



Invista
Real Estate
Investment
Management
Holdings plc

Interim Report for
six months ended
30 June 2010

www.invistarealestate.com

Invista Real Estate Investment Management manages both commercial and residential property across the UK, Continental Europe and Asia with a total of £5.4 billion assets under management as at 30 June 2010.

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Operational Highlights

- Positive growth and net inflows into the open-ended UK Property Funds.
- Further progress in development of International Fund and Opportunity Fund.
- Expansion of the Big Orange Self Storage Fund.
- Robust balance sheet with £67 million in cash.
- Growth in the listed, UK focused, Invista Foundation Property Trust.
- Assets Under Management increased by £77 million to £5.4 billion.
- Interim dividend maintained at 0.7p per share.

Financial Highlights

	H1 2010	H1 2009
Revenue	£17.6m	£17.9m
Profit before taxation	£5.3m	£0.1m
Profit pre fair value adjustments and exceptional charge*	£6.1m	£6.4m
Profit margin*	35%	36%
Earnings/(loss) per share	1.3p	(0.2)p
Interim dividend per share	0.7p	0.7p

*Before taxation, fair value adjustments and £3.8 million exceptional charge in 2009.

Chairman's and Chief Executive's Statement



Douglas Ferrans
Chairman



Duncan Owen
Chief Executive

The first half of 2010 has been a period of continued development for Invista, despite continued significant challenges arising from the general economic environment. During the period, Invista generated profit before taxation of £6.1 million (pre fair value adjustments) yielding a profit margin of 35%.

The investment performance of our funds remains key to our success and this continues to be good. Data available in respect of fund performance in 2009 demonstrates that 72% of benchmarked assets under management ("AUM") met or exceeded their benchmarks during the year. Only a small number of funds have benchmark data available in respect of 2010, but so far the data received has been encouraging.

Invista's balance sheet has also retained healthy cash balances, currently standing at £67 million (£33 million net of commitments to funds and monies retained within the Invista Castle group of companies) which places Invista in a sound position for the future.

Assets under management

During the first half of the year, AUM has increased by £77 million to £5.4 billion. This increase comprised upward valuation movements amounting to £210 million, and inflows to the UK open-ended funds of £160 million, offset by outflows of £293 million.

Fund outflows included £197 million relating to sales from the With-Profits Life Funds and net fund flows for the period totalled an outflow of £133 million.

Movements in AUM for the six-month period to 30 June 2010 were:

AUM	AUM as at 31 Dec 09 £m	Net fund flows £m	Valuation movements £m	AUM as at 30 Jun 10 £m
HBOS Funds	2,387	(102)	164	2,449
Separate Accounts	1,288	63	74	1,425
Collective Investor Funds	1,664	(94)	(28)	1,542
Total	5,339	(133)	210	5,416

Revenue

Revenue by business area for the six-month period ended 30 June 2010 is set out below:

	Six months ended 30 Jun 10 £m	Six months ended 30 Jun 10	Six months ended 30 Jun 09 £m	Six months ended 30 Jun 09
Total unaudited revenue				
HBOS Funds	5.3	30%	6.0	33%
Separate Accounts	2.3	13%	2.1	12%
Collective Investor Funds	6.1	35%	5.9	33%
Net rental income	3.9	22%	3.9	22%
Total revenue	17.6	100%	17.9	100%

Chairman's and Chief Executive's Statement

Business review

Invista continues to focus on growing recurring management fees and increasing the number of opportunities to earn performance related fees. Despite the continued reduction in the size of the With-Profits Life Funds and their portfolios, AUM has remained resilient. The Company has maintained an average management fee rate of 46.9 basis points in the first half of the year (first half 2009: 46.9 basis points) across its range of funds.

HBOS Funds

As at 30 June 2010, Invista managed HBOS Funds with a total value of £2.4 billion representing 45% of AUM and 30% of revenue. The fall in revenue of 12%, compared with the corresponding period in 2009, was commensurate with the percentage difference in average AUM in the six months to 30 June 2010 when compared with average AUM in the corresponding period in 2009.

During the first half of the year, Invista has seen continued monthly inflows into the open-ended funds but these have been offset by outflows from the With-Profits Funds and some other fund outflows. However, the HBOS Funds as a group are well placed strategically with good cash balances and have made a number of selected acquisitions during the period.

Separate Accounts

As at 30 June 2010, Invista managed Separate Account mandates with a total value of £1.4 billion representing 27% of AUM and 13% of revenue. Net monthly inflows into the open-ended funds in this segment have remained positive throughout the first half of the year.

Collective Investor Funds

As at 30 June 2010, Invista managed Collective Investor Funds with a total value of £1.5 billion, representing 28% of AUM and 35% of revenue. The funds are in four principal groups:

- 1. UK Listed Trust** – Invista Foundation Property Trust (“IFPT”) had assets of £318 million as at 30 June 2010, up from £305 million as at 31 March 2010. During its financial year to 31 March 2010, IFPT made a number of acquisitions as well as completing seven disposals raising £39 million at an average of 12.8% above valuations. This enabled IFPT to reduce its debt by £40 million. The total NAV return was 29.3% for the year ending 31 March 2010 and net asset value rose by 19.6% in that period. In July 2010, IFPT announced it is increasing its equity base by 9.9% via a Placing of new ordinary shares to fund further asset management activity.
- 2. European Listed Trust** – Invista European Real Estate Trust (“IERET”) had property assets of €515 million as at 31 March 2010. Notwithstanding challenging market conditions, IERET successfully completed a €65 million capital raise in December 2009 and agreed a new four year debt facility with its lenders. The net asset value of IERET rose by 12.7% in the six-month period ended 31 March 2010.
- 3. UK Residential** – Residential remains an important area for our business and we remain one of the largest managers of residential property assets in the UK, with nearly £400 million of property assets under management.

4. Opportunistic Funds – Both the Invista Real Estate International Fund (“IREIF”) and the Invista Real Estate Opportunity Fund (“IREOF”) have continued to make progress in the first half of 2010. Big Orange Self Storage, of which IREIF owns 50%, has acquired a further facility in Singapore. IREOF, Invista’s pan-European opportunity fund, completed two additional acquisitions during the period. Each of these two funds continues to look to build on their respective portfolios going forward during their investment periods.

As at 30 June 2010, the book value of Invista’s investment in IREIF amounted to £18.1 million (31 December 2009: £17.1 million) and the book value of Invista’s investment in IREOF amounted to £8.5 million (31 December 2009: £6.1 million).

IREOF and IREIF both have the ability over time to earn performance fees for the Company.

Investment performance

Maximising investment performance through the active management of funds remains a key priority for Invista. As stated on page 2, 72% of AUM met or exceeded benchmarks in 2009.

The Global Property Securities Fund continues to perform well and has outperformed its EPRA-NAREIT global developed benchmark by 470 basis points for the 12 months to 30 June 2010. Investment activity by the fund during the period resulted in net realised gains of £0.9 million (six months to 30 June 2009: loss of £0.2 million) which have been recognised in Invista’s profit and loss account.

Distribution strategy

Invista is taking the opportunity offered by its investment performance track record and the improved market outlook to invest in the growth and development of its distribution capability. New product launches are being investigated and Invista continues to support its clients in the growth of other existing open-ended property funds.

Administrative expenses

Cost control has continued to be a priority. Excluding one-off provision releases of £0.9 million in the first half of 2009, expenses in the first half of 2010 were contained at 2009 levels despite further expansion in the business, notably in headcount.

Balance sheet

As at 30 June 2010, Invista held consolidated cash balances of £67.3 million (£58.4 million net of £8.6 million held within the Invista Castle Limited group of companies and £0.3 million in the Global Property Securities Fund). Capital commitments outstanding to IREIF and IREOF totalled £25.3 million, in aggregate, as at the same date.

Chairman's and Chief Executive's Statement

Invista continues to investigate options for recycling its investment in Invista Castle Limited. Invista Castle Limited, indirectly, owns a leveraged residential portfolio of 317 houses let on a long-term lease to the Secretary of State for Defence. Invista has a policy of only holding assets for either co-investment or seeding of new funds and, as previously stated, intends to maintain this position on all investments, including Invista Castle Limited. Invista has written down the value of the underlying Invista Castle Limited portfolio by £1 million (-1%) at the half year to £120.5 million. Invista also continues to manage the Celsius French portfolio.

Invista's net asset value at 30 June 2010 was £135.6 million, comprising the following principal balance sheet investments:

Investment	30 Jun 2010 £m	31 Dec 2009 £m
Cash balances	58.4	64.7
Invista Castle Limited	33.6	37.0
International Fund (IREIF)	18.1	17.1
Global Property Securities Fund	11.3	10.8
Opportunity Fund (IREOF)	8.5	6.1
Shares in IERET	3.9	4.1
Shares in IFPT	2.8	2.9
Other assets/(liabilities) net	(1.0)	(3.6)
Consolidated net assets	135.6	139.1

Fair value adjustments

Fair value adjustments in the first half of the year had an adverse impact on profit and loss of, in aggregate, £0.8 million. Of this, £1 million relates to the adjustment in the fair value of the residential portfolio owned by Invista Castle Limited. The remaining £0.2 million relates to aggregate positive fair value adjustments within IREIF and IREOF.

Dividend

The Board has declared an unchanged interim dividend of 0.7 pence per ordinary share payable on 3 September 2010 to holders of ordinary shares on the register at the close of business on 13 August 2010.

Outlook

Trading in the first half of 2010 has been encouraging and the Company remains well placed going forward. We still maintain a note of caution as it remains to be seen whether the positive momentum witnessed in capital values in the UK commercial property market in the first part of the year is sustainable in the current uncertain European economic environment.



Douglas Ferrans
Chairman



Duncan Owen
Chief Executive

Consolidated Income Statement

for the period ended 30 June 2010

	Note	Six months ended 30 Jun 10 (unaudited) £000	Six months ended 30 Jun 09 (unaudited) £000	Year ended 31 Dec 09 (audited) £000
Fee income		13,651	13,973	26,543
Net rental and related income		3,966	3,895	7,849
Revenue		17,617	17,868	34,392
Administrative expenses		(9,341)	(8,439)	(17,687)
Share of (losses)/profits of jointly controlled entities	9	(468)	(1,183)	1,481
Net valuation (losses)/profits on investments	2	(126)	(2,181)	90
Operating profit before exceptional charge		7,682	6,065	18,276
Exceptional charge on early vesting of share options	3	–	(3,766)	(3,766)
Operating profit after exceptional charge		7,682	2,299	14,510
Net finance expense	4	(2,408)	(2,165)	(4,514)
Profit before tax		5,274	134	9,996
Income tax expense	8	(1,882)	(666)	(3,591)
Profit/(loss) for the period/year attributable to equity holders of the Parent Company		3,392	(532)	6,405
Earnings per share				
Basic earnings/(loss) per share	5	1.30p	(0.20p)	2.44p
Diluted earnings/(loss) per share	5	1.25p	(0.20p)	2.33p
Dividend per share	7	0.7p	0.7p	2.3p

All results relate to continuing operations.

The notes on pages 13 to 20 form part of these interim financial statements.

Consolidated Statement of Comprehensive Income

for the period ended 30 June 2010

	Note	Six months ended 30 Jun 10 (unaudited) £000	Six months ended 30 Jun 09 (unaudited) £000	Year ended 31 Dec 09 (audited) £000
Profit/(loss) for the period/year		3,392	(532)	6,405
Other comprehensive income:				
Net change in fair value of available for sale investments	11	(891)	1,381	5,418
Deferred tax on net change in fair value of available for sale investments		58	(100)	(334)
Movement on swaps		(4,460)	6,161	5,860
Deferred tax on movement on swaps		1,249	(1,725)	(1,639)
Movement in joint venture swaps	9	(79)	25	(7)
Deferred tax on movement in joint venture swaps		12	(7)	-
Foreign currency translation adjustment on available for sale investments		-	(15)	(15)
Foreign currency translation differences in respect of investments held by joint ventures	9	1,610	(397)	(221)
Other comprehensive (expense)/income for the period/year, net of tax		(2,501)	5,323	9,062
Total comprehensive income for the period/year attributable to equity holders of the Parent Company		891	4,791	15,467

The notes on pages 13 to 20 form part of these interim financial statements.

Consolidated Balance Sheet

at 30 June 2010

	Note	30 Jun 10 (unaudited) £000	31 Dec 09 (audited) £000	30 Jun 09 (unaudited) £000
Non-current assets				
Investment properties	10	120,500	121,500	120,000
Property, plant and equipment		419	987	1,107
Investments in jointly controlled entities	9	26,640	23,236	15,462
Other investments	11	19,435	19,486	13,418
Deferred tax assets	8	3,285	2,208	1,588
Total non-current assets		170,279	167,417	151,575
Current assets				
Trade and other receivables		5,478	4,526	5,417
Cash and cash equivalents		67,322	73,663	75,616
Total current assets		72,800	78,189	81,033
Total assets		243,079	245,606	232,608
Current liabilities				
Interest bearing loans and borrowings	12	14,358	1,227	1,271
Derivatives used for hedging		588	–	–
Trade and other payables		5,968	6,250	5,377
Current tax liabilities	8	6,372	8,634	5,055
Total current liabilities		27,286	16,111	11,703
Non-current liabilities				
Interest bearing loans and borrowings	12	67,385	81,120	81,696
Derivatives used for hedging		12,528	8,653	8,326
Other payables		296	617	1,285
Total non-current liabilities		80,209	90,390	91,307
Total liabilities		107,495	106,501	103,010
Net assets		135,584	139,105	129,598
Equity				
Share capital		76	76	76
Share premium account		108,768	108,768	108,768
Capital contribution reserve		1,782	1,782	1,782
Hedge reserve		(8,820)	(5,542)	(5,302)
Retained earnings		33,778	34,021	24,274
Total shareholders' equity		135,584	139,105	129,598

The notes on pages 13 to 20 form part of these interim financial statements.

The financial statements were approved by the Board of Directors on 29 July 2010 and signed on its behalf by:



Duncan Owen
Chief Executive

Consolidated Statement of Changes in Equity

for the period ended 30 June 2010

	Share capital £000	Share premium £000	Capital contribution reserve £000	Hedge reserve £000	Retained earnings £000	Total £000
Balance at 1 January 2009	76	108,768	1,782	(9,756)	24,287	125,157
Loss for the period	-	-	-	-	(532)	(532)
Net change in fair value of available for sale investments	-	-	-	-	1,381	1,381
Deferred tax on net change in fair value of available for sale investments	-	-	-	-	(100)	(100)
Movement on swaps	-	-	-	6,161	-	6,161
Deferred tax on movement on swaps	-	-	-	(1,725)	-	(1,725)
Movement in joint venture swaps	-	-	-	25	-	25
Deferred tax on movement in joint venture swaps	-	-	-	(7)	-	(7)
Foreign currency translation adjustment on available for sale investments	-	-	-	-	(15)	(15)
Foreign currency translation differences in respect of investments held by joint ventures	-	-	-	-	(397)	(397)
Total comprehensive income	-	-	-	4,454	337	4,791
Dividends paid	-	-	-	-	(4,216)	(4,216)
EBT share purchases	-	-	-	-	(994)	(994)
Employee share expense	-	-	-	-	4,860	4,860
Balance at 30 June 2009 (unaudited)	76	108,768	1,782	(5,302)	24,274	129,598
Profit for the period	-	-	-	-	6,937	6,937
Net change in fair value of available for sale investments	-	-	-	-	4,037	4,037
Deferred tax on net change in fair value of available for sale investments	-	-	-	-	(234)	(234)
Movement on swaps	-	-	-	(301)	-	(301)
Deferred tax on movement on swaps	-	-	-	86	-	86
Movement in joint venture swaps	-	-	-	(32)	-	(32)
Deferred tax on movement in joint venture swaps	-	-	-	7	-	7
Foreign currency translation differences in respect of investments held by joint ventures	-	-	-	-	176	176
Total comprehensive income/(expense)	-	-	-	(240)	10,916	10,676
Dividends paid	-	-	-	-	(1,846)	(1,846)
EBT share purchases	-	-	-	-	(624)	(624)
Employee share expense	-	-	-	-	1,196	1,196
Tax on employee share expense	-	-	-	-	105	105
Balance at 31 December 2009 (audited)	76	108,768	1,782	(5,542)	34,021	139,105

Consolidated Statement of Changes in Equity continued

for the period ended 30 June 2010

	Share capital £000	Share premium £000	Capital contribution reserve £000	Hedge reserve £000	Retained earnings £000	Total £000
Balance at 31 December 2009 (audited)	76	108,768	1,782	(5,542)	34,021	139,105
Profit for the period	–	–	–	–	3,392	3,392
Net change in fair value of available for sale investments	–	–	–	–	(891)	(891)
Deferred tax on net change in fair value of available for sale investments	–	–	–	–	58	58
Movement on swaps	–	–	–	(4,460)	–	(4,460)
Deferred tax on movement on swaps	–	–	–	1,249	–	1,249
Movement in joint venture swaps	–	–	–	(79)	–	(79)
Deferred tax on movement in joint venture swaps	–	–	–	12	–	12
Foreign currency translation differences in respect of investments held by joint ventures	–	–	–	–	1,610	1,610
Total comprehensive income/(expense)	–	–	–	(3,278)	4,169	891
Dividends paid	–	–	–	–	(4,209)	(4,209)
EBT share purchases	–	–	–	–	(927)	(927)
Employee share expense	–	–	–	–	757	757
Tax on employee share expense	–	–	–	–	(33)	(33)
Balance at 30 June 2010 (unaudited)	76	108,768	1,782	(8,820)	33,778	135,584

The notes on pages 13 to 20 form part of these interim financial statements.

Consolidated Cash Flow Statement

for the period ended 30 June 2010

	Six months ended 30 Jun 10 (unaudited) £000	Six months ended 30 Jun 09 (unaudited) £000	Year ended 31 Dec 09 (audited) £000
Cash flows from operating activities			
Profit/(loss) for the period/year	3,392	(532)	6,405
Adjustments for:			
Tax	1,882	666	3,591
Investment income	(485)	(687)	(1,177)
Finance expense	2,852	2,855	5,754
Employee share awards	757	4,860	6,056
Depreciation/amortisation	776	168	505
Loss on disposal of property, plant and equipment	1	–	1
Net gain on sale of investments	(874)	–	(608)
Share of losses/(profits) of jointly controlled entities	468	1,183	(1,481)
Fair value adjustment on asset acquisition	–	–	(3)
Change in fair value of investment properties	1,000	2,000	500
Change in fair value of other investments	3	4	30
Changes in working capital:			
(Increase)/decrease in trade and other receivables	(893)	1,116	1,862
Decrease in trade and other payables	(605)	(3,231)	(2,897)
	8,274	8,402	18,538
Income taxes paid	(3,934)	(33)	(34)
Net cash from operating activities	4,340	8,369	18,504
Cash flows from investing activities			
Investment income	485	687	1,177
Acquisition of property, plant and equipment	(209)	(21)	(203)
Acquisition of investments in joint ventures	(2,341)	(11,795)	(16,761)
Acquisition of other investments	(4,832)	(7,220)	(12,648)
Disposal of other investments	4,800	6,798	10,757
Net cash flows from investing activities	(2,097)	(11,551)	(17,678)
Cash flows from financing activities			
Dividends paid	(4,209)	(4,216)	(6,062)
EBT share purchases	(927)	(994)	(1,618)
Repayments of loans	(671)	(687)	(1,374)
Interest paid	(2,777)	(2,789)	(5,593)
Net cash flows from financing activities	(8,584)	(8,686)	(14,647)
Net decrease in cash and cash equivalents	(6,341)	(11,868)	(13,821)
Opening cash and cash equivalents	73,663	87,484	87,484
Closing cash and cash equivalents	67,322	75,616	73,663

Notes to the Consolidated Interim Financial Statements

for the period ended 30 June 2010

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 2010 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 29 July 2010. 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 (“IFRS”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) as adopted by the EU.

The interim financial statements have been prepared on a basis consistent with the accounting policies adopted for the year ended 31 December 2009. These policies are set out in the Group’s Annual Report and Accounts 2009.

The interim financial statements do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The figures for the half years ended 30 June 2010 and 30 June 2009 are unaudited. The comparative figures for the financial year ended 31 December 2009 are not the Company’s statutory accounts for that financial year. Those accounts have been reported on by the Company’s auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

No adjustments have been made for any changes in estimates made at the time of approval of the 2009 statutory accounts.

2. Net valuation (losses)/profits on investments

	Note	Six months ended 30 Jun 10 (unaudited) £000	Six months ended 30 Jun 09 (unaudited) £000	Year ended 31 Dec 09 (audited) £000
Revaluation of investment properties	10	(1,000)	(2,000)	(500)
Impairment of investment		–	(18)	(18)
Net realised profit/(loss) on available for sale investments		874	(163)	608
Net valuation (losses)/profits on investments		(126)	(2,181)	90

Notes to the Consolidated Interim Financial Statements

3. Exceptional charge

The exceptional charge of £3,766,000 in the period to 30 June 2009 resulted from the accelerated vesting of certain of the Group's employee share schemes as a consequence of the change of control that occurred in January 2009 when Invista's parent, HBOS plc, was acquired by Lloyds TSB Group plc (now renamed Lloyds Banking Group plc). No exceptional charge is reported for the period to 30 June 2010.

4. Net finance expense

	Six months ended 30 Jun 10 (unaudited) £000	Six months ended 30 Jun 09 (unaudited) £000	Year ended 31 Dec 09 (audited) £000
Interest income on bank deposits	169	376	566
Interest income on available for sale investments	10	51	69
Total interest income	179	427	635
Dividend income on available for sale investments	306	260	542
Commission from underwriting	-	-	87
Net change in fair value of ineffective cash flow hedge	(3)	14	(12)
Net foreign exchange loss	(38)	(10)	(12)
Finance expense	(2,852)	(2,856)	(5,754)
Net finance expense	(2,408)	(2,165)	(4,514)

5. Earnings per share

Basic and diluted earnings per ordinary share are based upon the Group profit attributable to ordinary shareholders at 30 June 2010 of £3,392,000 (30 June 2009: loss of £532,000; 31 December 2009: profit of £6,405,000).

The number of shares used for the calculation of basic and diluted earnings per share is as follows:

Number of shares

	30 Jun 10 (unaudited)	31 Dec 09 (audited)	30 Jun 09 (unaudited)
Weighted average number of ordinary shares for the purposes of basic earnings per share	261,405,903	262,035,878	261,684,619
Effect of dilutive potential ordinary shares:			
Share options	10,068,034	13,111,825	13,213,848
Weighted average number of ordinary shares for the purposes of diluted earnings per share	271,473,937	275,147,703	274,898,467

Notes to the Consolidated Interim Financial Statements

6. Segmental information

The Group's primary business segments, based on the Group's management and reporting structure, are the Investment Management, Residential Property and Other Investing Activities business segments. HBOS Funds (those managed on behalf of Lloyds Banking Group), Collective Investor Funds and Separate Accounts are grouped under Investment Management as the nature of these relationships is that of property investment management and therefore deemed by the Directors to relate to one defined business segment, that of Investment Management.

The Directors consider there to be only one material geographical segment being the United Kingdom.

The results analysed by the three business segments are shown below:

Six months ended 30 June 2010 (unaudited)

	Investment Management £000	Residential Property £000	Other Investing Activities £000	Group total £000
Revenue	13,241	3,966	410	17,617
Administrative expenses	(8,759)	(31)	(551)	(9,341)
Share of losses of jointly controlled entities	–	–	(468)	(468)
Net valuation (losses)/gains on investments	–	(1,000)	874	(126)
Operating profit	4,482	2,935	265	7,682
Finance income	8	(3)	439	444
Finance expense	–	(2,851)	(1)	(2,852)
Net finance (expense)/income	8	(2,854)	438	(2,408)
Profit before tax	4,490	81	703	5,274
Income tax expense	(1,462)	(101)	(319)	(1,882)
Profit/(loss) after tax	3,028	(20)	384	3,392

At 30 June 2010 (unaudited)

	Investment Management £000	Residential Property £000	Other Investing Activities £000	Group total £000
Depreciation	776	–	–	776
Total assets	24,985	132,655	85,439	243,079
Total liabilities	7,699	98,053	1,743	107,495
Non-current assets	2,015	122,378	45,886	170,279
Interest bearing loans and borrowings	–	81,725	18	81,743

Notes to the Consolidated Interim Financial Statements

6. Segmental information continued

Six months ended 30 June 2009 (unaudited)

	Investment Management £000	Residential Property £000	Other Investing Activities £000	Group total £000
Revenue	13,973	3,895	–	17,868
Administrative expenses	(8,614)	(32)	207	(8,439)
Share of losses of jointly controlled entities	–	–	(1,183)	(1,183)
Net valuation losses on investments	–	(2,000)	(181)	(2,181)
Operating profit/(loss) before exceptional charge	5,359	1,863	(1,157)	6,065
Exceptional charge	(3,766)	–	–	(3,766)
Operating profit/(loss) after exceptional charge	1,593	1,863	(1,157)	2,299
Finance income	65	16	610	691
Finance expense	–	(2,855)	(1)	(2,856)
Net finance (expense)/income	65	(2,839)	609	(2,165)
Profit/(loss) before tax	1,658	(976)	(548)	134
Income tax (expense)/credit	(639)	(282)	255	(666)
(Loss)/profit after tax	1,019	(1,258)	(293)	(532)

At 30 June 2009 (unaudited)

	Investment Management £000	Residential Property £000	Other Investing Activities £000	Group total £000
Depreciation	168	–	–	168
Total assets	27,259	129,907	75,442	232,608
Total liabilities	9,858	92,552	600	103,010
Non-current assets	2,330	120,483	28,762	151,575
Interest bearing loans and borrowings	–	82,949	18	82,967

Notes to the Consolidated Interim Financial Statements

6. Segmental information continued

Year to 31 December 2009 (audited)

	Investment Management £000	Residential Property £000	Other Investing Activities £000	Group total £000
Revenue	26,514	7,849	29	34,392
Administrative expenses	(17,637)	(69)	19	(17,687)
Share of profits of jointly controlled entities	–	–	1,481	1,481
Net valuation gains/(losses) on investments	–	(500)	590	90
Operating profit before exceptional charge	8,877	7,280	2,119	18,276
Exceptional charge	(3,766)	–	–	(3,766)
Operating profit after exceptional charge	5,111	7,280	2,119	14,510
Finance income	135	(9)	1,114	1,240
Finance expense	–	(5,752)	(2)	(5,754)
Net finance (expense)/income	135	(5,761)	1,112	(4,514)
Profit before tax	5,246	1,519	3,231	9,996
Income tax expense	(1,411)	(1,889)	(291)	(3,591)
Profit/(loss) after tax	3,835	(370)	2,940	6,405

At 31 December 2009 (audited)

	Investment Management £000	Residential Property £000	Other Investing Activities £000	Group total £000
Depreciation	505	–	–	505
Total assets	24,554	131,581	89,471	245,606
Total liabilities	11,558	93,869	1,074	106,501
Non-current assets	2,792	121,826	42,799	167,417
Interest bearing loans and borrowings	–	82,329	18	82,347

Notes to the Consolidated Interim Financial Statements

7. Dividends

An interim dividend for ordinary shares in respect of 2010 of 0.7 pence per share (2009: 0.7 pence), amounting to a total interim dividend of £1,841,137 (2009: £1,845,027) based on shares in issue as at 30 June 2010, has been proposed for approval by the Board in July 2010. It is proposed that the holders of the preferred ordinary shares receive 0.875 pence per share (2009: 0.875 pence), amounting to a total interim dividend of £438 (2009: £438).

This interim dividend will be paid on 3 September 2010 to shareholders on the register at close of business on 13 August 2010. This dividend has not been recognised as a liability at the balance sheet date.

8. Taxation

Current tax

Current tax expense for the interim period presented is the expected tax payable on the taxable income for the period, calculated using a corporation tax rate of 28%.

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.

Deferred tax assets on the revaluation of investment properties have not been recognised.

9. Investments in jointly controlled entities

Further investments were made in the period into the Invista Real Estate Opportunity Fund Limited Partnership.

The following table sets out the Group's carrying value in each of its joint ventures as at 30 June 2010:

	Invista Real Estate Opportunity Fund Limited Partnership £000	Invista Real Estate International Fund Limited Partnership £000	Total £000
Cost and carrying amount			
Balance at 31 December 2009 (audited)	6,126	17,110	23,236
Additions	2,341	–	2,341
Foreign exchange movement	47	1,563	1,610
Share of (losses)/profits	79	(547)	(468)
Joint venture swap movements	(44)	(35)	(79)
Balance at 30 June 2010 (unaudited)	8,549	18,091	26,640

9. Investments in jointly controlled entities continued

The Group continues to hold its investments in Celsius European Holdings S.à.r.l., Cave Pearls S.à.r.l. and Ramsay Finance S.à.r.l. at £nil.

10. Investment properties

	£000
Closing balance at 31 December 2009 – at valuation (audited)	121,500
Revaluation of investment properties at 30 June 2010	(1,000)
Closing balance at 30 June 2010 – at valuation (unaudited)	120,500

The Directors have valued the investment properties held within the Invista Castle Group of companies at 30 June 2010 at £120,500,000 on the basis of market value using discounted cash flow projections.

11. Other investments

Available for sale

	£000
Cost and carrying amount	
Balance at 31 December 2009 (audited)	19,486
Additions	4,800
Disposals	(3,960)
Net change in fair value of available for sale investments	(891)
Balance at 30 June 2010 (unaudited)	19,435

The additions and disposals numbers in the table above comprise the purchases and sales made by the Invista Global Property Securities Fund Limited Partnership in the six months to 30 June 2010. At 30 June 2010 a decrease of £524,000 in the fair value of the securities held by the Fund was taken through reserves.

The remaining decrease in the fair value of available for sale investments in the period to 30 June 2010 results from falling share prices since the year end for the Group's investments in Invista European Real Estate Trust ("IERET") and Invista Foundation Property Trust ("IFPT") offset by a small increase in the returns to members of the fund for the Group's investment in the Invista Property Portfolio Fund ("IPPF").

Notes to the Consolidated Interim Financial Statements

12. Interest bearing loans and borrowings

	30 June 2010 (unaudited) £000	31 December 2009 (audited) £000
Non-current liabilities		
Bank loan – acquisition	–	13,638
Bank loans – senior debt	68,889	69,092
	68,889	82,730
Less: arrangement costs	(1,504)	(1,610)
Balance at period end	67,385	81,120
Current liabilities		
Bank loan – acquisition	13,638	–
Bank loans – senior debt	828	1,296
Amount loaned from other related company	18	18
	14,484	1,314
Less: arrangement costs	(126)	(87)
Balance at period end	14,358	1,227

The bank loans above are interest bearing loans held within the Invista Castle group of companies which were taken onto the Group balance sheet from 10 April 2008 when the Group acquired 100% of the share capital of Invista Castle Limited.

The senior debt is fully repayable by 31 October 2028. Invista Castle Limited also has a bank loan with an outstanding balance of £13,638,000 which matures on 30 April 2011.

Both the bank loans are secured by way of a fixed and floating charge over the underlying residential property portfolio of the Invista Castle Group. Interest is fixed on both loans by way of swap instruments at a weighted average interest rate of 6.6% p.a.

The amount loaned from other related company shown above is a loan taken out by Invista European Celsius Holdings S.à.r.l., in October 2008 for €19,000 with a maturity date of 13 October 2010 at a fixed interest rate of 7.7% p.a. from one of the Celsius joint venture companies Mondeville AP1 S.à.r.l.

Independent Review Report by KPMG Audit Plc

to Invista Real Estate Investment Management Holdings plc
(Registered No. 05788425)

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2010 which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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 half-yearly report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU and the AIM Rules.

W E J Holland (Senior Statutory Auditor)
for and on behalf of **KPMG Audit Plc**, Statutory Auditor
Chartered Accountants
London
29 July 2010

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Notes

This publication was printed on Challenger Offset, made from FSC certified pulp.

It was produced to ISO 14001 Environmental Management System standards and 95% of the waste created during the process was recycled. The materials used included vegetable oil based inks, elemental chlorine free pulp and fibre from FSC managed forests.

The FSC (Forest Steward Council) managed forests have been independently inspected and comply with internationally agreed environmental, social and economic standards.

Invista Real Estate Investment Management Holdings plc. Registered in England and Wales. Registered number: 05788425. Registered office: Exchequer Court, 33 St Mary Axe, London EC3A 8AA.

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.

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