

25 June 2008

Invista Real Estate Investment Management Holdings plc Trading Statement

Trading Update

Invista is today issuing an update on current trading in advance of its interim results announcement on 28 July 2008.

The business remains on course to report results in line with management's expectations for the half year. Despite the deterioration in overall property market conditions in recent months Invista, as a fund management company, has still been able to build its business by successfully launching new funds in higher margin areas. In addition, it has been able to recycle €170 million of French assets from a joint venture company into a client fund thus creating long term management fees. Invista continues to expect to recycle the balance of the portfolio in due course and has injected further equity to reduce debt pending a refinancing later this year. The residential Invista Castle portfolio, on a long term letting arrangement to the government, has been successfully refinanced and is now owned 100% by Invista.

Assets Under Management

As at 31 May 2008, assets under management were £8.2 billion, having decreased by 6% since 31 December 2007.

Movements in AUM for the five month period to 31 May 2008 were:

£billions	AUM as at 31 December 2007	Net fund flows	Valuation movements	AUM as at 31 May 2008
HBOS Funds	4.4	(0.2)	(0.2)	4.0
Separate Accounts	2.1	0.1	(0.1)	2.1
Collective Investor Funds	2.2	(0.1)	-	2.1
Total	8.7	(0.2)	(0.3)	8.2

Assets under management in the period to 31 May 2008 have reduced as a result of a combination of outflows from open-ended funds totalling £150 million and other net outflows and revaluations across all the funds totalling £350 million. Whilst the open ended funds are still experiencing net outflows, monthly outflows during the course of the five months to 31 May 2008 have been significantly reduced as compared with outflows experienced in the last two months of 2007.



AUM is continuing to grow in continental Europe and Invista now also manages a new International Fund, this fund having recently achieved a first closing. The fund is targeting, in the initial stage, Singapore, Hong Kong and Japan.

Business Performance

Invista continues to focus on growing recurring management fees and has done so with new fund launches at higher margins than the average fee rate across its existing range of funds. The Opportunity Fund launched last year has made a good entrance to the market with four new investments and there is potential for a second fund raising during the next 12 month period. In addition to the Opportunity Fund and the new International Fund we have recently announced our intention to launch a new specialist global property securities fund. A team has been identified and hired with a strong track record of running a Global REIT fund across America, Europe and Asia. There are positive indications that current client investors will be willing to invest.

Performance fees

Invista is focussing on developing more opportunities to earn performance fees with new funds. Both the Opportunity Fund as well the new International Fund have the ability to earn performance fees.

Performance fees amounting to £1.7 million were received in the first half. Invista does not anticipate any further performance fees being received in the remainder of the year.

Investment Performance

Investment performance of the underlying funds continues to be a very important priority for Invista. Recent investment performance relative to benchmarks has been good with over 70% of funds under management outperforming over the three year period to December 2007. Capital markets and liquidity remain difficult and whilst property prices have fallen, the risk remains on the downside and is now primarily related to wider macro economic conditions.

Balance Sheet Investments

Invista has two principal balance sheet investments, Celsius and Invista Castle Limited.

In May 2008, Invista successfully recycled half, by value, of Celsius's French investment property portfolio in connection with the previously announced €170 million sale to Clerical Medical. Subsequently, Invista and its joint venture partner have each injected a further €15 million of equity into Celsius and continue to remain confident of successfully refinancing the joint venture by the year end. In April 2008, Invista successfully refinanced and acquired the 50% that it did not already own in Invista Castle Limited.

Invista will continue to investigate the options for recycling its investments in Invista Castle Limited as well as the Celsius joint venture in France.

Change to Fair Value Accounting

In respect of these principal balance sheet investments, and others, Invista expects to adopt the fair value model option under International Accounting Standard 40 (Investment Properties) in respect of the accounting period to 30 June 2008 and 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 brings Invista more in line with current industry practice given the evolving nature of Invista's balance sheet.

The impact of this change will be that the 2007 accounts (as restated) will show a minor increase of around £1 million in profit before tax as a result of fair value movements in the second half of 2007. With respect to the six month period ending 30 June 2008, whilst Invista's French joint venture, Celsius, is expected to book a small profit on the previously announced sale of assets to Clerical Medical, this will not entirely offset an expected fair value adjustment in respect of the retained portfolio. Over the period since acquisition in May 2007, the retained part of the portfolio has witnessed only a modest fall in value of around 2%, in total.

Following the acquisition of Invista Castle Limited in April 2008, Invista now fully consolidates the results of Invista Castle Limited and its underlying investment residential property portfolio. The value of these assets has remained essentially flat over the period since the initial investment was made in the joint venture in May 2007.

Outlook

The outlook generally for the investment market for commercial property in the UK remains poor and this will continue to impact negatively on some of Invista's funds under management. Continental Europe has so far remained robust with flat valuations but we expect downward movement in some parts of the eight markets in which our funds invest, although France and Germany may hold up relatively well.

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