	**Rate (pence)**	£'000	Rate (pence)	£'000	Rate (pence)
Fourth interim dividend	**2,000**	**1.81**	1,864	1.6875	1,864	1.6875
First interim dividend	**1,989**	**1.80**	1,912	1.73	1,912	1.73
Second interim dividend					1,912	1.73
Third interim dividend					1,912	1.73
	3,989	**3.61**	3,776	3.4175	7,600	6.8775

A second interim dividend for the year to 30 June 2008, of 1.80 pence per share, will be paid on 11 April 2008 to shareholders on the register at close of business on 14 March 2008.

7. No Director has an interest in any transactions which are or were unusual in their nature or significant to the Group. F&C Investment Business Limited received fees for its services as Investment Managers. The total charge to the Income Statement during the period was £979,000 of which £466,000 remained payable at the period end.

The Directors of the Company received fees for their services totalling £52,500, of which £26,250 remained payable at the period end.

8. The Group results consolidate those of IPT2 Property Holdings Limited ('IPH'), a wholly owned subsidiary. IPH is incorporated in Guernsey and its principal business is that of an investment and property company.

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 have been prepared in accordance with the Statement 'Half-yearly financial reports' issued by the UK Accounting Standards Board;

The Interim Management Report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, 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 financial statements' and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, 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 of 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

20 February 2008

Independent Review Report to ISIS Property Trust 2 Limited

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2007 which comprises Consolidated Income Statement, Consolidated Balance Sheet, and Consolidated Statement for Cash Flows and related notes 1 to 8. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent mis-statements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE 2410 (UK and Ireland) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting,' as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2007 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP
Guernsey

20 February 2008

Corporate Information

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Christopher W Sherwell
Christopher P Spencer‡
C Giles H Weaver

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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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