

Invista Real Estate Investment Management Limited

Directors' Report and Financial Statements

31 December 2011

Registered No 4459443

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Company Information

Directors	G E Eastaugh
	D Ferrans
	O C Dickson
	S Colsell
	D Gardner
Company Secretary	M Lawson
Auditors	KPMG Audit Plc 15 Canada Square London E14 5GL
Registered Office	107 Cheapside London EC2V 6DN

Directors' Report

The Directors present their Report and the audited financial statements for the year ended 31 December 2011

Principal activities

The Company manages real estate assets on behalf of third party clients and provides investment management services to the funds in which the Company's immediate parent undertaking Invista Real Estate Investment Management Holdings plc has a co-investment

Business review

Overview

Revenues in 2011 decreased by 19% to £19.3 million (2010 £24.0 million). The Company recorded a profit before taxation of £3.1 million (2010 £7.6 million).

The results for the year are shown in the Statement of Comprehensive Income on page 11.

Principal 2011 events

During the year a number of the Company's investment management mandates were transferred to third parties as part of the value realisation strategy of the Company's immediate parent undertaking Invista Real Estate Investment Management Holdings plc.

- In May 2011 the HBOS Funds were transferred to a new manager. The assets under management ("AUM") transferred represented approximately half of the Company's AUM at that time.
- In September 2011 investment management mandates in respect of the St James's Place property funds transferred to a new manager.
- In December 2011 the mandates in respect of Invista European Real Estate Trust SicaF and Celsius European Holdings S à r l both transferred to a new manager.

Post year end

Investment management mandates in respect of Invista Foundation Property Trust Limited and The Equitable Life Assurance Society were transferred to a new manager in January 2012, leaving the Company with proforma assets under management as at 31 December 2011 of £178 million.

Principal lines of business

HBOS Funds

Management of the HBOS Funds ceased in May 2011 when the mandates were transferred to a new manager.

The Company continues to accrue for the receipt of £0.5 million which remains outstanding from Lloyds Banking Group regarding an early termination agreement for the transfer of the HBOS Funds. This amount remains the subject of a formal legal dispute between the parties as previously announced in November 2011 by the Company's immediate parent undertaking Invista Real Estate Investment Management Holdings plc.

Separate Accounts

The Company no longer manages any Separate Account business, with all assets previously under management as at 31 December 2010 having since been transferred to new managers during 2011 or in January 2012.

Collective Investor Funds

As at 31 December 2011 the Company managed Collective Investor Funds with a total value of £550 million. Excluding the Invista Foundation Property Trust, which transferred to a new manager in January 2012, funds under this heading comprise

Fund	Proforma 31
	December 2011 £m
Invista Real Estate Opportunity Fund LP	56
Invista Real Estate International Fund LP	50
Invista Canmoor	44
BOSS Partnership 1 LP	28
Total	178

Corporate and social responsibility

Invista's principal objective is to deliver outstanding service for its clients. The Company is committed to achieving this objective in a manner which is consistent with the FSA's Treating Customers Fairly initiative. The Company also recognises its broader responsibilities as a manager of assets that impact the environment and seeks through constructive dialogue with relevant stakeholders, and through a programme of continuous improvement, to ensure that assets managed by Invista have a positive and sustainable impact on the environment and on key social and economic factors.

To this end, the Company has in place appropriate policies and procedures approved by the Board to ensure a consistent, fair and transparent standard that governs the manner in which Invista treats its customers, employees and other stakeholders.

Risks and uncertainties

Details of the principal risks and uncertainties that the Company is likely to face over the forthcoming year are outlined below. These will continue to be subject to regular scrutiny by the Group Audit Committee and Board during the course of 2012.

Litigation risk

This includes the risk of potential claims from clients, employees and other parties and also claims from shareholders of Invista Real Estate Investment Management Holdings plc and the failure to properly deal with any claims arising.

External legal advice will continue to be taken as appropriate to reduce the likelihood of the Company's actions causing future claims and litigation.

Any actual and potential claims are promptly reported to the Directors who ensure that expert legal support is obtained. The Directors closely oversee the progression of such claims until they are satisfactorily resolved.

The Directors have ensured that appropriate corporate insurance cover has been taken out and regularly review corporate insurance arrangements. As with all insurances however, there is a risk that claims against insurance policies are ultimately not successful.

Market conditions

The current unstable conditions in world financial markets, including real estate markets, could lead to a marked deterioration in the Company's remaining assets under management and could adversely impact the value realisation strategy of the Company's immediate parent company Invista Real Estate Investment Management Holdings plc which may result in that company pursuing alternative strategies such as continuing to manage certain assets for the foreseeable future.

The current unstable debt market conditions could adversely impact the ability of Invista Real Estate Investment Management Holdings plc to obtain debt finance on favourable commercial terms or at all for its interests in the International Fund and the Opportunity Fund. Both of these funds are managed by the Company.

People risk, including staff retention

There is a risk that the uncertainty arising from the value realisation strategy of the Company's immediate parent company Invista Real Estate Investment Management Holdings plc, could result in low staff morale, the departure of key staff, poor staff performance/ output and an increase in operational losses and fraud.

The Group's Remuneration Committee, on behalf of the Board, is responsible for determining remuneration policy, ensuring that it remains competitive and supports an effective risk management framework. The Committee has implemented appropriate retention arrangements to ensure the retention of key individuals.

All staff are required to have individual performance objectives in place against which actual performance is monitored by line managers. Cover arrangements and succession planning are kept continually under review by Invista's senior management.

Invista's independent Risk Team carries out a regular programme of monitoring reviews across all areas of Invista's business.

Invista has an anti-financial crime policy in place which has been reviewed by the Group Audit Committee and approved by the Board. The policy includes details of Invista's fraud prevention measures. There is also a separate Board approved anti-bribery and corruption policy in place.

Client risk

As the Company continues to be scaled down there is a risk that the Company may be unable to effectively support the transitions for the clients who have served notice and/ or being unable to honour the Company's obligations to remaining clients, for example as a result of control breakdowns, breaches of client mandates or loss of business continuity.

All fund transitions are subject to a controlled project management process with appropriate project infrastructure, disciplines and escalation points.

Invista has documented procedures in place across all areas of its business with monitoring checks in place to provide an 'early-warning' system to identify any control breakdowns. The procedures detail the relevant control processes which include authorisation checks, supervisory reviews, access controls and segregation of duties.

Compliance against client mandates is overseen by the relevant Investment Committee and independent Risk Team and there is a documented process in place for the reporting of breaches. All processes and procedures are subject to risk based compliance monitoring.

In relation to client credit risk, i.e. the risk of clients defaulting on their contractual obligations, the Company has credit control procedures in force to monitor and chase outstanding payments. Where amounts remain outstanding, the Company will consider, as appropriate, the legal and other measures available to it to secure payment.

Regulatory, legal and taxation risk

The risk of failing to fulfil regulatory obligations and/or non-compliance with legal requirements, including UK and international taxation law.

Invista has an in-house Risk Team, led by the Chief Risk Officer & Company Secretary, which is experienced in monitoring compliance against regulatory requirements. The Chief Risk Officer & Company Secretary reports formally to the Executive Chairman and has full access to the Chair of the Group Audit Committee and other Directors. The Chief Risk Officer & Company Secretary attends meetings of the Board and tables a risk report thereto.

Invista uses external legal advisers and obtains specialist UK taxation advice from Lloyds Banking Group's Tax team and from Deloitte LLP and KPMG in relation to international taxation matters.

Conflicts of interest

The risk that potential conflicts of interest may not be identified or be properly managed

Invista has a detailed conflicts of interest policy in place, the primary purpose of which is to ensure that all clients and other stakeholders such as tenants are treated fairly. The policy is regularly reviewed and updated accordingly. The Directors have had extensive input into the policy and the Risk Team is responsible for monitoring compliance against the policy and for reporting the results of monitoring to the Group Audit Committee and the Board.

Property specific risk

There are a number of risks which are generic to property as an asset class and remain relevant to Invista's remaining funds under management. These include the following:

- tenancy risk – tenant failure or default and excessive void rates,
- covenant risk – the breach of covenants set out in finance and loan agreements leading to the potential recall of debt, and
- insurance risk – the failure to insure a property properly

Specific fund managers are responsible for actively managing each individual property with a view to increasing rental yields. A business plan is produced for each property which is reviewed on an annual basis by the relevant Investment Committee. The Committees also monitor void rates with corrective action being taken if they appear to be excessive.

It is the responsibility of each individual fund manager to ensure that the covenants in force on their fund(s) are strictly followed. This is overseen by the relevant Investment Committee and independent Risk Team.

Dividends

Dividends totalling £3,500,000 were paid to the parent company Invista Real Estate Investment Management Holdings plc during 2011.

The Directors do not recommend the payment of a further dividend for the year ended 31 December 2011 (2010: £6,000,000).

Directors

The Directors of the Company during the year were as follows:

Douglas Ferrans (Chairman) – appointed Executive Chairman 25 January 2012

Duncan Owen (Chief Executive) – resigned 13 January 2012

Philip Gadsden (Deputy Chief Executive) – resigned 1 March 2012

Guy Eastaugh (Chief Financial Officer)

Olivia Dickson (Non-Executive Director)

Steve Colsell (Non-Executive Director)

Douglas Gardner (Non-Executive Director)

Supplier payment policy

It is the Company's policy that payments made to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers

The Company had trade creditors outstanding for the year ended 31 December 2011 representing 4 days of purchases

Charitable and political contributions

The Company made a charitable donation of £100 during the year (2010 £nil) No political donations were made in the current or prior year It is the Company's policy not to make donations to political parties

Employees

It is Invista's goal to equip its employees with the best skills and to encourage responsible business practice The Company has, therefore, sought to create a culture of learning and continuous improvement to ensure employees have the skills and knowledge to perform their job confidently and responsibly

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees

International Financial Reporting Standards

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union

Going concern

Notwithstanding the loss of a number of contracts during the year, the Directors consider that the Company has the ability to continue in business for the foreseeable future, albeit that this would be on a significantly reduced scale of operations It is for this reason that the Directors believe the going concern basis of accounting under IAS 1 is the appropriate basis for this set of financial statements

Availability of audit information

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they each are aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

In accordance with section 487 of the Companies Act 2006, no other auditor having been appointed before the end of the last period for appointing auditors, the Company's existing auditors, KPMG Audit Plc, will be deemed to be re-appointed as the auditors of the Company for the current financial year

By order of the Board


Mark Lawson

Company Secretary

19 April 2012

Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for the Company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditors' Report to the members of Invista Real Estate Investment Management Limited (Registered Number 4459443)

We have audited the financial statements of Invista Real Estate Investment Management Limited for the year ended 31 December 2011 set out on pages 11 to 34. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.


Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.


Shaun Kirby
(Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL
19 April 2012

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Note	2011 £000	2010 £000
Revenue	3	19,336	24,000
Administrative expenses	4	(16,336)	(16,489)
Operating profit	6	3,000	7,511
Investment income	7	53	41
Profit before tax		3,053	7,552
Income tax expense	8	(1,885)	(2,921)
Profit for the year		1,168	4,631

All results relate to continuing operations

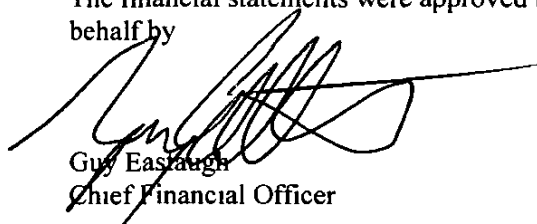
The notes on pages 15 to 34 form part of these financial statements

BALANCE SHEET

At 31 December 2011

	Note	2011 £000	2010 £000
Non-current assets			
Property, plant and equipment	9	-	321
Deferred tax assets	10	498	916
Total non-current assets		498	1,237
Current assets			
Trade and other receivables	11	2,249	3,429
Cash and cash equivalents		12,697	14,325
Total current assets		14,946	17,754
Total assets		15,444	18,991
Current liabilities			
Trade and other payables	12	4,736	5,047
Current tax liabilities		1,467	2,197
Total current liabilities		6,203	7,244
Non-current liabilities			
Other payables	12	34	295
Total non-current liabilities		34	295
Total liabilities		6,237	7,539
Net assets		9,207	11,452
Equity			
Share capital	18	10,000	10,000
Retained (loss)/ earnings		(793)	1,452
Total shareholders' equity		9,207	11,452

The financial statements were approved by the Board of Directors on 19 April 2012 and signed on its behalf by



Guy Eastaugh
Chief Financial Officer

The notes on pages 15 to 34 form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Share capital £000	Retained (loss)/ earnings £000	Total £000
Balance at 1 January 2010	10,000	2,701	12,701
Profit for the year	-	4,631	4,631
Total comprehensive income	-	4,631	4,631
Dividends paid	-	(6,000)	(6,000)
Employee share expense	-	225	225
Tax on employee share expense	-	(105)	(105)
Balance at 31 December 2010	10,000	1,452	11,452
Profit for the year	-	1,168	1,168
Total comprehensive income	-	1,168	1,168
Dividends paid	-	(3,500)	(3,500)
Employee share expense	-	87	87
Balance at 31 December 2011	10,000	(793)	9,207

CASH FLOW STATEMENT

For the year ended 31 December 2011

	2011 £000	2010 £000
Profit for the year	1,168	4,631
Adjustments for.		
Tax	1,885	2,921
Interest income	(95)	(110)
Employee share awards	87	225
Depreciation	320	944
Changes in working capital		
Decrease in trade and other receivables	1,179	403
(Decrease)/ increase in trade and other payables	(570)	606
Cash flows from operating activities	3,974	9,620
Income taxes paid	(2,197)	(5,009)
Net cash from operating activities	1,777	4,611
Cash flows from investing activities		
Interest income	95	110
Acquisition of property, plant and equipment	-	(316)
Net cash flows from investing activities	95	(206)
Cash flows from financing activities		
Dividends paid	(3,500)	(6,000)
Net cash flows from financing activities	(3,500)	(6,000)
Decrease in cash and cash equivalents	(1,628)	(1,595)
Opening cash and cash equivalents	14,325	15,920
Cash and cash equivalents at 31 December	12,697	14,325

Notes to the Financial Statements

1. Basis of preparation

The Company's financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ('IFRS') and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') as adopted by the EU ('Adopted IFRS') that are effective at 31 December 2011 and comply with article 4 of the EU IAS regulation

Notwithstanding the loss of a number of contracts during the year, the Directors consider that the Company has the ability to continue in business for the foreseeable future, albeit that this would be on a significantly reduced scale of operations. It is for this reason that the Directors believe the going concern basis of accounting under IAS 1 is the appropriate basis for this set of financial statements

The application of the following IFRS pronouncements which all became effective in 2011 has had no material impact on these financial statements

- Amendment to IAS 32 'Financial Instruments Presentation – Classification of Rights Issues' Requires rights issues denominated in a currency other than the functional currency of the issuer to be classified as equity regardless of the currency in which the exercise price is denominated

- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' Clarifies that when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor, a gain or loss is recognised in the income statement representing the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, the fair value of the financial liability is used to measure the gain or loss where the fair value of the equity instruments cannot be reliably measured

- 'Improvements to IFRSs' (issued May 2010) Amends IFRS 7 Financial Instruments Disclosure to require further disclosures in respect of collateral held by the Company as security for financial assets and sets out minor amendments to IFRSs as part of the annual improvements process

- Amendment to IFRIC 14 'Prepayments of a Minimum Funding Requirement' Applies when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements and permits such an entity to treat the benefit of such an early payment as an asset

- Amendments to IAS 24 'Related Party Disclosures' Simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for government related entities

There are no new standards, amendments to standards, or interpretations that have been adopted by the EU as at 31 December 2011 but are not yet effective for the year ended 31 December 2011 which would be expected to have a material effect on the financial statements of the Company

The financial statements are presented in sterling, rounded to the nearest thousand. They are prepared on the historical cost basis, except for valuation of certain financial instruments

The preparation of financial statements in conformity with Adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Key judgements management have taken relate to valuation, in most instances, of share awards. The Company uses external professional valuations to assist in this judgement. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. Significant accounting policies

(a) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Management and administration fees are recognised in the income statement as they are earned.

Performance fees are recognised when the performance period has ended and the performance calculation can be performed with reasonable certainty.

Transaction fees are accounted for once the relevant investment transaction has been completed.

Termination fees are accounted for once the relevant transfer has been completed.

Bank interest is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(b) Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on balance sheet date. Gains and losses arising on retranslation are included in net profit or loss for the year.

(c) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses.

Plant and equipment is assessed for impairment where there is an indication of impairment. Where impairment exists, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss recognised in the income statement. The depreciation charge for the asset is then adjusted to reflect the asset's revised carrying amount.

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation

The cost of equipment, including fixtures and fittings, and computer hardware, less estimated residual value, is written off in equal instalments over expected lives of the assets as follows

Computer equipment	3 years
Motor vehicles	4 years
Fixtures and fittings	5 years

The cost of leasehold improvements/ lease premiums are written off in equal instalments over the lesser of the remaining life of the lease or eight years.

(d) Trade and other receivables

Trade and other receivables are stated at their face value as reduced by appropriate allowances for estimated irrecoverable amounts

(e) Impairment

The carrying amounts of the Company's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, and short-term bank deposits held by the Company with an original maturity of three months or less. Cash is held for the purpose of meeting short term commitments as well as for meeting future investment needs.

(g) Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(h) Trade and other payables

Trade and other payables are stated at their face value.

(i) Taxation

The tax expense represents the sum of the current tax payable and deferred tax.

The current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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 at the balance sheet date.

(j) Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due

(k) Share-based payments

The Company has applied the requirements of IFRS 2 'Share-based Payments'. Certain of the Company's employees received equity-settled share-based rewards in shares of the parent company. These are measured at fair value at the date of grant, and expensed on a straight line basis over the vesting period, and if applicable, performance period, based on the Company's estimate of shares that will eventually vest.

(l) Share capital

Ordinary shares are classed as equity

(m) Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term

3. Revenue

	2011	2010
	£000	£000
Investment management fees	14,264	21,896
Termination fees	3,601	-
Transaction fees	690	492
Administration fees and other income	781	1,612
Total	19,336	24,000

For the year ended 31 December 2011 the Directors consider there to be only one material class of business being the provision of property investment management services, and one material geographical segment being the United Kingdom

4. Administrative expenses

	2011	2010
	£000	£000
Employee costs		
Wages and salaries	8,318	9,109
Share based payments	87	225
Social security costs	647	937
Other pension costs	564	670
Total (including Directors)	9,616	10,941
Occupancy costs	1,098	663
Other administrative costs	5,622	4,885
Total administrative expenses	16,336	16,489

Employee costs in 2011 include £1.1 million redundancy costs and other administrative costs in 2011 include £3.1 million reorganisation costs which together total costs of £4.2 million incurred by the Company relating to the activity in relation to the termination and transfer of fund mandates

Included within the £3.1 million reorganisation costs shown in other administrative costs are costs of £1.4 million associated with the lease surrender of the office at Exchequer Court and the move to the office at 107 Cheapside. See note 6 for further details

The average number of persons employed by the Company (including Directors) during the year was 65 (2010 91), of which 25 (2010 41) were investment professionals

5. Remuneration of Directors

Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	2011 £000	2010 £000
Emoluments	1,216	834
Company contributions to pension schemes	139	139
Total	1,355	973

Emoluments in 2011 include payments to Directors totalling £382,000 representing 18 pence per share paid on the vested share awards in the Deferred Matching Plan which plan participants had been unable to exercise at the date of the capital return made by Invista Real Estate Investment Management Holdings plc in June 2011 due to Invista Real Estate Investment Management Holdings plc being in a prohibited period for the purposes of share dealing

Highest paid Director

	2011 £000	2010 £000
Emoluments	541	329
Company contributions to pension schemes	63	63
Total	604	392

The full £63,000 of the company contributions to pension schemes for the highest paid Director was paid during 2011 and none was accrued as at 31 December 2011

	2011 No. of Directors	2010 No. of Directors
Retirement benefits are accruing to the following number of Directors under defined contribution schemes	3	3

6. Operating profit

Operating profit has been arrived at after charging

	Note	2011 £000	2010 £000
Depreciation of property, plant and equipment	9	320	944
Operating lease rentals		894	33
Auditors' remuneration for			
- Statutory audit		12	30
- Audit-related regulatory reporting		4	3
- Tax advisory services		3	-

Operating lease rentals relate to the Company's office premises in London, Paris and Hong Kong. The lease costs have been spread evenly over the lease terms.

Until 22 March 2010 the Company occupied leasehold premises in London on the 4th Floor Exchequer Court, 33 St Mary Axe, London, EC3A 8AA under a ten year lease which began in July 2007 and was due to expire in 2017. A rent free period applied until 25 November 2008, the benefit of which was initially spread over the lease term.

On 22 March 2010 the Company surrendered the lease for the 4th Floor at Exchequer Court and entered into a new lease on the 6th Floor at the same address. As a result of this an accelerated release to the income statement of the remaining provision for the 4th Floor rent free period was spread over the period from 21 December 2009 to 22 March 2010 reducing the operating lease rental cost shown above for 2010. However, the effect of this on operating profit in 2010 was offset by an accelerated depreciation charge spread over the same period relating to the write off of fixed assets in respect of the 4th Floor Exchequer Court.

The lease for the 6th Floor Exchequer Court was originally due to expire in July 2017. On 8 March 2011 the Company entered into an agreement for the surrender of the 6th Floor lease and the surrender was completed on 31 May 2011 with the payment of a lease surrender cost of £1,155,000. This cost is in addition to the £894,000 operating lease rentals figure for 2011 shown above which reflects the regular monthly office lease costs for the year.

From 16 May 2011 the Company moved to new offices at 107 Cheapside, London, EC2V 6DN under a more flexible agreement. As at 31 December 2011 there were two leases in place, one expiring on 31 March 2012 and the other expiring on 31 May 2012. These have since been extended to 30 June 2012.

Rental of the Company's office in France at 21, rue des Pyramides – 75001 Paris was under a nine year lease which began in January 2008 and which was due to expire in 2017. On 17 January 2012 the Company signed a termination deed in respect of this lease with an effective date of 31 December 2011.

The Company's office in Hong Kong at Unit 820, 8/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong was under a 19 month lease which began in July 2009 and was due to expire in January 2011. This lease was extended at the end of 2010 for a further six months until July 2011 and was then further extended until January 2012. With effect from 1 February 2012 the Hong Kong office moved to Unit 832 at the same address on a three month lease which expires on 30 April 2012.

Note 14 provides details of future lease payment commitments.

In addition to the amounts for auditors' remuneration shown above the Company bore the costs of auditors' remuneration for other companies in the Invista Group totalling £88,000 (2010: £81,000).

7. Investment income

	2011 £000	2010 £000
Interest income on bank deposits	95	110
Total interest income	95	110
Net foreign exchange loss	(42)	(69)
Total investment income	53	41

8. Income tax expense

a) Analysis of tax expense

	2011 £000	2010 £000
Current tax:		
Corporation tax charge for the year at an average rate of 26.5% (2010 28%)	1,467	2,197
Adjustment for prior periods	-	(97)
Deferred tax:		
Deferred tax charge	388	844
Deferred tax change in tax rates	30	-
Adjustment for prior periods	-	(23)
Total income tax expense	1,885	2,921

b) Reconciliation of effective tax rate

The standard corporation tax rate in the UK changed from 28% to 26% on 1 April 2011, resulting in an average corporation tax rate for 2011 of 26.5%

The tax assessed for the year is higher than the average standard rate of corporation tax in the UK of 26.5% (2010 28%). The differences are explained below

	2011 £000	2010 £000
Profit before taxation	3,053	7,552
Profit multiplied by the average standard rate of corporation tax in the UK of 26.5% (2010 28%)	809	2,115
Non-deductible expenses	1,046	892
Change in tax rate	30	34
Adjustment for prior periods	-	(120)
Income tax expense	1,885	2,921

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012. This will reduce the Company's future current tax charge accordingly and further reduce the deferred tax asset at 31 December 2011 which was calculated based on the rate of 25% substantively enacted at the balance sheet date. It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the Company's future current tax charge and reduce the Company's deferred tax asset accordingly.

The current effective rate of taxation has been impacted in the year to 31 December 2011 by the level of disallowable expenses associated with the reorganisation of the business. In particular £1.4 million of lease surrender and other related costs were incurred in connection with the Company's move to new premises in May 2011 which are not deductible for tax purposes.

9. Property, plant and equipment

	Leasehold improvements £000	Fixtures & fittings £000	Computer equipment £000	Motor vehicles £000	Total £000
Cost					
At 1 January 2010	589	1,010	626	4	2,229
Additions	108	115	95	2	320
Disposals	(524)	(894)	(401)	(5)	(1,824)
At 31 December 2010	173	231	320	1	725
Disposals	(173)	(231)	(320)	(1)	(725)
At 31 December 2011	-	-	-	-	-
Accumulated depreciation					
At 1 January 2010	225	549	506	-	1,280
Charge for the year	361	454	128	1	944
Disposals	(524)	(894)	(401)	(1)	(1,820)
At 31 December 2010	62	109	233	-	404
Charge for the year	112	122	86	-	320
Disposals	(174)	(231)	(319)	-	(724)
At 31 December 2011	-	-	-	-	-
Carrying value					
At 31 December 2011	-	-	-	-	-
At 31 December 2010	111	122	87	1	321

10. Deferred tax assets

The movement for the year in deferred tax assets was as follows

	2011 £000	2010 £000
Balance at 1 January	916	1,842
Credit to reserves	-	(105)
Credit to the income statement	(388)	(821)
Change in tax rate to the income statement	(30)	-
Balance carried forward at 31 December	498	916

The elements of the deferred tax assets are as follows

	2011 £000	2010 £000
Accelerated capital allowances	366	338
Deferred tax on share schemes	132	578
Balance carried forward at 31 December	498	916

All deferred tax balances for the Company have been calculated using a rate of 25% which was the rate of corporation tax substantively enacted at the balance sheet date. For details of subsequent and future changes to the corporation tax rate see note 8.

11. Trade and other receivables

	2011 £000	2010 £000
Trade receivables	355	776
Amounts owed by Invista Group undertakings	279	765
Other receivables	216	254
Prepayments and accrued income	1,399	1,634
Balance at 31 December	2,249	3,429

12. Trade and other payables

	2011 £000	2010 £000
Current liabilities		
Trade payables	3	106
Amounts owed to Invista Group undertakings	2,319	862
Amounts owed to Lloyds Banking Group undertakings	92	210
Other tax and social security costs	617	789
Other payables	25	91
Accruals and deferred income	1,680	2,989
Balance at 31 December	4,736	5,047
Non-current liabilities		
Other payables	34	295
Balance at 31 December	34	295

Non-current liabilities for the Company relate to a provision for National Insurance payable on share scheme awards

13. Financial instruments

Financial risk management

The management of the Company's financial risks are documented within the Invista Group financial risk management framework. The document and underlying policies are the responsibility of the Group Chief Financial Officer and are periodically reviewed by the Group Audit Committee and approved by the Board.

At each Group Audit Committee meeting a financial risk and controls report is presented which gives an update on the key financial risks defined in the financial risk management framework. In addition, the Group's Risk Team is responsible for carrying out independent monitoring reviews of the Company's financial process risks.

With regard to its use of financial instruments the Company has exposure to the risks set out below:

a) Credit risk

Credit risk is the risk of financial loss to the Company if another party to a financial instrument fails to discharge its obligations, and arises principally from the Company's receivables related to investment management fees.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each client or fund. The Company has ended the year with most of the investment management mandates having transferred to third parties. At 31 December 2011 the Company managed assets totalling £743 million. In January 2012 two further clients transferred to a new manager leaving £178 million of assets under management. Credit risk therefore now only relates to a small number of remaining clients.

All new clients/funds are subject to a documented 'Client Take On' process, which includes where appropriate 'credit' and 'know your customer' checks.

Aged debt reports are produced directly from the accounting system. A fully documented credit control process exists, whereby outstanding debts are pursued on a regular basis, with a formal escalation procedure in place. It is the Company's policy to establish appropriate allowances for estimated irrecoverable amounts of trade receivables.

Where amounts remain outstanding the Company will consider, as appropriate, the legal measures available to it to secure payment.

Cash and cash equivalents

Cash balances are invested in short-term deposits with approved banks as documented in the Group's Investment Policy.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Carrying amount	2011 £000	2010 £000
Trade receivables	355	776
Amounts owed by Invista Group undertakings	279	765
Accrued income	1,115	968
Other receivables	216	254
Cash and cash equivalents	12,697	14,325
Total exposure to credit risk	14,662	17,088

The largest balance within the trade receivables carrying amount at 31 December 2011 was £167,000 relating to investment management fees and fund accounting fees for the month of November 2011 in respect of one of the Collective Investor Fund clients.

The largest balance within the trade receivables carrying amount at 31 December 2010 was £314,000 relating to investment management fees for the months of October and November 2010 in respect of one of the Company's Separate Accounts clients.

The ageing of trade receivables for the Company at the reporting date was:

	2011 £000	2010 £000
0-30 days (not past due)	345	776
31-60 days	-	-
61-90 days	-	-
91-120 days	-	-
More than 120 days	10	-
Total	355	776

No other financial assets were past due

All trade receivables relate to clients that have a good track record with the Company

No allowance for impairment in respect of trade receivables was made during the year

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company maintains sufficient surplus liquid resources to meet the FSA's liquid capital test. The regulatory capital is monitored on a continuous basis and reported monthly to the Invista Group Executive Committee and quarterly to the Group Audit Committee and the FSA.

The Company currently has no committed overdraft facilities.

The contractual maturity of financial liabilities is as follows:

	Carrying amount £000	Contractual cash flows £000	Up to 1 month £000	1- 3 months £000	4-12 months £000	Over 12 months £000
Trade & other payables						
31 December 2011	4,770	(4,770)	(3,413)	(1,257)	(66)	(34)
31 December 2010	5,342	(5,342)	(1,762)	(3,221)	(64)	(295)

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

i) Currency risk

The Company is exposed to currency risk, where fluctuating exchange rates may give rise to a loss, on revenue and expenditure that are denominated in a currency other than sterling (GBP), its functional currency.

Following the transfer of client mandates to new fund managers during 2011 and the withdrawal of operations from Invista's Paris branch at the end of 2011, the Company no longer has any material exposure to either revenue or expenditure in euros.

Since the establishment of the Hong Kong office in July 2009 the Company has also had transactions denominated in US dollars (USD), Hong Kong dollars (HKD) and Singapore dollars (SGD).

Exposure to currency risk

The Company's exposure to foreign currency risk at the reporting date was as follows

	2011 £000	2010 £000
Trade receivables/ accrued income	121	82
Cash and cash equivalents	180	407
Trade payables/ accruals	177	245

The following significant exchange rates applied during the year

	Average rate		Reporting date rate (Lloyds Banking Group spot rate)	
	2011	2010	2011	2010
Euro/ GBP	1 150	1 167	1 19461	1 16037
USD/ GBP	1 609	1 542	1 54545	1 55291
HKD/ GBP	12 518	11 980	12 0036	12 0711
SGD/ GBP	2 016	2 094	2 00842	1 99126

Sensitivity analysis for currency risk

A 10% strengthening of sterling against the following currencies at the reporting date would have increased/ (decreased) equity and profit or loss for the Company by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

Effect in '£000	Equity	Profit or (loss)
31 December 2011		
Euro	(8)	(235)
USD	-	(27)
HKD	(3)	71
SGD	-	-
31 December 2010		
Euro	(23)	(219)
USD	2	(7)
HKD	(1)	72
SGD	-	3

A 10% weakening of sterling against the above currencies at the reporting date would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

ii) Interest rate risk

The Company has net cash balances at present and no debt

At the reporting date the profile of the Company's interest-bearing financial instruments was

Carrying amount	2011 £000	2010 £000
Variable rate instruments		
Cash and cash equivalents	12,697	14,325
Total	12,697	14,325

Sensitivity analysis for interest rate risk

A change of 100 basis points in interest rates over a 12 month period based on the financial instruments included at the reporting date would have increased/ decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2010.

£000	Effect on profit or loss 100bps change	Effect on equity 100bps change
31 December 2011	+/- 127	-
31 December 2010	+/- 143	-

d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence.

The Company is not subject to externally imposed capital requirements, other than the FSA liquid capital test as previously mentioned in part b) of this note. During the year ended 31 December 2011 the Company was in full compliance with regulatory requirements.

e) Fair values

The fair values of financial assets and liabilities together with the carrying amounts shown in the balance sheet are as follows:

	Carrying amount 2011 £000	Fair value 2011 £000	Carrying amount 2010 £000	Fair value 2010 £000
Trade and other receivables*	1,966	1,966	2,763	2,763
Cash and cash equivalents	12,697	12,697	14,325	14,325
Trade and other payables	4,770	4,770	5,342	5,342

* receivables totals shown above exclude prepayments

The major methods and assumptions used in estimating the fair values of financial assets and liabilities are as follows:

Cash and cash equivalents

These comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Trade and other receivables / payables

Receivables / payables are mainly balances with a remaining life of less than one year and therefore the fair value is considered to be materially equal to their carrying value.

14. Other financial commitments

Future minimum rental costs payable under non-cancellable operating leases at the reporting date were as follows:

	2011	2010
	£000	£000
Not later than one year	62	805
After one year but not more than five years	-	2,947
After five years	-	1,075
	62	4,827

The operating leases as at 31 December 2011 are for the Company's current office premises at 107 Cheapside, London, EC2V 6DN, under two leases, one expiring on 31 March 2012 and the other expiring on 31 May 2012, and the Company's office in Hong Kong at Unit 820, 8/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong, under a 19 month lease which began in July 2009 and was extended at the end of 2010 for a further six months until July 2011 and was then further extended until January 2012.

The leases at 107 Cheapside have subsequently been extended to 30 June 2012, the additional costs of which are not included in the table above.

With effect from 1 February 2012 the Hong Kong office moved to Unit 832 at the same address on a three month lease which expires on 30 April 2012, the costs of which are also not included in the table above.

The operating lease costs payable at 31 December 2010 above included the Company's former leasehold office premises at 6th Floor Exchequer Court, 33 St Mary Axe, London, EC3A 8AA, under a lease which was due to run for the remaining period of the original lease taken out on 4th Floor Exchequer Court expiring in 2017. On 8 March 2011 the Company entered into an agreement for the surrender of the 6th Floor lease and the surrender was completed on 31 May 2011. The costs payable at 31 December 2010 also included the lease for the Company's office in France at 21, rue des Pyramides – 75001 Paris, under a nine year lease expiring in 2017. On 17 January 2012 the Company signed a termination deed in respect of this lease with an effective date of 31 December 2011.

15. Retirement benefit schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. Pension costs for the scheme amounts to £564,000 for the year ended 31 December 2011 (2010 £670,000).

All death-in-service and benefits for incapacity arising during employment are wholly insured. No post retirement benefits other than pensions are made available to employees.

16. Share-based payments

During the year ended 31 December 2011 the Company had the following share-based payment arrangements in place which are equity settled

- Annual Incentive Plan – awards granted as deferred shares to be released three years from the date of grant Awards made in the form of nil cost options
- Long Term Incentive Plan – awards granted based on multiples of salary up to a maximum of 400% and released depending on the Group meeting targets for return on capital employed (ROCE) Awards made in the form of nil cost options
- Deferred Matching Plan – Following the acquisition of HBOS plc by Lloyds Banking Group which triggered a change of control for Invista a number of the Company's share schemes vested early on 25 February 2009 The Senior Executives were each invited to waive their rights to the vesting of their shares on that date in return for one matching share for every two shares waived and the replacement of the original scheme awards with an award under the 2009 Deferred Matching Plan The matching shares together with the replacement awards were to be received on the original vesting date subject only to continued employment On 24 February 2010 the Executive Directors waived their rights to receive all subsisting matching shares awarded to them Awards made in the form of nil cost options.

No share-based payment awards were granted during 2011 The table below summarises the share-based payment awards granted in prior years for schemes which are yet to vest

Award	Date of grant	Number of options granted	Contractual life	Vesting conditions
Annual Incentive Plan – Deferred Shares	5 March 2010	1,196,078	3 years	3 years service
Long Term Incentive Plan	5 March 2010	2,885,294	3 years	3 years service & subject to achievement of performance conditions
Annual Incentive Plan – Deferred Shares	26 March 2009	2,718,529	3 years	3 years service

The table below summarises the share-based payment awards schemes that vested in 2011

Award	Vesting date	Number of options vesting	Exercise price
Deferred Matching Plan – relating to Long Term Incentive Plan 2008	17 March 2011	2,603,963	Nil
Deferred Matching Plan – relating to Performance Share Plan 2008	17 March 2011	2,120,874*	Nil

* Number of options vesting was the total of replacement awards and matching shares For those options relating to the Performance Share Plan 2008 the total vesting excluded 1,060,438 matching shares for which the Executive Directors waived their rights on 24 February 2010

Participants in the Deferred Matching Plan whose awards vested in March 2011 have as yet been unable to exercise their awards due to the Company being in a prohibited period for the purposes of share dealing for the remainder of 2011

The 3,462,353 options granted under the Long-Term Incentive Plan award for the Executive Directors on 26 March 2009 lapsed on 31 December 2011 as the performance conditions attached to the awards based on ROCE targets for the three year performance period ended 31 December 2011 were not met

In addition to the above schemes the Company operates the following HMRC approved all employee share-based payment arrangements

- Sharekicker Plan – provides employees with the opportunity to purchase shares with a proportion of their gross annual bonus For every share purchased two matching shares are awarded after three years No awards were made under this scheme in 2011
- Free Shares Plan – free shares of 5% of salary, up to a limit of £3,000, are awarded to each employee each year the plan operates and are transferable to employees after three years No awards have been made under this plan since 2008

The table below summarises the share-based payment awards granted in prior years for the HMRC approved plans which are yet to vest

Award	Date of grant	Number of options granted	Contractual life	Vesting conditions
Sharekicker Plan 2010	31 March 2010	141,242*	3 years	3 years service
Sharekicker Plan 2009	26 March 2009	222,824*	3 years	3 years service

* This is the number of matching shares purchased

The table below summarises the share-based payment awards under the HMRC approved plans that vested in 2011

Award	Vesting date	Number of options vesting	Exercise price
Sharekicker Plan 2008	2 April 2011	152,828*	Nil
Free Shares Plan 2008	6 August 2011	247,784	Nil

* This is the number of matching shares exercised

Financial assumptions underlying the calculation of fair value

The expense has been based on the fair value of the instruments granted, as calculated using appropriate derivative pricing models

For the share plans, apart from Sharekicker and Free Shares, as the awards are not subject to any market based performance conditions, and any dividends payable during the vesting period are payable on vesting, the fair value of each award is equal to the face value For Sharekicker and Free Shares, as dividends payable during the vesting period are payable in cash, the fair value of each award is 100% of the face value less the expected value of the dividends

Share scheme	Fair value £
Annual Incentive Plan 2010 – Deferred Shares	0.51
Long Term Incentive Plan 2010	0.51
Sharekicker Plan 2010	0.48
Annual Incentive Plan 2009 – Deferred Shares	0.425
Sharekicker Plan 2009	0.42

Movements in options

The table below shows the total number of options outstanding at the year end

	Number of options 2011	Number of options 2010
Outstanding at 1 January	15,193,089	18,374,178
Granted during the year	-	4,222,614
Vested during the year	(5,420,917)	-
Vested and exercised during the year	(640,860)	(2,995,979)
Forfeited during the year	(28,532)	(2,607,724)
Expired during the year	(3,462,353)	(1,800,000)
Outstanding at 31 December	5,640,427	15,193,089
Exercisable at 31 December	-	-

The total above for options vesting during the year includes the awards under the Deferred Matching Plan which vested in March 2011 but were not exercised during 2011 due to the Company being in a prohibited period for the purposes of share dealing

The options that expired in 2011 related to the 2009 Long-Term Incentive Plan award as the attached performance conditions have not been met

The weighted average share price at the date of exercise for share options exercised in 2011 was £0.46 (2010 £0.45)

The options outstanding at 31 December 2011 are all nil cost options and have a weighted average contractual life of 0.8 years (2010 1.2 years)

Charge to income statement

The total charge to the income statement in respect of the share-based payment awards made during the year ended 31 December 2011 is £87,000 (2010 £225,000).

The 2011 charge includes a credit resulting from the write back of costs previously charged for the 2009 Long-Term Incentive Plan for the Executives which lapsed as the attached performance conditions were not met

The 2010 charge included a credit resulting from the waiving of the Executive Directors' matching shares under the Deferred Matching Plan and the write back of costs previously charged for the 2008 Long-Term Incentive Plan for the Executives which lapsed as the attached performance conditions were not met

For the year ended 31 December 2011 no provision has been made for the grant of any further share awards related to 2011

17. Related parties

Immediate and ultimate parent undertaking

The Company's immediate parent undertaking is Invista Real Estate Investment Management Holdings plc, into which the accounts of the Company are consolidated. The accounts of Invista Real Estate Investment Management Holdings plc may be obtained from its registered office at 107 Cheapside, London, EC2V 6DN

The Company's ultimate parent company is Lloyds Banking Group plc, a limited liability company incorporated and domiciled in Scotland, which is also the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member. Copies of

the group accounts for Lloyds Banking Group plc may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN

Transactions with key management personnel

In addition to their salaries, the Company also provides non-cash benefits to Executive Directors and other Senior Managers (together "the Senior Executives") and contributes to a post-employment defined contribution plan on their behalf. Senior Executives also participate in the Company's share option schemes – see note 16

Key management personnel* compensation comprised

	2011 £000	2010 £000
Short-term employee benefits	3,049	2,853
Post-employment benefits	258	284
Termination payments	400	217
Share-based payments	19	953
Total	3,726	4,307

*Senior Executives and Non-Executive Directors

In March 2011 the remaining share awards under the Deferred Matching Plan vested but the participants, who were all Senior Executives, were unable to exercise these awards at this date due to Invista Real Estate Investment Management Holdings plc being in a prohibited period for the purposes of share dealing. Following the capital return received by all shareholders of Invista Real Estate Investment Management Holdings plc in June 2011, payments equivalent to the capital return at 18.0 pence per share were made to plan participants. These payments totalled £850,000 and are included in the short-term employee benefits total for 2011 shown above.

Other related party transactions

Balances with related parties at 31 December 2011 were as follows

		2011 £000	2010 £000
<u>Receivables *</u>			
Lloyds Banking Group undertakings	(a)	546	459
Invista Group undertakings	(b)	279	765
Invista Group joint venture companies	(c)	370	379
<u>Payables **</u>			
Lloyds Banking Group undertakings	(d)	92	211
Invista Group undertakings	(e)	2,319	862

* Receivables include trade receivables and accrued income with related parties

** Payables include accruals for amounts due to related parties

(a) The receivables balance with Lloyds Banking Group undertakings represents trade receivables and accruals related to investment management fees and in 2011 termination fees due on various Lloyds Banking Group funds

(b) The receivables balance with Invista Group undertakings includes £271,000 (2010: £387,000) for

corporation tax paid by the Company on behalf of other subsidiaries in the Group and £7,000 (2010 £86,000) for investment advisory fees and service charge payable by the Invista Channel Islands company

- (c) The receivables balance with joint venture companies represents investment management fees due from the Invista Real Estate Opportunity Fund Limited Partnership and the Invista Real Estate International Fund Limited Partnership of £221,000 (2010: £230,000) and £149,000 (2010 £149,000) in respect of VAT paid by the Company on behalf of joint venture companies
- (d) The Company's payables balance with Lloyds Banking Group undertakings at 31 December 2011 represents the amount owed for the provision of taxation services for 2011 by the Lloyds Banking Group tax team
- (e) The payables balance with Invista Group undertakings at 31 December 2011 includes a recharge of reorganisation costs of £2,110,000 from Invista Real Estate Investment Management Holdings plc relating to the termination and transfer of fund mandates and £209,000 (2010 £862,000) for VAT reclaimed and corporation tax group relief settled with the Company on behalf of other subsidiaries in the Group

The balance of remaining intra group receivables and payables relates to outstanding amounts of expenses that have been incurred by one entity but are rechargeable to another entity

In addition to the balances shown above at 31 December 2010 the Company owed £7,000 to Invista's partner in the Celsius joint venture for consultancy fees. No such balance remained outstanding at 31 December 2011

During the year the Company received the following income from related parties for the provision of investment management services:

	2011	2010
	£000	£000
Lloyds Banking Group undertakings	8,718	12,642
Invista Group undertakings (a)	758	895
Invista Group joint venture companies	2,255	1,882

- (a) The income received from Invista Group undertakings represents investment advisory fees paid to the Company by Invista Real Estate Investment Management (CI) Limited

Revenue from Lloyds Banking Group undertakings comprises revenues from the HBOS Funds which were transferred to a new manager in May 2011, and revenues from the St James's Place funds which were transferred to a new manager in September 2011

Following receipt on 12 October 2010 of one year's notice of termination from Lloyds Banking Group on the investment management agreements for the HBOS Funds, an early termination agreement was reached and in accordance with that agreement the Company received £2.6 million termination fees in the first half of 2011 with a further £0.5 million accrued as at 31 December 2011 for fees which remain outstanding from Lloyds Banking Group. The remaining £0.5 million is the subject of a formal legal dispute between the parties. On 20 January 2012, in response to the Company's claim, Lloyds Banking Group served a counter-claim. This counter-claim has not been fully quantified but is estimated by Lloyds Banking Group to be at least £4.2 million. See note 19 for further details.

No bad debt provisions in respect of related parties were made during 2011 (2010 nil)

In 2011 income of €7,000 (2010 €10,000) was received by the Company from the Celsius joint venture company Celsius European Holdings S à r l relating to a directorship of that joint venture company being held by one of the Company's Senior Executives until Invista Group sold its interest in the joint venture on 14 September 2011

During the year ended 31 December 2011 the Company paid £92,000 (2010 £102,000) to Lloyds Banking Group for the provision of taxation services.

The Company's corporate insurances remain under the Lloyds Banking Group programme, with the exception of crime and professional indemnity insurance which was moved to an external insurer with effect from 1 July 2011

Agreements put in place at the time of IPO of the Company's immediate parent undertaking Invista Real Estate Investment Management Holdings plc in September 2006 in respect of related parties are detailed in full in the Admission document

18. Share capital

	2011	2010
	£000	£000
Issued capital		
Authorised		
15,000,100 ordinary shares of £1 each	15,000	15,000
Allotted, called up and fully paid		
10,000,001 ordinary shares of £1 each	10,000	10,000

The Company has one class of ordinary shares which carry no right to fixed income

19. Contingent liabilities

On 23 November 2011 Invista Real Estate Investment Management Holdings plc, the Company's immediate parent undertaking, announced that legal proceedings had been commenced against certain subsidiaries of Lloyds Banking Group plc (Invista's ultimate parent company) in respect of an early termination agreement. On 20 January 2012, in response to Invista's claim, certain subsidiaries of Lloyds Banking Group served a counter-claim. This counter-claim has not been fully quantified but is estimated by Lloyds Banking Group to be at least £4.2 million.