

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR"). With the publication of this announcement via a Regulatory Information Service ("RIS"), this inside information is now considered to be in the public domain.

Specialist Investment Properties Plc
("SIPP", the "Group", or the "Company")

Interim results for the six months ended 30 June 2017

11 September 2017

Financial Results

The Company made an unaudited profit before and after taxation of £12,000 for the six months ended 30 June 2017 (2016: loss of £57,000).

The return of the Company to profitability has resulted from the establishment of a stable property portfolio, comprising thirteen assets, during the period. The Company made one small property acquisition in January 2017, but otherwise the portfolio has remained unchanged throughout the period. Rent reviews for five properties took place during the period, recording uplifts in line with CPI. As a result of the acquisition and rent reviews, total annualised rent for the property portfolio had reached £636,500 by 30 June 2017, representing a gross yield of 10.5%.

The Company's unaudited balance sheet at 30 June 2017 shows net assets of £2.2m, of which £0.2m was held in cash at the balance sheet date. Investment properties were carried at an aggregate value of £6.6m, with £4.5m of associated borrowings in place.

Property Portfolio

The Company held investment properties valued at £6.6m at 30 June 2017, consisting of seven children's homes, one supported living home and five properties rented out as short term accommodation to local authorities. The children's homes and supported living asset are leased to care operators on long term full repairing and insuring leases with annual index-linked uplifts. The short term accommodation is let for shorter periods to local authorities, with vacancy rates in the sector historically less than 1%. For the largest short term accommodation property, the Company has entered into a one year lease with the local authority.

The following table gives details of the purchase prices and gross yields on purchase price:

| | No. | Purchase price £'000 | Annual Rent £'000 | Gross rental yield % |
|--------------------------|-----|-------------------------|----------------------|----------------------------|
| Children's homes | 7 | 2,378 | 238 | 10.0 |
| Supported living homes | 1 | 1,250 | 115 | 9.2 |
| Short term accommodation | 5 | 2,425 | 283 | 11.7 |

| | | | | |
|------------------------|-----------|--------------|------------|-------------|
| Total portfolio | 13 | 6,053 | 637 | 10.5 |
|------------------------|-----------|--------------|------------|-------------|

The gross rental yield for the thirteen properties on purchase costs after taking account of stamp duty, legal costs and fees is 9.7% p.a.

Future Plans

The Company is today announcing that it intends to seek Shareholder approval for the cancellation of admission of its Ordinary Shares to trading on AIM. The background and rationale to this proposal will be set out in a further announcement published later today.

John Le Poidevin
Director

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Notes to Editors

The Company's shares are admitted to trading on AIM and it is registered in the Isle of Man with company number 111066C.

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2017

| | Notes | Six months ended 30 June 2017 (unaudited) | Six months ended 30 June 2016 (unaudited) | Year ended 31 December 2016 (audited) |
|---|-------|--|--|---|
| | | £'000 | £'000 | £'000 |
| Revenue | | 312 | 25 | 174 |
| Administrative expenditure | | (146) | (72) | (229) |
| Operating profit/(loss) | | <u>166</u> | <u>(47)</u> | <u>(55)</u> |
| Interest income | | - | 1 | 1 |
| Finance costs | | (154) | (11) | (82) |
| Profit/(loss) before taxation | | <u>12</u> | <u>(57)</u> | <u>(136)</u> |
| Taxation | | - | - | - |
| Profit/(loss) after taxation and total comprehensive loss for the period | | <u>12</u> | <u>(57)</u> | <u>(136)</u> |
| Attributable to: | | | | |
| Equity holders of the parent | | 12 | (57) | (136) |
| Non-controlling interests | | - | - | - |
| | | <u>12</u> | <u>(57)</u> | <u>(136)</u> |
| Earnings/(loss) per share | | | | |
| Basic and diluted | 3 | <u>0.09p</u> | <u>(0.57)p</u> | <u>(1.16)p</u> |

Consolidated Statement of Financial Position
As at 30 June 2017 (unaudited)

| | Notes | As at 30 June 2017 (unaudited) £'000 | As at 30 June 2016 (unaudited) £'000 | As at 31 December 2016 (audited) £'000 |
|--|-------|---|---|--|
| Non-current assets | | | | |
| Investment properties | 4 | 6,563 | 1,673 | 6,223 |
| Intangible assets | | 2 | 1 | 2 |
| | | 6,565 | 1,674 | 6,225 |
| Current assets | | | | |
| Trade and other receivables | | 179 | 16 | 159 |
| Cash and cash equivalents | | 171 | 1,695 | 365 |
| | | 350 | 1,711 | 524 |
| Total assets | | 6,915 | 3,385 | 6,749 |
| Current liabilities | | | | |
| Trade and other payables | | (140) | (64) | (192) |
| Loans due in less than one year | 5 | (1,033) | - | - |
| | | (1,173) | (64) | (192) |
| Non-current liabilities | | | | |
| Loans due after more than one year | 5 | (3,459) | (1,030) | (4,295) |
| Other payables | | (37) | - | (31) |
| Total liabilities | | (4,669) | (1,094) | (4,518) |
| Net Assets | | 2,246 | 2,291 | 2,231 |
| Equity | | | | |
| Capital and Reserves | | | | |
| Called up share capital | 6 | 2,599 | 2,598 | 2,599 |
| Share premium account | | 12,940 | 12,938 | 12,940 |
| Retained earnings | | (13,312) | (13,245) | (13,324) |
| Equity attributable to equity holders of the parent | | 2,227 | 2,291 | 2,215 |
| Non-controlling interest | | 19 | - | 16 |
| Total equity | | 2,246 | 2,291 | 2,231 |
| Net Asset Value per share | | 16.71p | 17.35p | 16.62p |

Consolidated Statement of Changes in Equity
For the six months ended 30 June 2017 (unaudited)

| | Share capital | Share premium account | Retained earnings | Non-controlling interest | Total |
|------------------------|---------------|-----------------------|-------------------|--------------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 January 2016 | 2,491 | 11,015 | (13,188) | - | 318 |
| Loss for the period | - | - | (57) | - | (57) |
| Issue of share capital | 107 | 1,923 | - | - | 2,030 |
| At 30 June 2016 | 2,598 | 12,938 | (13,245) | - | 2,291 |

| | Share capital | Share premium account | Retained earnings | Non-controlling interest | Total |
|----------------------------|---------------|-----------------------|-------------------|--------------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 July 2016 | 2,598 | 12,938 | (13,245) | - | 2,291 |
| Loss for the period | - | - | (79) | - | (79) |
| Issue of preference shares | - | - | - | 16 | 16 |
| Issue of share capital | 1 | 2 | - | - | 3 |
| At 31 December 2016 | 2,599 | 12,940 | (13,324) | 16 | 2,231 |

| | Share capital | Share premium account | Retained earnings | Non-controlling interest | Total |
|----------------------------|---------------|-----------------------|-------------------|--------------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 January 2017 | 2,599 | 12,940 | (13,324) | 16 | 2,231 |
| Profit for the period | - | - | 12 | - | 12 |
| Issue of preference shares | - | - | - | 3 | 3 |
| At 30 June 2017 | 2,599 | 12,940 | (13,312) | 19 | 2,246 |

Consolidated Cash Flow Statement
For the six months ended 30 June 2017

| | Six months ended 30 June 2017 (unaudited) | Six months ended 30 June 2016 (unaudited) | Year ended 31 December 2016 (audited) |
|---|--|--|--|
| | £'000 | £'000 | £'000 |
| Profit/ (loss) from operations | 166 | (47) | (55) |
| Increase in receivables | (20) | (8) | (151) |
| (Decrease)/increase in payables | (55) | 30 | 130 |
| Cash flows from operating activities | 91 | (25) | (76) |
| Investing activities | | | |
| Purchase of investment properties | (340) | (1,673) | (6,223) |
| Purchase of intangible assets | - | (1) | (2) |
| Net cash used in investing activities | (340) | (1,674) | (6,225) |
| Financing activities | | | |
| Proceeds from issue of share capital | - | 2,030 | 2,033 |
| Issue of preference shares | 3 | - | 47 |
| Interest income | - | 1 | 1 |
| Interest paid | (145) | - | (43) |
| New loans received | 197 | 1,030 | 4,295 |
| Net cash generated from financing activities | 55 | 3,061 | 6,333 |
| Net (decrease)/increase in cash and cash equivalents during the period | (194) | 1,362 | 32 |
| Cash and cash equivalents at beginning of period | 365 | 333 | 333 |
| Cash and cash equivalents at end of period | 171 | 1,695 | 365 |

**Notes to the Interim Financial Report
For the six months ended 30 June 2017 (unaudited)**

1. Financial information

Basis of preparation and publication

The annual financial statements of Specialist Investment Properties Plc are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The information for the year ended 31 December 2016 does not constitute statutory accounts. The Annual Report and Accounts of the Group were issued on 26 May 2017. The auditor's report on those accounts was not qualified and did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report.

Copies of this announcement are available on the Company's website
www.specialistinvestmentproperties.com

Going concern

The directors have considered the adequacy of the disclosures made in the financial statements concerning the company's ability to continue as a going concern and the basis on which the financial statements have been prepared. As it is the directors' intention to sell the company's assets and liabilities in the normal course of business and then to wind up the company in an orderly manner, the financial statements have not been prepared on a going concern basis. It should be noted that the company continues to be solvent and will meet its liabilities as they fall due. The decision to wind up the company does not impact the measurement of its assets and liabilities.

Accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

Investment properties

The Group's investment properties are held for long term investment. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value based on market data and a valuation made as of each reporting date. The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect future benefits from this future expenditure.

Gains or losses arising from changes in the fair value of investment properties are included in the Group Statement of Comprehensive Income in the year in which they arise.

Investment properties are recognised for accounting purposes upon completion of contract, when the risks and rewards of ownership are transferred to the Group. Investment properties cease to be recognised when they have been disposed of. Any gains and losses arising are recognised in the Group Statement of Comprehensive Income in the year of disposal.

Net rental income

Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease term. An adjustment to rental income is recognised from the rent review date of each lease in relation to unsettled rent reviews. For leases which contain fixed or minimum deemed uplifts, the rental income is recognised on a straight line basis over the lease term. Incentives for lessees to enter into lease agreements are spread evenly over the lease terms, even if the payments are not made on such a basis. Rental income is measured at the fair value of the consideration receivable, excluding discounts, rebates, VAT and other sales taxes or duty.

Bank loans and borrowings

All loans and borrowings are initially measured at fair value less directly attributable transaction costs. After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method.

Borrowing costs

Borrowing costs that are separately identifiable and directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs the Group incurs in connection with the borrowing of funds.

2. Dividends

The Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2017 (30 June 2016: £nil, 31 December 2016: £nil).

3. Earnings/(loss) per share

| | Six months ended 30 June 2017 (unaudited) £'000 | Six months ended 30 June 2016 (unaudited) £'000 | Year ended 31 December 2016 (audited) £'000 |
|--------------------------------|--|--|--|
| Earnings/(loss) for the period | 12 | (57) | (136) |

| | Six months ended 30 June 2017 (unaudited) No. | Six months ended 30 June 2016 (unaudited) No. | Year ended 31 December 2016 (audited) No. |
|--|--|--|--|
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | 13,330,306 | 9,966,607 | 11,678,518 |

Earnings/(loss) per share (pence)

| | | | |
|-------------------|------|--------|--------|
| Basic and diluted | 0.09 | (0.57) | (1.16) |
|-------------------|------|--------|--------|

4. Investment properties

| | |
|-------------------------|--------------|
| | £'000 |
| At 1 January 2017 | 6,223 |
| Additions in the period | 340 |
| At 30 June 2017 | 6,563 |

5. Loans

As at 30 June 2017, the Group had drawn loans totaling £4,493,340 from loan facilities advanced by Heritage Square Limited, a related entity to whom the Group's Investment Adviser, Puma Investment Management Limited, acts as Trading Adviser. Costs of £3,686 were set off against this loan balance and are being released over the loan term, resulting in a net loan balance at 30 June 2017 of £4,492,037. As at 30 June 2017, loans totaling £1,033,000 were payable in less than one year and loans totaling £3,460,340 were due in more than one year.

Under a £7.4m principal loan facility, interest is payable on drawn funds at a fixed rate of 6.0% – 6.5% per annum and loans are repayable two years after the date of drawdown. Loans are used to fund the purchase of investment properties and are secured on those properties by way of a first charge. As at the period end £4,213,340 had been drawn down under this principal loan facility.

In addition, the Group has a further £2.5m bridging facility with Heritage Square Limited, whereby interest is payable on drawn funds at a rate of 1% per month for the first six months, stepping up to 1.25% per month between seven months from drawdown and twelve months from drawdown, 1.5% per month between thirteen months from drawdown and eighteen months from drawdown and 1.75% per month between nineteen months from drawdown and twenty-four months from drawdown. Loans are repayable two years after the date of drawdown. The Group was only able to draw down on the facility until the earlier of reaching the £2.5m limit or 30 June 2017. As at the period end £280,000 had been drawn from this loan facility.

6. Share Capital

The total number of Ordinary shares in issue at the start and end of the period was 13,330,306.