ISIS Property Trust 2 Limited

Annual Report and Accounts

2008

F&C Investments

Company Summary

The Company

The Company is a closed-ended Guernsey registered investment company and its shares are listed on the Official List of the UK Listing Authority and on the Channel Islands Stock Exchange, and traded on the London Stock Exchange and the Channel Islands Stock Exchange. It was incorporated on 10 May 2004 and launched on 1 June 2004.

At 30 June 2008 total assets less current liabilities were £194.0 million and shareholders' funds were £133.7 million.

Objective

The investment objective of the Company is 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.

Management

F&C Investment Business Limited, a wholly owned subsidiary of F&C Asset Management. Further details of the management contract are provided in the Notes to the Accounts.

ISA/PEP Status

The Company's shares are eligible for ISAs and PEP transfers.

Website

The Company's internet address is: www.isispropertytrust2.com

Contents

This document is important and relates to certain matters on which voting action is required. Shareholders who are in any doubt as to what action to take should consult an appropriate independent adviser immediately.

If any shareholder has sold or transferred all their shares in the Company, he or she should pass this document and the accompanying form of proxy to the person through whom the transfer or sale was effected for onwards transmission to the transferee or purchaser.

Financial Highlights

- Net asset value total return since launch of 54.1 per cent
- Share price decreased by 40.2 per cent to 75.0 pence at the year end
- Net asset value per share total return of –19.9 per cent for the year
- Dividend yield of 9.6 per cent based on year end share price
- Dividend of 7.2 pence per share for the year, an increase of 2.9 per cent

Performance Summary

	Year ended 30 June 2008	Year ended 30 June 2007
Total Return		
Net asset value per share*	**(19.9)%**	17.4%
Ordinary Share price*	**(35.4)%**	(7.4)%
Investment Property Databank All Monthly Index	**(14.9)%**	12.4%
FTSE All-Share Index	**(13.0)%**	18.4%

	30 June 2008	30 June 2007	% Change
Capital Values			
Total assets less current liabilities £000's	**194,041**	236,703	(18.0)
Net asset value per share	**121.0p**	159.6p	(24.2)
Ordinary Share price	**75.0p**	125.5p	(40.2)
Investment Property Databank UK Monthly Index	**182.9**	226.5	(19.2)
FTSE All-Share Index	**2,855.7**	3,404.1	(16.1)
Discount to net asset value per share	**38.0%**	21.4%	(16.6)
Net gearing †	**30.8%**	19.0%	11.8

	Year ended 30 June 2008	Year ended 30 June 2007
Earnings and Dividends		
(Loss)/earnings per Ordinary Share	**(30.4p)**	18.8p
Dividends paid per Ordinary Share §	**7.21p**	6.88p
Dividend yield ‡	**9.6%**	5.6%
Total Expenses Ratio		
As a percentage of average total assets less current liabilities ¶	**1.3%**	1.3%
As a percentage of average shareholders' funds ¶	**1.8%**	1.8%

	12 month Highs	**12 month Lows**
Highs/Lows		
Net asset value per share	**159.6p**	**121.0p**
Ordinary Share price	**136.0p**	**73.5p**
Discount	**13.7%**	**44.5%**

* Total return assuming gross dividends reinvested.
† (Bank debt less net current assets) ÷ (total assets less current liabilities).
‡ Calculated on annualised dividends of 7.2p per share for 2008 and 7.0p for 2007. An analysis of dividend payments is contained in note 6 on page 27.
¶ Calculated on an annualised basis and including non-recoverable property expenses.
§ Calculated on an IFRS basis and therefore excludes the 4th interim dividend for 2007/08 and 2006/07.
Sources: F&C Investment Business, Investment Property Databank ('IPD') and Datastream.

Chairman's Statement

Quentin Spicer Chairman

The 12 months to 30 June 2008 witnessed falling capital values and negative total returns, with the Company recording a net asset value ('NAV') total return of –19.9 per cent, a positive total return since launch in June 2004 of 54.1 per cent. The Company's property portfolio produced an un-geared total return of –12.6 per cent, which compared favourably against a total return of –14.9 per cent for the Investment Property Databank UK Monthly Index (the 'IPD' Monthly Index) over the same period. The additional negative returns on net asset value can be attributed to the effects of gearing in a falling market and a decrease in the swap valuation.

The negative sentiment towards property had a further impact on the Company's share price which fell 40.2 per cent over the year from 125.50 pence per share at 30 June 2007 to 75.0 pence at 30 June 2008. As at the year end the shares were trading at a discount of 38.0 per cent to NAV, significantly wider than the discount of 21.4 per cent a year earlier. Large discounts were evidenced across the peer group, with share prices largely driven by the level of a company's borrowings, as fears mounted over potential breaches of loan to value ('LTV') covenants and a company's ability to pay dividends. Despite the concerns over gearing in the sector, this Company has a conservative amount of debt in place, is comfortably within covenant levels and has no immediate concerns over its ability to pay out dividends at the existing rate.

Property Market and Portfolio

The UK commercial property market has been on a downward trend during the year as the economic outlook has deteriorated. 2008 GDP growth expectations have been revised downwards and inflation has moved up, hit by higher food and fuel prices. Weaker house prices and problems in the construction industry have had a knock-on effect on commercial property.

The credit crunch has continued and the banks are under stress, resulting in constrained levels of liquidity. This lack of finance is partly responsible for the reduced level of investment activity, especially for larger lot sizes but there is also uncertainty about the depth and duration of the downturn and a continued mismatch in buyer and seller expectations.

Capital values were marked down considerably in the fourth quarter of 2007 and the first quarter of 2008 before the pace of decline began to moderate. However, there is now increased concern about the occupier market which has begun to look more fragile with rental growth, primarily in City and West End offices, turning negative.

The Company's investment activity was limited to the first half of the year with two small sales in November 2007; the retail property at High Street, Hereford being sold for £1.7 million and another retail property at High Street, Sutton being sold for £1.0 million. The Company also purchased an office property, based in Edinburgh Park, in August 2007 for £15.2 million. This building is let to HSBC until August 2014 and further improves the covenant credit risk status of the portfolio.

The Managers continue to be active on working the income stream of the portfolio, settling 14 rent reviews and lease expires during the year at an uplift of 13.2 per cent. Rental income has increased by £704,000, primarily as a result of the investment in Edinburgh Park but also as a result of an increase in

rent at Clifton Moor Gate, York and the granting of a new lease at 100A Princes Street, Edinburgh, a differential of £104,000 on last year.

The level of vacant property continues to be low at 3.3 per cent of total rental income, well below the IPD average of 9.3 per cent. Various initiatives are in place to reduce this level further in the coming months.

Dividends

Following the decision to increase the rate of the dividend, three interim dividends of 1.80 pence per share have been paid during the year. It is the intention of the Board to pay a fourth interim dividend of 1.80 pence per share, giving a total dividend for the year ended 30 June 2008 of 7.20 pence per share, in line with the amount proposed in last year's annual report and an increase of 2.9 per cent on the year ended 30 June 2007. As previously announced, the dividend will be paid on 26 September 2008 to shareholders on the register on 5 September 2008.

In the absence of a material change in circumstances, it is the intention of the Board to maintain the quarterly dividend at 1.80 pence per share, giving a total dividend for the year ending 30 June 2009 of 7.2 pence per share. This represents a dividend yield of 9.6 per cent on the share price as at 30 June 2008.

Borrowings

The net gearing level as at 30 June 2008 was 30.8 per cent, which compares with 19.0 per cent as at 30 June 2007 and 40.0 per cent at launch on 1 June 2004. The level of gearing has mainly increased as a result of using some cash reserves on the Edinburgh investment but also because of the falling capital values of the properties.

The Board is at ease with the current level of gearing, with £60 million of a £75 million revolving credit facility currently drawn down.

Change of Name

The Board is proposing, in Resolution 8 contained within the Notice of Annual General Meeting, to change the name of the Company from ISIS Property Trust 2 Limited to ''IRP Property Investments Limited''. This change of name will give the Company a different identity from another property investment company in the sector, ISIS Property Trust Limited, which is managed by the same investment managers but is a separate legal entity.

Outlook

The short term outlook for property has deteriorated over the last three months, reflecting concerns about the economy and financial markets. Expectations are that a weak year is in prospect for 2008 and into 2009.

Beyond this, however, the Managers predict positive real rates of return and continue to believe that performance will be largely income driven.

The balanced nature of the investment portfolio and the risk minimisation adopted by the Managers and the Board with regards to borrowings and investment opportunities, has reduced the vulnerability of the Company to the market downturn. This has placed the Company in a strong position to see out the current decline and prosper when the property market turns, whilst delivering an attractive dividend return to shareholders in the meantime.

Quentin Spicer
Chairman
18 September 2008

Investment Managers

Ian McBryde
Investment Manager

Investment Managers

F&C Asset Management plc (''FCAM'') is a leading asset manager in both the UK and Europe and has approximately £96.5 billion of funds under management (as at 30 June 2008). The shares of FCAM are traded on the London Stock Exchange.

FCAM's parent company is Friends Provident plc, whose shareholdings in the Company are disclosed on page 13.

As part of an internal re-organisation, F&C Investment Business Limited ''F&C'', a wholly owned subsidiary of FCAM, was appointed as investment managers of the Company with effect from 31 December 2006. On 3 September 2008, the FCAM property team combined with REIT Asset Management to form F&C REIT Asset Management ('F&C REIT'), 70 per cent owned by FCAM and with a combined total of £8.5 billion of real estate under management. As part of the new arrangement, F&C has delegated the investment management of the Company to F&C REIT, who manage property investments on behalf of a wide range of clients including ISIS Property Trust Limited, ISIS Property Trust 2 Limited and F&C Commercial Property Trust Limited.

The F&C REIT property team has a strong investment performance track record of achieving outperformance of relevant benchmarks over the short, medium and long term periods.

Ian McBryde Investment Manager joined F&C Asset Management plc in 1982 and is a director of F&C REIT Asset Management. He is a fellow of the Royal Institution of Chartered Surveyors.

Managers' Review

The UK commercial property market peaked in mid 2007 and the past 12 months we have seen consistently negative total returns and capital values falling by almost 20 per cent. Although the speed of decline moderated in the early part of 2008, this trend has subsequently reversed with capital values falling by a further 4.1 per cent over the last quarter, according to Investment Property Databank ('IPD'). The downturn has affected all sectors of the market with the retail sector the worst affected on a 12 month view. Whilst the effect of the downturn was initially felt more on capital values and yields, more recently rental growth has stalled and indeed turned negative in some segments. Investment activity has been severely limited, affected both by a lack of liquidity and concerns about market prospects. There has been a mismatch in price expectations between buyers and sellers leading to protracted negotiations, withdrawn stock and price reductions.

Mercury House, Strathclyde Business Park, Bellshill

Consensus estimates are for economic growth to slow in 2009, which may further affect the occupational market and rental growth prospects. Higher inflation rates may put a floor on base rate levels, which could put upward pressure on property yields if the risk premium is to be fully restored. The outlook for property is forecast to remain difficult in the coming year. Investors are expected to favour prime well-let stock with the protection of income being key and secondary property may have further to fall as investors re-appraise risk. In the medium-term, as economic growth rates improve and liquidity is restored to the market, property is expected to attract interest once again.

Portfolio

Against an increasingly difficult market and economic backdrop, the Company saw a significant decline in the value of its property portfolio. From a peak during the previous year, property values started to fall in the first quarter of the financial year and continued to do so each quarter, ending the period 17.4 per cent lower, after allowing for transactions and other expenditure. Together with an income return of 5.8 per cent for the year, the total ungeared return on the Company's property portfolio for the financial year was –12.6 per cent, which compares with the IPD Monthly Index return for the same period of –14.9 per cent.

Following a very active sales program in 2007, during which over £26 million of property was sold, the Company sold a further two properties during the last financial year. No 9 High Street, Hereford was sold at auction in November 2007 for £1.66 million, in excess of its book cost of £1.47 million, and reflecting a yield of 6 per cent. The property was let to Burton/Dorothy Perkins Properties Ltd on a lease expiring in August 2010 at an annual rent of £105,500 per annum. No 97 High Street, Sutton was also sold at the same auction for a price of £1.02 million, in excess of its book cost of £910,000, and reflecting a yield of 5.7 per cent, the property being let until September 2014 at £61,500 per annum.

The Company made one significant purchase, which was announced in last year's Annual Report and Accounts. No's 1 and 2 Lochside Way, Edinburgh was acquired for £15.2 million, reflecting a yield of 5.5 per cent. The property comprises an office building of 42,000 sq. ft. located on Scotland's premier business park and is let to HSBC Securities (UK) Ltd, guaranteed by HSBC Bank plc until August 2014. The acquisition further strengthens the Company's exposure to well-let prime regional offices and improves the covenant credit risk status of the rental income.

48/49 St James's, London SW1

Managers' Review (continued)

The importance of active asset management and the enhancement of rental income streams has become even more significant at a time of negative capital value growth. During the period the Company increased its annual rental income by £826,000. A total of 14 rent reviews and lease expiries were completed which created an uplift of 13.2 per cent on the rents being reviewed. The most notable increase was the rent review of 7/8 High Street Winchester, due on 25 December 2007 where the rent was increased by £57,750 per annum to £338,750 per annum, an uplift of 20.6 per cent.

Unit 3663, Echo Park, Banbury

During the financial year the Company maintained a low level of voids, although this did increase during the year from a low of 0.3 per cent as a proportion of Estimated Rental Value at the beginning of the period to 3.3 per cent at 30 June 2008, which compares favourably with the IPD Monthly Index of 9.3 per cent. Unit 6, Lakeside Road, Colnbrook became vacant on 28 September 2007 following a lease expiry and the premises were subject to a minor refurbishment project and are now available to let. The lease of the fifth floor of 48/49 St James's Street, London, SW1 became vacant on 1 October 2007 and, as part of its asset management plan, the Company has since refurbished the premises to a high standard, including replacing the air conditioning system. Unfortunately, the Company's tenant at Pavilion Buildings, Brighton and 7/11 Bridge Street, Guildford, Yates Group Ltd, has gone into administration. Whereas the Brighton premises are being assigned to a new tenant ensuring the continuity of income, the administrator has vacated the Guildford premises creating a void with a rental value in the region of £150,000 per annum.

As at 30 June, the average unexpired lease length of the Company's portfolio, assuming all break options are exercised, was 8.3 years, with 47.1 per cent of gross rents having an unexpired term of greater than 10 years.

The level of borrowings remained constant during the year with £60 million of a £75 million revolving credit facility drawn down. The Company is comfortably within its loan to value covenant with net gearing as at the year end of 30.8 per cent, significantly below the limit of 60 per cent. The current rate of interest is 5.655 per cent and is fixed with an interest rate swap. The pressure on interest rates has raised 10 year swap rates and this has been reflected in the valuation of the Company's swap which was valued as an asset of £2,269,000 as at 30 June 2008.

Outlook

The property market continues to see negative returns and the forecast is for further falls in value for the rest of 2008 and into 2009. However, depending on the depth and length of the current economic crisis, the forecast is for returns to move into positive territory later in 2009 with a rather more substantial improvement thereafter.

The Company believes that it is well positioned in the short term to deal with the continued market uncertainties, as a result of its timely sales program, the reduction in the Company's borrowings and its relative low void position. In the longer term the Company has the ability to expand its portfolio and to take advantage of future market opportunities.

Ian McBryde

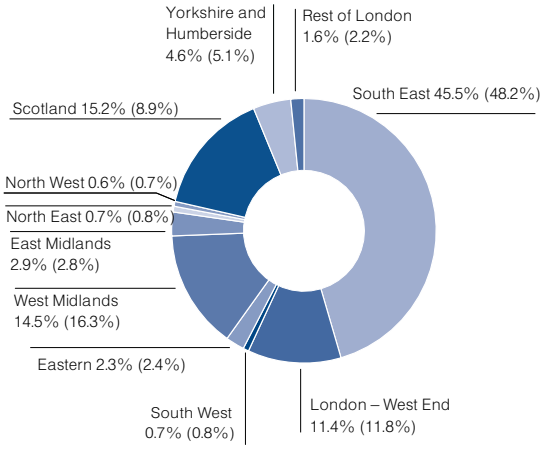
Investment Manager

18 September 2008

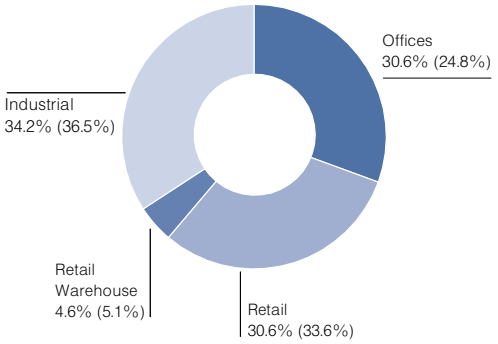
Lochside Way, Edinburgh Park, Edinburgh

Portfolio Statistics

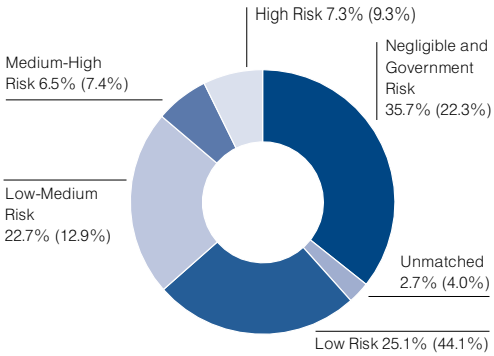
Geographical Analysis
as at 30 June 2008 (prior year comparatives in brackets)



Sector Analysis
as at 30 June 2008 (prior year comparatives in brackets)



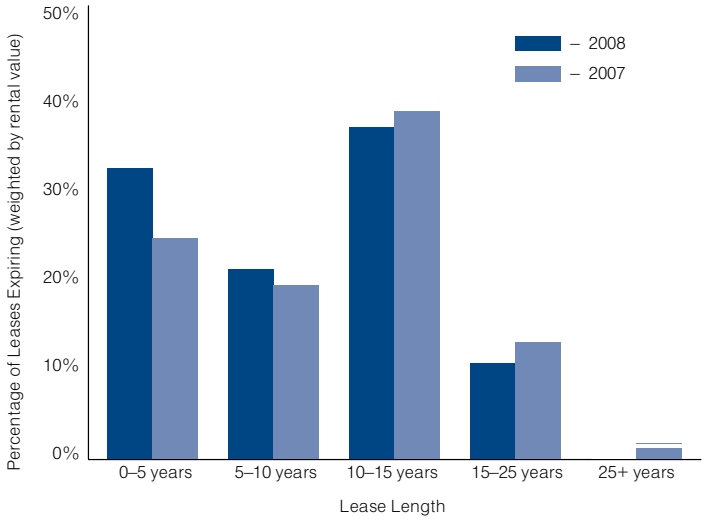
Covenant Strength
as at 30 June 2008 (prior year comparatives in brackets)



As measured by: Investment Property Databank (IPD).

Portfolio Statistics (continued)

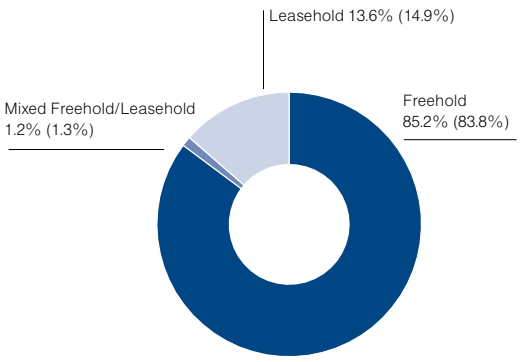
Lease Expiry Profile



As at 30 June 2008 the average lease length for the portfolio, assuming all break options are exercised, was 8.3 years (2007: 9.1 years).

Tenure Analysis

as at 30 June 2008 (prior year comparatives in brackets)



Property Portfolio

Property	Sector	Book Cost £'000	Fair Value £'000†	% of Total Assets (less Current Liabilities)
London SW1, 48/49 St James's Street	Offices	10,000	17,850	9.2
Banbury, Unit 3663, Echo Park	Industrial	13,850	15,703‡	8.1
Colnbrook, Units 1–8 Lakeside Road	Industrial	10,750	15,025	7.7
Bellshill, Mercury House, Strathclyde Business Park	Offices	11,680	13,750	7.1
Edinburgh, 1–2 Lochside Way, Edinburgh Park	Offices	15,164	12,670	6.5
Eastleigh, Southampton International Park	Industrial	11,375	10,975	5.7
Leamington Spa, 30–40 The Parade & 47/59a Warwick Street	Retail	9,340	10,590	5.5
Hemel Hempstead, Hemel Gateway	Industrial	8,510	9,530	4.9
York, Clifton Moor Gate *	Retail Warehouse	8,550	8,750	4.5
Rugby, Swift House, Cosford Lane *	Industrial	6,700	7,090	3.6
Ten largest property holdings		**105,919**	**121,933**	**62.8**
Winchester, 7–8 High St. & 50 Colebrook Street	Retail	4,720	5,975	3.1
Nottingham, Standard Hill	Offices	4,710	5,600	2.9
Brookwood, The Clock Tower	Offices	5,160	5,350	2.8
Milton Keynes, Site E Chippenham Drive	Industrial	4,730	4,750	2.4
Sutton Coldfield, 63–67 The Parade	Retail	4,330	4,535	2.3
Guildford, 51–53 High Street	Retail	3,940	4,100	2.1
London SW1, 24 Haymarket & 1/2 Panton Street *	Retail	2,974	3,900	2.0
Southampton, Units 1 & 2, Above Bar Church *	Retail	4,161	3,750	1.9
Marlow, Globe Park, Unit GP9	Offices	3,780	3,400	1.7
Leamington Spa, 88/90 The Parade	Retail	2,890	3,250	1.7
Twenty largest property holdings		**147,314**	**166,543**	**85.7**
Croydon, 17, 19 & 21 George Street	Retail	2,980	2,980	1.5
Sunningdale, 53/79 Chobham Road	Retail	1,907	2,850	1.5
Edinburgh, 100A Princes Street	Retail	2,222	2,650	1.4
Rayleigh, 81/87 High Street.	Retail	1,770	2,585	1.3
Nuneaton, 1–2 Church Street	Retail	1,890	2,305	1.2
Guildford, 7/11 Bridge Street	Retail	2,300	2,250	1.2
Brighton, 2—3 Pavilion Buildings *	Retail	1,760	1,800	0.9
Wickford, 12/20 High Street	Retail	1,310	1,765	0.9
Swindon, Unit 5, Newcombe Drive	Industrial	1,280	1,405	0.7
South Shields, 67/69 King Street	Retail	1,120	1,360	0.7
Thirty largest property holdings		**165,853**	**188,493**	**97.0**
Rochdale, 40 Yorkshire Street	Retail	730	730	0.4
Newbury, 25 Northbrook Street *	Retail	630	685	0.4
Rochdale, 42 Yorkshire Street	Retail	570	535	0.3
Total property portfolio		**167,783**	**190,443**	**98.1**
Interest rate swap			**2,269**	**1.2**
Net current assets			**1,329**	**0.7**
Total assets less current liabilities			**194,041**	**100.0**

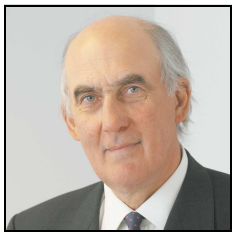
*Leasehold property

†Based on market value

‡The market value of Banbury is £16,720,000 (2007: £20,925,000). The difference between the market value and the fair value is the reverse lease surrender premium of £1,017,000 (2007: £1,075,000) which is recorded in the accounts as a current asset.

Board of Directors

Quentin Spicer
Chairman
is a resident of Guernsey and chairman of a number of companies including the Guernsey Housing Association LBG, RAB Special Situations Company Limited, European Value and Income Fund Limited, Quintain (Guernsey) Limited, South African Property Opportunities plc and Atlas Estates Limited. He is a non executive director of Summit Germany Limited, O Twelve Estates Limited, Develica Deutschland Limited and a number of other property investment funds.



Andrew Gulliford
is a UK resident. He is a chartered surveyor and was, until 1 January 2006, deputy senior partner of Cushman & Wakefield Healey & Baker. He joined one of its predecessor firms in 1972 and was head of the firm's investment group for twelve years until the end of 2002. He advises a number of institutions on property matters and is also a non-executive director of Helical Bar plc and McKay Securities plc, UK listed property companies.

Christopher Sherwell

is a resident of Guernsey. He worked with the *Financial Times* for thirteen years before becoming a Far East Regional Strategist for Smith New Court Securities in 1990. In 1993 he joined Schroders in the Channel Islands as investment director of Schroders (C.I.) Limited and was managing director from April 2000 to January 2004. He is still a non-executive director of Schroders (C.I.) Limited and is non-executive chairman of Consulta (Channel Islands) Limited, a fund management business, and Hermes Absolute Return Fund (Guernsey) Limited, a fund of hedge funds. He is also a non-executive director of various other investment companies.

Christopher Spencer
is a resident of Guernsey. He is a chartered accountant and was managing director of Pannell Kerr Forster (Guernsey) Limited until May 2000. He is a non-executive director of a number of listed companies, including Bear Stearns Private Equity Limited, Henderson Far East Income Limited, Kenmore European Industrial Fund Limited, Queen's Walk Investment Limited, Dexion Trading Limited and Ruffer Investment Company Limited.

Giles Weaver
is a UK resident. He is a chartered accountant and was, until 2000, managing director and chairman of Murray Johnstone Limited. He has over 25 years' experience as a fund manager. He is chairman of Charter Pan-European Trust plc, Helical Bar plc, Kenmore European Industrial Fund Limited, AH Medical Properties Limited, and is a non-executive director of Aberdeen Asset Management plc and a number of other investment companies.

Report of the Directors

The Directors present the report and accounts of ISIS Property Trust 2 Limited, ('the Company') for the year ended 30 June 2008.

Results and Dividends

The results for the year are set out in the attached accounts.

The Company has paid interim dividends related to the year ended 30 June 2008 as follows:

	Payment date	Rate per share
Fourth interim for prior year	28 September 2007	1.81p
First interim	21 December 2007	1.80p
Second interim	11 April 2008	1.80p
Third interim	27 June 2008	1.80p

It is the policy of the Directors to declare and pay dividends as interim dividends. The Directors do not therefore recommend a final dividend. A fourth interim dividend of 1.8p will be paid on 26 September 2008 to shareholders on the register on 5 September 2008.

Principal Activity and Status

The Company is a Guernsey-registered company and during the year carried on business as a property investment company.

Business Review

The Board of Directors is responsible for the overall stewardship of the Company, including investment and dividend policies, corporate strategy, corporate governance, and risk management. Biographical details of the Directors, all of whom are non executive, can be found on page 10.

Objective

The Company's investment objective is 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 Policy and Management of Assets

The Company holds a diversified portfolio of freehold and predominantly long leasehold (over 60 years remaining at the time of acquisition) UK commercial properties. It invests principally in three commercial property sectors: office, retail and industrial.

The Company invests in income producing investments. Investment decisions are based on analysis of, amongst other things, prospects for future income and capital growth, sector and geographic prospects, tenant covenant strength, lease length, and initial and equivalent yields and the potential for development or redevelopment of the property. The Company will not invest in other investment companies or funds.

Investment risks are spread through investing in a range of sectors across the UK, and through letting properties, where possible, to low risk tenants. The Company has not set any maximum geographic exposures, but the maximum weightings in the principal property sectors (stated as a percentage of total assets) are: office: 60 per cent; retail: 60 per cent; and industrial: 50 per cent. No single property may exceed 15 per cent of total assets* and the five largest properties may not exceed 45 per cent of total assets.* Income receivable from any one tenant, or tenants within the same group, in any one financial year shall not exceed 20 per cent of the total rental income of the Group† in that financial year. At least 90 per cent by value of properties held shall be in the form of freehold, feuhold or long leasehold (over 60 years remaining at the time of acquisition) properties or the equivalent.

The Company uses gearing to enhance returns over the long term. Gearing, represented by borrowings as a percentage of total assets, should not exceed 60 per cent. However, it is the Board's present intention that borrowings will be limited to a maximum of 45 per cent of total assets at the time of borrowing. The Board receives recommendations on gearing levels from the Managers and is responsible for setting the gearing range within which the Managers may operate. The Company's borrowings are represented by a £60 million bank loan, which is described in more detail in note 12 to the accounts. The net gearing level as at 30 June 2008 was 30.8 per cent of total assets.

*applicable only on acquisition or disposal of a property.

†does not apply to lettings of the government of the United Kingdom.

Report of the Directors (continued)

At each Board meeting, the Board receives a detailed presentation from the Managers together with a comprehensive analysis of the performance of the Company, and compliance with investment restrictions during the reporting period. An analysis of how the portfolio was invested as at 30 June 2008 is contained within the Managers' Review on pages 5 to 6 and a full portfolio listing is provided on page 9.

Principal Risks and Risk Uncertainties

The Company'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. More detailed explanations of these risks and the way in which they are managed are contained under the headings of Credit Risk, Liquidity Risk and Interest Rate Exposure and Market Price Risk in note 17 to the accounts. The Managers also seek to mitigate these risks through active asset management initiatives, and carrying out due diligence work on potential tenants before entering into any new lease agreements. All of the properties in the portfolio are insured.

Other risks faced by the Company include the following:

- Economic – inflation or deflation, economic recessions and movements in interest rates could affect property valuations.
- Strategic – incorrect strategy, including sector and property allocation and use of gearing, could all lead to poor returns for shareholders.
- Regulatory – breach of regulatory rules could lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.
- Management and control – changes that cause the management and control of the Company to be exercised in the United Kingdom could lead to the Company becoming liable to United Kingdom taxation on income and capital gains.
- Financial – inadequate controls by the Managers 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 Managers' accounting systems or disruption to the Managers' business, or that of third party service providers, could lead to an inability to provide accurate reporting and monitoring, leading to a loss of shareholders' confidence.

The Board seeks to mitigate and manage these risks through continual review, policy setting and enforcement of contractual obligations. It also regularly monitors the investment environment and the management of the Company's property portfolio, and applies the principles detailed in the internal control guidance issued by the Financial Reporting Council. Details of the Company's internal controls are described in more detail on page 15.

The Board and the Managers recognise the importance of the discount of share price to net asset value in shareholder value. The Managers meet with current and potential new shareholders, and with stockbroking analysts who cover the investment trust sector, on a regular basis. In addition, communication of quarterly portfolio information is provided through the Company's website.

Key Performance Indicators

The Company's performance in meeting its objectives is measured against key performance indicators as set out below. A review of the Company's returns during the financial year, the position of the Company at the year end, and the outlook for the coming year is contained in the Chairman's Statement and the Managers' Review.

The Board uses a number of performance measures to assess the Company's success in meeting its objectives. The key performance indicators are as follows:

- Net asset value total return against the Investment Property Databank UK Monthly Index.
- Discount of share price to net asset value.
- Dividend per share and dividend yield.
- Total expenses as a percentage of average total assets less current liabilities.

A historical record of these indicators is contained in the Performance Summary on page 1 and in the Historic Record on page 38.

Directors

The Directors who held office during the year and their interests in the shares of the Company as at 30 June 2008 (all of which were beneficial) were:

	As at 30 June 2008 Ordinary Shares	As at 30 June 2007 Ordinary Shares
Q Spicer	**74,000**	53,800
A E G Gulliford	**25,000**	25,000
C W Sherwell	**20,000**	20,000
C P Spencer	**25,000**	25,000
C G H Weaver	**50,000**	50,000

Between 30 June 2008 and 18 September 2008 Mr Q Spicer purchased 27,000 shares, there have been no other changes during this period.

The Directors are also directors of IPT Property Holdings 2 Limited, the Company's wholly owned subsidiary undertaking.

Biographical details of each of the Directors are shown on page 10. Mr C W Sherwell, Mr C P Spencer and Mr C G H Weaver retire from the Board by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting. The Board confirms that, following formal performance evaluations, their performance continues to be effective and demonstrates commitment, and believes that it is therefore in the interests of shareholders that they are re-elected.

During the year the Directors received the following emoluments in the form of fees:

	Year ended 30 June 2008 £	Year ended 30 June 2007 £
Q Spicer	**25,000**	25,000
A E G Gulliford	**20,000**	20,000
C W Sherwell	**20,000**	20,000
C P Spencer	**20,000**	20,000
C G H Weaver	**20,000**	20,000
Total	**105,000**	105,000

There are no service contracts in existence between the Company and any Directors but each of the Directors was appointed by a letter of appointment which sets out the main terms of his appointment.

Management

A summary of the agreement between the Company and F&C Investment Business Limited in respect of management services provided is given in Note 2 to the accounts.

Since the year end, the Management Engagement Committee has reviewed the appropriateness of the Managers' appointment. In carrying out the review the Committee considered the investment performance of the Company and the capability and resources of the Managers to deliver satisfactory investment performance. It also considered the length of the notice period of the investment management contract and the fees payable to the Managers, together with the standard of the other services provided.

Following this review, it is the Directors' opinion that the continuing appointment of the Managers on the terms agreed is in the interests of shareholders as a whole.

Substantial Interests in Share Capital

At 18 September 2008 the following holdings representing more than 3 per cent of the Company's issued share capital had been notified to the Company.

	Number of Ordinary Shares Held	Percentage Held
Friends Provident Group	42,951,750	38.9
Deutsche Bank AG*	13,279,586	12.0
Scottish Widows Investment Partnership*	10,000,000	9.0

* Included within these holdings are 5,000,000 shares owned by Abbey Life Assurance Company but managed by Scottish Widows Investment Partnership.

Corporate Governance

Guernsey does not have its own corporate governance regime and, as a Guernsey-incorporated company, the Company is not required to comply with the Combined Code on Corporate Governance, issued by the Financial Reporting Council in July 2003 ('the Code'). However, it is the Company's

Report of the Directors (continued)

policy to comply with best practice on good corporate governance that is applicable to investment companies.

Arrangements in respect of corporate governance have therefore been made by the Board, which it believes are appropriate for the Company. Except as disclosed in the following paragraph, the Company complied throughout the year with the provisions of the Code. Since all the Directors are non-executive, the provisions of the Code in respect of Directors' remuneration are not relevant to the Company, except in so far as they relate to non-executive Directors.

In view of its non-executive nature and the requirement of the Articles of Association that all Directors retire by rotation at least every three years, the Board considers that it is not appropriate for the Directors to be appointed for a specified term as recommended by provision A.7.2 of the Code, nor for a Senior Independent Director to be appointed as recommended by provision A.3.3 of the Code.

The Board consists solely of non-executive Directors of which Mr Q Spicer is Chairman. All Directors are considered by the Board to be independent of the Company's Managers. New Directors receive an induction from the Managers and Secretary on joining the Board, and all Directors receive other relevant training as necessary.

The Company has no executive Directors or employees. A management agreement between the Company and its Managers, F&C Investment Business Limited, sets out the matters over which the Managers have authority and the limits beyond which Board approval must be sought. All other matters, including strategy, investment and dividend policies, gearing, and corporate governance procedures, are reserved for the approval of the Board of Directors. The Board currently meets at least quarterly and receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings.

Throughout the year a number of committees have been in operation. These committees include the Audit Committee, the Management Engagement Committee and the Nomination Committee.

The Audit Committee, chaired by Mr C Spencer, operates within clearly defined terms of reference and comprises all of the Directors. The terms of reference are available to shareholders on request to the Secretary. The duties of the Audit Committee in discharging its responsibilities include reviewing the Annual and Interim Accounts, the system of internal controls, and the terms of appointment of the auditors together with their remuneration. It is also the forum through which the auditors report to the Board of Directors and meets at least twice yearly. The objectivity of the auditors is reviewed by the Audit Committee which also reviews the terms under which the external auditors are appointed to perform non-audit services. The Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditors, with particular regard to non-audit fees. Such fees amounted to £35,000 for the year ended 30 June 2008 (year ended 30 June 2007: £26,000) and principally related to the provision of taxation

The table below sets out the number of Board and Committee meetings held during the year and the number of meetings attended by each Director.

	Board of Directors		Audit Committee		Management Engagement Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Q Spicer	4	4	2	2	1	1	1	1
A E G Gulliford	4	4	2	2	1	1	1	1
C W Sherwell	4	4	2	2	1	1	1	1
C P Spencer	4	4	2	2	1	1	1	1
C G H Weaver	4	4	2	2	1	1	1	1

In addition to the scheduled quarterly Board meetings detailed above, there were a further 4 Board Committee meetings held in Guernsey during the year, attended by non UK resident Directors.

services and a review of the interim financial information. Notwithstanding such services the Audit Committee considers Ernst & Young LLP to be independent of the Company.

The Management Engagement Committee comprises the full Board and reviews the appropriateness of the Managers' continuing appointment together with the terms and conditions thereof on a regular basis.

The Nomination Committee comprises the full Board and is convened for the purpose of considering the appointment of additional Directors as and when considered appropriate. There have been no Directors appointed during the year. During the year the performance of the Board, committees and individual Directors was evaluated through an assessment process, led by the Chairman. The performance of the Chairman was evaluated by the other Directors.

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties. The Company maintains appropriate Directors' and Officers' liability insurance.

Going Concern

After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Environmental Policy

The Managers acquire, develop and manage properties on behalf of the Company. It is recognised that these activities have both direct and indirect environmental impacts.

The Board has endorsed the Managers' own environmental policy which is to work in partnership with contractors, suppliers, tenants and consultants to minimise those impacts, seeking continuous improvements in environmental performance and conducting regular reviews.

Internal Controls

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board has therefore established an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed, consistent with the Turnbull guidance, as issued by the Financial Reporting Council in October 2005. The process is based principally on the Managers' existing risk-based approach to internal control whereby a test matrix is created that identifies the key functions carried out by the Managers and other service providers, the individual activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise those risks. A residual risk rating is then applied. The test matrix is regularly updated and the Board is provided with regular reports highlighting all material changes to the risk ratings and confirming the action which has been, or is being, taken. A formal annual review of these procedures is carried out by the Audit Committee and includes consideration of AAF (01/06) and similar reports issued by the Managers and other service providers.

Such review procedures have been in place throughout the year and up to the date of approval of the Annual Report, and the Board is satisfied with their effectiveness. These procedures are designed to manage rather than eliminate risk and, by their nature, can only provide reasonable, but not absolute, assurance against material misstatement or loss. At each Board meeting the Board monitors the investment performance of the Company in comparison to its stated objective and against comparable companies. The Board also reviews the Company's activities since the last Board meeting to ensure that the Managers adhere to the agreed investment policy and approved investment guidelines and, if necessary, approves changes to such policy and guidelines. In addition, at each Board meeting, the Board receives reports from the Secretary in respect of compliance matters and duties performed on behalf of the Company.

The Board has reviewed the need for an internal audit function. The Board is of the opinion that the systems and procedures employed by the Managers and the Secretary, including their internal audit functions and the work carried out by the Company's external auditors, provide sufficient assurance that a sound system of internal control, which safeguards the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

Report of the Directors (continued)

Relations with Shareholders

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. The Board receives regular reports on the views of shareholders and the Chairman and other Directors are available to meet shareholders if required. The Annual General Meeting of the Company provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Managers of the Company.

Directors' Authority to Buy Back Shares

The Company did not purchase any shares for cancellation during the period.

The current authority of the Company to make market purchases of up to 14.99 per cent of the issued Ordinary Share Capital expires at the end of the Annual General Meeting.

Resolution 7, as set out in the notice of the Annual General Meeting, seeks renewal of such authority until the earlier of 19 February 2010 and the Annual General Meeting in 2009. Any buy back of Ordinary Shares will be made subject to Guernsey law and within any guidelines established from time to time by the Board and the making and timing of any buy backs will be at the absolute discretion of the Board. Purchases of Ordinary Shares will only be made through the market for cash at prices below the prevailing net asset value of the Ordinary Shares (as last calculated) where the Directors believe such purchases will enhance shareholder value. The price paid will not be less than the nominal value of 1p per share. Such purchases will also only be made in accordance with the rules of the UK Listing Authority which provide that the price to be paid must not be more than 5 per cent above the average of the middle market quotations for the Ordinary Shares for the five business days before the shares are purchased. Any shares purchased under this authority will be cancelled or held in treasury. The Directors believe that the resolutions to be proposed at the Annual General Meeting are in the best interests of shareholders as a whole and recommend that shareholders vote in favour of each resolution.

Auditors

Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

On behalf of the Board

Q Spicer	C P Spencer
Director	Director

18 September 2008

Directors' Responsibility Statement and Independent Auditors' Report

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable Guernsey law and those International Financial Reporting Standards adopted by the European Union.

The Directors are required to prepare financial statements for each financial year which present fairly the financial position of the company and the financial performance and cash flows of the company for that period. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and apply them consistently;
- 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 the IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and performance; and
- state that the company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law 1994. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Report of the Directors and Managers' Review include a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board
Q Spicer
Chairman

18 September 2008

Independent Auditors' Report to the Members of ISIS Property Trust 2 Limited

We have audited the Group's financial statements for the year ended 30 June 2008 which comprise the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, and the related notes 1 to 19. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 64 of the Companies (Guernsey) Law 1994. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to any one other than the Company and the Company's members as a body, for our audit work for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for the preparation of the financial statements, including the financial statements which are required to be prepared in accordance with applicable Guernsey law, as set out in the Directors' Responsibility Statement.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements, which have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, give a true and fair view and are properly prepared in accordance with the Companies (Guernsey) Law 1994. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Company Summary, Financial Highlights, Performance Summary, Chairman's Statement, Investment Managers, Managers' Review, Portfolio Statistics, Property Portfolio, Board of Directors, Report of the Directors, Directors' Responsibility Statement, Notice of Annual General Meeting, Shareholder Information, Historic Recod and Corporate Information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the European Union, of the state of the Group's affairs as at 30 June 2008 and of its loss for the year then ended and have been properly prepared in accordance with the Companies (Guernsey) Law 1994.

Ernst & Young LLP
Guernsey
Channel Islands
18 September 2008

Consolidated Income Statement

for the year ended 30 June	Notes	2008 £'000	2007 £'000
Revenue			
Rental income		**12,513**	11,809
(Losses)/gains on investment properties	8	**(40,215)**	16,832
Total income		**(27,702)**	28,641
Expenditure			
Investment management fee	2a	**(1,769)**	(2,006)
Other expenses	3	**(964)**	(956)
Total expenditure		**(2,733)**	(2,962)
Net operating (loss)/profit before finance costs		**(30,435)**	25,679
Net finance costs			
Interest revenue receivable		**318**	747
Finance costs	4	**(3,508)**	(4,024)
Loss on termination of interest rate swap		**–**	(1,610)
		(3,190)	(4,887)
Net (loss)/profit from ordinary activities before taxation		**(33,625)**	20,792
Taxation on profit on ordinary activities	5	**–**	–
Net (loss)/profit for the year		**(33,625)**	20,792
(Loss)/earnings per share	7	**(30.4)p**	18.8p

The accompanying notes are an integral part of this statement.

Consolidated Balance Sheet

as at 30 June	Notes	2008 £'000	2007 £'000
Non-current assets			
Investment properties	8	**190,443**	218,024
Interest rate swap	12	**2,269**	3,397
		192,712	221,421
Current assets			
Trade and other receivables	10	**3,336**	2,871
Cash and cash equivalents	11	**2,468**	16,945
		5,804	19,816
Total assets		**198,516**	241,237
Non-current liabilities			
Interest-bearing bank loan	12	**(60,384)**	(60,326)
		(60,384)	(60,326)
Current liabilities			
Trade and other payables	13	**(4,475)**	(4,534)
Total liabilities		**(64,859)**	(64,860)
Net assets		**133,657**	176,377
Represented by:			
Share capital	14	**1,105**	1,105
Special distributable reserve		**98,271**	99,648
Capital reserve		**32,012**	72,227
Other reserve		**2,269**	3,397
Equity shareholders' funds		**133,657**	176,377
Net asset value per share	15	**121.0p**	159.6p

The accounts on pages 19 to 35 were approved and authorised for issue by the Board of Directors on 18 September 2008 and signed on its behalf by:

Q Spicer, Director C P Spencer, Director

The accompanying notes are an integral part of this statement.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2008

	Share Capital £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Other Reserve £'000	Revenue Reserve £'000	Total £'000
At 1 July 2007	1,105	99,648	72,227	3,397	–	176,377
Net loss for the year	–	–	–	–	(33,625)	(33,625)
Dividends paid	–	–	–	–	(7,967)	(7,967)
Transfer in respect of losses on investment properties	–	–	(40,215)	–	40,215	–
Transfer from special distributable reserve	–	(1,377)	–	–	1,377	–
Movement in fair value of interest rate swaps	–	–	–	(1,128)	–	(1,128)
At 30 June 2008	**1,105**	**98,271**	**32,012**	**2,269**	**–**	**133,657**

for the year ended 30 June 2007

	Share Capital £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Other Reserve £'000	Revenue Reserve £'000	Total £'000
At 1 July 2006	1,105	103,288	55,395	(2,652)	–	157,136
Net profit for the year	–	–	–	–	20,792	20,792
Dividends paid	–	–	–	–	(7,600)	(7,600)
Transfer in respect of gains on investment properties	–	–	16,832	–	(16,832)	–
Transfer from special distributable reserve	–	(3,640)	–	–	3,640	–
Realised loss on interest rate swap	–	–	–	1,610	–	1,610
Movement in fair value of interest rate swaps	–	–	–	4,439	–	4,439
At 30 June 2007	**1,105**	**99,648**	**72,227**	**3,397**	**–**	**176,377**

The accompanying notes are an integral part of this statement.

Consolidated Cash Flow Statement

for the year ended 30 June	Notes	2008 £'000	2007 £'000
Cash flows from operating activities			
Net operating (loss)/profit for the year before finance costs		**(30,435)**	25,679
Adjustments for:			
Losses/(gains) on investment properties		**40,215**	(16,832)
(Increase)/decrease in operating trade and other receivables		**(864)**	176
(Decrease)/increase in operating trade and other payables		**(59)**	207
		8,857	9,230
Interest received		**273**	702
Bank loan interest paid		**(3,918)**	(3,759)
Receipts/(payments) under interest rate swap arrangement		**912**	(380)
		(2,733)	(3,437)
Net cash inflow from operating activities		**6,124**	5,793
Cash flows from investing activities			
Purchase of investment properties and capital expenditure	8	**(15,311)**	(510)
Sale of investment properties	8	**2,677**	26,610
Net cash (outflow)/inflow from investing activities		**(12,634)**	26,100
Cash flows from financing activities			
Repayment of previous bank loan	12	**–**	(70,662)
Drawdown of new bank loan	12	**–**	60,000
New loan set-up costs paid		**–**	(127)
Payment on termination of interest rate swap		**–**	(1,610)
Dividends paid	6	**(7,967)**	(7,600)
Net cash outflow from financing activities		**(7,967)**	(19,999)
Net (decrease)/increase in cash and cash equivalents		**(14,477)**	11,894
Opening cash and cash equivalents		**16,945**	5,051
Closing cash and cash equivalents		**2,468**	16,945

The accompanying notes are an integral part of this statement.

Notes to the Accounts

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

(a) Basis of Accounting

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards issued by, or adopted by, the International Accounting Standards Board (the 'IASB'), interpretations issued by the International Financial Reporting Standards Committee, applicable legal and regulatory requirements of Guernsey law and the Listing Rules of the UK Listing Authority.

In August 2005, the IASB issued IFRS 7 *Financial Instruments: Disclosures* which became effective for periods commencing on or after 1 January 2007. The standard requires disclosures about the significance of financial instruments for an entity's financial position and performance. These disclosures incorporate many of the requirements of IAS 32 *Financial Instruments: Disclosure and Presentation*. IFRS 7 also requires information about the extent to which the entity is exposed to risks arising from financial instruments, and a description of management's objectives, policies and processes for managing those risks. The requirements of this standard are included within note 17 to the accounts.

The following new standards have been issued but are not effective for 2008 and have not been early adopted:

In November 2006, the IASB issued IFRS 8 *Operating Segments* which becomes effective for periods commencing on or after 1 January 2009. This standard requires disclosure on the financial performance of the Group's operating segments. The Group will apply IFRS 8 for its accounting period commencing 1 July 2009.

In March 2007, the IASB issued *IAS 23 Borrowing Costs (amendment)*, which becomes effective for accounting periods commencing on or after 1 January 2009. This standard requires that all borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of the asset.

In September 2007, the IASB issued IAS 1 *Presentation of Financial Statements (amendment)*, which becomes effective for accounting periods commencing on or after 1 January 2009. This standard prescribes the basis of presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities.

In January 2008, the IASB issued IAS 27 *Consolidated Separate Financial Statements* which becomes effective for accounting periods commencing on or after 1 July 2009. The objective of this standard is to enhance the relevance, reliability and comparability of the information that a parent entity provides in its separate financial statements and in its consolidated financial statements for a group of entities under its control.

The Group does not consider that the future adoption of International Financial Reporting Standards, in the form currently available, will have any material impact on the financial statements as presented.

(b) Basis of Consolidation

The consolidated accounts comprise the accounts of the Company and its subsidiary drawn up to 30 June each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

(c) Revenue Recognition

Rental income, excluding VAT, arising on investment properties is accounted for in the Income Statement on a straight-line basis over the lease term of ongoing leases.

Interest income is accounted for on an accruals basis.

(d) Expenses

Expenses are accounted for on an accruals basis. The Group's investment management and administration fees, finance costs and all other expenses are charged through the Income Statement.

(e) Taxation

With effect from 1 January 2008 exempt status for category D companies has been abolished and the standard rate of income tax for Guernsey companies reduced to zero per cent. However the Company will be able to continue to apply for tax exemption under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 as a category B collective investment vehicle, as will its subsidiary. A fixed annual fee of £600 per company is payable to the states of Guernsey in respect of this exemption. Capital gains are not taxable in Guernsey.

Notes to the Accounts (continued)

1. Accounting policies (continued)

The Directors intend to conduct the Group's affairs such that the management and control is not exercised in the United Kingdom and so that neither the Company nor any of its subsidiaries carries on any trade in the United Kingdom. Accordingly, the Company and its subsidiaries will not be liable for United Kingdom taxation on their income or gains other than certain income deriving from a United Kingdom source.

The Company and its subsidiaries are subject to United Kingdom income tax on income arising on the property portfolio after deduction of its allowable debt financing costs and other allowable expenses.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred income tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. As the Directors consider that the value of the property portfolio is likely to be realised by sale rather than use over time, no provision has been made for deferred tax on valuation uplifts.

(f) Investment Properties

Investment properties are initially recognised at cost, being the fair value of consideration given, including transaction costs associated with the investment property. Any subsequent capital expenditure incurred in improving investment properties is capitalised in the period during which the expenditure is incurred and included within the book cost of the property.

After initial recognition, investment properties are measured at fair value, with unrealised gains and losses recognised in the Income Statement and transferred to the Capital Reserve. Fair value is based on the open market valuation provided by DTZ Debenham Tie Leung Limited, chartered surveyors, at the balance sheet date.

Investment properties held under finance leases and leased out under operating leases are classified as investment property and stated at fair value.

On derecognition, realised gains and losses on disposals of investment properties are recognised in the Income Statement and transferred to the Capital Reserve.

Recognition and derecognition occurs on the exchange of signed contracts between a willing buyer and a willing seller.

(g) Derivative Financial Instruments

The Group uses derivative financial instruments to hedge its risk associated with interest rate fluctuations. It is not the Group's policy to trade in derivative instruments.

Derivative instruments are initially recognised in the Balance Sheet when the Group becomes party to the contractual provisions of the instrument. The derivative instruments are initially recognised at cost and are subsequently re-measured at their fair value. Fair value is determined by reference to market values for similar instruments.

Gains or losses arising in the fair value of cash flow hedges in the form of derivative instruments are taken directly to the Statement of Changes in Equity. Such gains and losses are taken to a reserve created specifically for that purpose, described as the Other Reserve in the Balance Sheet.

On maturity or early redemption, the realised gains or losses arising from cash flow hedges in the form of derivative instruments are taken to the Income Statement, with an associated transfer from the Other Reserve to the Revenue Reserve in the Statement of Changes in Equity in respect of unrealised gains or losses arising in the fair value of the same arrangement.

The Group considers its interest rate swap qualifies for hedge accounting when the following criteria are satisfied:

- The instrument must be related to an asset or liability;
- It must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa; and
- It must match the principal amounts and maturity date of the hedged item.

(h) Segmental Reporting

The Directors are of the opinion that the Group is engaged in a single segment of business being property investment business and in one geographical area, the United Kingdom.

(i) Cash and Cash Equivalents

Cash in banks and short term deposits that are held to maturity are carried at cost. Cash and cash equivalents consist of cash in hand and short term deposits in banks with an original maturity of three months or less.

1. Accounting policies (continued)

(j) Trade and Other Receivables

Trade receivables, which are generally due for settlement at the relevant quarter end, are recognised and carried at the original invoice amount less an allowance for any uncollectable amounts. A provision for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Surrender lease premiums paid are recognised as a current asset and amortised over the period from the date of lease commencement to the earliest termination date.

(k) Trade and Other Payables

The Company's payment policy is to ensure settlement of supplier invoices in accordance with stated terms.

(l) Interest-Bearing borrowings

All non-current borrowings are initially recognised at the date of drawdown and are measured at cost, being the fair value of the consideration received net of arrangement costs associated with the borrowing. After initial recognition, all interest bearing loans and borrowings are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any loan arrangement costs and any discount or premium on settlement.

On maturity bank loans are recognised at par, which is equivalent to amortised cost. Bank loans redeemed before maturity are recognised at amortised cost with any charges associated with early redemption being taken to the Income Statement.

(m) Reserves

Special reserve

The special reserve is a distributable reserve to be used for all purposes permitted under Guernsey law, including the buyback of shares and the payment of dividends.

Capital reserve

The following are accounted for in this reserve:

– gains and losses on the disposal of investment properties
– increases and decreases in the fair value of investment properties held at the year end.

Other reserve

The following are accounted for in this reserve:

– movements relating to the interest rate swap arrangement accounted for as a cash flow hedge.

Revenue reserve

Any surplus arising from the net profit on ordinary activities after taxation and payment of dividends is taken to this reserve, with any deficit charged to the special reserve.

2. Fees

	2008 £'000	2007 £'000
(a) Investment management fee	**1,769**	2,006

The Company's Managers receive a fee from the Group at an annual rate of 0.85 per cent of the total assets less current liabilities, plus an administration fee of £67,000 per annum (which increases annually in line with inflation) (see note 3), payable quarterly in arrears. The fees of any managing agents appointed by the Managers will be payable out of the investment management fee. The investment management agreement was for a fixed initial three year period which ended on 1 June 2007 and may be terminated by either party by giving not less than 12 months' notice.

The investment management agreement may be terminated earlier provided that a payment in lieu of notice, equivalent to the amount the Managers would otherwise have received during the notice period, is made.

(b) Valuers' fees

The valuers, DTZ Debenham Tie Leung Limited provide valuation services in respect of the property portfolio. An annual fee is payable equal to 0.03 per cent of the aggregate value of the property portfolio.

Notes to the Accounts (continued)

3. Other expenses

	Year ended 30 June 2008 £'000	Year ended 30 June 2007 £'000
Direct operating expenses of let rental property	**384**	416
Bad debts	**4**	(13)
Valuation and other professional fees	**164**	170
Directors' fees	**105**	105
Administration fee	**67**	64
Auditors' remuneration for:		
– statutory audit	**37**	33
– interim review	**6**	5
– tax services	**26**	17
– other services	**3**	4
Other	**168**	155
	964	956

4. Finance costs

	Year ended 30 June 2008 £'000	Year ended 30 June 2007 £'000
Interest on principal loan amount	**3,897**	3,699
Interest in respect of rate swap arrangement	**(468)**	180
Termination costs of previous loan	**–**	24
Amortisation of loan set up costs	**43**	26
Write-off of previous loan set up costs	**–**	77
Other interest/fees	**36**	18
	3,508	4,024

5. Taxation

	Year ended 30 June 2008 £'000	Year ended 30 June 2007 £'000
Current income tax charge	**–**	–
Deferred income tax relating to origination and reversal of temporary differences	**–**	–
Total tax charge	**–**	–

5. Taxation (continued)

A reconciliation of the income tax charge applicable to the results from ordinary activities at the statutory income tax rate to the charge for the year is as follows:

	Year ended 30 June 2008 £'000	Year ended 30 June 2007 £'000
Net (loss)/profit before taxation	**(33,625)**	20,792
UK income tax at an effective rate of 21.5 per cent (2007: 22 per cent)	**(7,229)**	4,574
Effects of:		
Capital loss/(gains) on revaluation of investment properties not taxable	**8,646**	(3,703)
Income not taxable, including interest receivable	**(68)**	(164)
Expenditure not allowed for income tax purposes (including set-up costs)	**813**	1,264
Inter company loan interest	**(2,135)**	(2,289)
Utilisation of tax losses from prior periods	**(27)**	318
Total tax charge	**–**	–

Under IFRS 12, the Group is required to provide at the balance sheet date for deferred income tax on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, regardless of whether or not those temporary differences are expected to reverse. Tax computations from tax years 2004/05 onwards have yet to be agreed.

The Group has not recognised a deferred tax asset of £513,000 (2007: £556,000) arising as a result of the tax loss carried forward. These will only be utilised if the Group has profits chargeable to income tax in the future.

6. Dividends

	Year ended 30 June 2008 £'000	Year ended 30 June 2007 £'000
Dividends on Ordinary Shares:		
Fourth interim for the prior year of 1.81 pence per share paid on 28 September 2007 (2007: 1.6875 pence)	**2,000**	1,864
First interim of 1.80 pence per share paid on 21 December 2007 (2007: 1.73 pence)	**1,989**	1,912
Second interim of 1.80 pence per share paid on 11 April 2008 (2007: 1.73 pence)	**1,989**	1,912
Third interim of 1.80 pence per share paid on 27 June 2008 (2007: 1.73 pence)	**1,989**	1,912
	7,967	7,600

A fourth interim dividend of 1.80 pence per share will be paid on 26 September 2008 to shareholders on the register on 5 September 2008. Although this payment of £1,989,000 relates to the year ended 30 June 2008, under International Financial Reporting Standards it will be accounted for in the year ending 30 June 2009.

7. Earnings per share

The earnings per Ordinary Share are based on the net loss for the year of £33,625,000 (year ended 30 June 2007: profit of £20,792,000) and on 110,500,000 (year ended 30 June 2007: 110,500,000) Ordinary Shares, being the weighted average number of shares in issue during the year.

Notes to the Accounts (continued)

8. Investment properties

	Year ended 30 June 2008 £'000	Year ended 30 June 2007 £'000
Freehold and leasehold properties		
Opening valuation	**218,024**	227,292
Capital expenditure and purchase of investment properties	**15,311**	510
Sales proceeds	**(2,677)**	(26,610)
(Losses)/gains on investment properties	**(40,215)**	16,832
Closing valuation	**190,443**	218,024

Gains on investment properties disposed	**Year ended 30 June 2008**
Original cost of investment properties sold	**2,417**
Market value of investment properties sold as at 30 June 2007	**3,075**
Sale proceeds	**2,677**
Gain on disposal calculated with reference to	
– original cost	**260**
– 30 June 2007 valuation	**(398)**

DTZ Debenham Tie Leung Limited completed a valuation of Group investment properties at 30 June 2008 on an open market basis in accordance with the requirements of the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors, which is deemed to equate to fair value. Fair value is determined by reference to market based evidence, which are the amounts for which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction as at the valuation date. The market value of these investment properties amounted to £191,460,000 (2007: £219,100,000) and the fair value amounted to £190,443,000 (2007: £218,025,000). The difference between the market value and the fair value is the reverse lease surrender premium of £1,017,000 (2007: £1,075,000) which is recorded in the accounts as a current asset.

The property valuer is independent and external to the Group. The property valuer takes account of deleterious materials included in the construction of the investment properties in arriving at its estimate of open market valuation, when the Managers advise the presence of such materials.

The Group has entered into leases on its property portfolio as lessor (See note 19 for further information). No one property accounts for more than 15 per cent of the gross assets of the Group. The 10 largest properties per open market value are shown on page 9. All leasehold properties have more than 60 years remaining on the lease term.

There are no restrictions on the realisability of the Group's investment properties or on the remittance of income or proceeds of disposal. However, the Group's investments comprise UK commercial property, which may be difficult to realise as described in Liquidity risk, note 17.

The Group is under no contractual obligations to purchase, construct or develop any investment property. The majority of leases are on a full repairing basis and as such the Group is not liable for costs in respect of repairs, maintenance or enhancements to its investment properties.

9. Investment in subsidiary undertaking

The Company owns 100 per cent of the issued ordinary share capital of IPT2 Property Holdings Limited ('IPH'), a company incorporated in Guernsey whose principal business is that of an investment and property company.

In addition to its investment in the shares of IPH, the Company had lent £140,870,000 to IPH as at 30 June 2008 (2007: £140,870,000). This is partly offset by a loan due to IPH of £12,540,000 (2007: £12,540,000). The loan is repayable on 30 May 2014 and is unsecured. Interest is payable in arrears at a fixed rate of 7.655 per cent per annum or such other interest rate that may be agreed from time to time between IPH and the Company.

Name of subsidiary undertaking	Class of share	% of class held	Country of incorporation
IPT2 Property Holdings Limited	Ordinary	100*	Guernsey

*The Company's holding represents all the voting rights of the subsidiary undertaking.

10. Trade and other receivables

	2008 £'000	2007 £'000
Rents receivable (net of provision for bad debts)	**1,090**	822
Other debtors and prepayments	**2,246**	2,049
	3,336	2,871

Rents receivable, which are generally due for settlement at the relevant quarter end, are recognised and carried at the original invoice amount less an allowance for any uncollectable amounts. A provision for doubtful debts is made when the amounts are more than 3 months overdue.

11. Cash and cash equivalents

All cash balances were held in cash, current accounts or in banks on short term deposits with an original maturity of three months or less at the year end.

12. Bank loan and interest rate swap asset

	2008 £'000	2007 £'000
Facility	**75,000**	75,000
Drawn down	**60,000**	60,000
Set up costs	**(431)**	(431)
Accumulated amortisation of set up costs	**69**	26
Accrued variable rate interest on bank loan	**746**	731
Total due	**60,384**	60,326

The Company has a £75 million facility with Lloyds TSB Scotland plc ('LTSB'), of which £60 million is drawn down.

The bank loan is secured on the property portfolio of the Group. Under the bank covenants related to the loan the Company is to ensure that at all times:

- the loan to value percentage does not exceed 60 per cent (this is defined as the ratio of the loan compared to the aggregate of the open market property valuations plus any cash deposits);
- the qualifying adjusted net rental income for any calculation period (any 3 month period) is not less than 150 per cent of the projected finance costs for that period;
- no single tenant accounts for more than 20 per cent of the total net rental income;
- the five largest tenants do not account for more than 50 per cent of total net rental income;
- no single property accounts for more than 15 per cent of the gross secured asset value (this is defined as the sum of the value of the properties as stated in the latest valuations plus any cash deposits);
- the five most valuable properties do not account for more than 45 per cent of the gross secured asset value; and
- the gross secured asset value of any group of properties should not exceed 50 per cent for industrial properties, 60 per cent for offices and 60 per cent for retail properties.

Notes to the Accounts (continued)

12. Bank loan and interest rate swap asset (continued)

Interest rate exposure has been hedged by the purchase of an interest rate swap contract. The hedge has been achieved by matching the notional amount of the swap with the loan principal and matching the swap term to the loan term.

Interest on the swap is receivable at a variable rate calculated on the same LIBOR basis as for the bank loan (as detailed below but excluding margins) and payable at a fixed rate of 5.655 per cent per annum for the first three years and 5.605 per cent per annum thereafter.

The fair value of the asset in respect of the interest rate swap contract at 30 June 2008 is £2,269,000 (2007: an asset of £3,397,000), which is based on the marked to market value.

Interest accrues on the bank loan at a variable rate, based on LIBOR plus margin and mandatory lending costs and is payable quarterly. The LIBOR rate used is the screen rate available for sterling at 11 am on the date of commencement of each investment period of three months. The margin is 0.50 per cent per annum for the first three years of the facility and 0.45 per cent per annum thereafter, save that if the loan to value percentage is more than 55 per cent, the margin shall be increased in each case by 0.10 per cent per annum. The amount payable by the Company in respect of the variable LIBOR part of the bank loan is fixed through an interest rate swap on the amount drawn down arranged with LTSB. Interest on the swap is payable quarterly. The interest rate swap expires on 10 January 2017. The loan is repayable on 10 January 2017.

13. Trade and other payables

	2008	2007
	£'000	£'000
Rental income received in advance	**2,606**	2,418
VAT payable	**459**	414
Managers' fees payable	**408**	518
Other payables	**1,002**	1,184
	4,475	4,534

The Company's payment policy is to ensure settlement of supplier invoices in accordance with stated terms.

14. Share capital account and reserves

	2008	2007
	£'000	£'000
Authorised share capital:		
200,000,000 Ordinary Shares of 1 pence each	**2,000**	2,000
Issued share capital:		
110,500,000 Ordinary Shares of 1 pence each, fully paid	**1,105**	1,105

The capital of the Company is managed in accordance with its investment policy, in pursuit of its investment objective, both of which are detailed in the Report of the Directors on page 11 and 12.

15. Net asset value per share

The net asset value per ordinary share is based on net assets of £133,657,000 (2007: £176,377,000) and 110,500,000 (2007: 110,500,000) ordinary shares, being the number of ordinary shares in issue at the year end.

16. Related party transactions

No Director has an interest in any transactions which are or were unusual in their nature or significant to the nature of the Group.

F&C Investment Business Limited received fees for its services as Investment Managers. Further details are provided in notes 2 and 3. The total charge to the Income Statement during the year was £1,836,000 (2007: £2,070,000) of which £408,000 (2007: £518,000) remained payable at the year end.

The Directors of the Company received fees for their services. Further details are provided in the Report of the Directors on page 13 and in note 3 on page 26. Total fees for the year were £105,000 (2007: £105,000) of which £nil (2007: £26,250) remained payable at the year end.

17. Financial instruments

The Group's investment objective is to provide ordinary shareholders with an attractive level of income together with the potential for income and capital growth from investing in a diversified UK commercial property portfolio.

Consistent with that objective, the Group holds UK commercial property investments. In addition, the Group's financial instruments comprise cash, receivables, a bank loan, an interest rate swap and payables.

The Group is exposed to various types of risk that are associated with financial instruments. The most important types are credit risk, liquidity risk and market risk (those relating to interest rate changes and pricing movements).

There was no foreign currency risk as at 30 June 2008 or 30 June 2007 as assets and liabilities are maintained in Sterling.

The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies employed by the fund are discussed below.

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group.

At the reporting date, the maturity of the Group's financial assets was:

Financial assets 2008

	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000
Interest rate swap	–	–	2,269	2,269
Cash	2,468	–	–	2,468
Rent receivable	1,090	–	–	1,090
Other debtors and prepayments	816	53	1,377	2,246
	4,374	53	3,646	8,073

Financial assets 2007

	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000
Interest rate swap	–	–	3,397	3,397
Cash	16,945	–	–	16,945
Rent receivable	822	–	–	822
Other debtors and prepayments	611	46	1,392	2,049
	18,378	46	4,789	23,213

Notes to the Accounts (continued)

17. Financial instruments (continued)

Included within rent receivable is the prepayment for rent free periods recognised over the life of the lease. As at 30 June 2008 this amounted to £101,000 (2007: £81,000).

Included within other debtors and prepayments at 30 June 2008 is £1,017,000 (2007: £1,075,000) relating to the reverse lease surrender premium paid to the tenants of Echo Park, Banbury.

In the event of default by an occupational tenant, the Group will suffer a rental shortfall and incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property until it is re-let. The Board receives regular reports on concentrations of risk and any tenants in arrears. The Managers monitor such reports in order to anticipate, and minimise the impact of, defaults by occupational tenants.

The Group has a diversified tenant portfolio. The maximum credit risk from the rent receivables of the Group at 30 June 2008 is £1,090,000 (2007: £822,000). Rental deposits from tenants at 30 June 2008 were £425,000 (2007: £380,000).

As at 30 June 2008 £90,000 of rent receivable was greater than one month overdue. It is the practise of the Group to provide for rental debtors greater than three months overdue. At 30 June 2008 the provision was £72,000 (2007: £68,000). Of this amount £nil was subsequently written off and £9,000 was recovered.

All of the cash is placed with financial institutions with a credit rating of AA or above. Bankruptcy or insolvency may cause the Group's ability to access cash placed on deposit to be delayed or limited. Should the credit quality or the financial position of the banks currently employed significantly deteriorate, the Manager would move the cash holdings to another financial institution.

Liquidity risk

Liquidity risk is the risk that the Group will encounter in realising assets or otherwise raising funds to meet financial commitments. The Group's investments comprise UK commercial property. Property and property related assets are inherently difficult to value due to the individual nature of each property. As a result valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the valuation date.

In certain circumstances, the terms of the Group's bank loan entitles the lender to require early repayment, and in such circumstances the Group's ability to maintain dividend levels and the net asset value attributable to the ordinary shares could be adversely affected. As at 30 June 2008 the cash balance was £2,468,000 (2007: £16,945,000).

At the reporting date, the maturity of the Groups' liabilities was:

Financial liabilities 2008

	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000
Bank loan	746	–	59,638	60,384
Other creditors	4,269	56	150	4,475
	5,015	56	59,788	64,859

17. Financial instruments (continued)

Financial liabilities 2007

	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000
Bank loan	731	–	59,595	60,326
Other creditors	4,252	56	226	4,534
	4,983	56	59,821	64,860

Interest rate exposure

Some of the Group's financial instruments are interest bearing. They are a mix of both fixed and variable rate instruments with differing maturities. As a consequence, the Group is exposed to interest rate risk due to fluctuations in the prevailing market rate.

The table below details the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk.

As at 30 June 2008

	Within 1 year £'000	More than 5 years £'000	Total £'000
Floating rate			
Cash	2,468	–	2,468
Bank loan	–	(60,000)	(60,000)
Fixed rate			
Interest rate swap	–	2,269	2,269
	2,468	(57,731)	(55,263)

As at 30 June 2007

	Within 1 year £'000	More than 5 years £'000	Total £'000
Floating rate			
Cash	16,945	–	16,945
Bank loan	–	(60,000)	(60,000)
Fixed rate			
Interest rate swap	–	3,397	3,397
	16,945	(56,603)	(39,658)

Notes to the Accounts (continued)

17. Financial instruments (continued)

Interest is receivable on cash at a variable rate. At the year end rates receivable ranged from 4.875 per cent on current account balances to 5.03 per cent for deposit account balances. Interest is payable on the bank loan at a variable rate of LIBOR plus a margin of 0.5 per cent for the first three years of the facility and 0.45 per cent thereafter. The effect of the interest rate swap is to fix interest payable at 5.655 per cent until 2010 and 5.605 per cent thereafter. The effective rate of interest on the loan is 5.95 per cent. Interest on financial instruments classified as floating rate is repriced at intervals of less than one year.

Exposure varies throughout the year as a consequence of changes in the composition of the net assets of the Group arising out of the investment and risk management policies.

In addition, tenant deposits are held in interest bearing bank accounts. These accounts earn interest at base rate less 1 per cent. Interest accrued on these accounts is paid to the tenant.

The other financial assets and liabilities of the Group that are not included in the above tables are non interest bearing and are therefore not subject to interest rate risk.

The Group's exposure to interest rate risk relates primarily to the Group's long term debt obligations. The Group's policy is to manage its interest rate risk using an interest rate swap, in which the Group has agreed to exchange the difference between fixed and variable interest amounts calculated by reference to an agreed upon notional principal amount. The swap is designed to fix the interest payable on the loan. The interest rate swap covers the exact amount of the loan and has the same duration. Interest fixing periods are identical and on this basis the swap contract complies with IAS 39's criteria for hedge accounting.

An increase of 1 per cent in interest rates as at the reporting date would have increased net assets by £3.8 million (2007: £4.4 million) and reduced the reported loss by £25,000 (2007: increase in profit of £169,000). A decrease of 1 per cent would have reduced net assets by £3.8 million (2007: £4.4 million) and increased the reported loss by £25,000 (2007: reduced the reported profit by £169,000).

Market price risk

Details of the Group's investment property portfolio at the balance sheet date are disclosed on page 9. A 10 per cent increase in the value of the investment properties held as at 30 June 2008 would have increased net assets available to shareholders and reduced the net loss for the year by £19.0 million (2007: £21.8 million); an equal change in the opposite direction would have decreased the net assets and increased the net loss by an equivalent amount.

18. Capital commitments

The Group had no capital commitments as at 30 June 2008 (2007: £nil).

19. Lease length

The Group leases out its investment properties under operating leases.

The future income based on the unexpired lessor lease length at the year-end was as follows (based on annual rentals):

	2008	2007
	£'000	£'000
Less than one year	**199**	457
Between two and five years	**6,197**	10,199
Over five years	**95,113**	95,591
Total	**101,509**	106,247

The largest single tenant at the year end accounted for 9.0 per cent of the current annual rental income (2007: 9.5 per cent).

The unoccupied property expressed as a percentage of estimated total rental value was 3.3 per cent at the year end (2007: 0.3 per cent).

The Group has entered into commercial property leases on its investment property portfolio. These properties, held under operating leases, are measured under the fair value model as the properties are held to earn rentals. The majority of these non-cancellable leases have remaining non-cancellable lease terms of between 5 and 15 years.

Analyses of the nature of investment properties and leases are provided in 'Portfolio Statistics' on pages 7 and 8.

Notice of Annual General Meeting

Notice is hereby given that the fourth Annual General Meeting of ISIS Property Trust 2 Limited will be held at Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL on 19 November 2008 at 12 noon for the following purposes.

To consider and, if thought fit, pass the following as Ordinary Resolutions:

1. That the accounts and the reports of the Directors and of the Auditors for the year ended 30 June 2008 be received and approved.
2. That Mr C W Sherwell, who retires by rotation, be re-elected as a Director.
3. That Mr C P Spencer, who retires by rotation, be re-elected as a Director.
4. That Mr C G H Weaver, who retires by rotation, be re-elected as a Director.
5. That Ernst & Young LLP, be re-appointed as Auditors.
6. That the Directors be authorised to determine the Auditors' Remuneration.

To consider and, if thought fit, pass the following as Special Resolutions:

7. That the Company be authorised, in accordance with section 315 of the Companies (Guernsey) Law, 2008 (the 'Law'), to make market purchases (within the meaning of section 316 of the law) of ordinary shares of 1p each (''Ordinary Shares'') (either for retention as treasury shares or transfer, or cancellation), provided that:
   (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 14.99 per cent of the issued Ordinary Shares on the date on which this resolution is passed;
   (b) the minimum price which may be paid for an Ordinary Share shall be 1p;
   (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be 105 per cent of the average of the middle market quotations (as derived from the Daily Official List) for the Ordinary Shares for the five business days immediately preceding the date of purchase; and
   (d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 21 February 2010 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2009, save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares under such authority and may make a purchase of Ordinary Shares pursuant to any such contract.
8. That the name of the Company be changed from ISIS Property Trust 2 Limited to IRP Property Investments Limited, with effect from 3 December 2008 and the Memorandum and Articles of Association of the Company be amended accordingly.

By order of the Board

Northern Trust International Fund Administration Services (Guernsey) Limited
Secretary
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

18 September 2008

Notes:

1. A member who is entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him or her. A proxy need not be a member of the Company.
2. A form of proxy is enclosed for use at the Meeting. The form of proxy should be completed and sent, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, so as to reach Computershare Investor Services (CI) Limited, Ordnance House, 31 Pier Road, St Helier, Jersey JE4 8PW not later than 12 noon on 17 November 2008.
3. Completing and returning a form of proxy will not prevent a member from attending in person at the Meeting and voting should he or she so wish.
4. To have the right to attend and vote at the Meeting (and also for the purposes of calculating how many votes a member may cast on a poll) a member must first have his or her name entered on the register of members not later than 12 noon on 17 November 2008. Changes to entries in the register after that time shall be disregarded in determining the rights of any member to attend and vote at such Meeting.
5. The Directors' letters of appointment will be available for inspection for fifteen minutes prior to the Annual General Meeting and during the meeting itself.
6. As at 18 September 2008, the latest practicable date prior to publication of this document, the Company had 110,500,000 ordinary shares in issue with a total of 110,500,000 voting rights.
7. Any person holding 3% of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the Disclosure and Transparency Rules.
8. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives — *www.icsa.org.uk* — for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

Shareholder Information

Dividends

Ordinary dividends are paid quarterly in March, June, September and December each year. Shareholders who wish to have dividends paid directly into a bank account rather than by cheque to their registered address can complete a mandate form for the purpose. Mandates may be obtained from Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL on request. Where dividends are paid directly to shareholders' bank accounts, dividend tax vouchers are sent directly to shareholders' registered addresses.

Share Price

The Company's Ordinary Shares are listed on the London Stock Exchange and the Channel Islands Stock Exchange. Prices are given daily in the *Financial Times* under ''Investment Companies'' and in other newspapers.

Change of Address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL under the signature of the registered holder.

Shareholder Enquiries

Contact Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL. Additional information regarding the Company may also be found at its website address which is: www.isispropertytrust2.com

Financial Calendar 2008/08	
26 September 2008	Payment of fourth interim dividend
19 November 2008	Annual General Meeting
December 2008	Payment of first interim dividend
February 2009	Announcement of interim results
February 2009	Posting of Interim Report
March 2009	Payment of second interim dividend
June 2009	Payment of third interim dividend
September 2009	Announcement of annual results
	Posting of Annual Report
	Payment of fourth interim dividend

Historic Record

Historic Record

	Total assets less current liabilities £'000	Shareholders' funds £'000	Net asset value per Ordinary Share p	Ordinary Share price p	Premium/ (discount) %	Earnings/ (loss) per Ordinary Share p	Dividends paid per Ordinary share p	Total expenses ratio* %
1 June 2004 (launch)	176,814	106,152	96.0	100.0	4.2	–	–	–
30 June 2005	202,007	124,478	112.6	124.5	10.6	26.2	5.615	1.2
30 June 2006	231,118	157,136	142.2	142.5	0.2	33.1	6.750	1.3
30 June 2007	236,703	176,377	159.6	125.5	(21.4)	18.8	6.876	1.3
30 June 2008	**194,041**	**133,657**	**121.0**	**75.0**	**(38.0)**	**(30.4)**	**7.210**	**1.3**

*as a percentage of average total assets less current liabilities.

ISIS Property Trust 2 Limited Proxy

I/We (name in full)_____
(BLOCK LETTERS PLEASE)

of (address in full)_____
being (a) member(s) of ISIS Property Trust 2 Limited, hereby appoint the Chairman of the meeting, or*

_____

as my/our proxy to vote for me/us on my/our behalf at the fourth Annual General Meeting of the Company, to be held on 19 November 2008, on the following Resolutions to be submitted to the meeting and at any adjournment thereof.

Please indicate with an 'X' in the appropriate spaces how you wish your votes to be cast. Unless otherwise instructed, the proxy will vote as he thinks fit or abstain.

Ordinary Resolutions	For	Against	Vote Withheld
1. To receive the Report and Accounts for the year ended 30 June 2008.			
2. To re-elect Mr C W Sherwell as a Director.			
3. To re-elect Mr C P Spencer as a Director.			
4. To re-elect Mr C G H Weaver as a Director.			
5. To re-appoint Ernst & Young LLP as Auditors.			
6. To authorise the Directors to determine the Auditors' remuneration.			
Special Resolutions			
7. To authorise the Directors to make market purchases of Ordinary Shares.			
8. To change the name of the Company.			

Signature _____

Dated this _____ day of _____ 2008

Notes

You may, if you wish, in the space provided, after deleting the words ''the Chairman of the meeting, or'', insert the name(s) of the person(s) of your choice to attend and vote at the meeting on your behalf. A proxy need not be a member of the Company but must attend the meeting to represent you.

In the case of a corporation, the proxy must be either under its common seal or under the hand of an officer.

In order to have effect, the proxy must be deposited at Computershare Investor Services (CI) Limited, Ordnance House, 31 Pier Road, St Helier, Jersey JE4 8PW at least 48 hours before the time of the meeting.

In the case of a joint holding, a proxy need only be signed by one joint holder. If more than one such joint holder lodges a proxy only that of the holder first on the Register will be counted.

Any alterations made in this proxy should be initialled.

Completion of a proxy shall not prevent a shareholder from attending the Annual General Meeting.

Only shareholders or their proxies may attend the meeting.

SECOND FOLD

RESPONSE LICENCE No.
JE 147

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FIRST FOLD

Computershare Investor Services (CI) Limited
Ordnance House
31 Pier Road
St Helier
Jersey JE4 8PW

THIRD FOLD AND TUCK IN

Corporate Information

Directors (all non-executive)
Quentin Spicer (Chairman)‡
Andrew E G Gulliford
Christopher W Sherwell
Christopher P Spencer*
C Giles H Weaver

Registered Office
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

Secretary & Registrar
Northern Trust International Fund Administration Services (Guernsey) Limited
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

Investment Manager
F&C Investment Business Limited
80 George Street
Edinburgh EH2 3BU

Property Valuers
DTZ Debenham Tie Leung Limited
One Curzon Street
London W1A 5PZ

Auditors
Ernst & Young LLP
14 New Street
St Peter Port
Guernsey GY1 4LE

Guernsey Legal Advisers
Ozannes
1 Le Marchant Street
St Peter Port
Guernsey GY1 4HP

UK Legal Advisers
Dickson Minto WS
22/25 Finsbury Square
London EC2A 1DX

Bankers
RBS International
PO Box 64
Royal Bank Place
St Peter Port
Guernsey

Marketing Adviser
G&N Collective Funds Services Ltd
14 Alva Street
Edinburgh EH2 4QG

‡Chairman of the Nomination Committee and Management Engagement Committee
*Chairman of the Audit Committee

Website:
www.isispropertytrust2.com

Registered Office

Trafalgar Court

Les Banques

St Peter Port

Guernsey

Registrars

Northern Trust International Fund Administration Services (Guernsey) Limited

Trafalgar Court

Les Banques

St Peter Port

Guernsey GY1 3QL