IRP Property Investments Limited

Interim Report

For the six months ended

31 December 2011

Company Summary

Objective

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

Investment Managers

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

Total Assets Less Current Liabilities

£163.1 million at 31 December 2011

Shareholders' Funds

£88.3 million at 31 December 2011

Capital Structure

At launch, on 1 June 2004, the Company had a capital structure comprising approximately 60 per cent ordinary shares and 40 per cent bank debt.

Ordinary shareholders are entitled to all dividends declared by the Company and to all the Company's assets after repayment of its borrowings. As at 31 December 2011 borrowings consisted of a loan drawn down of £65 million on a £75 million revolving credit facility due to expire on 10 January 2017. The loan carries interest at 0.50 per cent over LIBOR for the first three years and 0.45 per cent thereafter; this variable rate had been fixed through an interest rate swap on £60 million of the loan drawn down, which matures on 10 January 2017. This swap fixes interest payable on the initial drawdown at 5.60 per cent per annum for the first three years and 5.55 per cent per annum thereafter.

ISA/PEP Status

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

Financial Highlights and Performance Summary

Financial Highlights

- Net asset value per share total return since launch of 37.8 per cent
- Net asset value per share total return of 0.9 per cent for the 6 months
- Portfolio ungeared total return of 4.0 per cent for the 6 months
- Share price total return of –19.6 per cent for the 6 months
- Dividend of 3.6 pence per share for the period
- Dividend yield of 10.4 per cent as at 31 December 2011

Performance Summary

Total Return	**Six months to 31 December 2011**
Net asset value per share*	**0.9%**
Ordinary Share price*	**(19.6)%**
Investment Property Databank UK All Quarterly and Monthly Valued Funds	**3.3%**
FTSE All-Share Index*	**(6.2)%**

Capital Values	**31 December 2011**	30 June 2011	Change
Total assets less current liabilities £000's	**163,051**	158,217	3.1%
Net asset value per share	**79.9p**	82.8p	(3.5)%
Ordinary Share price	**69.0p**	90.0p	(23.3)%
Investment Property Databank UK Quarterly and Monthly Valued Funds Index	**96.2**	95.7	0.5%
FTSE All-Share Index	**2,857.9**	3,096.7	(7.7)%
(Discount)/premium to net asset value per share	**(13.6)%**	8.7%	
Net Gearing†	**37.6%**	37.0%	

* Total return assumes that gross dividends are reinvested

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

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

Chairman's Statement

The last six months has seen returns from UK commercial property moderate in the light of increasing concerns over the economic outlook in both the UK and overseas. Capital growth was virtually flat over this period according to the Investment Property Databank ('IPD') Quarterly Universe, with total portfolio returns of 3.3 per cent. Against this background, the Company's property portfolio outperformed during the period and recorded a total return of 4.0 per cent for the six month period to 31 December 2011, driven principally by the income return on the portfolio of 3.2 per cent. The net asset value ('NAV') total return per share for the period was 0.9 per cent, with the NAV per share at the period end at 79.9 pence. The return was negatively affected by the increase in the interest rate swap liability which caused the NAV to fall by 2.6 pence per share.

The share price has fallen by 23.3 per cent over the period, going from a premium to the net asset value of 8.7 per cent as at 30 June 2011 to a discount of 13.6 per cent at the period end. The share price has recovered since the period end and at the time of writing is trading at 76.5 pence per share at a discount of 4.3 per cent.

Dividends

The Company is currently paying an annualised dividend of 7.2 pence per share in the form of quarterly interim dividends of 1.8 pence per share, a yield of 9.0 per cent on the period end NAV. The first interim dividend for the year ending 30 June 2012 was paid in December 2011, with a second interim dividend of 1.8 pence per share to be paid on 30 March 2012 to shareholders on the register on 9 March 2012. The Board remains comfortable with the Company's position relative to its banking covenants and with its level of income collection and is therefore happy to confirm that, in the absence of unforeseen circumstances, it intends to pay a further two dividends at this rate in respect of the current financial year.

Borrowings

The Company is in a relatively strong financial position with a long term facility of £75 million available until 2017. £65 million of this facility has been drawn down to date and, as at 31 December 2011, the loan to value ratio ('LTV') was 37.6 per cent, net of current assets and liabilities of £5.1 million. This remains comfortably within the LTV restriction of 60 per cent. The other significant covenant is the amount by which rental income covers interest, with a minimum restriction of 150 per cent. As at 31 December the interest rate cover was 212 per cent, providing significant headroom.

The interest rate has been fixed at 5.55 per cent with an interest rate swap against £60 million of the loan. The additional £5 million of the loan drawn down pays interest at one month LIBOR plus 45 basis points. The valuation of the swap was a liability on the balance sheet as at 31 December of £11.8 million. This liability accounts for 13.4 pence per share and will reduce as the contract gets closer to its expiry date in 2017. It would also be expected to decrease if interest rates increase from their current low levels.

Property Market

The second half of 2011 saw total returns moderate as capital growth moved lower. Rental growth also became more subdued. Central London continued to out-perform but the gap began to narrow and strength in this part of the market has masked weakness elsewhere. The second half of the year saw capital values fall for regional shops, offices and industrials and for shopping centres. Investment activity has been buoyed by investment from overseas and the completion of several large deals. Institutional net investment, which had been positive in the first part of 2011 turned negative as the second half progressed. Prime property has generally continued to out-perform secondary stock and the differential can be substantial at the sector level.

Portfolio

The Company's portfolio increased in value by 0.7 per cent since June and is currently valued at £162.7 million. Capital value growth was particularly driven by the Company's retail property which increased in value by 3.1 per cent over the period. Offices and industrial saw capital value declines of 1.4 per cent and 0.2 per cent respectively.

In particular, the value of 7–8 High Street, Winchester increased by £985,000, or 17.9 per cent to £6.5 million. This uplift was due to the Company granting a renewal lease to the tenant, C & H Fabrics Ltd for a term of 10 years at £225,000 per annum, combined with a new letting of the ground floor restaurant to Jamie Bianco Ltd t/a Union Jacks Restaurants (one of Jamie Oliver's new restaurants) at £175,000 per annum, on a 25 year lease. As a result the total rent on the holding increased from £338,750 per annum to £400,000 per annum.

At 51/53 High Street, Guildford a satisfactory lease renewal to Vision Express increased the value of the property by £500,000, or 10.5 per cent, to £5.2 million. The rent increased from £211,000 per annum to £270,000 per annum on the basis of a new ten year lease.

Principal new lettings included the leasing of Unit 6, Lakeside Industrial Estate, Colnbrook which was let to Freightnet (Handling) Ltd, who also occupy Unit 7, at a rent of £121,950 per annum on a five and a half year lease.

As at 31 December the vacancy rate on the portfolio was 3.9 per cent by estimated rental value (ERV). This had increased from 2.3 per cent during the period, mainly as a result of the tenant of Unit B Hemel Gateway, Hemel Hempstead going into liquidation. The unit comprises 27,636 square feet of well specified industrial/distribution space and has an ERV of £207,200 per annum.

The Company did not sell or purchase any property during the period. However, the Company acquired 25-27 Bridlesmith Gate, Nottingham in January 2012. The property, purchased for £3.2 million reflecting a yield of 6.1 per cent, is a prime unit shop let to Hobbs Limited on a lease expiring in October 2019 at a rent of £205,000 per annum.

As a result of new lettings and lease renewals the average weighted unexpired lease term is now 8.3 years, an increase from 8.1 years at the beginning of the period.

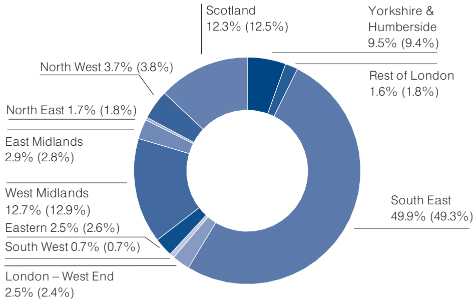
Outlook

With little or no impetus to total returns from rental or capital growth, the focus for the coming year will be to preserve and protect the income stream. This will be challenging given the weak macro-economic outlook but the Company's portfolio is well positioned in terms of voids and lease expiry profile to ride the current market uncertainty and present opportunities when markets regain confidence.

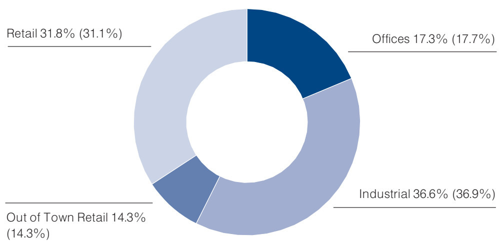
Quentin Spicer
Chairman
24 February 2012

Portfolio Statistics

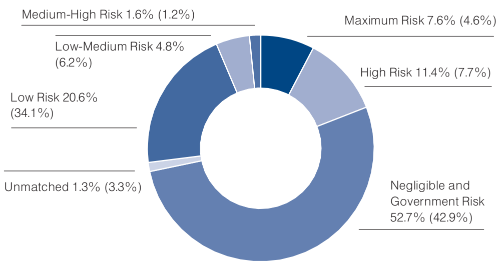
Geographical Analysis
as at 31 December 2011 (figures as at 30 June 2011 in brackets)



Sector Analysis
as at 31 December 2011 (figures as at 30 June 2011 in brackets)

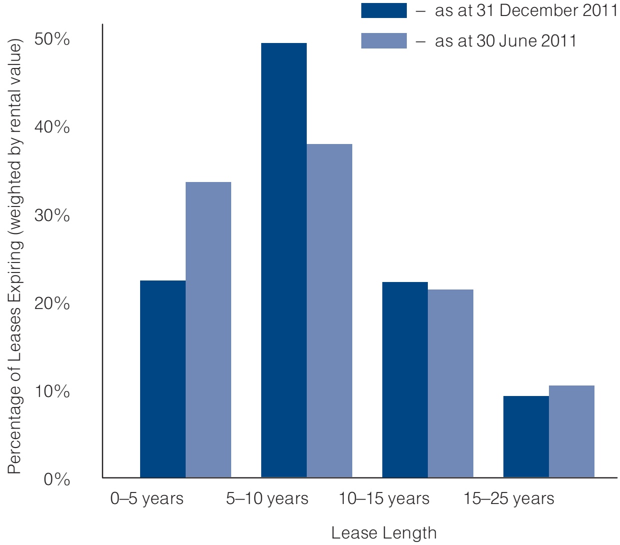


Covenant Strength
as at 31 December 2011 (figures as at 30 June 2011 in brackets)



As measured by: Investment Property Databank (IPD)

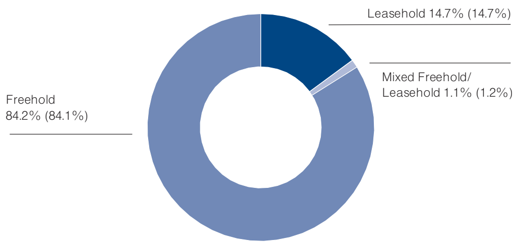
Lease Expiry Profile



As at 31 December 2011 the average lease length for the portfolio, assuming all break options are exercised, was 8.3 years (as at 30 June 2011: 8.1 Years)

Tenure Analysis

as at 31 December 2011 (figures as at 30 June 2011 in brackets)



Property Portfolio

as at 31 December 2011

Property	Sector	Book Cost £'000	Market Value £'000	% of Total Assets (less current liabilities)
Banbury, 3663 Unit, Echo Park	Industrial	14,664	17,875	11.0
Colnbrook, Units 1–8 Lakeside Road	Industrial	11,004	12,190	7.5
Eastleigh, Southampton International Park	Industrial	11,375	10,950	6.7
Leamington Spa, 30–40 The Parade & 47/59a Warwick Street	Retail	9,340	10,460	6.4
Bellshill, Mercury House, Strathclyde Business Park	Offices	11,680	9,150	5.6
York, Clifton Moor Gate *	Retail Warehouse	8,550	8,725	5.4
Edinburgh, 1–2 Lochside Way, Edinburgh Park	Offices	15,166	8,025	4.9
Hemel Hempstead, Hemel Gateway	Industrial	8,510	7,910	4.9
Willowbeck Road, Northallerton	Retail Warehouse	6,909	6,650	4.1
Winchester, 7–8 High St. & 50 Colebrook Street	Retail	4,720	6,475	4.0
Ten largest property holdings		**101,918**	**98,410**	**60.5**
Nelson, Churchill Way	Retail Warehouse	5,567	5,680	3.4
Rugby, Swift House, Cosford Lane *	Industrial	6,700	5,650	3.4
Guildford, 51–53 High Street	Retail	3,940	5,250	3.2
Nottingham, Standard Hill	Offices	4,710	4,650	2.8
Brookwood, The Clock Tower	Offices	5,160	4,575	2.8
Sutton Coldfield, 63–67 The Parade	Retail	4,330	4,500	2.8
London SW1, 24 Haymarket & 1/2 Panton Street *	Retail	3,055	4,075	2.5
Milton Keynes, Site E Chippenham Drive	Industrial	4,734	3,750	2.3
Southampton, Units 1 & 2, Above Bar Church *	Retail	4,161	3,250	2.0
Sunningdale, 53/79 Chobham Road, Berkshire	Retail	1,912	3,195	2.0
Twenty largest property holdings		**146,187**	**142,985**	**87.7**
Croydon, 17, 19 & 21 George Street	Retail	2,980	2,865	1.8
Edinburgh, 100A Princes Street	Retail	2,395	2,780	1.7
Rayleigh, 81/87 High Street	Retail	1,770	2,325	1.4
Gateshead, Sands Road	Retail Warehouse	2,382	2,250	1.4
Wickford, 12/20 High Street	Retail	1,310	1,810	1.1
Guildford, 7/11 Bridge Street	Retail	2,449	1,780	1.1
Marlow, Globe Park, Unit GP9	Offices	3,780	1,750	1.1
Brighton, 2–3 Pavilion Buildings *	Retail	1,760	1,500	0.9
Swindon, Unit 5, Newcombe Drive	Industrial	1,280	1,125	0.7
Newbury, 25 Northbrook Street *	Retail	630	660	0.4
Thirty largest property holdings		**166,923**	**161,830**	**99.3**
South Shields, 67/69 King Street	Retail	1,120	500	0.3
Rochdale, 40 Yorkshire Street	Retail	730	380	0.2
Market value of property portfolio		**168,773**	**162,710**	**99.8**
Unamortised lease incentives			**(2,311)**	**(1.4)**
Balance sheet carrying value			**160,399**	**98.4**
Net current assets			**2,652**	**1.6**
Total assets less current liabilities			**163,051**	**100.0**

* Leasehold Property.

Consolidated Statement of Comprehensive Income

	Notes	**Six months to 31 December 2011 (unaudited) £'000**	Six months to 31 December 2010 (unaudited) £'000	Year to 30 June 2011 (audited) £'000
Revenue				
Rental income		**5,708**	5,797	11,241
Gains/(losses) on investment properties	2	**1,025**	1,357	(1,705)
Total income		**6,733**	7,154	9,536
Expenditure				
Investment management fee		**(561)**	(544)	(1,095)
Direct operating expenses of let rental property		**(278)**	(328)	(587)
Provision for bad debts		**(42)**	30	(29)
Administrative fee		**(35)**	(35)	(70)
Valuation and other professional fees		**(61)**	(69)	(123)
Directors' fees		**(65)**	(52)	(105)
Other expenses		**(124)**	(124)	(248)
Total expenditure		**(1,166)**	(1,122)	(2,257)
Net operating profit before finance costs		**5,567**	6,032	7,279
Net finance costs				
Interest receivable		**6**	33	59
Finance costs		**(1,731)**	(1,717)	(3,409)
		(1,725)	(1,684)	(3,350)
Net profit from ordinary activities before taxation		**3,842**	4,348	3,929
Taxation on profit on ordinary activities		**(163)**	(246)	(245)
Net profit for the period		**3,679**	4,102	3,684
Other comprehensive income:				
Net (loss)/profit on cash flow hedges net of tax		**(2,914)**	1,451	1,429
Net comprehensive gain for the period, net of tax		**765**	5,553	5,113
Basic and diluted earnings per share	3	**3.3p**	3.7p	3.3p

This financial information has been prepared on the basis of the accounting standards and policies set out in the Annual Report and Accounts for the year ended 30 June 2011.

All items in the above statement derive from continuing operations.

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

Consolidated Balance Sheet

	Notes	31 December 2011 (unaudited) £'000	31 December 2010 (unaudited) £'000	30 June 2011 (audited) £'000
Non-current assets				
Investment properties		**160,399**	155,388	159,274
Current assets				
Trade and other receivables		**2,879**	3,142	3,470
Cash and cash equivalents		**5,785**	10,679	1,931
		8,664	13,821	5,401
Total assets		**169,063**	169,209	164,675
Non-current liabilities				
Interest-bearing bank loan		**(65,411)**	(60,365)	(60,379)
Interest rate swap		**(9,368)**	(6,322)	(6,353)
		(74,779)	(66,687)	(66,732)
Current liabilities				
Trade and other payables		**(3,543)**	(4,039)	(3,888)
Interest rate swap		**(2,469)**	(2,580)	(2,570)
		(6,012)	(6,619)	(6,458)
Total liabilities		**(80,791)**	(73,306)	(73,190)
Net assets		**88,272**	95,903	91,485
Represented by:				
Share capital		**1,105**	1,105	1,105
Special distributable reserve		**90,423**	93,082	91,747
Capital reserve		**8,581**	10,618	7,556
Other reserve		**(11,837)**	(8,902)	(8,923)
Equity shareholders' funds		**88,272**	95,903	91,485
Net asset value per share	4	**79.9p**	86.8p	82.8p

Consolidated Statement of Changes in Equity

	Notes	Six months to 31 December 2011 (unaudited) £'000	Six months to 31 December 2010 (unaudited) £'000	Year to 30 June 2011 (audited) £'000
Opening net assets		**91,485**	94,328	94,328
Net profit for the period		**3,679**	4,102	3,684
Dividends paid	5	**(3,978)**	(3,978)	(7,956)
Movement in other reserve		**(2,914)**	1,451	1,429
Closing net assets		**88,272**	95,903	91,485

Consolidated Statement of Cash Flow

	Six months to 31 December 2011 (unaudited) £'000	Six months to 31 December 2010 (unaudited) £'000	Year to 30 June 2011 (audited) £'000
Cash flows from operating activities			
Net operating profit for the period before taxation	**3,842**	4,348	3,929
Adjustments for:			
(Gains)/losses on investment properties	**(1,025)**	(1,357)	1,705
Decrease/(increase) in operating trade and other receivables	**591**	(664)	(992)
(Decrease)/increase in operating trade and other payables	**(360)**	28	280
Net finance costs	**1,725**	1,684	3,350
	4,773	4,039	8,272
Taxation	**(127)**	(45)	(426)
Net cash inflow from operating activities	**4,646**	3,994	7,846
Cash flows from investing activities			
Purchase of investment properties	**–**	–	(9,154)
Capital expenditure	**(100)**	(47)	(371)
Sale of investment properties	**–**	3,625	6,155
Interest received	**6**	33	59
Net cash (outflow)/inflow from investing activities	**(94)**	3,611	(3,311)
Cash flows from financing activities			
Dividends paid	**(3,978)**	(3,978)	(7,956)
Bank loan interest paid	**(386)**	(288)	(643)
Payments under interest swap arrangement	**(1,334)**	(1,421)	(2,766)
Bank loan drawn down	**5,000**	–	–
Net cash outflow from financing activities	**(698)**	(5,687)	(11,365)
Net increase/(decrease) in cash and cash equivalents	**3,854**	1,918	(6,830)
Opening cash and cash equivalents	**1,931**	8,761	8,761
Closing cash and cash equivalents	**5,785**	10,679	1,931

Notes to the Interim Report

for the six months to 31 December 2011

1. The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), IAS 34 'Interim Financial Reporting' and the accounting policies set out in the statutory accounts of the Group for the year ended 30 June 2011. The condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the Group for the year ended 30 June 2011 which were prepared under full IFRS requirements.

2. Investment properties

	Six month period to 31 December 2011 £'000
Opening valuation	**159,274**
Capital expenditure	**100**
Gains on investment properties	**1,025**
Closing valuation	**160,399**

3. Earnings per Ordinary Share are based on 110,500,000 shares, being the weighted average number of shares in issue during the period (31 December 2010 – 110,500,000; 30 June 2011 – 110,500,000). Earnings for the six months to 31 December 2011 should not be taken as a guide to the results for the year to 30 June 2012.

4. The net asset value per Ordinary Share is based on net assets of £88,272,000 (31 December 2010 – £95,903,000 and 30 June 2011 – £91,485,000) and 110,500,000 Ordinary Shares (31 December 2010 – 110,500,000 and 30 June 2011 – 110,500,000), being the number of shares in issue at the period end.

5. Dividends paid

	Six months to 31 December 2011		Six months to 31 December 2010		Year ended 30 June 2011	
	£'000	**Rate (pence)**	£'000	Rate (pence)	£'000	Rate (pence)
Fourth interim dividend	**1,989**	**1.80**	1,989	1.80	1,989	1.80
First interim dividend	**1,989**	**1.80**	1,989	1.80	1,989	1.80
Second interim dividend					1,989	1.80
Third interim dividend					1,989	1.80
	3,978	**3.60**	3,978	3.60	7,956	7.20

A second interim dividend for the year to 30 June 2012, of 1.8 pence per share, will be paid on 30 March 2012 to shareholders on the register at close of business on 9 March 2012.

6. The Board has considered the requirements of IFRS 8 'Operating Segments'. The Board is of the view that the Group is engaged in a single segment of business, being property investment, and in one geographical area, the United Kingdom, and that therefore the Company has only a single operating segment. The Board of Directors, as a whole, has been identified as constituting the chief operating decision maker of the Company. The key measure of performance used by the Board to assess the Company's performance is the total return on the Company's net asset value, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the condensed consolidated financial statements.

7. No Director has an interest in any transactions which are or were unusual in their nature or significant to the Group. F&C REIT Asset Management received fees for its services as Investment Managers. The total charge to the Income Statement during the period was £561,200 of which £282,300 remained payable at the period end.

The Directors of the Company received fees for their services totalling £65,000, of which £nil remained payable at the period end.

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

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

Statement of Principal Risks and Uncertainties

The Company's assets consist of direct investments in UK commercial property. Its principal risks are therefore related to the UK commercial property market in general but also the particular circumstances of the properties in which it is invested and their tenants. Other risks faced by the Company include economic, strategic, regulatory, management and control, financial and operational. These risks, and the way in which they are mitigated and managed, are described in more detail under the heading Principal Risks and Uncertainties within the Report of the Directors in the Company's Annual Report for the year ended 30 June 2011. The Company's principal risks and uncertainties have not changed materially since the date of that report and are not expected to change materially for the remaining six months of the Company's financial year.

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

We confirm that to the best of our knowledge:

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

On behalf of the Board

Quentin Spicer
Chairman

24 February 2012

Corporate Information

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* Chairman of the Nomination Committee and Management Engagement Committee.
† Chairman of the Property Valuation Committee.
‡ Chairman of the Audit Committee.

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