



Invista Real Estate Investment Management Holdings plc
Interim Report 2008

Invista Real Estate Investment Management is the largest UK listed real estate fund management group. The Group manages both commercial and residential property across the UK and continental Europe.

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- Two new fund developments: International Fund launched; Pension Fund mandate won
- New Global Property Securities Fund team *in situ*
- £93m in cash at period end; £56m (net) of investments being warehoused
- Recycling of €170m of assets from the French Celsius JV at a small profit
- Successful refinancing of Invista Castle and further equity injection into Celsius
- Assets under management ('AUM') of £8.0bn, down 8% since 31 December 2007

Financial Highlights

	H1 2008	H1 2007
Revenue	£23.8m	£37.0m
Profit before taxation	£11.0m	£26.8m
Operating profit	£8.2m	£23.6m
Adjusted operating profit*	£8.3m	£9.6m
Operating margin*	38%	42%
Earnings per share	2.5p	7.2p
Interim dividend per share	0.7p	0.7p

*Excluding performance fees and fair value adjustments

Chairman's and Chief Executive's Statement



Douglas Ferrans
Interim Chairman



Duncan Owen
Chief Executive

During the first six months of the year, Invista generated profit before taxation of £11.0m with an operating profit margin (pre-performance fees and fair value adjustments) of 38%. The first half of 2008 has been a period of continued development for Invista, despite significant challenges from the economy and strong headwinds in terms of current real estate market conditions.

During the first half, AUM has fallen by £700m, from £8.7bn to £8.0bn, and this has largely been due to valuation falls with some modest net fund outflows. Invista, however, successfully recycled half of the investment property owned by its French joint venture company, Celsius, by way of the €170m sale to a managed fund. Subsequent to that transaction, a further €15m of equity has been injected into Celsius by Invista providing greater stability in advance of a required refinancing to be undertaken by the end of 2008. Invista's other principal joint venture company, Invista Castle Limited, was refinanced and is now owned 100% by Invista. The Company continues to investigate the options for recycling its investments in these two entities.

As a Fund Manager, Invista can still grow its business by launching new funds and winning new mandates. The International Fund was launched during the period and its first closing achieved. The fund is targeting, in the initial stage, Singapore, Hong Kong and Japan. We have also commenced with first investments in the new Opportunity Fund and have announced the intention to launch a new Property Securities Fund. Furthermore, we have won a mandate to manage a newly consolidated UK Pension Fund and are looking forward to potentially winning more new institutional mandates.

Assets under management

As at 30 June 2008, AUM were £8.0bn, having decreased by 8% since 31 December 2007. Movements in AUM for the six month period to 30 June 2008 were:

AUM	AUM as at 31 December 2007 £m	Net fund flows £m	Valuation movements £m	AUM as at 30 June 2008 £m
HBOS Funds	4,391	(208)	(244)	3,939
Separate Accounts	2,150	73	(192)	2,031
Collective Investor Funds	2,156	(82)	(63)	2,011
Total	8,697	(217)	(499)	7,981

AUM in the period to 30 June 2008 have reduced as a result of a combination of outflows from open-ended funds totalling £180m and other net outflows and revaluations across all the funds totalling £536m. Whilst the open-ended funds are still experiencing net outflows, monthly outflows during the course of the six months to 30 June 2008 have been significantly reduced as compared with outflows experienced in the last two months of 2007.

Total income by business area for the six month period ended 30 June 2008 is set out below:

	Six months ended 30 June 2008 £m	Six months ended 30 June 2008 %	Six months ended 30 June 2007 £m	Six months ended 30 June 2007 %
Total unaudited income				
HBOS Funds	8.1	30	9.4	23
Separate Accounts	4.0	15	6.5	16
Collective Investor Funds	11.7	44	21.1	53
Revenue	23.8		37.0	
Finance income (net)	2.8	11	3.2	8
Total income	26.6	100	40.2	100

Chairman's and Chief Executive's Statement continued

Business update

HBOS Funds

As at 30 June 2008, Invista managed seven HBOS Funds with a total value of £4.0bn representing 50% of AUM.

During the first half, we have continued to see net outflows from the four largest open-ended funds, although this has been at a reduced monthly rate from that witnessed in the latter part of 2007.

Strategically, we have completed a number of initiatives in connection with more recent acquisitions and developments. Our preferred profile of remaining underweight in secondary assets is contributing to performance alongside our active management approach.

Separate Accounts

As at 30 June 2008, Invista managed six Separate Account mandates with a total value of £2.0bn representing 25% of AUM.

Overall movement in fund flows witnessed in Separate Accounts has been marginal. New mandate wins in this category have largely offset a small amount of outflows and valuation adjustments across all funds.

Collective Investor Funds

As at 30 June 2008, Invista managed nine Collective Investor Funds with a total value of £2.0bn representing 25% of AUM. The funds are in five principal groups:

1. UK Trusts

The Invista Foundation Property Trust ('IFPT') had property assets of £592m as at 31 March 2008. In response to trading conditions, IFPT recently announced a basket of measures aimed at addressing these short and medium term challenges. Invista believes these measures, which IFPT will be implementing over the coming months, will be broadly welcomed by IFPT shareholders.

2. European Trusts

The Invista European Real Estate Trust ('IERET') has continued to develop and as at 31 March 2008 had property assets of €766m (£608m). Invista received a performance fee of £1.7m in the first half of 2008 from IERET in respect of the performance of IERET for the financial year ended 30 September 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 April 2008, Invista acquired the 50% of Invista Castle Limited that it did not already own and as a consequence the company and its subsidiaries are now fully consolidated on its balance sheet along with its associated £87m of non-recourse debt.

4. Opportunity Fund

The Opportunity Fund launched last year has made a good entrance to the market and a number of investments have been made. There is potential for a second fund raising during the course of 2009.

5. Joint Venture Investments – Celsius

In May 2008, Invista successfully recycled half, by value, of Celsius's French investment property portfolio in connection with the previously announced €170m sale to Clerical Medical. This created new management income. Subsequently, Invista and its joint venture partner have each injected a further €15m of equity into Celsius which means the ongoing investment is stable and generating profits. We remain confident that the joint venture should be refinanced in the second half of 2008.

Investment performance

Investment performance of the underlying funds continues to be an important priority for Invista. Recent investment performance relative to benchmarks has been good with 70% of funds under management outperforming over the three year period to December 2007.

Change to fair value accounting

The Company has adopted the fair value model option under International Accounting Standard 40 (Investment Properties) in respect of the accounting period to 30 June 2008 and will do so for future periods. Previously, Invista had adopted the cost model. The change to fair value accounting has been prompted by the Board's belief that this method of accounting will provide greater transparency to investors and is more appropriate given the evolving nature of Invista's balance sheet. Adopting fair value brings Invista into line with other co-investing property fund managers.

The impact of this change will be that the 2007 accounts (as restated) show a minor increase of £1.3m in profit before tax as a result of fair value movements in the second half of 2007. In respect of the first half of 2008, profit before taxation has been impacted adversely, in aggregate, by £2.5m in respect of fair valuing investment properties within Invista Castle, Celsius and the Opportunity Fund.

Chairman's and Chief Executive's Statement *continued*

The property portfolios held by Invista on its balance sheet through its investments in Invista Castle (100%), Celsius (50%) and in other funds will be subject to external valuations at the year end. Whilst there can, at this stage of the year, be no certainty as to valuations at the year end, management does expect some further downward pressure and, therefore, further negative fair value adjustments in the second half. Invista will update the market closer to the year end, when there is greater visibility on the outcome.

Dividend

The Board has declared an unchanged interim dividend of 0.7 pence net per ordinary share.

The interim dividend will be paid on 29 August 2008 to holders of ordinary shares on the register at the close of business on 8 August 2008.

Douglas Ferrans
Interim Chairman

Duncan Owen
Chief Executive

Consolidated Income Statement

For the period ended 30 June 2008

	Note	Six months ended 30 June 2008 (unaudited) £000	Six months ended 30 June 2007 (unaudited) £000	Year ended 31 December 2007 (restated) £000
Fee income		22,183	37,024	67,048
Net rental and related income		1,590	–	–
Revenue		23,773	37,024	67,048
Administrative expenses		(11,612)	(13,446)	(21,863)
Share of losses of jointly controlled entities	6	(4,578)	–	(3,646)
Net valuation gains on investment property	7	636	–	–
Operating profit		8,219	23,578	41,539
Finance income		4,402	3,180	8,284
Finance expense		(1,575)	–	–
Profit before tax		11,046	26,758	49,823
Income tax expense	4	(4,427)	(7,574)	(16,378)
Profit for the period/year attributable to equity holders of the parent	10	6,619	19,184	33,445
Earnings per share				
Basic earnings per share	2	2.52p	7.25p	12.67p
Diluted earnings per share	2	2.44p	7.12p	12.56p
Dividend per share	3	0.7p	0.7p	2.3p

All results relate to continuing operations.

Consolidated Balance Sheet

At 30 June 2008

	Note	30 June 2008 (unaudited) £000	31 December 2007 (restated) £000	30 June 2007 (unaudited) £000
Non-current assets				
Investment properties	7	128,500	–	–
Property, plant and equipment		1,552	1,610	816
Investments in jointly controlled entities	6	17,491	24,144	27,531
Investments	8	4,623	2,419	1,832
Derivatives used for hedging		470	–	–
Deferred tax assets		–	634	807
Trade and other receivables		–	–	180
Total non-current assets		152,636	28,807	31,166
Current assets				
Trade and other receivables		9,519	9,309	18,712
Cash and cash equivalents		93,155	137,012	105,986
Total current assets		102,674	146,321	124,698
Total assets		255,310	175,128	155,864
Current liabilities				
Interest bearing loans and borrowings	9	1,358	–	–
Trade and other payables		10,467	10,307	10,008
Current tax liabilities	4	4,624	16,500	8,117
Total current liabilities		16,449	26,807	18,125
Non-current liabilities				
Interest bearing loans and borrowings	9	85,209	–	–
Derivatives used for hedging		17	–	–
Deferred tax	4	787	–	–
Other payables		523	320	–
Total non-current liabilities		86,536	320	–
Total liabilities		102,985	27,127	18,125
Net assets		152,325	148,001	137,739
Equity				
Share capital	10	76	76	76
Share premium account	10	108,768	108,768	108,768
Capital contribution reserve	10	1,782	1,782	1,782
Hedge reserve	10	1,312	(1,027)	–
Retained earnings	10	40,387	38,402	27,113
Total shareholders' equity		152,325	148,001	137,739

The notes on pages 11 to 16 form part of these interim financial statements.

Consolidated Statement of Recognised Income and Expense

For the period ended 30 June 2008

		Six months ended 30 June 2008 (unaudited) £000	Six months ended 30 June 2007 (unaudited) £000	Year ended 31 December 2007 (restated) £000
	Note			
Net change in fair value of available for sale financial assets	8	(2,797)	–	(169)
Deferred tax on net change in fair value of available for sale financial assets	10	783	–	47
Profit on cash flow hedge	10	2,611	–	–
Deferred tax on profit on cash flow hedge	10	(731)	–	–
Movement in joint venture swaps	6	637	–	(1,469)
Deferred tax on movement in joint venture swaps	6	(178)	–	442
Net income/(expense) recognised directly in equity		325	–	(1,149)
Profit for the period/year		6,619	19,184	33,445
Total recognised income and expense	10	6,944	19,184	32,296

Consolidated Cash Flow Statement

For the period ended 30 June 2008

	Six months ended 30 June 2008 (unaudited) £000	Six months ended 30 June 2007 (unaudited) £000	Year ended 31 December 2007 (restated) £000
Profit for the period	6,619	19,184	33,445
Adjustments for:			
Tax	4,427	7,574	16,378
Investment income	(4,431)	(3,180)	(7,672)
Employee share awards	1,736	1,618	3,071
Depreciation/amortisation	210	53	247
Gain on disposal of property, plant and equipment	–	–	(110)
Share of losses of jointly controlled entities	4,578	–	3,646
Fair value adjustment on asset acquisition	(636)	–	–
Decrease in provisions	(46)	–	(45)
Changes in working capital:			
(Increase)/decrease in trade and other receivables	(1,172)	(9,348)	623
Increase in trade and other payables	2,186	2,202	2,566
Cash flows from operating activities	13,471	18,103	52,149
Income taxes paid	(16,280)	(2,704)	(3,064)
Net cash from operating activities	(2,809)	15,399	49,085
Cash flows from investing activities			
Investment income	4,317	3,206	6,648
Proceeds on disposal of property, plant and equipment	–	–	115
Acquisition of property, plant and equipment	(149)	(576)	(1,539)
Acquisition of investment properties	(57,968)	–	–
Acquisition of investments in joint ventures	(16,252)	(27,531)	(28,161)
Acquisition of other investments	(5,001)	–	(659)
Net cash flows from investing activities	(75,053)	(24,901)	(23,596)
Cash flows from financing activities			
Dividends paid	(4,203)	–	(1,853)
EBT share purchases	(155)	(180)	(2,292)
Increase in loans	65,633	–	–
Repayments of loans	(25,019)	–	–
Interest paid	(2,251)	–	–
Net cash flows from financing activities	34,005	(180)	(4,145)
Net (decrease)/increase in cash and cash equivalents	(43,857)	(9,682)	21,344
Opening cash and cash equivalents	137,012	115,668	115,668
Closing cash and cash equivalents	93,155	105,986	137,012

Notes to the Consolidated Interim Financial Statements

For the period ended 30 June 2008

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 2008 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 25 July 2008. 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 year ended 31 December 2007 except where restatements have been made as a result of the change in accounting policy for investment properties as detailed below. These policies are set out in the Group's Annual Report and Accounts 2007. Since the year end the Group has acquired a further 50% shareholding in Invista Castle Limited, changing it from a 50% owned joint venture to a wholly owned subsidiary. As a result of this acquisition the Group now owns investment property and holds loans and borrowings.

The Group has adopted the fair value model option under IAS 40 'Investment Properties' in respect of the accounting period to 30 June 2008 and will do so for future periods. Previously, the Group had adopted the cost model. The change to fair value accounting has been prompted by the Board's belief that this method of accounting will provide greater transparency to investors and is more appropriate given the evolving nature of the Group's balance sheet. Adopting fair value accounting brings the Group into line with other co-investing property fund managers.

The 2007 comparative figures in these interim financial statements have been restated to reflect this change in accounting policy for investment properties. The impact of this change is that the 2007 full year accounts (as restated) show an increase of £1,254,000 in both profit before tax and in net assets as a result of fair value movements and associated deferred tax in the second half of 2007. There is no impact on the comparative figures as at June 2007.

Notes to the Consolidated Interim Financial Statements *continued*

The new accounting policy for investment properties is as follows:

Investment property is land and buildings held to earn rental income together with the potential for capital growth. Investment properties are initially recognised on completion of contracts at cost, being the fair value of the consideration given, including transaction costs associated with the investment property. After initial recognition, investment properties are measured at fair value, with unrealised gains and losses recognised in the Consolidated Income Statement. Realised gains and losses on the disposal of properties are recognised in the Consolidated Income Statement. Fair value is based on the market valuations of the properties at the balance sheet date. Market valuations are carried out twice a year.

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 years ended 30 June 2008 and 30 June 2007 are unaudited. The figures for the year ended 31 December 2007 have been derived from the Company's statutory accounts for the year ended 31 December 2007 upon which the auditors issued an unqualified opinion and which have been delivered to the Registrar of Companies, with restatements to reflect the change in accounting policy for investment properties.

No adjustments have been made for any changes in estimates made at the time of approval of the 2007 statutory accounts.

2. Earnings per share

Basic and diluted earnings per ordinary share are based upon Group profit attributable to ordinary shareholders at 30 June 2008 of £6,619,000 (30 June 2007: £19,184,000; 31 December 2007 (restated): £33,445,000).

Number of shares

	30 June 2008 (unaudited)	31 December 2007 (audited)	30 June 2007 (unaudited)
Weighted average number of ordinary shares for the purposes of basic earnings per share	262,233,463	264,025,086	264,657,750
Effect of dilutive potential ordinary shares:			
Share options	8,592,986	2,355,454	4,830,961
Weighted average number of ordinary shares for the purposes of diluted earnings per share	270,826,449	266,380,540	269,488,711

3. Dividends

An interim dividend for ordinary shares in respect of 2008 of 0.7 pence per share (2007: 0.7 pence), amounting to a total interim dividend of £1,838,575 (2007: £1,852,604) based on shares in issue as at 30 June 2008, has been proposed for approval by the Board in July 2008. It is proposed that the holders of the preferred ordinary shares receive 0.875 pence per share (2007: 0.875 pence), amounting to a total interim dividend of £438 (2007: £438).

This interim dividend will be paid on 29 August 2008 to shareholders on the register at close of business on 8 August 2008. This dividend has not been recognised as a liability at the balance sheet date.

4. 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% from April 2008 and 30% for the periods prior to that.

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. Acquisition of subsidiary

On 10 April 2008 the Group acquired the 50% of the issued share capital of Invista Castle Limited that it did not already own from the Group's joint venture partner, taking its ownership to 100%.

The carrying value in the books of Invista at 10 April 2008 was £18,867,000. Following acquisition the investment ceased to be treated as a joint venture and was fully consolidated within the results of the Group.

The equity interest was acquired for £1 along with the repayment of debt of £24,189,000 plus outstanding accrued interest. Including transaction costs new cash injected totalled £27,041,000.

The transaction has been treated as an asset acquisition and consequently no goodwill has arisen.

Notes to the Consolidated Interim Financial Statements continued

6. Investments in jointly controlled entities

In June 2008 the Group and its joint venture partner each injected a further €15m of equity into Celsius European Holdings Sarl. Invista remains confident that the joint venture should be capable of being refinanced in the second half of 2008.

On 10 April 2008 the Group acquired the 50% of the issued share capital of Invista Castle Limited that it did not already own, making it a fully owned subsidiary.

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 2008:

Note	Celsius European Holdings Sarl £000	Invista Castle Limited £000	Invista Real Estate Opportunity Fund Limited Partnership £000	Total £000
Cost and carrying amount				
Balance at 31 December 2007 (audited)	5,592	17,103	195	22,890
Restatement	(643)	1,897	–	1,254
Balance at 31 December 2007 (restated)	4,949	19,000	195	24,144
Additions	12,023	–	3,770	15,793
Foreign exchange movement	540	–	–	540
Share of losses	(3,008)	(573)	(997)	(4,578)
Joint venture hedge movements	(72)	611	98	637
Deferred tax on joint venture hedge movements	21	(171)	(28)	(178)
Acquisition of 100% shareholding	5	(18,867)	–	(18,867)
Balance at 30 June 2008 (unaudited)	14,453	–	3,038	17,491

7. Investment properties

	£000
Balance at 31 December 2007 – at cost	–
Acquisitions	63,614
Transfer from jointly controlled entity	64,250
Closing balance at 30 June 2008 – at cost	127,864
Net valuation gains on investment property – 30 June 2008	636
Closing balance at 30 June 2008 – at valuation (unaudited)	128,500

The Group took investment properties to the value of £127,864,000 on to its balance sheet when it acquired 100% of the share capital of Invista Castle Limited on 10 April 2008. The directors' have valued the investment properties at 30 June 2008 at £128,500,000 on the basis of market value using discounted cash flow projections.

8. Investments

Available for sale

	£000
Cost and carrying amount	
Balance at 31 December 2007 (audited)	2,419
Additions	5,001
Net change in fair value of available for sale financial assets	(2,797)
Balance at 30 June 2008 (unaudited)	4,623

During the period to 30 June 2008 the Group acquired a further 6,703,084 shares in Invista Foundation Property Trust ('IFPT') at a cost of £5,000,000.

At 30 June 2008 a decrease in fair value of £2,797,000 attributable to the fall in the IFPT share price was taken through reserves.

9. Interest bearing loans and borrowings

	30 June 2008 (unaudited) £000	31 December 2007 £000
Non-current liabilities		
Bank loan	15,000	–
Bank loans – senior debt	71,075	–
	86,075	–
Less: arrangement costs	(866)	–
	85,209	–
Current liabilities		
Bank loans – senior debt	1,358	–

The Group took the above interest bearing loans held by Invista Castle Limited on to the Group balance sheet from 10 April 2008 when it 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 of £15,000,000 which matures on 30 April 2011.

Both the bank loans are secured by way of a fixed and floating charge over the assets of Invista Castle Limited. Interest is fixed on both loans by way of swap instruments at a weighted average interest rate of 6.4% per annum.

Notes to the Consolidated Interim Financial Statements *continued*

10. Reconciliation of movement in capital and reserves

	Share capital £000	Share premium £000	Capital contribution reserve £000	Hedge 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
Total recognised income and expense	–	–	–	–	19,184	19,184
Employee share expense	–	–	–	–	1,617	1,617
Deferred tax on employee share expense	–	–	–	–	77	77
Balance at 30 June 2007 (unaudited)	76	108,768	1,782	–	27,113	137,739
Profit for the period	–	–	–	–	14,261	14,261
Net change in fair value of available for sale financial assets	–	–	–	–	(169)	(169)
Deferred tax on net change in fair value of available for sale financial assets	–	–	–	–	47	47
Movement in joint venture swaps	–	–	–	(1,469)	–	(1,469)
Deferred tax on movement in joint venture swaps	–	–	–	442	–	442
Total recognised income and expense	–	–	–	(1,027)	14,139	13,112
Dividends paid	–	–	–	–	(1,853)	(1,853)
EBT share purchases	–	–	–	–	(2,134)	(2,134)
Employee share expense	–	–	–	–	1,296	1,296
Deferred tax on employee share expense	–	–	–	–	(159)	(159)
Balance at 31 December 2007 (restated)	76	108,768	1,782	(1,027)	38,402	148,001
Profit for the period	–	–	–	–	6,619	6,619
Net change in fair value of available for sale financial assets	–	–	–	–	(2,797)	(2,797)
Deferred tax on net change in fair value of available for sale financial assets	–	–	–	–	783	783
Profit on cash flow hedge	–	–	–	2,611	–	2,611
Deferred tax on profit on cash flow hedge	–	–	–	(731)	–	(731)
Movement in joint venture swaps	–	–	–	637	–	637
Deferred tax on movement in joint venture swaps	–	–	–	(178)	–	(178)
Total recognised income and expense	–	–	–	2,339	4,605	6,944
Dividends paid	–	–	–	–	(4,203)	(4,203)
EBT share purchases	–	–	–	–	(153)	(153)
Employee share expense	–	–	–	–	1,736	1,736
Balance at 30 June 2008 (unaudited)	76	108,768	1,782	1,312	40,387	152,325

Independent Review Report by KPMG Audit Plc

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 2008 which comprises the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Statement of Recognised Income and Expense, 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 2008 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.

KPMG Audit Plc Chartered Accountants

London
25 July 2008

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