IRP Property Investments Limited

Annual Report and Accounts

30 June 2012

F&C Investments

Company Summary

The Company

The Company is an authorised 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.

The Company has a wholly owned subsidiary, IRP Holdings Limited which holds and manages the investment properties. The reports and accounts of the Company also consolidate the results of its subsidiary, IRP Holdings Limited.

At 30 June 2012 total assets less current liabilities were £158.4 million and shareholders' funds were £84.2 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

The Board has appointed F&C Investment Business Limited as the Company's investment manager and F&C REIT Property Asset Management plc as the Company's property manager. Both of these companies are part of F&C Asset Management plc group and, collectively, are referred to in this document as 'the Manager'. Further details of the management contract are provided in the Notes to the Accounts.

ISA

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

Website

The Company's internet address is:
www.irppropertyinvestments.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

- Portfolio ungeared total return of 5.3 per cent for the year
- Net asset value per share total return of 0.8 per cent for the year
- Net asset value per share total return since launch of 37.6 per cent
- Dividend yield of 10.9 per cent based on year-end share price
- Dividend of 7.2 pence per share for the year
- Share price total return of –19.0 per cent for the year

Performance Summary

	Year ended 30 June 2012	Year ended 30 June 2011	Cumulative since launch
Total Return			
Net asset value per share*	**+0.8%**	+5.4%	+37.6%
Ordinary share price*	**–19.0%**	+16.4%	+25.4%
Portfolio ungeared return	**+5.3%**	+6.4%	+65.0%
Investment Property Databank UK Quarterly and Monthly Funds Index	**+4.6%**	+9.9%	+47.0%
FTSE All-Share Index*	**–3.1%**	+25.6%	+74.4%

	30 June 2012	30 June 2011	% Change
Capital Values			
Total assets less current liabilities (£000's)	**158,433**	158,217	+0.1%
Net asset value per share	**76.2p**	82.8p	–8.0%
Ordinary share price	**66.0p**	90.0p	–26.7%
Investment Property Databank UK Quarterly and Monthly Funds Index	**94.6**	95.7	–1.1%
FTSE All-Share Index	**2,891.5**	3,096.7	–6.6%
(Discount)/premium to net asset value per share	**(13.4)%**	8.7%	
Net gearing †	**40.4%**	37.0%	

	Year ended 30 June 2012	Year ended 30 June 2011
Earnings and Dividends		
Earnings per ordinary share#	**2.9p**	3.3p
Dividends paid per ordinary share §	**7.2p**	7.2p
Dividend yield ‡	**10.9%**	8.0%
Total Expenses Ratio		
As a percentage of average total assets less current liabilities ¶	**1.5%**	1.4%
Ongoing Charges		
As a percentage of average net assets**	**2.7%**	2.4%
As a percentage of average net assets (excluding direct property expenses)**	**2.0%**	1.7%

	12 month Highs	**12 month Lows**
Highs/Lows		
Net asset value per share	**81.0p**	**77.9p**
Ordinary share price	**89.0p**	**64.5p**
Premium/(discount)	**9.9%**	**(17.3)%**

* Total return assuming gross dividends reinvested.
† (Bank debt less net current assets, excluding swap liability) ÷ investment properties.
# Earnings per ordinary share include capital losses on investment properties.
§ Calculated on an IFRS basis and therefore excludes the 4th interim dividend for 2011/12 and 2010/11.
‡ Calculated on annualised dividends of 7.2p per share for 2011/2012 and 7.2p for 2010/2011. An analysis of dividend payments is contained in note 6 on page 33.
¶ Calculated on an annualised basis and including non-recoverable property expenses.
** Moving forward, Ongoing Charges will replace the Total Expenses Ratio as recommended by The Association of Investment Companies ('AIC'). Ongoing charges which include direct operating property costs are defined within the AIC Guidelines. A second Ongoing Charges figure is shown which excludes direct operating property costs as these are variable in nature.

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

Chairman's Statement

Quentin Spicer Chairman

The past year has seen continued economic uncertainty, both in the UK and abroad. The UK commercial property market as a whole has seen a downward trend in quarterly returns resulting in an annual total return of 4.6 per cent, as measured by the Investment Property Databank ('IPD') All Quarterly and Monthly Funds Index.

The Group's portfolio recorded a total return of 5.3 per cent for the year, with income returns offsetting negative capital returns of 1.3 per cent. The net asset value ('NAV') total return for the year was 0.8 per cent with a NAV as at 30 June 2012 of 76.2 pence per share. The movement in the interest rate swap valuation had a negative impact on the NAV, with the liability increasing by £2.5 million during the year, decreasing the NAV per share by 2.3 pence. The swap valuation is significant and reduces the NAV by 10.4 pence per share at the year end; however future movements will reflect positively over time as the liability reduces to nil by the conclusion of the contract in January 2017.

Despite the positive NAV total return, the share price has weakened over the year and was trading at a discount to net asset value of 13.4 per cent at the year end, with the price at 66.0 pence per share. The share price total return for the year was –19.0 per cent reflecting the shift in sentiment for UK commercial property from the previous year end when the shares were trading at a premium of 8.7 per cent.

Property Market

Performance in the UK commercial property market slowed as the year progressed, affected by wider economic and financial market concerns. The market was supported by an income return of 5.8 per cent in the year to June but capital values moved lower, declining by 1.4 per cent in the year.

Prime property has generally out-performed secondary stock and the yield gap has widened. While IPD average initial yields were unchanged between June 2011 and June 2012, this masks considerable variation within the market. The banks are starting to release more stock as they unwind their property loans but this process has some way to go. Banks are becoming less willing to lend on commercial property and some have withdrawn from new lending while others have tightened their lending conditions.

Investment activity totalled £30.9 billion in the year to June 2012 compared with £37.6 billion in the previous year, according to Property Data. However, overseas investment rose to claim a 46 per cent share of all UK commercial property transactions. These purchases were often London focused and/or for large lot sizes.

The year to June 2012 has been characterised by high levels of risk aversion with investors favouring prime property, core locations and particularly properties with a long and secure income stream.

Portfolio

At 30 June, the Group's portfolio was valued at £162.8 million. With prices for commercial property trending downwards, effective asset management has been the key to maintaining or enhancing value. At 7-8 High Street, Winchester the value increased by £1.1 million to £6.6 million by 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 at £175,000 per annum, on a 25 year lease. At 51/53 High Street, Guildford the value of the property increased by £500,000, to £5.2 million as a result of granting a new ten year lease, subject to a break option at the fifth year. The lease of Unit 5 Newcombe Drive, Swindon was extended until 2024 giving an increase in value over the year of 6.6 per cent.

Principal new lettings included the leasing of Unit 6, Lakeside Industrial Estate, Colnbrook which was let at a rent of £121,920 per annum on a five and a half year lease.

Trading difficulties remain for retailers and other companies and there have been tenant failures, most materially at Southampton and Hemel Hempstead. As a result of this, the void rate on the portfolio has increased to 5.3 per cent, which is still well below the IPD average of 8.9 per cent. The average weighted unexpired lease term remains unchanged at 8.1 years, helped by new lettings and negotiating longer leases with occupational tenants.

In January, the Group completed the purchase of a prime unit shop at 25/27 Bridlesmithgate, Nottingham for £3.2 million equating to a net initial yield of 6.1 per cent. The property is let to Hobbs Ltd on a lease that will expire on 11 October 2019 at a rent of £205,000 per annum.

Dividends

Three interim dividends of 1.80 pence per share were paid during the year and a fourth interim dividend of 1.80 pence per share will be paid on 28 September 2012. This gives a total dividend for the year ended 30 June 2012 of 7.20 pence per share, consistent with the amount proposed in last year's annual report; reflecting a yield of 10.9 per cent on the year end share price.

Borrowings

The net gearing level as at 30 June 2012 was 40.4 per cent, which compares with 37.0 per cent as at 30 June 2011 and 40.0 per cent at launch on 1 June 2004. £65 million of a £75 million facility has been drawn down with £5 million drawn down during the year to finance a purchase at Nottingham. Consistent with its conservative policy on gearing, the Board expect this £5 million to be paid back at some point in the future following the completion of targeted sales.

The Group has £1.4 million of cash available and is therefore effectively fully invested. The Group does, however, have an undrawn loan facility of £10 million should there be a requirement for short-term financing.

Outlook

The current year is expected to see further pressure on rents and capital values but property remains attractive to investors in an era of ultra-low gilt yields. The uncertain market outlook and financial constraints have led to a dearth of development projects and once demand starts to revive, areas of tight supply could see a swift turnaround.

The Group aims to keep levels of borrowing at a prudent level during this period of volatility and uncertainty, but will continue to seek new purchases where these will enhance the quality of the portfolio, as well as selling properties which no longer present income and growth opportunities. Asset management initiatives to add and preserve value will be the key to performance and the Manager will continue to engage with its occupiers to seek out opportunities within the existing portfolio.

Quentin Spicer
Chairman
4 September 2012

Investment Manager

Ian McBryde
Investment Manager

Investment Manager

The Board has appointed F&C Investment Business Limited (referred to throughout this document as 'FCIB' or 'the Investment Manager') as the Company's investment manager and F&C REIT Property Asset Management plc (referred to throughout this document as 'F&C REIT' or 'the Property Manager') as the Company's property manager. FCIB and F&C REIT are, collectively, referred to in this document as 'the Manager', and are both part of F&C Asset Management plc ('F&C').

F&C is a leading asset manager in both the UK and Europe and has £98.2 billion of funds under management (as at 30 June 2012). The shares of F&C are traded on the London Stock Exchange. F&C provides investment management and other services to a range of investment companies. In addition, it is one of the largest property managers in the UK, with property funds under management of £7.8 billion (as at 30 June 2012), and manages property investments on behalf of a wide range of clients including the Company, F&C Commercial Property Trust Limited and ISIS Property Trust Limited.

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.

Manager's Review

The UK property market registered a 4.6 per cent portfolio total return in the year to June 2012, as measured by the Investment Property Databank ('IPD') All Quarterly and Monthly Funds Index. Performance slowed as the year progressed, affected by wider economic and financial market concerns within the UK, the Eurozone and the global economy.

Willowbeck Road, Northallerton

The market was supported by an income return of 5.8 per cent in the year to June but capital values fell, declining by 1.4 per cent in the year.

All ten segments of the UK property market identified by IPD saw lower total returns in the year to June than in the previous twelve month period. Central London offices continued to out-perform, reflecting its status as an international destination and the view among overseas investors, that London represented a safe haven outside the Eurozone for property investment. Elsewhere, the market has been more subdued, especially in locations seen as vulnerable to cutbacks in government spending. Total returns for offices outside London and the south east turned negative in the year to June 2012. The industrial market delivered an above average 5.3 per cent portfolio total return, helped by a 6.7 per cent annual income return. The retail market outside Central London has been affected by the weak economic environment and there have been several high profile retail casualties. A large number of stores have been closed and although some quickly re-let, this has put pressure on retail rental growth and capital values, especially for more secondary property.

Prime property has generally out-performed secondary stock and the yield gap has widened. While IPD average initial yields were unchanged between June 2011 and June 2012, this masks considerable variation within the market. The year saw inward yield movement for Central London offices and yields on prime stock generally held steady or improved. In contrast, secondary yields generally weakened during the year and moved out by more than 100 basis points for offices outside London to reach double digit levels.

The banks are starting to release more stock as they unwind their property loans but this process has some way to go. Banks are becoming less willing to lend on commercial property and some have withdrawn from new lending while others have tightened their lending conditions. Insurance companies are starting to become more active in this market but credit availability remains constrained.

Investment activity totalled £30.9 billion in the year to June 2012 compared with £37.6 billion in the previous year, according to Property Data. However, overseas investment rose to claim a 46 per cent share of all UK commercial property transactions. These purchases were often London focused and/or for large lot sizes, obscuring the extent of weakness elsewhere.

The macro-economic environment has led to a climate of uncertainty, a focus on the downside risk and delays in committing to decisions until the outlook

Churchill Way, Nelson

Manager's Review (continued)

is clearer. The year to June 2012 has been characterised by high levels of risk aversion with investors favouring prime property, core locations and particularly properties with a long and secure income stream.

Portfolio

At 30 June, the Group's portfolio was valued at £162.8 million. The year saw total returns from the portfolio of 5.3 per cent, compared with IPD of 4.6 per cent. Income accounted for 6.7 per cent of returns which is above the benchmark average of 5.8 per cent, but capital values fell back by minus 1.3 per cent over the year.

Unit 3663, Echo Park, Banbury

The outperformance was particularly attributed to the retail sector of the portfolio which itself returned 6.0 per cent, well ahead of the IPD retail sector benchmark of 3.0 per cent. In particular, the value of 7-8 High Street, Winchester increased by £1.1 million, or 19.7 per cent to £6.6 million. This uplift was due to the Group 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 at £175,000 per annum, on a 25 year lease. As a result the total rent 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 to £270,000 per annum on the basis of a new ten year lease, subject to a break option at the fifth year. 24 Haymarket, London, SW1 is now fully let following the refurbishment and completion of the 3rd and 4th floors, adding £58,500 per annum to the rent roll. However, at Unit 1, Above Bar Church, Southampton, Bon Marche entered into Administration and ceased trading from this unit in January 2012. The rent was £203,500 per annum compared with an ERV of £122,000 per annum and the resultant fall in value over the year was £1.25 million, reducing the value to £2.0 million.

The Group's industrial property portfolio performed in line with the sector returning 5.3 per cent. 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 £121,920 per annum on a five and a half year lease. The lease of Unit 5 Newcombe Drive, Swindon was extended until 2024 in return for 9 months rent free after which the rent reverts to £111,380 per annum, giving an increase in value over the year of 6.6 per cent. The office portfolio underperformed IPD delivering total returns of 3.3 per cent, principally as a result of shortening lease lengths on regional office properties having an adverse effect on valuations.

As a result of tenant failures, especially in Southampton and Hemel Hempstead, the void rate on the portfolio has increased to 5.3 per cent, from 2.3 per cent in June 2011, but still well below the IPD average of 8.9 per cent. Despite effluxion of time, the average weighted unexpired lease term remains

Standard Hill, Nottingham

63–67 The Parade, Sutton Coldfield

unchanged at 8.1 years, helped by new lettings and negotiating longer leases with occupational tenants.

In January, the Group completed the purchase of a prime unit shop at 25/27 Bridlesmithgate, Nottingham for £3.2 million equating to a net initial yield of 6.1 per cent. The property is let to Hobbs Ltd on a lease that will expire on 11 October 2019 at a rent of £205,000 per annum. Despite difficulties in the retail sector, the Manager believes that strong locations do have a potential to deliver good long term performance.

Outlook

The current year is expected to see pressure on rents, capital values and the income streams. However, property remains attractive to investors seeking a high and stable income return, especially in an era of ultra-low gilt yields. The UK is also one of the world's largest, most mature, liquid and transparent property investment markets. These aspects will continue to support the market, especially prime assets, core locations and well-let property. Performance will continue to be strongly influenced by stock selection and the effects of asset management. The uncertain market outlook and financial constraints has led to a stalling of many development projects and once demand starts to revive, areas of tight supply could see a swift turnaround. As the economic and financial market outlook becomes clearer, property is expected to deliver stronger total returns, underpinned by income.

The Manager accepts the challenges and also recognises the opportunities that the current market presents. The Manager seeks to keep levels of borrowing at a prudent level during this period of volatility and uncertainty, but will continue to seek new purchase opportunities where these will enhance the quality of the portfolio, as well as selling properties which no longer present income and growth opportunities.

Ian McBryde

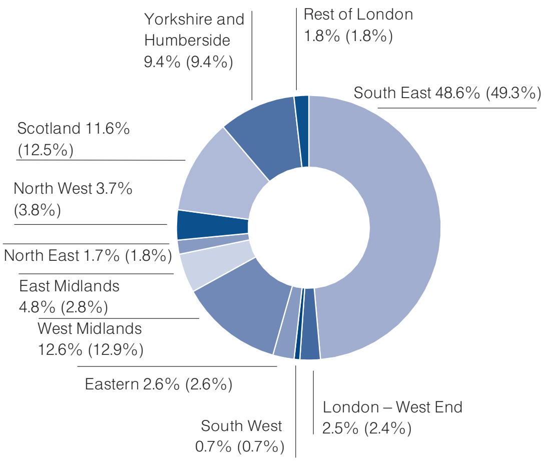
F&C REIT Asset Management

4 September 2012

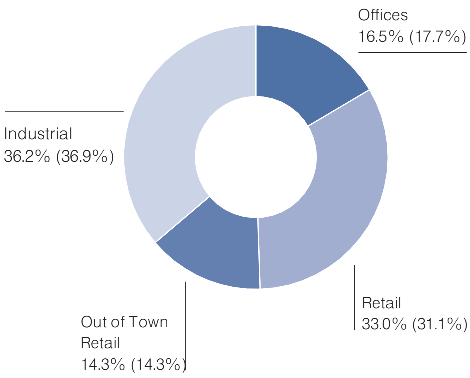
100 Princes Street, Edinburgh

Portfolio Statistics

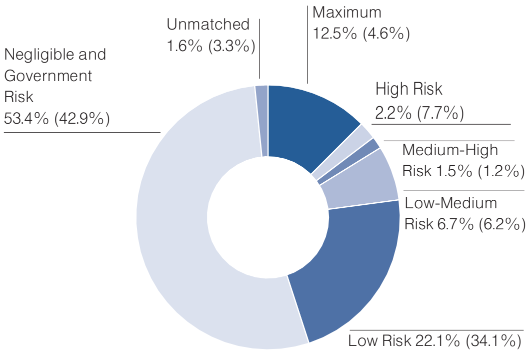
Geographical Analysis
as at 30 June 2012 (prior year comparatives in brackets)



Sector Analysis
as at 30 June 2012 (prior year comparatives in brackets)

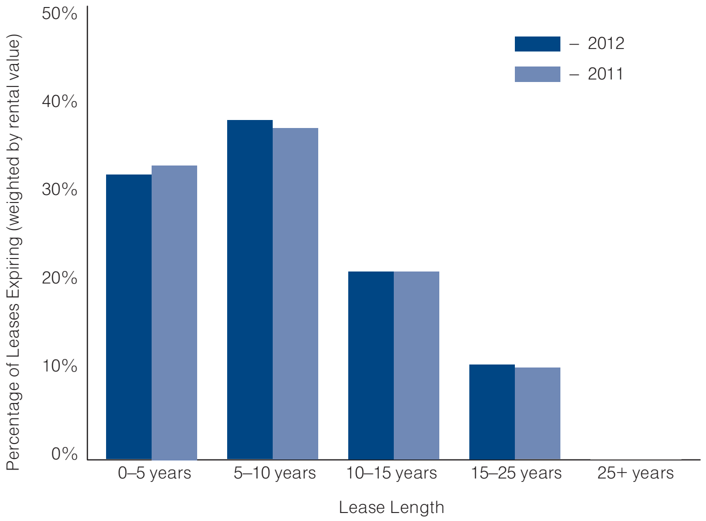


Covenant Strength
as at 30 June 2012 (prior year comparatives in brackets)



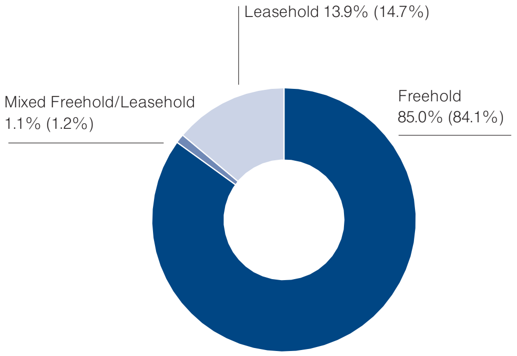
As measured by: Investment Property Databank (IPD).

Lease Expiry Profile



As at 30 June 2012 the average lease length for the portfolio, assuming all break options are exercised, was 8.1 years (2011: 8.1 years).

Tenure Analysis
as at 30 June 2012 (prior year comparatives in brackets)



Property Portfolio

Property	Sector	Book Cost £'000	Market Value £'000	% of Total Assets (less Current Liabilities)
Banbury, 3663 Unit, Echo Park	Industrial	14,634	17,500	11.0%
Colnbrook, Units 1–8 Lakeside Road	Industrial	11,063	12,190	7.7%
Eastleigh, Southampton International Park	Industrial	11,375	10,875	6.9%
Leamington Spa, 30–40 The Parade & 47/59a Warwick Street	Retail	9,340	10,460	6.6%
York,Clifton Moor Gate *	Retail Warehouse	8,550	8,725	5.5%
Bellshill, Mercury House, Strathclyde Business Park	Offices	11,680	8,250	5.2%
Edinburgh, 1–2 Lochside Way, Edinburgh Park	Offices	15,166	7,825	4.9%
Hemel Hempstead, Hemel Gateway	Industrial	8,580	7,700	4.9%
Willowbeck Road, Northallerton	Retail Warehouse	6,909	6,650	4.2%
Winchester, 7–8 High St. 50 Colebrook Street	Retail	4,720	6,575	4.2%
Ten largest property holdings		**102,017**	**96,750**	**61.1%**
Rugby, Swift House, Cosford Lane *	Industrial	6,700	5,650	3.6%
Nelson, Churchill Way	Retail Warehouse	5,566	5,590	3.5%
Guildford, 51–53 High Street	Retail	3,870	5,250	3.3%
Nottingham, Standard Hill	Offices	4,710	4,650	2.9%
Brookwood, The Clock Tower	Offices	5,160	4,575	2.9%
Sutton Coldfield, 63–67 The Parade	Retail	4,330	4,430	2.8%
London SW1, 24 Haymarket & 1/2 Panton Street *	Retail	3,055	4,120	2.6%
Milton Keynes, Site E Chippenham Drive	Industrial	4,734	3,750	2.4%
Nottingham, 25-27 Bridlesmith Gate	Retail	3,359	3,230	2.0%
Sunningdale, 53/79 Chobham Road, Berkshire	Retail	1,912	3,195	2.0%
Twenty largest property holdings		**145,413**	**141,190**	**89.1%**
Croydon, 17, 19 & 21 George Street	Retail	2,980	2,865	1.8%
Edinburgh, 100A Princes Street	Retail	2,395	2,780	1.8%
Rayleigh, 81/87 High Street.	Retail	1,770	2,300	1.5%
Gateshead, Sands Road	Retail Warehouse	2,382	2,250	1.4%
Southampton, Units 1 & 2, Above Bar Church *	Retail	4,161	2,000	1.3%
Wickford, 12/20 High Street	Retail	1,310	1,850	1.2%
Guildford, 7/11 Bridge Street	Retail	2,449	1,780	1.1%
Marlow, Globe Park, Unit GP9	Offices	3,780	1,600	1.0%
Brighton, 2–3 Pavilion Buildings *	Retail	1,760	1,500	0.9%
Swindon, Unit 5, Newcombe Drive	Industrial	1,280	1,200	0.8%
Thirty largest property holdings		**169,680**	**161,315**	**101.9%**
Newbury, 25 Northbrook Street *	Retail	630	625	0.4%
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		**172,160**	**162,820**	**102.8%**
Unamortised lease incentives			**(2,510)**	**(1.6)%**
Balance sheet carrying value			**160,310**	**101.2%**
Net current liabilities			**(1,877)**	**(1.2)%**
Total assets less current liabilities			**158,433**	**100.0%**

*Leasehold property

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 and Quintain (Guernsey) Limited. He is a non executive director of O Twelve Estates Limited, Develica Deutschland Limited, Squarestone Brasil Limited and a number of other property investment funds.

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 JP Morgan Private Equity Limited, John Laing Infrastructure Fund Limited, Real Estate Credit Investments PCC Limited, Tamar European Industrial Fund Limited, Real Estate Credit Investments Limited, Dexion Trading Limited and Ruffer Investment Company Limited.

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, which are listed property companies.

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 Tamar European Industrial Fund Limited and is a non-executive director of Aberdeen Asset Management plc and a number of other investment 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 continued as a non-executive director of Schroders (C.I.) Limited before standing down at the end of 2008. He is non-executive chairman of Goldman Sachs Dynamic Opportunities, a London listed company and he is also a non-executive director of various other investment companies.

Report of the Directors

The Directors present the report and accounts of IRP Property Investments Limited, ('the Group') for the year ended 30 June 2012.

Results and Dividends

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

The Company has paid interim dividends in the year ended 30 June 2012 as follows:

	Payment date	Rate per share
Fourth interim for prior year	30 September 2011	1.8p
First interim	30 December 2011	1.8p
Second interim	30 March 2012	1.8p
Third interim	29 June 2012	1.8p

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 28 September 2012 to shareholders on the register on 7 September 2012. There was a deficit on revenue reserves after the payment of dividends of 2.1p per share.

Company Number: 41870

Principal Activity and Status

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

The Company has a wholly-owned subsidiary, IRP Holdings Limited which holds and manages the investment properties.

Business Review

The Board of Directors is responsible for the overall stewardship of the Group, including investment and dividend policies, corporate strategy, corporate governance, and risk management. As set out in the Directors' Responsibility Statement on page 21 the Board is also responsible for the preparation of the Annual Report and financial statements for each financial period. Biographical details of the Directors, all of whom are non-executive, can be found on page 11. The Company has no executive Directors or employees.

Objective

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.

Investment Policy and Management of Assets

The Group 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 (including retail warehouses) and industrial.

The Group invests predominantly 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, initial and equivalent yields and the potential for development or redevelopment of the property. The Group will not invest in other investment companies or funds.

Investment risks are spread through investing in a range of geographical areas and sectors, and through letting properties, where possible, to low risk tenants. The Group 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 Group uses gearing to enhance returns over the long term. Gearing, represented by borrowings as a percentage of investment properties, may not exceed 60 per cent. However, it is the Board's present intention that borrowings will be limited to a maximum of 40 per cent of total assets at the time of borrowing. The Board receives recommendations on gearing levels from the Manager and is responsible for setting the gearing range within which the Manager may operate. The Group's borrowings are represented by a £65 million bank loan, which is described in more detail in note 12 to the accounts. The gearing level as at 30 June 2012 was 39.2 per cent of total assets.

At each Board meeting, the Board receives a detailed presentation from the Manager together with a comprehensive analysis of the performance of the Group and compliance with investment restrictions during the reporting period. An analysis

**applicable only on acquisition or disposal of a property.*

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

of how the portfolio was invested as at 30 June 2012 is contained within the Manager's Review on pages 5 to 7 and a full portfolio listing is provided on page 10.

Principal Risks and Risk Uncertainties

The Group'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 Manager also seeks 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 Group 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 Group's Stock Exchange listing, financial penalties or a qualified audit report.
- Management and control – changes that cause the management and control of the Group to be exercised in the United Kingdom could lead to the Group becoming liable to United Kingdom taxation on income and capital gains.
- Financial – inadequate controls by the Manager 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 Manager's accounting systems or disruption to the Manager's 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 Group's property portfolio, and applies the principles detailed in the internal control guidance issued by the Financial Reporting Council. The Group's internal controls are described in more detail on pages 16 and 17.

The Board and the Manager recognise the importance of the share price relative to net asset value in maintaining shareholder value. The Manager meets 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 Group's website.

Key Performance Indicators

A review of the Group'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 Manager's Review.

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

- Net asset value total return against the Investment Property Databank UK Quarterly and Monthly Funds Index ('IPD').
- Portfolio total return against IPD.
- Dividend per share and dividend yield.
- Ongoing charges as a percentage of average net assets (excluding direct property expenses).

Performance against these indicators is contained in the Financial Highlights on page 1, the Chairman's Statement on pages 2 and 3 and in the Historic Record on page 47.

Directors

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

	2012 Ordinary shares	2011 Ordinary shares
Q Spicer	**220,000**	220,000
A E G Gulliford	**144,030**	144,030
C W Sherwell	**20,000**	20,000
C P Spencer	**38,000**	38,000
C G H Weaver	**50,000**	50,000

Between 30 June 2012 and 4 September 2012 there were no changes to Directors' shareholdings.

The Directors are also directors of IRP Holdings Limited, the Company's wholly-owned subsidiary undertaking.

As explained in more detail under Corporate Governance on pages 14 to 16, the Board has decided that all the annual Directors will retire at the forthcoming Annual General Meeting and annually thereafter. The Board believes that, following internal 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.

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

Management

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

The Board keeps under review the appropriateness of the Manager's appointments. In doing so the Committee considers the investment performance of the Group and the capability and resources of the Manager to deliver satisfactory investment performance. It also considers the length of the notice period of the investment management contract and the fees payable to the Manager, together with the standard of the other services provided.

The Directors are satisfied with the Manager's ability to deliver satisfactory investment performance, and the quality of other services provided. It is therefore their opinion that the continuing appointment of the Manager on the terms agreed is in the best interests of shareholders.

Management Fee

The management fee payable is 0.70 per cent per annum of the total assets, including cash held provided that no fee shall be payable on any cash held in excess of 5 per cent of the net asset value of the Group.

The notice period in relation to the termination of the investment management agreement is six months by either party.

Share Capital

As at 30 June there were 110,500,000 ordinary shares of 1 pence each in issue. Subject to the Articles of Incorporation, all shares rank equally for dividends and distributions and carry one vote each and there are no restrictions concerning the transfer of ordinary shares in the Company. No agreements between the holders of ordinary shares regarding their transfer is known to the Company and there is no agreement which the Company is party to that affects its control following a take over bid.

Substantial Interests in Share Capital

At 30 June 2012 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
F&C Asset Management	17,506,000	15.8
Lloyds Banking Group plc*	11,903,869	10.8
Deutsche Bank AG*	8,824,043	8.0
Rathbone Brothers plc	5,490,325	5.0
Investec Wealth & Investors	3,395,311	3.1

* Included within these holdings are 5,000,000 shares owned by Deutsche Bank AG but managed by Lloyds Banking Group plc.

Between 30 June 2012 and 4 September 2012, Lloyds Banking Group plc reduced its holdings in the Company to 10,613,999 representing 9.6 per cent of voting rights. There have been no further changes notified to the above holdings.

Corporate Governance

As of 1 July 2010, the Company is obliged to comply with the UK Corporate Governance Code (which has replaced the Combined Code) or explain any non compliance. It has always been the Company's policy to comply with best practice on corporate governance and it has put in place a framework for corporate governance which it believes is suitable for an investment company.

The Board has also considered the principles and recommendations of the Association of Investment Companies Code of Corporate Governance (the ''AIC Code'') and follows the AIC Corporate Governance Guide for Investment Companies (the ''AIC Guide'') which complemented the Combined Code and continues to complement the UK Corporate Governance Code, and provides a framework of best practice for investment companies. During September 2010, the Financial Reporting Council confirmed that, by following the AIC Guide, investment company boards should fully meet their obligations in relation to the UK Corporate Governance Code.

The AIC Code and the AIC Guide are available on the AIC's website, www.theaic.co.uk. The UK Corporate Governance Code is available on the Financial Reporting Council's website, www.frc.org.uk.

The Board considers that it is appropriate to report against the principles and recommendations of the AIC Code and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code).

Except as disclosed below the Company complied throughout the year with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code. Since all the Directors are non-executive, in accordance with the AIC Code and the preamble to the UK Corporate Governance Code, the provisions of the UK Corporate Governance Code on the role of the chief executive (Section A) and, except in so far as they apply to non-executive Directors, on Directors' remuneration, (Section D) are not relevant to the Company, and are not reported on further.

On 30 September 2011, the Guernsey Financial Services Commission issued a Finance Sector Code of Corporate Governance ('the GFSC Code') which came into effect on 1 January 2012. As the Company already reports against the AIC Code and the UK Corporate Governance Code it is deemed that it has met the requirements of the GFSC Code and has therefore not reported further on its compliance with that code. The GFSC Code is available on the Guernsey Financial Services Commission's website, www.gfsc.gg.

The Company's Articles of Association require all Directors to retire by rotation at least every three years. However, in accordance with the recommendations of the AIC Code and the UK Corporate Governance Code, the Board has agreed that all Directors will retire annually and, if appropriate, seek re-election. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of service of any of the Company's Directors, including the Chairman has been imposed. The Board do not consider it appropriate for a Senior Independent Director to be appointed as recommended by provision 4.1 of the AIC 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, (as defined by the AIC Code), of the Group's Manager as at 30 June 2012 with the exception of Mr C P Spencer. On 1 September 2010, F&C Asset Management plc successfully completed its purchase of Thames River Capital LLP ('TRC'). Mr C P Spencer is a non-executive Director on the Boards of a number of TRC Funds listed in Dublin and from this date is no longer considered independent due to his involvement in other funds within the F&C Group. It is the Board's view that Mr Spencer's directorships with TRC funds will not affect his ability to act independently and it has therefore been decided that he should continue in his role as Chairman of the Audit Committee. He does, however, stand for re-election to the Board annually. New Directors will receive an induction from the Manager and Secretary on joining the Board, and all Directors receive other relevant training as necessary.

The basis on which the Group aims to generate value over the longer term is set out in its objective, investment policy and strategy as contained within the Business Review on pages 12 and 13. A management agreement between the Group and its Manager sets out the matters over which the Manager has 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 Group'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. The committees are the Property Valuation Committee, the Audit Committee, the Management Engagement Committee and the Nomination Committee. The Committees operate within clearly defined terms of reference which are available for inspection on request.

The Property Valuation Committee, chaired by Mr A E G Gulliford, comprises the full Board and is convened for the purpose of reviewing the quarterly independent property valuation reports prior to their submission to the Board.

The Audit Committee, chaired by Mr C P Spencer, comprises all of the Directors. 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 external auditors report to the Board of Directors and meets at least twice yearly. The objectivity of the auditor is reviewed by the Audit Committee which also reviews the terms under which the external auditor is appointed to perform non-audit services. The Committee reviews the scope and results of the audit, its cost-effectiveness and the

Report of the Directors (continued)

independence and objectivity of the external auditor, with particular regard to non-audit fees. Such fees amounted to £13,000 for the year ended 30 June 2012 (year ended 30 June 2011: £16,000) and related to the provision of taxation services and reviewing the interim report. Notwithstanding such services the Audit Committee considers Ernst & Young LLP to be independent of the Group.

The Management Engagement Committee, chaired by Mr Q Spicer, comprises the full Board and reviews the appropriateness of the Manager's continuing appointment together with the terms and conditions thereof on a regular basis.

The Nomination Committee, chaired by Mr Q Spicer, 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 Group, seek independent professional advice on any matter that concerns them in the furtherance of their duties. The Group maintains appropriate Directors' and Officers' liability insurance.

Going Concern

The Group's investment policy, which is described on pages 12 and 13 and which is subject to regular Board monitoring processes, is designed to ensure that the Group is invested mainly in a diversified portfolio of UK commercial properties. The Group retains title to all assets and these are held by its property lawyers, and has agreements relating to its borrowing facility with which it complied during the year.

Note 17 to the accounts sets out the financial risk profile of the Group and indicates the effect on its assets and liabilities of falls and rises in the values of its investments and market rates of interest.

The Directors believe, in light of the controls and review processes noted above and, bearing in mind the nature of the Group's business and assets, that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors examine significant areas of possible financial risk including cash and cash requirements and compliance with the loan covenants. They have not identified any material uncertainties which would cast significant doubt on the ability to continue as a going concern for a period not less than 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Environmental Policy

The Manager acquires, develops and manages properties on behalf of the Group. It is recognised that these activities have both direct and indirect environmental impacts.

The Board has endorsed the Manager's 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 Group'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 Group in managing the risks to which it is exposed, consistent with internal control guidance

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

	Board of Directors		Property Valuation Committee		Audit Committee		Management Engagement Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Q Spicer	4	4	4	4	2	2	1	1	1	1
A E G Gulliford	4	3	4	3	2	2	1	1	1	1
C W Sherwell	4	4	4	4	2	1	1	1	1	1
C P Spencer	4	4	4	4	2	2	1	1	1	1
C G H Weaver	4	4	4	4	2	1	1	1	1	1

In addition to the scheduled quarterly meetings detailed above, there were a further 3 Board Committee meetings held in Guernsey during the year, attended by non UK resident Directors.

issued by the Financial Reporting Council. The process is based principally on the Manager's existing risk-based approach to internal control whereby a test matrix is created that identifies the key functions carried out by the Manager 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 risk 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 Manager 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 Group in comparison to its stated objective and against comparable companies. The Board also reviews the Group's activities since the last Board meeting to ensure that the Manager adheres 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 Group.

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

Relations with Shareholders

The Group proactively seeks the views of shareholders and places great importance on communication with them. The Board receives regular reports on the views of shareholders and the Chairman and other Directors are available to meet shareholders if required. The Notice of Annual General Meeting to be held on 14 November 2012 at 12 noon is set out on pages 43 to 46. It is hoped that this will provide a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Manager of the Company.

Directors' Authority to Allot Shares

Changes to the listing regime came into force on 6 April 2010. These changes mean that the listing regime is restructured into two segments, premium and standard. The Company, as a result of having equity shares in issue, is deemed to fall within the premium segment. In accordance with the new provisions of the Listing Rules, the directors of an overseas premium listed company will not be permitted from 6 April 2011 to allot new shares (or grant rights over shares) for cash without first offering them to existing shareholders in proportion to their existing holdings.

The Board therefore proposes a resolution at this year's Annual General Meeting to disapply pre-emption rights.

Resolution 10 therefore, gives the Directors, for the period until the conclusion of the Annual General Meeting in 2013 or, if earlier, on the expiry of 15 months from the passing of Resolution 10, the necessary authority to either allot securities or sell shares held in treasury, otherwise than to existing shareholders on a pro-rata basis, up to an aggregate nominal amount of £110,500. This is equivalent to 10 per cent of the issued ordinary share capital of the Company as at 4 September 2012. It is expected that the Company will seek this authority on an annual basis.

The Directors will only allot new shares pursuant to this authority if they believe it to be advantageous to the Company's shareholders to do so and in no circumstances that would result in a dilution to the net asset value per share.

Directors' Authority to Buy Back Shares

The Group did not buy back any shares during the year.

Resolution 11, as set out in the notice of the Annual General Meeting, seeks authority for the Company to make market purchases of up to 14.99 per cent of the issued ordinary share capital, such authority to last until the earlier of 31 December 2013 and the Annual General Meeting in 2013. 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

Report of the Directors (continued)

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.

Amendments to the Memorandum and Articles of Incorporation

It is proposed in Resolutions' 12 and 13 to adopt new Memorandum and Articles of Incorporation of the Company in order to update the Company's current Memorandum and Articles of Incorporation, to comply with the Companies (Guernsey) Law, 2008, as amended (the ''Law'').

The principal changes introduced in the new Memorandum and Articles are contained in the Notice of Annual General Meeting. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies (Guernsey) Law, 2008, or confirm certain language in the New Memorandum and Articles have not been noted in the Appendix. The New Memorandum and Articles showing all the changes to the Current Memorandum and Articles are available for inspection, as stated in the appendix to the Notice of Annual General Meeting.

Disclosure to Auditor

The Directors confirm that, so far as each of the Directors is aware, there is no relevant information of which the Group's auditor is unaware and the Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

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

Resolutions

The Board considers that each of the Resolutions to be proposed at the Annual General Meeting are in the best interests of the shareholders as a whole. Accordingly, the Board unanimously recommends that shareholders vote in favour of each of the resolutions to be proposed at the Annual General Meeting.

On behalf of the Board

Q Spicer Director	C P Spencer Director

4 September 2012

Directors' Remuneration Report

Policy on Directors' Fees

The Board's policy is that the remuneration of the Directors should reflect the experience of the Board as a whole, the time commitment required, and be fair and comparable with that of other similar companies. Furthermore, the level of remuneration should be sufficient to attract and retain the Directors needed to oversee the Company properly and to reflect its specific circumstances. It is intended that this policy will continue for the year ending 31 December 2012 and subsequent years.

The fees for the Directors are determined within the limit set out in the Company's Articles of Incorporation. The present limit is an aggregate of £200,000 per annum. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

The Board comprises only non-executive Directors and considers, at least annually, the level of the Directors' fees, in accordance with the UK Corporate Governance Code. Normally, the Company Secretary provides information on comparative levels of Directors' fees in advance of each review.

Directors' Service Contracts

It is the Board's policy that Directors do not have service contracts and that each new Director is provided with a letter of appointment.

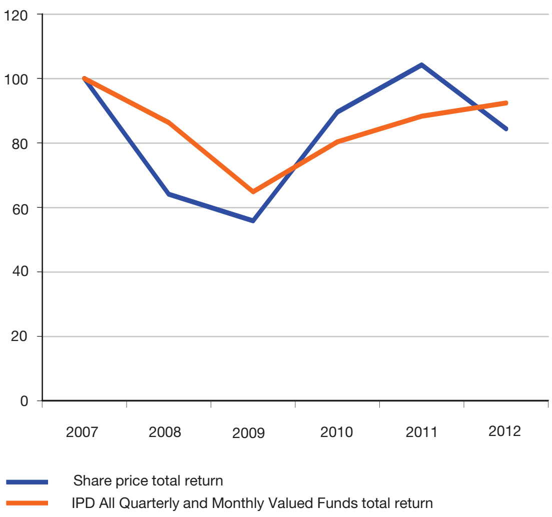
The terms of Directors' appointments provide that Directors should retire and be subject to election at the first Annual General Meeting after their appointment. However, in accordance with the recommendations of the UK Corporate Governance Code, the Board has agreed that all Directors will retire annually. There is no notice period and no provision for compensation upon early termination of appointment.

Director	Date of Appointment	Due date for Re-election
Q Spicer	12/05/2004	AGM 2012
A E G Gulliford	12/05/2004	AGM 2012
C W Sherwell	12/05/2004	AGM 2012
C P Spencer	12/05/2004	AGM 2012
C G H Weaver	12/05/2004	AGM 2012

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Manager's through the investment management agreement, as referred to in the Report of the Directors on page 14. The graph below compares, for the five financial years ended 30 June 2012, the total return (assuming all dividends are reinvested) to ordinary shareholders compared with the total return on a notional investment from the IPD All Quarterly and Monthly Valued Funds. This index was chosen as it is considered a comparable index. An explanation of the performance of the Company for the year ended 30 June 2012 is given in the Chairman's Statement and Managers' Review.

Share Price Total Return and the IPD All Quarterly and Monthly valued funds Performance Graph



Directors' Remuneration Report (continued)

Directors' Emoluments for the Year

The Directors who served during the year received the following emoluments in the form of fees:

	2012 £	2011 £
Q Spicer	30,000	25,000
A E G Gulliford	25,000	20,000
C W Sherwell	25,000	20,000
C P Spencer	25,000	20,000
C G H Weaver	25,000	20,000
Total	130,000	105,000

The increase in the Directors' fees in 2012 represented the first uplift since 2007.

An ordinary resolution for the approval of this report will be put to shareholders at the forthcoming Annual General Meeting.

On behalf of the board

Q Spicer	C P Spencer
Director	Director

4 September 2012

Directors' Responsibility Statement

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable Companies (Guernsey) Law 2008 and International Financial Reporting Standards as adopted by the European Union.

Under Companies (Guernsey) Law 2008 the Directors must not approve the Group financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Group for that period. In preparing the Group financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* and then 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 IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time, the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies (Guernsey) Law, 2008 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Notes:

1. The maintenance and integrity of the web site maintained for IRP Property Investments Limited is the responsibility of the Directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the web site.
2. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors in respect of the Consolidated Annual Report and Accounts

The Directors each confirm to the best of their knowledge that:

(a) the Consolidated Financial Statements which are prepared, in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and comprehensive income of the Group; and

(b) the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties faced.

On behalf of the Board
Q Spicer
Chairman

4 September 2012

Independent Auditor's Report

Independent Auditor's Report to the Members of IRP Property Investments Limited

We have audited the Group financial statements (the 'financial statements') of IRP Property Investments Limited for the year ended 30 June 2012 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone 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 Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 21, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the matters set out below.

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the 2010 UK Corporate Governance Code[1] specified for our review.

Michael Bane
For and on behalf of
Ernst & Young LLP
Guernsey
Channel Islands
4 September 2012

[1]The UK Corporate Governance Code was issued in May 2010 and applies to financial years beginning on or after 29 June 2010.

Consolidated Statement of Comprehensive Income

for the year ended 30 June

	Notes	2012 £'000	2011 £'000
Revenue			
Rental income		**11,788**	11,241
Total revenue		**11,788**	11,241
Losses on investment properties	8	**(2,483)**	(1,705)
		9,305	9,536
Expenditure			
Investment management fee	2	**(1,137)**	(1,095)
Other expenses	3	**(1,253)**	(1,162)
Total expenditure		**(2,390)**	(2,257)
Net operating profit before finance costs		**6,915**	7,279
Net finance costs			
Interest receivable		**12**	59
Finance costs	4	**(3,453)**	(3,409)
		(3,441)	(3,350)
Net profit from ordinary activities before taxation		**3,474**	3,929
Taxation on profit on ordinary activities	5	**(303)**	(245)
Profit for the year		**3,171**	3,684
Other comprehensive income			
Net (loss)/gain on cash flow hedges		**(2,515)**	1,429
Total comprehensive income for the year, net of tax		**656**	5,113
Basic and diluted earnings per share	7	**2.9p**	3.3p

All items in the above statement derive from continuing operations.

All of the profit for the year is attributable to the owners of the Company.

The accompanying notes are an integral part of this statement.

Consolidated Balance Sheet

as at 30 June	Notes	2012 £'000	2011 £'000
Non-current assets			
Investment properties	8	**160,310**	159,274
		160,310	159,274
Current assets			
Trade and other receivables	10	**3,133**	3,470
Cash and cash equivalents	11	**1,396**	1,931
		4,529	5,401
Total assets		**164,839**	164,675
Non-current liabilities			
Interest-bearing bank loan	12	**(65,423)**	(60,379)
Interest rate swap	12	**(8,825)**	(6,353)
		(74,248)	(66,732)
Current liabilities			
Trade and other payables	13	**(3,793)**	(3,888)
Interest rate swap	12	**(2,613)**	(2,570)
		(6,406)	(6,458)
Total liabilities		**(80,654)**	(73,190)
Net assets		**84,185**	91,485
Represented by:			
Share capital	14	**1,105**	1,105
Special distributable reserve		**89,445**	91,747
Capital reserve		**5,073**	7,556
Other reserve		**(11,438)**	(8,923)
Equity shareholders' funds		**84,185**	91,485
Net asset value per share	15	**76.2p**	82.8p

The accounts on pages 23 to 42 were approved and authorised for issue by the Board of Directors on 4 September 2012 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 2012

	Notes	Share Capital £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Other Reserve £'000	Revenue Reserve £'000	Total £'000
At 1 July 2011		1,105	91,747	7,556	(8,923)	–	91,485
Profit for the year		–	–	–	–	3,171	3,171
Other comprehensive losses		–	–	–	(2,515)	–	(2,515)
Total comprehensive income for the year		–	–	–	(2,515)	3,171	656
Dividends paid	6	–	–	–	–	(7,956)	(7,956)
Transfer in respect of losses on investment properties		–	–	(2,483)	–	2,483	–
Transfer of net deficit for year		–	(2,302)	–	–	2,302	–
At 30 June 2012		**1,105**	**89,445**	**5,073**	**(11,438)**	**–**	**84,185**

for the year ended 30 June 2011

	Notes	Share Capital £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Other Reserve £'000	Revenue Reserve £'000	Total £'000
At 1 July 2010		1,105	94,314	9,261	(10,352)	–	94,328
Profit for the year		–	–	–	–	3,684	3,684
Other comprehensive gains		–	–	–	1,429	–	1,429
Total comprehensive income for the year		–	–	–	1,429	3,684	5,113
Dividends paid	6	–	–	–	–	(7,956)	(7,956)
Transfer in respect of losses on investment properties		–	–	(1,705)	–	1,705	–
Transfer of net deficit for year		–	(2,567)	–	–	2,567	–
At 30 June 2011		**1,105**	**91,747**	**7,556**	**(8,923)**	**–**	**91,485**

The accompanying notes are an integral part of this statement.

Consolidated Cash Flow Statement

for the year ended 30 June	Notes	2012 £'000	2011 £'000
Cash flows from operating activities			
Net profit for the year before taxation		**3,474**	3,929
Adjustments for:			
Losses on investment properties	8	**2,483**	1,705
Decrease/(increase) in operating trade and other receivables		**337**	(992)
(Decrease)/increase in operating trade and other payables		**(181)**	280
Net finance costs		**3,441**	3,350
		9,554	8,272
Taxation paid		**(216)**	(426)
Net cash inflow from operating activities		**9,338**	7,846
Cash flows from investing activities			
Purchase of investment properties	8	**(3,359)**	(9,154)
Capital expenditure	8	**(160)**	(371)
Sale of investment properties	8	**–**	6,155
Interest received		**12**	59
Net cash outflow from investing activities		**(3,507)**	(3,311)
Cash flows from financing activities			
Dividends paid	6	**(7,956)**	(7,956)
Bank loan interest paid		**(760)**	(643)
Payments under interest rate swap arrangement	4	**(2,650)**	(2,766)
Bank loan drawn down		**5,000**	–
Net cash outflow from financing activities		**(6,366)**	(11,365)
Net decrease in cash and cash equivalents		**(535)**	(6,830)
Opening cash and cash equivalents		**1,931**	8,761
Closing cash and cash equivalents		**1,396**	1,931

The accompanying notes are an integral part of this statement.

Notes to the Accounts

1. Significant 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 preparation

(i) Statement of compliance

The consolidated accounts have been prepared and approved in accordance with International Financial Reporting Standards ('IFRS') issued by, or adopted by, the International Accounting Standards Board (the IASB), interpretations issued by the IFRS Interpretations Committee, as adopted by the EU, applicable legal and regulatory requirements of the Companies (Guernsey) Law, 2008 and the Listing Rules of the UK Listing Authority.

(ii) Basis of measurement

The financial statements have been prepared on the historical cost basis except for investment properties and the interest rate swap which are measured at fair value.

(iii) Presentation currency

The notes and financial statements are presented in pounds sterling (presentational currency) and are rounded to the nearest thousand except where otherwise indicated.

(iv) Use of estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the period. The nature of the estimation means that actual outcomes could differ from those estimates. The valuation of investment properties requires the use of estimates and judgements and the methodology for doing this is detailed in note 1(f) and note 8.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 8.

(v) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except that the following amendments to existing standards have been adopted in the current year:

- In May 2010, the IASB issued improvements to IFRS for 2010 which became effective for periods commencing on or after 1 January 2011. These covered eleven amendments to six standards and one interpretation, none of which materially affected the Group.
- In November 2009, the IASB issued IAS 24 Related Party Transactions. The amendment clarifies the definitions of a related party and became effective for periods commencing on or after 1 January 2011. The adoption of the amendment did not have any impact on the financial position of the Group but the appropriate disclosures are included in note 16.
- In March 2011, the IASB issued IFRS 7 Financial Instruments: Disclosure (Amendment). This amendment did not have any impact on the financial position of the Group but the appropriate disclosures are included in note 17.

Notes to the Accounts (continued)

1. Significant accounting policies (continued)

(vi) New Standards and interpretations not yet adopted

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

- In October 2010, the IASB issued IFRS 9 (2010) *'Financial Instruments'* which, following an amendment in December 2011, becomes effective for accounting periods commencing on or after 1 January 2015. This represents part of a project to replace IAS 39 '*Financial Instruments: Recognition and Measurement'.* The objective of the standard is to enhance the ability of investors and other users of financial information to understand the accounting of financial assets and to reduce complexity.
- In June 2011, the IASB issued *'Presentation of Items of Other Comprehensive Income'* (Amendments to IAS 1 '*Presentation of Financial Statements').* The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012
- In December 2010, the IASB issued '*Deferred Tax: Recovery of Underlying Assets'* (Amendments to IAS 12 *'Income Taxes'*). The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis on the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012.
- In May 2011, the IASB issued IFRS 10 '*Consolidated Financial Statements'*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013.
- In May 2011, the IASB issued IFRS 12 '*Disclosure of Involvement with Other Entities'*. IFRS 12 includes all the disclosures which were previously required by IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.
- As a consequence of the new IFRS 10 and IFRS 12 above, what remains of IAS 27 *'Separate Financial Statements (2011)'* is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The Group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.
- In May 2011, the IASB issued IFRS 13 *'Fair Value Measurement'*. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard becomes effective for accounting periods beginning on or after 1 January 2013.
- In December 2011, the IASB issued IFRS 7 'Offsetting Financial Assets and Financial Liabilities' (Amendments to IFRS 7). These amendments require an entity to disclose information about rights of set-off and related arrangements. The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. This standard becomes effective for annual periods beginning on or after 1 January 2013.
- In December 2011, the IASB issued IAS 32 'Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. This amendment becomes effective for annual periods beginning on or after 1 January 2014.

The impact of the adoption of the abovementioned standards/interpretations on the financial statements of the Group is still being assessed. Other standards and interpretations have been issued by the IASB but they are not considered relevant for the purpose of the Group.

(b) Basis of consolidation

The consolidated accounts comprise the accounts of the Company and its subsidiary drawn up to 30 June each year. The financial statements of the subsidiary are prepared for the same accounting period as the parent company, using consistent accounting policies.

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.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

(c) Revenue recognition

Rental income, excluding VAT, arising on investment properties is accounted for in the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term of ongoing leases. Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option.

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 Consolidated Statement of Comprehensive Income.

(e) Taxation

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation are periodically evaluated and provisions established where appropriate.

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. In determining the expected manner of realisation of an asset the directors consider that the Group will recover the value of investment property through sale. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

Notes to the Accounts (continued)

1. Significant accounting policies (continued)

(f) Investment properties

Investment properties consist of land and buildings (principally offices, commercial warehouses and retail property) which are not occupied for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held to earn rental income together with the potential for capital and income growth.

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 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 Consolidated Statement of Comprehensive Income. Fair value is based on the open market valuation provided by DTZ Debenham Tie Leung Limited, chartered surveyors, at the balance sheet date using recognised valuation techniques suitably adjusted for unamortised lease incentives and lease surrender premiums. These techniques comprise both the Yield Method and the Discounted Cash Flow Method. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group's assets.

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. In addition, development risks (such as construction and letting risks) are also taken into consideration when determining the fair value of investment properties under construction. These estimates are based on local market conditions existing at the balance sheet date.

Techniques used for valuing investment property

The Traditional Method converts anticipated future cash flow benefits in the form of rental income into present value. This approach requires careful estimation of future benefits and application of investor yield or return requirements. One approach to value the property on this basis is to capitalise net rental income on the basis of an Initial Yield, generally referred to as the 'All Risks Yield' approach or 'Net Initial Yield' approach.

The Discounted Cash Flow Method involves the projection of a series of periodic cash flows either to an operating property or a development property. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. A series of periodic net operating incomes, along with an estimate of the reversion/terminal/exit value (which uses the traditional valuation approach) anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the market value of the property.

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 Consolidated Statement of Comprehensive Income 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. The Group's policy is not to trade in derivative instruments.

Derivative instruments are initially recognised in the Balance Sheet at their fair value. Fair value is determined by Lloyds TSB Bank Plc who use a model for the valuation. Transaction costs are expensed immediately.

The effective portion of the gains or losses arising on the fair value of cash flow hedges in the form of derivative instruments are taken directly to other comprehensive income, while any ineffective portion is recognised immediately in the Income Statement. Amounts recognised in other comprehensive income are taken to a reserve created specifically for that purpose, described as the Other Reserve in the Balance Sheet.

On maturity, early redemption and if the forecast transaction is no longer expected to occur, the unrealised gains or losses arising from cash flow hedges in the form of derivative instruments, initially recognised in the Statement of Changes in Equity, are reclassified to the Consolidated Statement of Comprehensive Income.

1. Significant accounting policies (continued)

(g) Derivative financial instruments (continued)

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;
- It must match the principal amounts and maturity date of the hedged item; and
- As a cash-flow hedge the forecast transaction (incurring interest payable on the bank loan) that is subject to the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect the profit or loss. The effectiveness of the hedge must be capable of reliable measurement and must be assessed as highly effective on an ongoing basis throughout the financial reporting periods for which the hedge was designated.

(h) Share issue expenses

Incremental external costs directly attributable to an equity transaction that would have otherwise been avoided are written off against the special reserve.

(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.

(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 uncollectible amounts. A provision for doubtful debts is made when amounts are more than three months old unless there is certainty of recovery. Bad debts are written off when identified.

Reverse lease surrender premiums and other incentives provided to tenants are recognised as an asset and amortised over the period from the date of lease commencement to the earliest termination date.

(k) Interest-bearing bank loans and borrowings

All bank loans and borrowings are initially recognised at cost, being 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.

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalised. Otherwise, they are expensed in the period incurred.

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 Consolidated Statement of Comprehensive Income.

(l) Operating lease contracts

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the leases as operating leases.

(m) Reserves

Special reserve

The special reserve is a distributable reserve to be used for all purposes permitted under Guernsey law, including the buy back 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, after adding back capital gains or losses and after payment of dividends, is taken to this reserve, with any deficit charged to the special reserve.

Notes to the Accounts (continued)

2. Fees	2012 £'000	2011 £'000
Investment management fee	**1,137**	1,095

The fees of any managing agents appointed by the Manager are payable out of the investment management fee. The Group's Manager receives a fee of 0.7 per cent per annum of the Total Assets, including cash held provided that no fee is payable on any cash held in excess of 5 per cent of the net assets of the Company. The Manager also receives an administration fee (see note 3), payable quarterly in arrears.

The notice period in relation to the termination of the investment management agreement is six months by either party.

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

3. Other expenses

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Direct operating expenses of let rental property	**440**	534
Direct operating expenses of vacant property	**120**	53
Bad debts	**108**	29
Valuation and other professional fees	**135**	123
Directors' fees	**130**	105
Administration fee	**73**	70
Auditor's remuneration for:		
– statutory audit	**37**	37
– interim review	**3**	3
– tax services	**10**	13
Other	**197**	195
	1,253	1,162

The valuers, DTZ Debenham Tie Leung Limited provide valuation services in respect of the property portfolio. An annual fee equal to 0.0225 (2011: 0.0225) per cent of the aggregate value of the property portfolio was paid quarterly.

4. Finance costs

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Interest on principal loan amount	**735**	570
Interest in respect of rate swap arrangement	**2,650**	2,766
Amortisation of loan set up costs	**43**	43
Other interest/fees	**25**	30
	3,453	3,409

5. Taxation

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Current income tax charge	**303**	245
Total tax charge	**303**	245

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:

Net profit before taxation	**3,474**	3,929
UK income tax at an effective rate of 20.0 per cent (2011: 20.0 per cent)	**695**	786
Effects of:		
Capital losses on revaluation of investment properties not taxable	**497**	341
Income not taxable, including interest receivable	**(2)**	(12)
Expenditure not allowed for income tax purposes (including set-up costs)	**785**	771
Inter company loan interest	**(1,670)**	(1,670)
Deferred tax asset not provided for	**(2)**	(7)
Current year income tax charge	**303**	209
Tax relating to prior periods	**–**	36
Total tax charge	**303**	245

The Company is exempt from Guernsey taxation under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 (as amended) as a category B collective investment vehicle, as has its subsidiary. A fixed annual tax exemption fee of £600 per company is payable to the states of Guernsey in respect of this. No charge to Guernsey taxation will arise on capital gains. At 30 June 2012, the Group provided for deferred tax at the rate of Guernsey tax (zero per cent) expected to apply on recovery of the carrying amount of its assets through sale.

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. The Group applies the rate relevant to non-resident landlords.

6. Dividends

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Dividends on Ordinary Shares:		
Fourth interim for the prior year of 1.8 pence per share paid on 30 September 2011 (2010: 1.8 pence)	**1,989**	1,989
First interim of 1.8 pence per share paid on 30 December 2011 (2010: 1.8 pence)	**1,989**	1,989
Second interim of 1.8 pence per share paid on 30 March 2012 (2011: 1.8 pence)	**1,989**	1,989
Third interim of 1.8 pence per share paid on 29 June 2012 (2011: 1.8 pence)	**1,989**	1,989
	7,956	7,956

A fourth interim dividend of 1.8 pence per share will be paid on 28 September 2012 to shareholders on the register on 7 September 2012. Although this payment of £1,989,000 relates to the year ended 30 June 2012, under International Financial Reporting Standards it will be accounted for in the year ending 30 June 2013.

Notes to the Accounts (continued)

7. Earnings per share

The basic and diluted earnings per ordinary share are based on the net profit for the year of £3,171,000 (year ended 30 June 2011: £3,684,000) and on 110,500,000 (year ended 30 June 2011: 110,500,000) ordinary shares, being the weighted average number of shares in issue during the year.

8. Investment properties

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Freehold and leasehold properties		
Opening market value	**161,490**	158,510
Capital expenditure and purchase of investment properties	**3,519**	9,525
Sales proceeds	**–**	(6,155)
Losses on investment properties	**(2,483)**	(1,705)
Movement in lease incentive receivable	**294**	1,315
Closing market value	**162,820**	161,490
Adjustment for lease incentives	**(2,510)**	(2,216)
Balance sheet carrying value	**160,310**	159,274

All the Group's investment properties were valued as at 30 June 2012 by qualified professional valuers working in the company of DTZ Debenham Tie Leung Limited ('DTZ'), Chartered Surveyors. All such valuers are chartered surveyors, being members of the Royal Institute of Chartered Surveyors ('RICS'). DTZ completed a valuation of Group investment properties at 30 June 2012 on an open market basis in accordance with the requirements of the Appraisal and Valuation Manual published by the RICS. Fair value is determined on a market value basis in accordance with International Valuation Standards (IVS), as set out by the International Valuation Standards Committee (IVSC). The valuation is prepared on an aggregated ungeared basis. It is also determined using market based evidence, which is the amount 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 critical assumptions made in valuing the properties are detailed in Note 1(f). The market value of these investment properties amounted to £162,820,000 (2011: £161,490,000), however an adjustment has been made for lease incentives of £2,510,000 (2011: £2,216,000) that are already accounted for as an asset.

The property valuer is independent and external to the Group and the Manager.

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 Manager advises the presence of such materials. In arriving at their estimates of market values, the valuers have used their market knowledge and professional judgement and not only relied on historical transactional comparables.

8. Investment properties (continued)

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 11.0 per cent of total assets less current liabilities of the Group. The market values of the properties are shown on page 10. All leasehold investment 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. There is also uncertainty in respect of valuations as detailed in Market 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 IRP 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 2012 (2011: £140,870,000). This is partly offset by a loan from IPH of £12,540,000 (2011: £12,540,000). The principal loan is repayable on 30 May 2014 and is unsecured. Interest is payable in arrears at a fixed rate of 7.65 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
IRP Holdings Limited	Ordinary	100*	Guernsey

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

10. Trade and other receivables

	2012 £'000	2011 £'000
Rents receivable (net of provision for bad debts)	457	983
Other debtors and prepayments	2,676	2,487
	3,133	3,470

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 uncollectible amounts. A provision for doubtful debts is made when the amounts are more than 3 months overdue unless there is certainty of recovery. The provision at 30 June 2012 is £205,000 (2011: £95,000).

Included within other debtors and prepayments is the prepayment for rent-free periods recognised over the life of the lease. At 30 June 2012 this amounted to £1,725,000 (2011: £1,373,000). The remaining balance within other debtors and prepayments consists of sundry debtors and the reverse lease surrender premium paid to Banbury of £785,000 (2011: £843,000).

Notes to the Accounts (continued)

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 liability

	2012 £'000	2011 £'000
Facility	**75,000**	75,000
Drawn down	**65,000**	60,000
Set up costs	**(427)**	(427)
Accumulated amortisation of set up costs	**236**	193
Accrued variable rate interest on bank loan	**614**	613
Total due	**65,423**	60,379

The Company has a £75 million facility with Lloyds TSB Bank plc ('Lloyds'), of which £65 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 three 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. #

 # applicable only on acquisition or disposal of a property, but monitored on an ongoing basis.

The Company met the covenant tests during the year.

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 (£60 million) 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 5.60 per cent per annum for the first three years and 5.55 per cent per annum thereafter.

The fair value of the liability in respect of the interest rate swap contract at 30 June 2012 is £11,438,000 of which £2,613,000 is treated as a current liability (2011: £8,923,000 of which £2,570,000 is treated as a current liability). This 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 one month. 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 at 5.55 per cent through 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. 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

	2012 £'000	2011 £'000
Rental income received in advance	**2,302**	2,222
VAT payable	**514**	448
Manager's fees payable	**302**	302
Other payables	**505**	834
Income tax payable	**170**	82
	3,793	3,888

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

14. Share capital account and reserves

	2012 £'000	2011 £'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 Group 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 pages 12 and 13 and in note 17.

Capital Risk Management

The objective of the Company 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. In pursuing this objective, the Board has responsibility for ensuring the Company's ability to continue as a going concern. This involves the ability to issue and buy back share capital within limits set by shareholders in general meeting; borrow monies in the short and long term; and pay dividends out of reserves all of which are considered and approved by the Board on a regular basis. Dividends are set out in note 6 to the accounts and borrowings are set out in note 12.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2012 or 30 June 2011.

15. Net asset value per share

The net asset value per ordinary share is based on net assets of £84,185,000 (2011: £91,485,000) and 110,500,000 (2011: 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 Manager. Further details are provided in notes 2 and 3. The total charge to the Consolidated Statement of Comprehensive Income during the year was £1,137,000 (2011: £1,095,000) of which £302,000 (2011: £302,000) remained payable at the year-end.

The Directors of the Company received fees for their services. Further details are provided in the Directors' Remuneration Report on pages 19 and 20 and in note 3 on page 32. Total fees for the year were £130,000 (2011: £105,000) of which £nil (2011: £nil) remained payable at the year-end.

Notes to the Accounts (continued)

17. Financial instruments and investment property

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 2012 or 30 June 2011 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 Group are detailed 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 2012	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000
Cash	1,396	–	–	1,396
Rent receivable	457	–	–	457
Other debtors	154	–	–	154
	2,007	–	–	2,007

Financial assets 2011	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000
Cash	1,931	–	–	1,931
Rent receivable	983	–	–	983
Other debtors	249	–	–	249
	3,163	–	–	3,163

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 Manager monitors 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 2012 is £457,000 (2011: £983,000). Rental deposits from tenants at 30 June 2012 were £159,000 (2011: £251,000).

17. Financial instruments and investment property (continued)

As at 30 June 2012, £342,000 of rent receivable was greater than three months overdue. It is the practice of the Group to provide for rental debtors greater than three months overdue unless there is certainty of recovery. At 30 June 2012 the provision was £205,000 (2011: £95,000). Of this amount £nil was subsequently written off and £nil has been recovered.

All of the cash is placed with financial institutions with a credit rating of A 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.

The Group can also spread counterparty risk by placing cash balances with more than one 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 in which the Group invests is not traded in an organised public market and may be illiquid. As a result, the Group may not be able to liquidate quickly its investments in these properties at an amount close to their fair value in order to meet its liquidity requirements.

The Group's liquidity risk is managed on an ongoing basis by the Manager and monitored on a quarterly basis by the Board.

In certain circumstances, the terms of the Group's bank loan (detailed in note 12) 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 2012 the cash balance was £1,396,000 (2011: £1,931,000).

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

Financial liabilities 2012

	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000
Bank loan	796	553	68,025	69,374
Interest rate swap	653	1,960	8,825	11,438
Current liabilities				
Other creditors	3,109	–	–	3,109
	4,558	2,513	76,850	83,921

Financial liabilities 2011

	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000
Bank loan	799	560	68,668	70,027
Interest rate swap	642	1,928	6,353	8,923
Current liabilities				
Other creditors	3,358	–	–	3,358
	4,799	2,488	75,021	82,308

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.

Notes to the Accounts (continued)

17. Financial instruments and investment property (continued)

The tables below set out the carrying amount of the Group's financial instruments that are exposed to interest rate risk.

As at 30 June 2012

	Within 1 year £'000	Between 1–5 years £'000	More than 5 years £'000	Total £'000
Floating rate				
Cash	1,396	–	–	1,396
Bank loan	–	(65,000)	–	(65,000)
Fixed rate				
Interest rate swap	(2,613)	(8,825)	–	(11,438)
	(1,217)	(73,825)	–	(75,042)

As at 30 June 2011

	Within 1 year £'000	Between 1–5 years £'000	More than 5 years £'000	Total £'000
Floating rate				
Cash	1,931	–	–	1,931
Bank loan	–	–	(60,000)	(60,000)
Fixed rate				
Interest rate swap	(2,570)	–	(6,353)	(8,923)
	(639)	–	(66,353)	(66,992)

Interest is receivable on cash at a variable rate. At the year-end, rates receivable ranged from 0.375 per cent on current account balances to 0.53 per cent for deposit account balances. Interest is payable on the bank loan at a variable rate of LIBOR plus a margin of 0.45 per cent. The effect of the interest rate swap is to fix interest payable at 5.60 per cent per annum for the first three years and 5.55 per cent per annum thereafter. The effective rate of interest on the loan is 0.98 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 0.75 per cent and receive no interest at this time as the base rate is too low. Interest accrued on these accounts is paid to the tenant.

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 0.5 per cent in interest rates as at the reporting date would have increased net assets by £1.4 million (2011: £1.4 million) and reduced the reported profit by £18,000 (2011: increased profit by £10,000). A decrease of 0.5 per cent would have reduced net assets by £1.4 million (2011: £1.4 million) and increased the reported profit by £18,000 (2011: reduced profit by £10,000). These movements principally relate to the valuation of the interest rate swap. These movements are calculated as at 30 June 2012 which may not be reflective of actual future conditions.

17. Financial instruments and investment property (continued)

Market price risk

As at 30 June 2012, all of the Group's financial instruments were included in the balance sheet at fair value, which in the opinion of the Directors is not materially different from their book value.

Any changes in market conditions will directly affect the profit/loss reported through the Consolidated Statement of Comprehensive Income. Details of the Group's investment property portfolio at the balance sheet date are disclosed on page 10. A 10 per cent increase in the value of the investment properties held as at 30 June 2012 would have increased net assets available to shareholders and increased the net income for the year by £16.0 million (2011: £15.9 million); an equal change in the opposite direction would have decreased net assets and decreased the net income by an equivalent amount.

The calculations above are based on investment property valuations at the respective balance sheet dates and are not representative of the year as a whole, nor reflective of future market conditions.

Fair values of financial assets and liabilities

The assets and liabilities of the Group are, in the opinion of the Directors, reflected in the Balance Sheet at fair value. Borrowings under loan facilities do not have a value materially different from their capital repayment amount. The fair value of the interest rate swap is based on the marked to market value. In the Directors' opinion, the fair value of the Group's assets and liabilities are not materially different from their book value.

The Directors and Manager regularly review the principles applied by the property valuers to ensure that they comply with the Group's accounting policies and with fair value principles.

Fair value hierarchy

The following table shows an analysis of the fair values of financial instruments recognised in the balance sheet by level of the fair value hierarchy*:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
30 June 2012				
Interest rate swap	–	(11,438)	–	(11,438)
30 June 2011				
Interest rate swap	–	(8,923)	–	(8,923)

*Explanation of fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – The use of a model with inputs (other than quoted prices included in level 1) that are directly or indirectly observable market data.

Level 3 – The use of a model with inputs that are not based on observable market data.

Notes to the Accounts (continued)

18. Capital commitments

The Group had no capital commitments as at 30 June 2012 (2011: £nil).

19. Lease length

The Group leases out its investment properties under operating leases.

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

	2012	2011
	£'000	£'000
Less than one year	**11,460**	11,228
Between one and five years	**38,049**	37,724
Over five years	**44,229**	46,381
Total	**93,738**	95,333

The largest single tenant at the year end accounted for £1.3 million and 11.6 per cent of the current annual rental income (2011: £1.3 million and 11.4 per cent of current annual rental income).

The unoccupied property expressed as a percentage of estimated total rental value was 5.4 per cent at the year-end (2011: 2.3 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 8 and 9.

20. Operating segments

The Board has considered the requirements of IFRS8 'Operating Segments'. The Board is of the opinion 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 Group 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 Group. The key measure of performance used by the Board to assess the Group's performance is the total return of the Group'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 consolidated financial statements.

Notice of Annual General Meeting

Notice is hereby given that the eighth Annual General Meeting of IRP Property Investments Limited will be held at Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL on 14 November 2012 at 12 noon for the following purposes.

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

1. That the Annual Report and Accounts for the year ended 30 June 2012 be received and approved.
2. That the Directors' Remuneration Report for the year ended 30 June 2012 be received and approved.
3. That Mr C W Sherwell, who retires annually, be re-elected as a Director.
4. That Mr C G H Weaver, who retires annually, be re-elected as a Director.
5. That Mr C P Spencer, who retires annually, be re-elected as a Director.
6. That Mr A E G Gulliford, who retires annually, be re-elected as a Director.
7. That Mr Q Spicer, who retires annually, be re-elected as a Director.
8. That Ernst & Young LLP, be re-appointed as Auditor until the conclusion of the next Annual General Meeting.
9. That the Directors be authorised to determine the Auditor's Remuneration.

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

10. That the Directors of the Company be and they are hereby generally empowered, to allot ordinary shares in the Company or grant rights to subscribe for, or to convert securities into ordinary shares in the Company (''equity securities''), including the grant of rights to subscribe for, or to convert securities into ordinary shares held by the Company as treasury shares for cash as if any pre-emption rights in relation to the issue of shares set out in the Listing Rules made by the Financial Services Authority under part VI of the Financial Services and Markets Act 2000 (as amended) did not apply to any such allotment of equity securities, provided that this power:

    (a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and

    (b) shall be limited to the allotment of equity securities up to an aggregate nominal value of £110,500 being 10 per cent of the nominal value of the issued share capital of the Company, as at 4 September 2012.

11. 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 the higher of (i) 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 (ii) the higher of the last independent trade and the highest current independent bid on the trading venue which the purchase is carried out; and

    (d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 31 December 2013 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2013, 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.

12. That the existing Memorandum of Association of the Company be amended:

    (a) by deleting paragraph 3 in its entirety and replacing it as follows:

    ''3. The objects and powers of the Company are unrestricted.'';

Notice of Annual General Meeting (continued)

(b) by deleting paragraph 5 in its entirety and replacing it as follows:

''5. The Company is a non-cellular company.'';

(c) by deleting paragraphs 6, 7 and 8 in their entirety; and

(d) so as to incorporate all conforming changes to the new Memorandum of Incorporation presented at the meeting and initialled by the Chairman of the meeting for the purpose of identification.

13. That the Articles of Incorporation presented at the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the Articles of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

By order of the Board
Northern Trust International Fund Administration Services (Guernsey) Limited
Secretary
Trafalgar Court, Les Banques
St Peter Port, Guernsey GY1 3QL

4 September 2012

Notes:

1. A member who is entitled to attend, speak and vote at the Meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him or her. More than one proxy may be appointed provided each proxy is appointed to exercise the rights attached to different shares. 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 (Jersey) Limited, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY not later than 12 noon on 12 November 2012.
3. The completion and return of the form of proxy will not preclude you from attending the Meeting. If you have appointed a proxy and attend the Meeting in person your proxy appointment will remain valid and you may not vote at the Meeting in person unless you have provided a hard copy notice clearly stating your intention to revoke you proxy appointment to Computershare Investor Services (Jersey) Limited, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY not later than 12 noon on 12 November 2012. In the case of a member which is an individual, the revocation notice must be under the hand of the appointer or of his attorney duly authorised in writing or in the case of a member which is a company, the revocation notice must be executed under its common seal or under the hand of an officer of the company or an attorney duly authorised. Any power of attorney or any other authority under which the revocation notice is signed (or a notarily certified copy of such power or authority under which the revocation notice is signed) must be included with the revocation notice.
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 12 November 2012. 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 Memorandum and Articles of Incorporation and 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 4 September 2012, 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 three per cent 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.

Appendix to the Notice of Annual General Meeting

AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF INCORPORATION

It is proposed under Resolutions' 12 and 13 to adopt changes to the existing Memorandum and Articles of the Incorporation to comply with the Companies (Guernsey) Law, 2008, as amended (the ''**Law**''). The following is a summary of the principal proposed changes.

Memorandum of Incorporation

The memorandum of incorporation (the **Memorandum**) currently contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope of potential activities. The Law deems that a company has unrestricted objects unless it includes restrictions in its Memorandum. The objects clause in the Memorandum has been removed and the objects and powers of the Company will now be unrestricted.

The Law also requires that certain statements are made within the Memorandum, such as that the Company is a non-cellular company. This provision has now been included.

The Companies law no longer requires that a company has a limited authorised share capital. Accordingly, the statements as to the authorised share capital have been removed.

Articles of Incorporation

The substantive proposed changes to the articles of incorporation (the **Articles**) are as follows:

Share Issues and Share Capital

As stated above, the Law abolishes the requirement for the Company to have an authorised share capital. References to authorised share capital have been removed from the Articles and as a result the Company will have an unlimited share capital.

The Company shall have the right to issue any number of shares. The Articles will specify that such issue shall be in accordance with the specified provisions of the Law.

The Articles have been amended to include an authority, now required under the Law, for the directors to issue an unlimited number of shares for a period of 5 years. In practice, this authority will be extended at each annual general meeting.

Class Rights

The section sets out the relevant provisions and provides a structure in relation to the variation of class rights and class meetings, as required by the Law.

Register of Members

The Law contains more extensive provisions in relation to the register of members which are covered in this section.

General Meetings and Resolutions

Articles in relation to Annual General Meetings and Extraordinary General Meetings have been modified to comply with new statutory provisions including amendments to: the time limits for holding meetings, accounts and reports to be produced, calling and giving notice of meetings, quorum requirements and proxies. In particular, these changes include:

- A proxy will now have all the rights of the shareholder who appointed him to attend and to speak and vote at a meeting of the Company;
- Notices of meetings will now include certain prescribed information in respect of, amongst other things, shareholders rights to appoint a proxy;

Provisions have been inserted in relation to written resolutions such that written shareholder resolutions may be proposed by members.

Directors and Secretary

Amendments have been made to the Articles in relation to Directors including in relation to Director's Interests. In particular, there are now provisions under the Law requiring Directors to make disclosures to the Board in respect of transactions in which they have an interest.

The Directors' indemnity provisions have also been modified to limit any indemnity granted to Directors to such indemnity as is able to be granted under the Law. In practice, this means that the Directors will not be able to be indemnified by the Company for negligence, default, breach of duty or breach of trust in relation to the Company.

Provisions in relation to the maintenance of a register of Directors have also been included to comply with the provisions of the Law.

Dividends

The Articles have been amended to remove the existing requirement that dividends can only be paid out of the profits of the Company (as recognised by the laws of Guernsey) and new provisions have been inserted in relation to distributions and reserves generally such that distributions to shareholders may be made in any amount and from any account as long as the Board considers that, following the making of any such distribution, the Company will be able to pass a statutory solvency test (meaning that it can pay its debts as they fall due and that its assets will continue to be greater than its liabilities).

Appendix to the Notice of Annual General Meeting (continued)

Accounts and Auditors

Amendments have been made to Articles to provide for more extensive requirements in respect of what must be contained in the Company's accounts, as required by the Law. In particular, this will include a requirement that the accounts shall:

- give (and state that they give) a true and fair view;
- be in accordance (and state that they are in accordance) with generally accepted accounting principles and state which principles have been adopted; and
- comply (and state that they comply) with any relevant enactment for the time being in force.

Notices

Insertion of articles allowing the Company to communicate electronically with Members including by posting information on a website have been included.

Replacement of articles dealing with service of documents to allow service of documents electronically and to clarify the periods for deemed service have also been included.

Winding-up

The Articles have been amended to permit the Company to be wound up in the circumstances as set out in the Law.

Other Changes

Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect the changes made by the Companies (Guernsey) Law 2008, or confirm certain language in the new Memorandum and Articles have not been noted in this appendix. The new Memorandum and Articles showing all the changes to the current Memorandum and Articles will be available for inspection fifteen minutes prior to the Annual General Meeting and during the meeting itself.

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.irppropertyinvestments.com

Financial Calendar 2012/13

14 November 2012	Annual General Meeting
December 2012	Payment of first interim dividend
February 2013	Announcement of interim results
February 2013	Posting of Interim Report
March 2013	Payment of second interim dividend
June 2013	Payment of third interim dividend
September 2013	Announcement of annual results
September 2013	Posting of Annual Report
September 2013	Payment of fourth interim dividend

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	Ongoing charges* %
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	1.8
30 June 2006	231,118	157,136	142.2	142.5	0.2	33.1	6.750	1.7
30 June 2007	236,703	176,377	159.6	125.5	(21.4)	18.8	6.876	1.5
30 June 2008	191,773	133,657	121.0	75.0	(38.0)	(30.4)	7.210	1.5
30 June 2009	146,844	80,535	72.9	57.5	(21.1)	(33.4)	7.20	1.9
30 June 2010	162,095	94,328	85.4	84.3	(1.3)	23.6	7.20	1.8
30 June 2011	158,217	91,485	82.8	90.0	8.7	3.3	7.20	1.7
30 June 2012	**158,433**	**84,185**	**76.2**	**66.0**	**(13.4)**	**2.9**	**7.20**	**2.0**

*as a percentage of average net assets (excluding direct property expenses).

Warning to shareholders – Boiler Room Scams

In recent years, many companies have become aware that their shareholders have been targeted by unauthorised overseas-based brokers selling what turn out to be non-existent or high risk shares, or expressing a wish to buy their shares. If you receive unsolicited investment advice or requests:

- Make sure you get the correct name of the person or organisation
- Check that they are properly authorised by the FSA before getting involved by visiting **www.fsa.gov.uk/pages/register/**
- Report the matter to the FSA by calling **0845 606 1234**
- If the calls persist, hang up.

More detailed information on this can be found on the CFEB website **www.moneymadeclear.fsa.gov.uk**

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 Manager
F&C REIT Property Asset Management plc
5 Wigmore Street
London W1U 1PB

Property Valuers
DTZ Debenham Tie Leung Limited
48 Warwick Street
London W1B 5NL

Auditor
Ernst & Young LLP
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey GY1 4AF

Guernsey Legal Advisers
Mourant Ozannes
1 Le Marchant Street
St Peter Port
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UK Corporate Legal Advisers
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Bankers
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St Peter Port
Guernsey GY1 4BQ

Corporate Brokers
Cenkos Securities plc
6.7.8 Tokenhouse Yard
London EC2R 7AS

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

Website:
www.irppropertyinvestments.com

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Registered Office

Trafalgar Court
Les Banques
St Peter Port
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Registrars

Northern Trust International Fund Administration Services (Guernsey) Limited
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