IRP Property Investments Limited

(formerly known as ISIS Property Trust 2 Limited)

Interim Report

For the six months ended

31 December 2008

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 REIT Asset Management

Total Assets Less Current Liabilities

£157.4 million at 31 December 2008

Shareholders' Funds

£88.8 million at 31 December 2008

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 2008 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.

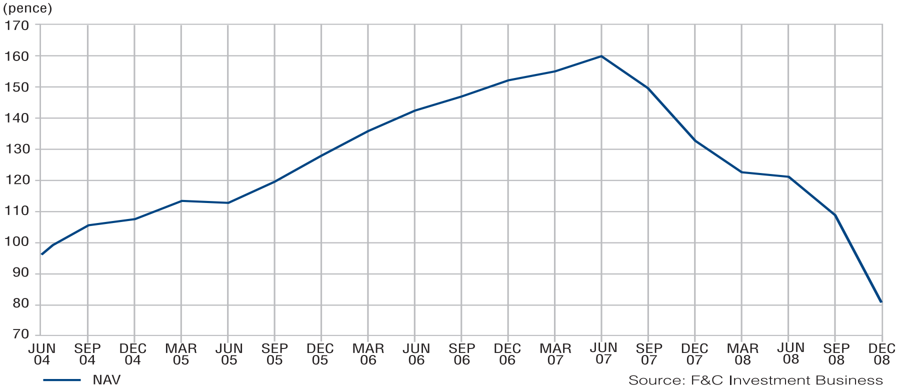
Isa/Pep Status

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 6.4 per cent
- Net asset value per share decreased by 33.5 per cent for the 6 months
- Dividend of 3.6 pence per share for the period

IRP Property Investments Limited NAV from Launch



Total Return	**Six months to 31 December 2008**
Net asset value per share*	**(30.9)%**
Ordinary Share price*	**(27.8)%**
Investment Property Databank UK Monthly Index	**(17.6)%**
FTSE All-Share Index	**(21.1)%**

Capital Values	**31 December 2008**	30 June 2008	Change
Total assets less current liabilities £000's	**157,378**	194,041	(18.9)%
Net asset value per share	**80.4p**	121.0p	(33.5)%
Ordinary Share price	**51.0p**	75.0p	(32.0)%
FTSE All-Share Index	**2,209.3**	2,855.7	(22.6)%
Discount to net asset value per share	**36.6%**	38.0%	–
Net Gearing†	**38.1%**	30.8%	–

* 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

The downturn in the property market continued apace during the six months to 31 December 2008. The Company's property portfolio recorded a capital return of –17.6 per cent for the six month period to 31 December 2008, which compares with a capital return of –19.8 per cent as measured by the Investment Property Databank ('IPD') Monthly Index. Further out-performance against IPD income returns meant that the total property return for the Company for the period was –14.8 per cent, compared with an IPD Monthly Index total return of –17.6 per cent. However, the effects of gearing, combined with the fall in the valuation of the interest rate swap, resulted in a negative total return of 30.9 per cent, with the net asset value ('NAV') per share falling to 80.4 pence.

The share price fell by 32.0 per cent to 51.0 pence per share and was showing a discount of 36.6 per cent to NAV as at 31 December 2008, recognising the fact that further capital declines are expected.

The intensification of the credit crisis since September, its effect on the wider economy, both in the UK and internationally and the recognition that the country had entered a period of recession were the main catalysts for the deterioration in performance. Despite the fact that governments across the globe have acted swiftly in an attempt to remedy the liquidity situation and the Bank of England has cut interest rates to record low levels, sentiment is still very subdued.

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. The first interim dividend for the year ending 30 June 2009 was paid in December 2008, with a second interim dividend of 1.80 pence per share to be paid on 27 March 2009 to shareholders on the register on 6 March 2009. The Board is 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 2008, the loan to value ratio ('LTV') was 38.1 per cent, net of current assets and liabilities of £525,000. This is comfortably within the LTV restriction of 60 per cent. The other significant 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 255 per cent, providing significant headroom.

The interest rate on the £60 million loan has been fixed with an interest rate swap at 5.655 per cent. The valuation of the swap has been significantly reduced as interest rates have fallen, with a liability being shown on the balance sheet as at 31 December of £8.1 million. This liability will reduce as the contract gets closer to its expiry date in 2017 and as interest rate swaps increase from their current very low levels.

Property Market

Total returns in the UK commercial property market were negative 22.5 per cent in 2008, as measured by IPD – the worst annual IPD performance on record, with performance deteriorating markedly in the final quarter of the year. Investment transactions fell by more than 50 per cent in value when compared with 2007, reflecting the unavailability of finance and the generally cautious approach of investors.

Rents have fallen in 2008 as momentum moved further in favour of the tenant with rent-free periods and shorter lease lengths being offered. This weakness in the occupational market has also been reflected in the rise in vacant property with IPD reporting a void rate of more than 10 per cent of rental income at the all property level. The Company's comparable rate of

3.9 per cent is significantly better than the industry average.

Portfolio

As a result of a reduction in capital values the net initial yield on the Company's property portfolio, based on the 31 December 2008 valuation, had risen to 7.2 per cent which compares to the IPD All Property Initial yield of 7.0 per cent. The Company did not purchase any property within the period; nor have any properties been sold. The Company is seeking to extract maximum performance from asset management during this period of volatility in the markets.

Without a doubt the collection of rent is becoming more challenging and one cannot ignore the possibilities of a rise in tenant defaults. As mentioned above, the Company continues to maintain a low level of voids, and although the economic environment has affected occupancy levels, the Company's void rate is still very low. There are two vacant floors at 48/49 St James Street London SW1, totalling 2,816 square feet, one of which has been refurbished and is being marketed to let. One floor is currently awaiting refurbishment. There are two further voids of note, an empty shop unit at 67/69 King Street South Shields and a vacant wine bar unit at 7/11 Bridge Street Guildford.

During the period, the Company let industrial premises at Unit 6 Lakeside Road Colnbrook. The unit comprising 12,200 square feet was let on a new 10 year lease with a tenant's break at the fifth year at a rent of £123,500 pa. The estate is now fully let.

During the period several rent reviews and lease renewals were settled. The lease of the Caviar House at 48/49 St James Street London SW1 was renewed retrospectively from 24 December 2007 for a further ten years at a rental of £287,400 pa, an increase of £59,400 pa. A rent review on 34 The Parade Leamington Spa was agreed with effect from June 2007 at £90,500 pa, an increase of £7,500 pa.

Outlook

The outlook for UK commercial property is very uncertain with forecast returns ranging wildly, although all on the negative side. This uncertainty reflects the general state of the financial markets and the economy as we move from one crisis to the next. Consensus forecasts have become progressively more negative with GDP now forecast to fall in 2009. These forecasts have had an effect on the Company's share price which has fallen to around 43p as at the date of this statement.

There is the risk that the banking and economic packages introduced by the government will not succeed and that the economic downturn could be longer than originally anticipated. There is also the likelihood of occupational markets weakening further, putting pressure on rents and voids.

This environment can provide opportunities however, particularly as forced sellers bring quality stock to the market at low prices. The reduction in interest rates and gilt yields should take some of the pressure off property yields. The current level of property yields looks attractive at over 7 per cent, relative to competing asset classes, and this could be considered attractive for long term investors.

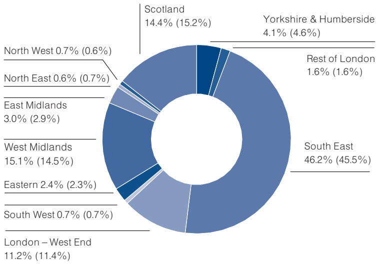
Whilst no certainty can be given as to when the UK commercial property market will turn, the Company remains well placed to weather the current environment and to take advantage of the opportunities that will be presented when it does. Until that time, the Company will continue with its low risk strategy of protecting the income streams within the portfolio; remaining relatively inactive on the capital front until it is clear that value-enhancing transactions can be achieved.

Quentin Spicer
Chairman

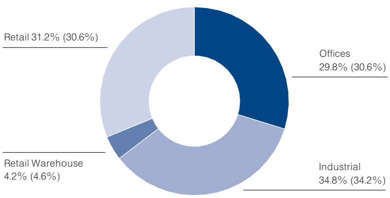
27 February 2009

Portfolio Statistics

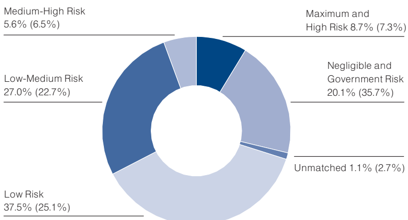
Geographical Analysis
as at 31 December 2008
(figures as at 30 June 2008 in brackets)



Sector Analysis
as at 31 December 2008
(figures as at 30 June 2008 in brackets)

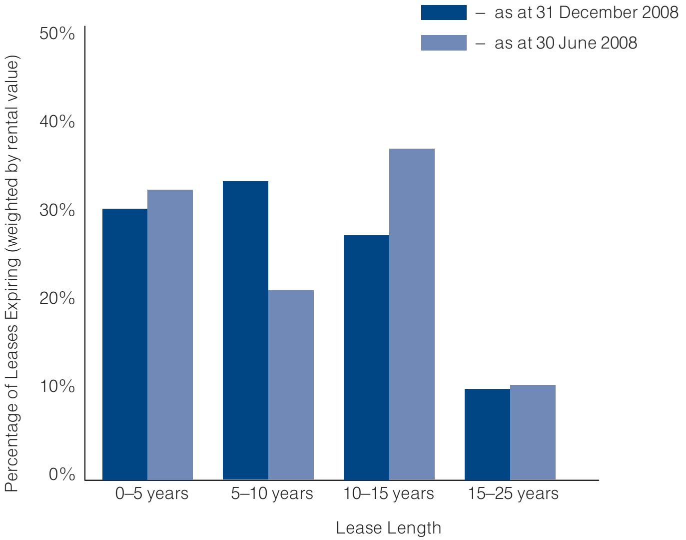


Covenant Strength
as at 31 December 2008
(figures as at 30 June 2008 in brackets)



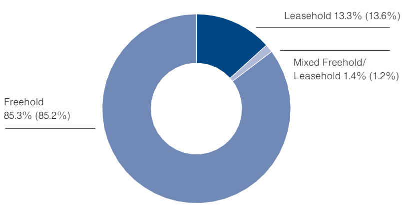
As measured by: Investment Property Databank (IPD)

Lease Expiry Profile



As at 31 December 2008 the average lease length for the portfolio, assuming all break options are exercised, was 8.0 years (as at 30 June 2008: 8.3 Years)

Tenure Analysis
as at 31 December 2008
(figures as at 30 June 2008 in brackets)



Property Portfolio

as at 31 December 2008

Property	Fair Value £'000‡	% of Total Assets (less current liabilities)
London SW1, 48/49 St James's Street	14,450	9.2
Banbury, 3663 Unit, Echo Park	13,898†	8.9
Colnbrook, Units 1-8 Lakeside Road	12,275	7.8
Bellshill, Mercury House, Strathclyde Business Park	10,550	6.7
Edinburgh, 1-2 Lochside Way, Edinburgh Park	9,900	6.3
Eastleigh, Southampton International Park	9,290	5.9
Leamington Spa, 30-40 The Parade & 47/59a Warwick Street	9,285	5.9
Hemel Hempstead, Hemel Gateway	7,880	5.0
York, Clifton Moor Gate*	6,560	4.2
Rugby, Swift House, Cosford Lane*	5,825	3.6
Ten largest property holdings	**99,913**	**63.5**
Winchester, 7-8 High St.& 50 Colebrook Street	4,950	3.2
Brookwood, The Clock Tower	4,700	3.0
Nottingham, Standard Hill	4,685	3.0
Sutton Coldfield, 63-67 The Parade	3,870	2.5
Milton Keynes, Site E Chippenham Drive	3,600	2.3
London SW1, 24 Haymarket & 1/2 Panton Street*	3,275	2.1
Guildford, 51-53 High Street	3,200	2.0
Southampton, Units 1 & 2, Above Bar Church*	3,050	1.9
Leamington Spa, 88/90 The Parade	2,850	1.8
Marlow, Globe Park, Unit GP9	2,800	1.7
Twenty largest property holdings	**136,893**	**87.0**
Sunningdale, 53/79 Chobham Road, Berkshire	2,690	1.7
Croydon, 17, 19 & 21 George Street	2,530	1.6
Edinburgh, 100A Princes Street	2,250	1.4
Rayleigh, 81/87 High Street	2,130	1.3
Nuneaton,1-2 Church Street	1,980	1.3
Wickford, 12/20 High Street	1,670	1.1
Brighton, 2-3 Pavilion Buildings*	1,560	1.0
Guildford, 7/11 Bridge Street	1,400	0.9
Swindon, Unit 5, Newcombe Drive	1,170	0.7
South Shields, 67/69 King Street	910	0.6
Thirty largest property holdings	**155,183**	**98.6**
Newbury, 25 Northbrook Street*	620	0.4
Rochdale, 40 Yorkshire Street	600	0.4
Rochdale, 42 Yorkshire Street	450	0.3
Total property portfolio	**156,853**	**99.7**
Net current assets	**525**	**0.3**
Total assets less current liabilities	**157,378**	**100.0**

* Leasehold property.

† The market value of Banbury is £14,900,000. The difference between the market value and the fair value is the reverse lease surrender premium of £1,002,000 which is recorded in the accounts as a current asset.

‡ Based on market value.

Consolidated Income Statement

	Notes	Six months to 31 December 2008 (unaudited) £'000	Six months to 31 December 2007 (unaudited) £'000	Year to 30 June 2008 (audited) £'000
Revenue				
Rental income		**6,239**	6,228	12,513
Losses on investment properties	2	**(33,748)**	(25,459)	(40,215)
Total income		**(27,509)**	(19,231)	(27,702)
Expenditure				
Investment management fee		**(724)**	(946)	(1,769)
Direct operating expenses of let rental property		**(135)**	(143)	(384)
Provision for bad debts		**(130)**	47	(4)
Administrative fee		**(34)**	(33)	(67)
Valuation and other professional fees		**(85)**	(79)	(164)
Directors' fees		**(52)**	(52)	(105)
Other expenses		**(89)**	(126)	(240)
Total expenditure		**(1,249)**	(1,332)	(2,733)
Net operating loss before finance costs		**(28,758)**	(20,563)	(30,435)
Net finance costs				
Interest receivable		**50**	227	318
Interest payable		**(1,764)**	(1,751)	(3,508)
		(1,714)	(1,524)	(3,190)
Net loss from ordinary activities before taxation		**(30,472)**	(22,087)	(33,625)
Taxation on profit on ordinary activities		**–**	–	–
Net loss for the period		**(30,472)**	(22,087)	(33,625)
Loss per Ordinary Share	3	**(27.6)p**	(20.0)p	(30.4)p

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 2008.

All items in the above statement derive from continuing operations.

Consolidated Balance Sheet

	Notes	31 December 2008 (unaudited) £'000	31 December 2007 (unaudited) £'000	30 June 2008 (audited) £'000
Non-current assets				
Investment properties		**156,853**	205,249	190,443
Interest rate swap		**–**	–	2,269
		156,853	205,249	192,712
Current assets				
Trade and other receivables		**2,865**	2,893	3,336
Cash and cash equivalents		**1,994**	3,681	2,468
		4,859	6,574	5,804
Total assets		**161,712**	211,823	198,516
Non-current liabilities				
Interest bearing bank loan		**(60,440)**	(60,408)	(60,384)
Interest rate swap		**(8,118)**	(514)	–
		(68,558)	(60,922)	(60,384)
Current liabilities				
Trade and other payables		**(4,334)**	(4,511)	(4,475)
Total liabilities		**(72,892)**	(65,433)	(64,859)
Net assets		**88,820**	146,390	133,657
Represented by:				
Share capital		**1,105**	1,105	1,105
Special distributable reserve		**97,569**	99,648	98,271
Capital reserve		**(1,736)**	46,768	32,012
Revenue reserve		**–**	(617)	–
Other reserve		**(8,118)**	(514)	2,269
Equity shareholders' funds		**88,820**	146,390	133,657
Net asset value per Ordinary Share	5	**80.4p**	132.5p	121.0p

Consolidated Statement of Changes in Equity

	Notes	Six months to 31 December 2008 (unaudited) £'000	Six months to 31 December 2007 (unaudited) £'000	Year to 30 June 2008 (audited) £'000
Opening net assets		**133,657**	176,377	176,377
Net loss for the period		**(30,472)**	(22,087)	(33,625)
Dividends paid	6	**(3,978)**	(3,989)	(7,967)
Movement in other reserve		**(10,387)**	(3,911)	(1,128)
Closing net assets		**88,820**	146,390	133,657

Consolidated Statement of Cash Flows

	Six months to 31 December 2008 (unaudited) £'000	Six months to 31 December 2007 (unaudited) £'000	Year to 30 June 2008 (audited) £'000
Cash flows from operating activities			
Net operating loss for the period before finance costs	**(28,758)**	(20,563)	(30,435)
Adjustments for:			
Losses on investment properties	**33,748**	25,459	40,215
Decrease/(increase) in operating trade and other receivables	**471**	(190)	(864)
Decrease in operating trade and other payables	**(107)**	(24)	(59)
	5,354	4,682	8,857
Interest received	**50**	182	273
Bank loan interest paid	**(1,948)**	(1,953)	(3,918)
Receipts under interest rate swap arrangement	**206**	497	912
	(1,692)	(1,274)	(2,733)
Net cash inflow from operating activities	**3,662**	3,408	6,124
Cash flows from investing activities			
Purchase of investment properties	**–**	(15,164)	(15,164)
Capital expenditure	**(158)**	(197)	(147)
Sale of investment properties	**–**	2,678	2,677
Net cash outflow from investing activities	**(158)**	(12,683)	(12,634)
Cash flows from financing activities			
Dividends paid	**(3,978)**	(3,989)	(7,967)
Net cash outflow from financing activities	**(3,978)**	(3,989)	(7,967)
Net decrease in cash and cash equivalents	**(474)**	(13,264)	(14,477)
Opening cash and cash equivalents	**2,468**	16,945	16,945
Closing cash and cash equivalents	**1,994**	3,681	2,468

Notes to the Interim Report

for the six months to 31 December 2008

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 2008.

2. Investment properties	**Six month period to 31 December 2008 £'000**
Opening valuation	**190,443**
Capital expenditure	**158**
Losses on investment properties	**(33,748)**
Closing valuation	**156,853**

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 2007 – 110,500,000; 30 June 2008 – 110,500,000).

4. Earnings for the six months to 31 December 2008 should not be taken as a guide to the results for the year to 30 June 2009.

5. The net asset value per Ordinary Share is based on net assets of £88,820,000 (31 December 2007 – £146,390,000 and 30 June 2008 – £133,657,000) and 110,500,000 Ordinary Shares (31 December 2007 – 110,500,000 and 30 June 2008 – 110,500,000), being the number of shares in issue at the period end.

6. Dividends	**Six months to 31 December 2008**		Six months to 31 December 2007		Year ended 30 June 2008	
	£'000	**Rate (pence)**	£'000	Rate (pence)	£'000	Rate (pence)
Fourth interim dividend	**1,989**	**1.80**	2,000	1.81	2,000	1.81
First interim dividend	**1,989**	**1.80**	1,989	1.80	1,989	1.80
Second interim dividend					1,989	1.80
Third interim dividend					1,989	1.80
	3,978	**3.60**	3,989	3.61	7,967	7.21

A second interim dividend for the year to 30 June 2009, of 1.80 pence per share, will be paid on 27 March 2009 to shareholders on the register at close of business on 6 March 2009.

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 £758,000 of which £362,000 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 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.

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. The financial markets have seen significant turbulence over the last year or so resulting in severe liquidity shortages. This turmoil had an immediate effect on the real estate investment market resulting in some transactions failing and/or prices being renegotiated downwards. This has caused a marked reduction in the volume of transactions with activity below the levels of recent years. Generally, there is greater volatility in the evidence generated by comparable transactions and in these circumstances there is a greater degree of uncertainty than that which exists in a more active and stronger market in forming an opinion of the realisation prices of property assets. Therefore, the Company's valuers DTZ Debenham Tie Leung Ltd have indicated that, in the market conditions which currently prevail, there is likely to be a greater than usual degree of uncertainty in respect of valuations. Until the number and consistency of comparable transactions increases, this situation is likely to remain. 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 2008. Apart from as detailed above, 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 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

27 February 2009

Corporate Information

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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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