



Invista Real Estate Investment Management Holdings plc

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Invista Real Estate Investment Management Holdings plc. Registered in England and Wales. Registered number: 05788425.
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Invista Real Estate Investment Management Limited. Registered in England and Wales. Registered number: 04459443.
Registered office: Exchequer Court, 33 St Mary Axe, London EC3A 8AA. Authorised and regulated by the Financial Services Authority.

Invista Real Estate Investment Management (CI) Limited. Registered office: 3rd Floor, NatWest House, Le Truchot, St Peter Port, Guernsey, Channel Islands GY1 1WD. Registered number: 45340. Licensed and regulated by the Guernsey Financial Services Commission.

Highlights

Operational Highlights (H1 2007)

- Assets Under Management of £10.2bn, up 10.9% since 31 December 2006
- Over 70% of growth in AUM is attributable to net funds inflows
- Joint venture investment in €348m French portfolio
- Joint venture investment in £127.5m UK residential portfolio
- New residential mandate of £325m
- New St James's Place fund launched

Financial Highlights (H1 2007)

- Total income of £40.2m, an increase of 75%
- Profit before taxation of £26.8m
- Operating profit* of £23.6m, an increase of 87%
- Operating margin* of 64%; (42% pre performance fees)
- Diluted earnings per share of 7.1p
- Interim dividend of 0.7p per share

* excludes interest income

Chairman's and Chief Executive's Statement



Alastair Ross Goobey
Chairman

During the first six months of the year we have grown AUM by £1.0bn, from £9.2bn to £10.2bn, generated operating profit of £23.6m and posted an operating margin, pre £14.0m of performance fees, of 42%. The first half result represents an increase of £11.0m or 87% over proforma profits for the first half of 2006 of £12.6m.

We successfully completed our first two balance sheet investments during the period, in key areas of Europe and residential. The first was an investment in a €348m portfolio of 34 French assets and the second an investment in a £127.5m portfolio of 317 residential assets in the UK.

During the period, we were also awarded two new investment mandates. The first of which was from St. James's Place, to manage the assets in their newly launched Authorised Property Unit Trust which is to invest in the UK and continental Europe. This builds upon the success of the first Life and Pension property fund which we have managed for St. James's Place. The second was a new mandate from the Wellcome Trust, to manage a £325m portfolio of UK residential assets.



Duncan Owen
Chief Executive

As we return to more normal market conditions in the UK it is an opportunity for Invista to continue to differentiate itself. Invista's business is that of establishing and managing property portfolios for a fee, and it should be able to grow this business even in a more subdued environment for property values. This can be enhanced by the achievement of good relative performance, when additional fees may be earned, whereby the company's earnings growth can exceed asset performance in the real estate markets. AUM can therefore continue to be grown by winning new mandates and launching new funds. This is the reason for the creation of our business model.

Assets Under Management

Total AUM has increased by 10.9% during the six months ended 30 June 2007. The following table summarises AUM by business area as at 31 December 2006 and 30 June 2007. This includes an increase of 100% in the AUM managed in continental Europe.

Total AUM	AUM 30 Jun 07	AUM 31 Dec 06	% of AUM 30 Jun 07	% of AUM 31 Dec 2006
HBOS Funds	£5.1bn	£4.9bn	50%	53%
Separate Accounts	£2.9bn	£2.7bn	28%	29%
Collective Investor Funds	£2.2bn	£1.6bn	22%	18%
Total	£10.2bn	£9.2bn	100%	100%

“84% of funds out-performed over a one year period”

The following table summarises revenue by business area for the six months ended 30 June 2007.

Total Unaudited Revenue	Total income for six months ended 30 June 07	% of Total income for six months ended 30 June 07
HBOS Funds	£9.4m	23%
Separate Accounts	£6.5m	16%
Collective Investor Funds	£21.1m	53%
Bank Interest and Investment Income	£3.2m	8%
Total	£40.2m	100%

Business Update

Investment performance is central to our success and AUM growth. We monitor the markets closely and our relative performance. Over the last year 84%* of AUM out-performed their benchmarks and over 3 years 86%* of AUM out-performed their benchmarks. Indeed IFPT our UK listed trust came top of its peer group which includes 63 funds**.

HBOS Funds

As at 30 June 2007, Invista managed five HBOS funds with a total value of £5.1bn representing 50% of AUM. All are primarily direct property funds balanced across sectors with a low to medium risk profile. Furthermore, a number of funds are the property allocations from balance pools which have property as one component part of their portfolio. This means the inflows can remain robust during different asset cycles because investors are subscribing to a long term view across all major assets.

We continued to see net inflows into the four largest open ended funds, although we anticipate a slowing during the second half of 2007. The net inflow for these funds was strong and helped to offset expected negative flows from the With Profit fund. Our active investment programme meant that we transacted £198m of disposals, realising strong investment performance, as well as £400m of new acquisitions.

Strategically we have completed a number of initiatives in connection with more recent Central London acquisitions and developments and we will seek to recycle profits where appropriate. Our preferred profile of remaining underweight to retail and industrial is significantly contributing to our strong performance alongside our active management approach.

Separate Accounts

Separate Accounts are client funds outside the HBOS Group, which are managed or advised by Invista. Invista currently manages eight separate account mandates with a total value of £2.9bn representing 28% of AUM.

One successful example is the St. James's Place UK Property fund. This is an open ended fund, which was set up specifically as a pension and life investment product. It has continued to grow strongly since launch in April 2004 to a value of over £800m as at 30 June 2007. In the period to 30 June 2007, the fund received strong inflows and acquired eight additional properties. As capital growth slows to a more normal level, the fund will continue to seek properties which exhibit strong investment fundamentals with the ability for adding value through active management. Following the success of the first St. James's Place fund, another fund has been set up, on behalf of the same client, in the form of an Authorised Property Unit Trust. The fund has developed since its launch in January 2007 to a value of over £80m as at 30 June 2007.

* Source IPD/Invista; to 31 December 2006

** Source IPD/Invista; to 31 March 2007

Chairman's and Chief Executive's Statement

continued

Collective Investor Funds

Collective Investor Funds are Invista branded funds and can either be open or closed ended and listed or unlisted. As at 30 June 2007, Invista managed Collective Investor Funds with a total value of £2.2bn representing 22% of AUM. The funds are in three principal groups:

1. UK Trusts – The Invista Foundation Property Trust, our first Collective Investor Fund which was launched in July 2004, now has total gross assets of £787m. This fund has continued to deliver consistent out-performance to its shareholders with a total NAV return of 25.25% for the 12 months to 31 March 2007. Invista has received a performance fee of £11.4m in relation to the performance of IFPT against its relevant benchmark index in respect of IFPT's financial year to 31 March 2007.

2. European Trusts – The Invista European Real Estate Trust has continued to perform strongly, trading at a premium to NAV since launch. Following an equity placing of £22.9m in April 2007, the fund acquired a €214m portfolio of French assets. The Trust now manages a total of 48 assets spread across seven countries providing a total gross value of circa €750m. This team also manages the Celsius French Joint Venture acquired in March 2007.

3. UK Residential – Residential remains an important growth area for our business and we remain one of the largest managers of residential property assets in the UK, with over £450m in AUM. In June 2007, Invista acquired, in Joint Venture with Bank of America, a £127.5m portfolio of UK residential assets. We were also pleased to confirm in June 2007 that Invista has been awarded a new mandate by the Wellcome Trust to manage a portfolio with an initial

value in the region of £325m of UK let residential property assets. This follows the acquisition by the Wellcome Trust of part of the residential portfolio that was previously managed by Invista.

Balance Sheet Investment

During the six months to 30 June 2007, we successfully completed two significant balance sheet transactions. Both transactions have been previously announced by Invista. The first was the acquisition of a €348m portfolio of French assets in a 50/50 Joint Venture in which we teamed up with a long standing JV partner. The portfolio consists of 34 high quality assets located across France with a concentration of about 50% by value in the Ile-de-France region, around Paris. The sector spread is 38% office, 4% retail, 25% industrial and 33% mixed use. The portfolio includes several high profile tenants such as France Telecom, Areva and Carrefour. Following some active management we intend to transfer these assets into one of our funds to create recurring management income. The second transaction, as also noted above, was the portfolio acquisition of £127.5m of UK residential properties in a 50/50 Joint Venture with Bank of America.

Both of the above are exactly the type of joint venture transactions which we intended to undertake at the time of IPO in September 2006 and they are consistent with our business plan. Going forward we seek to build upon this momentum and will continue our programme of balance sheet deployment in order to seed new funds and grow AUM across both the UK and European property markets. This remains a key competitive advantage for Invista. We retain the ability to act quickly and be agile to implement new creations ahead of the market and offer superior returns.

“86% of funds
out-performed over a three year period”

Investment Market

The performance of the UK commercial property market has continued to moderate in the first half of 2007. On a rolling 12 month basis total returns have fallen from 18.1% in December 2006 to 13.9% in May 2007*. For the whole of 2007 we expect an outturn of around 7-8% reflecting 3-4% capital growth and a 5% income return.

Performance has become increasingly polarised with Central London offices producing returns of 26% over the 12 months to 31 March 2007, more than double the 10.2% recorded by town centre shops*. We expect these differentials to persist over the next 12 months with the cyclical recovery in the Central London office market continuing to drive performance ahead of the rest of the market. Over the past 18 months, Invista has actively re-weighted its client portfolios to benefit from the growth of the Central London office sector, the benefits of which can be seen across our range of funds such as IFPT. In UK markets we will increasingly target a blend of investments offering strong fundamentals and opportunities to extract superior returns from active management and improvements.

The forecast outcome for property markets across continental Europe remains favourable. Certain key economies are illustrating more signs of growth than for the previous 10 years and we anticipate total returns of approaching 14-15% in our target countries and sectors.

Dividend

The Board has declared an interim dividend of 0.70 pence net per share. There will be no scrip alternative in 2007.

The interim dividend will be paid on 31 August 2007 to holders of ordinary shares on the register at the close of business on 10 August 2007.

Board

Guy Eastaugh joined the Invista Board as Finance Director in May 2007.

Guy's appointment as Finance Director has enabled Philip Gadsden, previously Chief Financial Officer and Chief Operating Officer, to take up the newly created role of Deputy Chief Executive Officer. In this new role, Philip will refocus on further business development opportunities, balance sheet investments and fund management responsibilities.

Alastair Ross Goobey, Chairman

Duncan Owen, Chief Executive

* source IPD

Consolidated Income Statement

	Notes	Six months to 30 June 2007 (unaudited) £'000	Period to 31 December 2006 (audited) £'000
Revenue		37,024	14,249
Administrative expenses		(13,446)	(7,752)
Operating profit		23,578	6,497
Interest income		3,178	1,547
Investment income		2	13
Profit before tax		26,758	8,057
Tax	4	(7,574)	(2,599)
Profit for the period attributable to equity holders of the parent	6	19,184	5,458
Earnings per share			
Basic earnings per share	2	7.25p	4.57p
Diluted earnings per share	2	7.12p	4.46p
Dividend per share	3	0.7p	–

All results relate to continuing operations.
There are no other recognised gains and losses for the period.

Consolidated Balance Sheet

	Notes	30 June 2007 (unaudited) £'000	31 December 2006 (audited) £'000
Non current assets			
Property, plant and equipment		816	277
Investments	5	29,363	1,832
Deferred tax assets	4	807	277
Trade and other receivables		180	–
Total non current assets		31,166	2,386
Current assets			
Trade and other receivables		18,712	9,389
Cash and cash equivalents		105,986	115,668
Total current assets		124,698	125,057
Total assets		155,864	127,443
Current liabilities			
Trade and other payables		10,008	7,788
Current tax liabilities	4	8,117	2,794
Total current liabilities		18,125	10,582
Net assets		137,739	116,861
Equity			
Share capital	6	76	76
Share premium account	6	108,768	108,768
Capital contribution reserve	6	1,782	1,782
Retained earnings	6	27,113	6,235
Total shareholders' equity		137,739	116,861

The notes on pages 9 to 11 form part of these interim financial statements.

Consolidated Cash Flow Statement

	Six Months to 30 June 2007 (unaudited) £'000	Period to 31 December 2006 (audited) £'000
Profit for the period	19,184	5,458
Adjustments for:		
Tax	7,574	2,599
Interest income	(3,178)	(1,547)
Investment income	(2)	(13)
Employee share awards	1,618	695
Depreciation	53	35
Changes in working capital:		
Increase in trade and other receivables	(9,348)	(9,235)
Increase in trade and other payables	2,202	7,788
Cash flows from operating activities	18,103	5,780
Income taxes paid	(2,704)	–
Employee share awards	(180)	–
Net cash from operating activities	15,219	5,780
Cash flows from investing activities		
Interest received	3,204	1,393
Investment income	2	13
Acquisition of property, plant and equipment	(576)	(312)
Acquisition of investments	(27,617)	(50)
Net cash flows from investing activities	(24,987)	1,044
Cash flows from financing activities		
Issue of shares	–	108,844
Net cash flows from financing activities	–	108,844
Effect of foreign exchange rate changes	86	–
Net (decrease)/increase in cash and cash equivalents	(9,682)	115,668
Cash and cash equivalents at start of period	115,668	–
Cash and cash equivalents at end of period	105,986	115,668

Notes

1. Basis of preparation

Invista Real Estate Investment Management Holdings plc ('the Company') is a company domiciled in the United Kingdom. The consolidated interim financial statements of the Company for the six months ended 30 June 2007 comprise the Company and its subsidiaries (together referred to as 'the Group') and the Group's interest in associates and Joint Ventures.

The interim financial statements were authorised for issue by the directors on 30 July 2007. The interim financial statements are unaudited but have been reviewed by KPMG Audit Plc.

The interim financial statements have been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards as adopted by the EU (IFRS) and its interpretations as adopted by the International Accounting Standards Board (IASB).

The interim financial statements have been prepared on a basis consistent with the accounting policies adopted for the period ended 31 December 2006. These policies are set out in the Group's Annual Report and Accounts 2006. Since the year end the Group has invested in two investment property Joint Ventures. The Group had no accounting policy for Joint Ventures or investment property in the 2006 Accounts. The Joint Ventures have been equity accounted in the interim financial statements and their underlying investment properties have been held at cost less accumulated depreciation.

The interim financial statements do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The figures for the half year ended 30 June 2007 are unaudited. The figures for the period ended 31 December 2006 have been derived from the Company's statutory accounts for the period ended 31 December 2006 upon which the auditors issued an unqualified opinion and which have been delivered to the Registrar of Companies.

No adjustments have been made for any changes in estimates made at the time of approval of the 2006 statutory accounts.

2. Earnings per share

Basic and diluted earnings per Ordinary Share are based upon Group profit attributable to Ordinary Shareholders of £19,184,000.

	2007 (unaudited)	2006 (audited)
Number of shares		
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	264,657,750	119,409,314
Effect of dilutive potential Ordinary Shares: Share options	4,830,961	2,850,156
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	269,488,711	122,259,470

3. Dividends

An interim dividend for Ordinary Shares in respect of 2007 of 0.7 pence per share, amounting to a total dividend of £1,852,604 based on shares in issue as at 30 June 2007, has been proposed and will be approved by the Board in July 2007. It is proposed that the holders of the Preferred Ordinary Shares to receive 0.875 pence per share, amounting to a total dividend of £438.

This interim dividend will be paid on 31 August 2007 to shareholders on the register at close of business on 10 August 2007. This dividend has not been recognised as a liability at the balance sheet date.

4. Income tax expense

Current tax

Current tax expense for the interim periods presented is the expected tax payable on the taxable income for the period, calculated using a corporation tax rate of 30% adjusted to take account of deferred taxation movements.

Current tax for current and prior periods is classified as a current liability to the extent that it is unpaid. Amounts paid in excess of amounts owed are classified as a current asset.

Deferred tax

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the balance sheet date.

5. Investments

	30 June 2007 (unaudited) £'000	31 December 2006 (audited) £'000
Available for sale	1,832	1,832
Investment in Joint Ventures	27,531	–
Total investments	29,363	1,832

Available for sale

	30 June 2007 (unaudited) £'000	31 December 2006 (audited) £'000
Cost and carrying amount		
Balance at 31 December 2006	1,832	1,832
Additions	–	–
Balance at 30 June 2007	1,832	1,832

Investment in Joint Ventures

	30 June 2007 (unaudited) £'000	31 December 2006 (audited) £'000
Cost and carrying amount		
Balance at 31 December 2006	–	–
Additions	27,531	–
Balance at 30 June 2007	27,531	–

During the period to 30 June 2007, Invista acquired 50% interests in two Joint Venture companies, Celsius European Holdings Sarl and Invista Castle Limited. Invista's net equity investment in Celsius European Holdings Sarl amounts to £7.9m and Invista's net investment in Invista Castle Limited amounts to £19.6m.

On 4 May 2007, Celsius European Holdings Sarl acquired a portfolio of European properties for cash consideration of €348m (£238m) financed by way of equity from the two Joint Venture partners and the balance by way of debt.

On 31 May 2007, Invista Castle Limited acquired certain UK residential assets for cash consideration of £127.5m financed by way of equity from the two Joint Venture partners and the balance by way of debt.

6. Reconciliation of movement in capital and reserves

	Share capital £'000	Share premium £'000	Capital contribution reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2007	76	108,768	1,782	6,235	116,861
Profit for the period				19,184	19,184
Employee share expense				1,617	1,617
Deferred tax on employee share expense				77	77
Balance at 30 June 2007	76	108,768	1,782	27,113	137,739

Independent Review Report by KPMG Audit Plc to Invista Real Estate Investment Management Holdings plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2007 which comprises the consolidated income statement, consolidated balance sheet, consolidated cash flow statement and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the AIM Rules which require that the interim report must be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Review work performed

We conducted our review having regard to the guidance contained in Bulletin 1999/4: Review of interim financial information issued by the Auditing Practices Board for use in the UK. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

KPMG Audit Plc

Chartered Accountants

London

30 July 2007

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Invista Real Estate Investment Management Holdings plc is the largest UK listed real estate fund management group.

The Group manages both commercial and residential property across the UK and continental Europe, and has a total of £10.2 billion of assets under management as at 30 June 2007.

Invista Real Estate Investment Management received industry recognition for its management skills, winning the title of Property Fund Manager of the Year at the 2007 Property Week Awards.



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