Invista Real Estate Investment Management Limited

Directors' Report and Financial Statements

31 December 2010

Registered No 4459443

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Company Information

Directors	D G Owen
	P J Gadsden
	G E Eastaugh
	D Ferrans
	O C Dickson
	S Colsell
	D Gardner
Company Secretary	G E Eastaugh
Auditors	KPMG Audit Plc 15 Canada Square London E14 5GL
Registered Office	Exchequer Court 33 St Mary Axe London EC3A 8AA

Directors' Report

The Dırectors present theır report and the audıted financıal statements for the year ended 31 December 2010

Principal activities
The Company manages real estate assets on behalf of the Lloyds Bankıng Group as well as other thırd party clıents and has establıshed ıtself as one of the UK's largest real estate fund management busınesses

Business review

Overview
Revenues ın 2010 rose by 2% to £24 0 mıllıon The Company recorded a profit before taxatıon of £7 6 mıllıon (2009 £6 2 mıllıon before exceptıonal charge of £3 8 mıllıon)

The results for the year are shown ın the Statement of Comprehensıve Income on page 12

Principal 2010 events

- The trend of outflows wıthın the open-ended funds that Invısta had experıenced over recent years reversed ın 2010 to become ınflows Net ınflows to the open-ended funds managed by the Company totalled £211 mıllıon (2009 net outflows £93 mıllıon) durıng 2010 though the rate of ınflows fell away steeply durıng the final quarter of 2010

- The Company, as ınvestment manager contınued to support the development of the two lısted ınvestment trusts that ıt manages, Invısta Foundatıon Property Trust ("IFPT") and Invısta European Real Estate Trust ("IERET") Durıng the year, IFPT ıncreased ıts equıty base by 10% vıa a "tap" ıssue IERET has seen ıts net asset value ıncrease by 9% over the year to 30 September 2010

- On 12 October 2010 one year's notıce of termınatıon was receıved from Lloyds Bankıng Group wıth respect to the HBOS Funds managed by Invısta

Principal lines of busıness

HBOS Funds
HBOS Funds are those that Invısta manages on behalf of the Lloyds Bankıng Group (formerly HBOS Group) and where Lloyds Bankıng Group ıs responsıble for the promotıon, dıstrıbutıon and unıt prıcıng Thıs ıncludes pensıon, ınsurance and ınvestment products sold by Lloyds Bankıng Group under a number of brands, ıncludıng the HBOS brand, eıther ın the form of specıalıst property funds or where a proportıon of the proceeds of a balanced fund ıs ınvested ın property

As noted above, on 12 October 2010 one year's notıce of termınatıon was receıved from Lloyds Bankıng Group ın accordance wıth the terms of the HBOS Contracts governıng the mandates, whıch were orıgınally awarded to Invısta ın September 2006

On 17 March 2011 Invısta announced the successful negotıatıon of an early termınatıon agreement wıth respect to the HBOS Contracts wıth handover to Lloyds Bankıng Group now to take place on 6 May 2011 ın return for a compensatıon payment ın lıeu of the unexpıred notıce perıod

In the year ended 31 December 2010 43% (2009 45%) of the Company's revenue was attrıbutable to HBOS Funds

Separate Accounts
Separate Accounts are client funds which are managed or advised by Invista Typically, such a fund will be branded by the client who has responsibility for distribution and property allocation decisions

The St James's Place UK Property Fund is one of the Separate Accounts and is an open-ended life and pension fund As at 31 December 2010, the fund had a value of £615 million The fund holds a diversified portfolio of office, industrial and retail properties located throughout the UK The fund's strategy is to provide an attractive income return together with the potential for income and capital growth The St James's Place APUT was launched in 2008 and had a fund value of £161 million as at 31 December 2010

Invista's mandate to manage the HBOS Final Salary Pension Scheme Property Fund was terminated in accordance with its terms with effect from 30 September 2010 As at 30 June 2010, this fund accounted for £248 million of AUM

In the year ended 31 December 2010 20% (2009 18%) of the Company's revenue was attributable to Separate Accounts

Collective Investor Funds
The Collective Investor Funds tend to have a more opportunistic and value add investment strategy Their distribution is usually through the capital markets or third party distributors

Invista Foundation Property Trust
IFPT is a London main-market listed investment vehicle managed by Invista and aimed at providing its shareholders with sustainable returns in dividends and NAV growth through investing in diversified commercial real estate in the UK As at 31 December 2010, IFPT had property investments of £330 million (31 December 2009 £293 million) Over the year to 31 December 2010, IFPT's NAV per share increased from 49 5 pence per share to 49 9 pence per share

On 21 March 2011 Invista received notice of termination of its investment management agreement from Invista Foundation Property Trust with effect from 21 March 2012

Invista European Real Estate Trust
IERET is a London main-market listed investment vehicle managed by Invista investing in diversified commercial real estate in Continental Europe As at 30 September 2010, IERET had property investments of €516 million (30 September 2009 €533 million) IERET's NAV per share decreased by 52% to €0 54 during its financial year to 30 September 2010, mainly as a consequence of the dilutive effects of an equity issuance completed in December 2009

On 18 March 2011 Invista received notice of termination of its investment management agreement from Invista European Real Estate Trust SICAF with effect from 18 September 2012

In the year ended 31 December 2010 37% (2009 37%) of the Company's revenue was attributable to Collective Investor Funds

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 principles The Company also recognises its broader responsibilities as a manager of assets that impact the built 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, Invista 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 2011

Market conditions
A further fall in property values could lead to a marked deterioration in the attractiveness of property as an asset class resulting in capital outflows from the open-ended funds managed by Invista

Whilst market conditions are outside of Invista's control, the fund managers and Investment Committees review and monitor economic and market developments with a view to anticipating market movements and positioning the portfolios, accordingly The Directors are regularly kept abreast of market conditions and forecasts

In recent years, Invista has diversified its product range away from UK Commercial property, for example into Continental Europe and Asia

Property specific risk
There are a number of risks which are generic to property as an asset class 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 Investment Committees 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

Key person risk and staff retention
As a relatively small business there is a high level of reliance on a small number of key staff which could lead to instability in the event of prolonged absences or departures The resignation of certain key staff may trigger 'key man clauses' in other client contracts This risk has increased following the Lloyds announcement which has inevitably unsettled clients and staff

The Group's Remuneration Committee, on behalf of the Board, is responsible for determining remuneration policy, ensuring that it remains competitive and includes appropriate retention features for key employees In particular, appropriate retention payments have been put in place to ensure the retention of senior management and key investment professionals

Cover arrangements and succession planning are kept continually under review by Invista senior management

Reputational risk
There is a risk that the Company's reputation and standing could deteriorate as a result of adverse publicity or an unforeseen event This risk has increased in light of the recent announcement that the Company had received notice of termination of the HBOS Contracts from Lloyds Banking Group

Invista will continue to maintain a close and regular dialogue with major shareholders, customers, suppliers and other key stakeholders and will seek to address any concerns raised where considered appropriate by the Board

Invista places great value on its reputation within the marketplace and will strive continuously to enhance its corporate governance and risk management framework, for example by embedding the relevant recommendations from the Walker Review, the FRC review of the Combined Code and various FSA Papers on effective corporate governance, as appropriate, given the Company's current circumstances

A strong compliance culture prevails throughout Invista with policies and procedures in place which are regularly communicated to staff Processes are independently monitored by the Risk and Internal Audit team with the results being reported to the Group Audit Committee and Board.

Invista uses the services of a specialist PR firm to assist in developing an effective investor and media relations framework

Operational losses
The risk of losses occurring from processing errors, breaches of client mandates, fraud etc Operational losses may be more likely as a result of the 'Lloyds announcement' if staff become distracted from the businesses or if key staff resign and cannot be replaced

Invista has documented procedures in place across all areas of its business and additional monitoring checks (Key Risk Indicators) have been devised in order to provide an 'early-warning' system to identify 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

Invista has an anti-financial crime policy in place which has been approved by the Board The policy includes details of Invista's fraud prevention measures and anti-bribery and corruption controls

Regulatory, legal and taxation risk
As business complexity increases, there is an increased risk of non-compliance with regulatory or legal requirements, including UK and International taxation law

Invista has an in-house Risk team, led by the Chief Risk Officer, which is experienced in monitoring compliance against regulatory requirements The Chief Risk Officer reports formally to the Chief Financial Officer and has full access to the Chairman and Chair of the Audit Committee The Chief Risk Officer attends meetings of the Board and tables a Risk report thereto

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

Conflicts of interest
The risk that as business complexity increases, 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

Loss of business continuity
The risk of interruption or loss of continuity caused by systems failures, natural disasters, terrorism etc

Invista has a Business Continuity Plan in place which is regularly updated and available to all relevant staff Invista's disaster recovery site is in Romford, to which key staff would relocate in the event of a significant incident occurring in the City Staff are also able to log on to the Invista network from home in order to continue to perform critical functions

During 2010 a full Business Continuity and Disaster Recovery test was successfully completed The results were reported to the Executive Committee and the Audit Committee An independent third-party DR firm oversaw the tests and submitted a separate report to the Executive Committee There were no material issues resulting from the test

Dividends
Dividends totalling £6,000,000 were paid to the parent company Invista Real Estate Investment Management Holdings plc during 2010

The Directors do not recommend the payment of a further dividend for the year ended 31 December 2010 (2009 £8,000,000)

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

Douglas Ferrans (Chairman)
Duncan Owen (Chief Executive)
Philip Gadsden (Deputy Chief Executive)
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 2010 representing 7 days of purchases

Charitable and political contributions
The Company did not make any charitable donations during the year (2009 £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 the HBOS contracts during the year and the receipt of notice from the listed trusts after the year end, the Directors consider that the Company will 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

Guy Eastaugh
Company Secretary
24 March 2011

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 its 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 judgments 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 2010 set out on pages 12 to 36 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 10, 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 web-site 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 2010 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

WEJ Holland
(Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL
24 March 2011

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Note	2010 £000	2009 £000
Revenue	3	24,000	23,435
Administrative expenses	4	(16,489)	(17,352)
Operating profit before exceptional charge		**7,511**	**6,083**
Exceptional charge on early vesting of share options	7	-	(3,766)
Operating profit after exceptional charge	5	**7,511**	**2,317**
Investment income	8	41	110
Profit before tax		**7,552**	**2,427**
Income tax expense	9	(2,921)	(864)
Profit for the year		**4,631**	**1,563**

All results relate to continuing operations

The notes on pages 16 to 36 form part of these financial statements

BALANCE SHEET

At 31 December 2010

	Note	2010 £000	2009 £000
Non-current assets			
Property, plant and equipment	10	321	949
Deferred tax assets	11	916	1,842
Total non-current assets		**1,237**	**2,791**
Current assets			
Trade and other receivables	12	3,429	3,832
Cash and cash equivalents		14,325	15,920
Total current assets		**17,754**	**19,752**
Total assets		**18,991**	**22,543**
Current liabilities			
Trade and other payables	13	5,047	4,118
Current tax liabilities		2,197	5,106
Total current liabilities		**7,244**	**9,224**
Non-current liabilities			
Other payables	13	295	618
Total non-current liabilities		**295**	**618**
Total liabilities		**7,539**	**9,842**
Net assets		**11,452**	**12,701**
Equity			
Share capital	19	10,000	10,000
Retained earnings		1,452	2,701
Total shareholders' equity		**11,452**	**12,701**

The financial statements were approved by the Board of Directors on 24 March 2011 and signed on its behalf by

Duncan Owen
Chief Executive

Guy Eastaugh
Chief Financial Officer

The notes on pages 16 to 36 form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share capital £000	Retained earnings £000	Total £000
Balance at 1 January 2009	**10,000**	**2,977**	**12,977**
Profit for the year	-	1,563	1,563
Total comprehensive income	**-**	**1,563**	**1,563**
Dividends paid	-	(8,000)	(8,000)
Employee share expense	-	6,056	6,056
Tax on employee share expense	-	105	105
Balance at 31 December 2009	**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**

CASH FLOW STATEMENT

For the year ended 31 December 2010

	2010 £000	2009 £000
Profit for the year	4,631	1,563
Adjustments for		
Tax	2,921	864
Interest income	(110)	(135)
Employee share awards	225	6,056
Depreciation	944	505
Loss on disposal of property, plant and equipment	-	1
Changes in working capital		
Decrease in trade and other receivables	403	4,315
Increase / (decrease) in trade and other payables	606	(3,645)
Cash flows from operating activities	**9,620**	**9,524**
Income taxes paid	(5,009)	-
Net cash from operating activities	**4,611**	**9,524**
Cash flows from investing activities		
Interest income	110	135
Acquisition of property, plant and equipment	(316)	(203)
Net cash flows from investing activities	**(206)**	**(68)**
Cash flows from financing activities		
Dividends paid	(6,000)	(8,000)
Net cash flows from financing activities	**(6,000)**	**(8,000)**
(Decrease)/ increase in cash and cash equivalents	**(1,595)**	**1,456**
Opening cash and cash equivalents	15,920	14,464
Cash and cash equivalents at 31 December	**14,325**	**15,920**

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 2010 and comply with article 4 of the EU IAS regulation

Notwithstanding the loss of the HBOS contracts during the year and the receipt of notice from the listed trusts after the year end, the Directors consider that the Company will 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 2010 has had no material impact on these financial statements

- IFRS 3 'Business Combinations' This revised standard applies prospectively to business combinations from 1 January 2010 The revised standard continues to require the use of the acquisition method of accounting for business combinations All payments to purchase a business are to be recorded at fair value at the acquisition date, some contingent payments are subsequently remeasured at fair value through income, goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the non-controlling interest, and all transaction costs are expensed (other than those in relation to the issuance of debt instruments or share capital)

- IAS 27 'Consolidated and Separate Financial Statements' Requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control, any remaining interest in an investee is remeasured to fair value in determining the gain or loss recognised in profit or loss where control over the investee is lost

- Amendment to IAS 39 'Financial Instruments Recognition and Measurement – Eligible Hedged Items' Clarifies how the principles underlying hedge accounting should be applied in particular situations

- Amendments to IFRS 2 'Share-based Payment - Group Cash-Settled Share-based Payments Transactions' Clarifies how an individual subsidiary in a group should account for some share-based payment arrangements in its own financial statements

- 'Improvements to IFRSs' (issued April 2009) Sets out minor amendments to IFRSs as part of the annual improvements process

- IFRIC 12 'Service Concession Arrangements' Addresses how service concession operators should apply existing IFRSs to their arrangements

- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' Provides guidance on accounting for hedges of net investments in foreign operations in an entity's consolidated financial statements

- IFRIC 15 'Agreements for the Construction of Real Estate' Standardises accounting practice across jurisdictions for the recognition of revenue by real estate developers for sales of units before construction is complete

The following new standards, amendments to standards, and interpretations have been adopted by the EU but are not yet effective for the year ended 31 December 2010 and have not been applied by the Company in preparing these financial statements The full impact of these accounting changes is being assessed by the Company Their adoption is not expected to have a material effect on the 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 The amendment is effective for annual periods beginning on or after 1 February 2010

- 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 The interpretation is effective for annual periods beginning on or after 1 July 2010

- 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 The amendment is effective for annual periods beginning on or after 1 January 2011

- 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 The revised standard is effective for annual periods beginning on or after 1 January 2011

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

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

Bicycles acquired for the 'Cycle to Work' scheme are depreciated over four years in line with the depreciation policy for motor vehicles

(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

	2010 £000	2009 £000
Investment management fees	21,896	21,547
Transaction fees	492	37
Administration fees and other income	1,612	1,851
Total	**24,000**	**23,435**

For the year ended 31 December 2010 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

	2010 £000	2009 £000
Employee costs		
Wages and salaries	9,109	8,798
Share based payments	225	2,264
Social security costs	937	1,437
Other pension costs	670	695
Total (including Directors)	**10,941**	**13,194**
Occupancy costs	663	1,370
Other administrative costs	4,885	2,788
Total administrative expenses	**16,489**	**17,352**

The average number of persons employed by the Company (including Directors) during the year was 91 (2009 95), of which 41 (2009 48) were investment professionals

5. Operating profit

Operating profit has been arrived at after charging

	Note	2010 £000	2009 £000
Depreciation of property, plant and equipment	10	944	505
Operating lease rentals		33	813
Auditors' remuneration for			
- Statutory audit		30	30
- Audit-related regulatory reporting		3	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 21 December 2009 an agreement was entered into to surrender the lease for the 4th Floor at Exchequer Court and to enter into a new lease on the 6th Floor at the same address Surrender of the 4th Floor lease and completion of the new 6th Floor lease occurred on 22 March 2010 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 both 2010 and 2009 However, the effect of this on operating profit is 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 current lease for the 6th Floor Exchequer Court is due to expire in July 2017

On 8 March 2011 the Company entered into an agreement for the surrender of 6th Floor lease with an expected completion date of 31 May 2011
Rental of the Company's office in France at 21, rue des Pyramides – 75001 Paris is under a nine year lease which began in January 2008 and which expires in 2017

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

Note 15 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 £81,000 (2009 £103,000)

6. Remuneration of Directors

Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows

	2010 £000	2009 £000
Emoluments	834	834
Company contributions to pension schemes	139	139
Total	**973**	**973**

For the year ended 31 December 2010 a net credit of £5,000 was booked to the income statement for share- based payment awards relating to the Directors This credit was as a result of the waiving of matching shares under the Deferred Matching Plan and the write back of the 2008 Long Term Incentive Plan See note 17 for further details (2009 charge of £1,432,000 plus an additional charge of £1,917,000 relating to the Directors' share of the charge for the accelerated vesting of some of the Company's employee share schemes included within the exceptional item reported in the 2009 income statement See note 7 for further details)

Highest paid Director

	2010 £000	2009 £000
Emoluments	329	329
Company contributions to pension schemes	63	63
Total	**392**	**392**

The full £63,000 of the company contributions to pension schemes for the highest paid Director was paid during 2010 and none was accrued as at 31 December 2010

For the year ended 31 December 2010 a net credit of £123,000 was booked to the income statement for share- based payment awards relating to the highest paid Director This credit was also as a result of the waiving of matching shares under the Deferred Matching Plan and the write back of the 2008 Long Term Incentive Plan as noted above (2009 charge of £689,000 plus an additional charge of £861,000 included within the exceptional item reported for the accelerated share scheme vesting costs in 2009)

	2010 No. of Directors	**2009 No. of Directors**
Retirement benefits are accruing to the following number of Directors under defined contribution schemes	3	3

7. Exceptional charge

The exceptional charge of £3,766,000 in the year to 31 December 2009 resulted from the accelerated vesting of certain of the Company's employee share schemes as a consequence of the change of control that occurred in January 2009 when Invista's parent, HBOS plc, was acquired by Lloyds TSB Group plc (now renamed Lloyds Banking Group plc) See note 17 for further details

8. Investment income

	2010 £000	**2009 £000**
Interest income on bank deposits	110	135
Total interest income	**110**	**135**
Net foreign exchange loss	(69)	(25)
Total investment income	**41**	**110**

9. Income tax expense

a) Analysis of tax expense

	2010 £000	**2009 £000**
Current tax:		
Corporation tax charge for the year at an average rate of 28% (2009 28%)	2,197	2,076
Adjustment for prior periods	(97)	(50)
Deferred tax:		
Deferred tax debit/ (credit)	844	(1,144)
Adjustment for prior periods	(23)	(18)
Total income tax expense	**2,921**	**864**

b) Reconciliation of effective tax rate

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are explained below

	2010 £000	2009 £000
Profit before taxation	7,552	2,427
Profit multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	2,115	680
Non-deductible expenses	892	256
Change in tax rate	34	-
Other	-	(4)
Adjustment for prior periods	(120)	(68)
Income tax expense	**2,921**	**864**

10. Property, plant and equipment

	Leasehold improvements £000	Fixtures & fittings £000	Computer equipment £000	Motor vehicles £000	Total £000
Cost					
At 1 January 2009	**535**	**964**	**527**	**4**	**2,030**
Additions	54	46	99	4	203
Disposals	-	-	-	(4)	(4)
At 31 December 2009	**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**
Accumulated depreciation					
At 1 January 2009	**94**	**274**	**407**	**1**	**776**
Charge for the year	131	275	99	-	505
Charge for the year	-	-	-	(1)	(1)
At 31 December 2009	**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**
Carrying value					
At 31 December 2010	**111**	**122**	**87**	**1**	**321**
At 31 December 2009	364	461	120	4	949

11. Deferred tax assets

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

	2010 £000	2009 £000
Balance at 1 January	**1,842**	**575**
Credit to reserves	(105)	105
(Debit) / credit to the income statement	(821)	1,162
Balance carried forward at 31 December	**916**	**1,842**

The elements of the deferred tax assets are as follows

	2010 £000	2009 £000
Accelerated capital allowances	338	157
Deferred tax on share schemes	578	1,685
Balance carried forward at 31 December	**916**	**1,842**

12. Trade and other receivables

	2010 £000	2009 £000
Trade receivables	776	1,330
Amounts owed by Invista Group undertakings	765	734
Other receivables	254	128
Prepayments and accrued income	1,634	1,640
Balance at 31 December	**3,429**	**3,832**

13. Trade and other payables

	2010 £000	2009 £000
Current liabilities		
Trade payables	106	69
Amounts owed to Invista Group undertakings	862	-
Amounts owed to Lloyds Banking Group undertakings	210	167
Other tax and social security costs	789	489
Other payables	91	420
Accruals and deferred income	2,989	2,973
Balance at 31 December	**5,047**	**4,118**
Non-current liabilities		
Other payables	295	618
Balance at 31 December	**295**	**618**

Non-current liabilities for the Company relate to a provision for National Insurance payable on share scheme awards and deferred cash bonuses for French Office employees

14. 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 Approximately 43% (2009 45%) of the Company's revenue is attributable to those funds categorised in the Directors' Report as HBOS Funds (managed on behalf of Lloyds Banking Group)

On 12 October 2010 one year's notice of termination was received from Lloyds Banking Group on the investment management agreements for the HBOS Funds that the Company manages on behalf of Lloyds Banking Group

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

All large exposures requiring disclosure in accordance with the FSA rules are included in the Quarterly Financial Returns submitted to the FSA

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	**2010 £000**	**2009 £000**
Trade receivables	776	1,330
Amounts owed by Invista Group undertakings	765	734
Accrued income	968	1,254
Other receivables	254	128
Cash and cash equivalents	14,325	15,920
Total exposure to credit risk	**17,088**	**19,366**

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

At 31 December 2009 the largest balance within the trade receivables carrying amount was £297,000 relating to investment management and property management fees for the month of December 2009 in respect of one of the Company's HBOS Fund clients managed on behalf of Lloyds Banking Group

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

	2010 £000	2009 £000
0-30 days (not past due)	776	1,078
31-60 days	-	133
61-90 days	-	116
91-120 days	-	-
More than 120 days	-	3
Total	776	1,330

No other financial assets were past due

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

The movement in the allowance for impairment in respect of trade receivables during the year was as follows

	2010 £000	2009 £000
Balance at 1 January	**-**	**13**
Amounts written off during the year	-	(13)
Balance at 31 December	**-**	**-**

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 2010	5,342	(5,342)	(1,762)	(3,221)	(64)	(295)
31 December 2009	4,736	(4,736)	(908)	(3,053)	(157)	(618)

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

The Company invoices and incurs expenses in euros in relation to the Invista European Real Estate Trust, the Clerical Medical Non-Sterling Fund, Celsius and the Paris branch The Company has a euro denominated bank account in which it keeps a euro balance sufficient to cover ongoing operating expenses payable 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)

The Company is prepared to tolerate some degree of currency risk as being an inherent part of the business model The Company's policy is to put currency hedging in place in those circumstances where a negative 10% movement in currency would result in a 5% or more loss in underlying profits (underlying profit being defined as profit before fair value adjustments)

Exposure to currency risk

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

	2010 £000	**2009 £000**
Trade receivables/ accrued income	82	10
Cash and cash equivalents	407	255
Trade payables/ accruals	245	79

The following significant exchange rates applied during the year

	Average rate		Reportıng date rate (Lloyds Banking Group spot rate)	
	2010	2009	2010	2009
Euro/ GBP	1 167	1 124	1 16037	1 12473
USD/ GBP	1 542	1 569	1 55291	1 6195
HKD/ GBP	11 980	12 165	12 0711	12 55805
SGD/ GBP	2 094	2 275	1 99126	2 26985

Sensitivıty analysis for currency risk

A 10% strengthenıng of sterlıng agaınst the followıng currencıes at the reportıng date would have ıncreased (decreased) equıty and profit or loss for the Company by the amounts shown below Thıs analysıs assumes that all other varıables, ın partıcular ınterest rates, remaın constant The analysıs ıs performed on the same basıs for 2009

Effect in '£000	Equity	Profit or (loss)
31 December 2010		
Euro	(23)	(219)
USD	2	(7)
HKD	(1)	72
SGD	-	3
31 December 2009		
Euro	(18)	(224)
USD	-	19
HKD	1	20
SGD	-	1

A 10% weakenıng of sterlıng agaınst the above currencıes at the reportıng date would have had the equal but opposıte effect on the above currencıes to the amounts shown above, on the basıs that all other varıables remaın constant

ii) Interest rate risk

The Company has net cash balances at present and no debt

At the reportıng date the profile of the Company's ınterest-bearıng financıal ınstruments was

Carryıng amount	2010 £000	2009 £000
Variable rate instruments		
Cash and cash equıvalents	14,325	15,920
Total	**14,325**	**15,920**

Sensitivity analysis for interest rate risk

A change of 100 basıs poınts ın ınterest rates over a 12 month perıod based on the financıal ınstruments ıncluded at the reportıng date would have ıncreased/ decreased equıty 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 2009

£000	Effect on profit or loss **100bps change**	Effect on equity **100bps change**
31 December 2010	**+/- 143**	-
31 December 2009	+/- 159	-

d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business

There were no changes in the Company's approach to capital management during the year

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 2010 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 2010 £000	**Fair value 2010 £000**	**Carrying amount 2009 £000**	**Fair value 2009 £000**
Trade and other receivables*	2,763	2,763	3,446	3,446
Cash and cash equivalents	14,325	14,325	15,920	15,920
Trade and other payables	5,342	5,342	4,736	4,736

* 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

15. Other financial commitments

Future minimum rental costs payable under non-cancellable operating leases are as follows

	2010 £000	2009 £000
Not later than one year	805	1,144
After one year but not more than five years	2,947	4,202
After five years	1,075	2,584
	4,827	**7,930**

The operating leases are for the Group's current leasehold office premises at 6th Floor, Exchequer Court, 33 St Mary Axe, London, EC3A 8AA, under a lease which runs for the remaining period of the original 10 year lease taken out on 4th Floor Exchequer Court expiring in 2017, the Group's office in France at 21, rue des Pyramides – 75001 Paris, under a nine year lease which expires in 2017, and the Group's office in Hong Kong at Unit 820, 8/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong, under a 19 month lease extended for a further six months which began in July 2009 and which expires in July 2011

On 8 March 2011 the Group entered into an agreement for the surrender of 6th Floor lease with an expected completion date of 31 May 2011

16. Retirement benefit schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees Pension costs for the scheme amounts to £670,000 for the year ended 31 December 2010 (2009 £695,000)

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

17. Share-based payments

During the year ended 31 December 2010 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 are 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

The table below summarises the share-based payment awards granted in 2010 and those granted in prior years for schemes which are yet to vest

Awards in 2010	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
Awards in prior years				
Annual Incentive Plan – Deferred Shares	26 March 2009	2,718,529	3 years	3 years service
Long Term Incentive Plan	26 March 2009	3,462,353	3 years	3 years service & subject to achievement of performance conditions
Deferred Matching Plan – relating to Long Term Incentive Plan 2008	26 March 2009	3,075,269	Until March 2011	Continued employment to original scheme vesting date
Deferred Matching Plan – relating to Performance Share Plan 2008	26 March 2009	2,120,874*	Until March 2011	Continued employment to original scheme vesting date

* Number of options granted excludes 1,060,438 matching shares for which the Executive Directors waived their rights on 24 February 2010

The table below summarises the share-based payment awards that vested in 2010

Award	Vesting date	Number of options vesting	Exercise price
Deferred Matching Plan – relating to Long Term Incentive Plan 2007	2 April 2010	1,399,135	Nil
Deferred Matching Plan – relating to Performance Share Plan 2007	2 April 2010	1,285,986*	Nil

* Number of options vesting was the total of replacement awards and matching shares excluding 642,993 matching shares for which the Executive Directors waived their rights on 24 February 2010

The remaining two thirds yet to vest of the 2008 Long Term Incentive Plan award for the Executive Directors (1,800,000 options) were deemed to have lapsed as at 31 December 2010 as the performance conditions attached to the awards based on ROCE targets for the three year performance period ended 31 December 2010 have not been met

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

- Sharekıcker Plan – provıdes employees wıth the opportunıty to purchase shares wıth a proportıon of theır gross annual bonus For every share purchased two matchıng shares are awarded after three years
- Free Shares Plan – free shares of 5% of salary, up to a lımıt 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 thıs plan sınce 2008

The table below summarıses the share-based payment awards granted ın 2010 and ın prıor years for the HMRC approved plans whıch are yet to vest

	Date of grant	Number of options granted	Contractual life	Vesting conditions
Awards in 2010				
Sharekicker Plan 2010	31 March 2010	141,242*	3 years	3 years servıce
Awards in prior years				
Sharekıcker Plan 2009	26 March 2009	222,824*	3 years	3 years servıce
Sharekıcker Plan 2008	2 Aprıl 2008	243,708*	3 years	3 years servıce
Free Shares Plan 2008	6 August 2008	495,060	3 years	3 years servıce

* Thıs ıs the number of matchıng shares purchased

The table below summarıses the share-based payment awards for the HMRC approved plans that vested ın 2010

Award	Vesting date	Number of options vesting	Exercise price
Sharekıcker Plan 2007	4 Aprıl 2010	90,284*	Nıl
Free Shares Plan 2007	6 August 2010	143,447	Nıl

* Thıs ıs the number of matchıng shares exercısed

Financial assumptions underlying the calculation of fair value
The expense has been based on the faır value of the ınstruments granted, as calculated usıng approprıate derıvatıve prıcıng models

For the share plans, apart from Sharekıcker and Free Shares, as the awards are not subject to any market based performance condıtıons, and any dıvıdends payable durıng the vestıng perıod are payable on vestıng, the faır value of each award ıs equal to the face value. For Sharekıcker and Free Shares, as dıvıdends payable durıng the vestıng perıod are payable ın cash, the faır value of each award ıs 100% of the face value less the expected value of the dıvıdends

Share scheme	Fair value £
Annual Incentıve Plan 2010 – Deferred Shares	0 51
Long Term Incentıve Plan 2010	0 51
Sharekıcker Plan 2010	0 48
Annual Incentıve Plan 2009 – Deferred Shares	0 425
Long Term Incentıve Plan 2009	0 425
Deferred Matchıng Plan 2009	0 425

Sharekicker Plan 2009	0 42
Sharekicker Plan 2008	0 66
Free Shares Plan 2008	0 445

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

	Number of options 2010	Number of options 2009
Outstanding at 1 January	**18,374,178**	**12,666,697**
Granted during the year	4,222,614	9,598,607
Vested/ exercised during the year	(2,995,979)	(3,900,574)
Forfeited during the year	(2,607,724)	(9,890)
Prior year correction to forfeited shares	-	19,338
Expired during the year	(1,800,000)	-
Outstanding at 31 December	**15,193,089**	**18,374,178**
Exercisable at 31 December	-	-

The options that expired in 2010 related to the 2008 Long Term Incentive Plan award as the attached performance conditions have not been met

3,762,348 of the options exercised in 2009 relate to the early vesting of Invista's share schemes in February 2009 following the acquisition of HBOS plc by Lloyds Banking Group which triggered a change of control for Invista

The weighted average share price at the date of exercise for share options exercised in 2010 was £0 45 (2009 £0 54)

The options outstanding at 31 December 2010 are all nil cost options and have a weighted average contractual life of 1 2 years (2009 1 4 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 2010 is £225,000 (2008 £6,056,000)

The 2010 charge includes 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 is deemed to have lapsed as the attached performance conditions have not been met

In 2009 £3,792,000 of the charge for the year was reported as part of the exceptional charge as it represented the accelerated cost of the share schemes which vested early in February 2009 – see note 7 The remaining 2009 charge of £2,264,000 for the costs of the ongoing share schemes was included within administrative expenses as in previous years

For the year ended 31 December 2010 no provision has been made for the grant of any further share awards related to 2010

18. 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 Exchequer Court, 33 St Mary Axe, London, EC3A 8AA

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 17

During 2008 the Company entered into a lease premium arrangement to provide a residence for a Senior Executive and his family as part of a relocation package to London and this arrangement continued until October 2010

Key management personnel* compensation comprised

	2010 £000	**2009 £000**
Short-term employee benefits	2,853	2,755
Post-employment benefits	284	279
Termination payments	217	189
Share-based payments	953	2,064
Total	**4,307**	**5,287**

*Senior Executives and Non-Executive Directors

In 2009 in addition to the share-based payments accounting charge of £2,064,000 shown above there was a charge of £3,086,000 relating to the Senior Executives' share of the charge for the accelerated vesting of some of the Company's employee share schemes which was included within the exceptional item reported in the 2009 income statement See note 7 for further details

Other related party transactions

Balances with related parties at 31 December 2010 were as follows

		2010 £000	**2009 £000**
Receivables *			
Lloyds Banking Group undertakings	(a)	**459**	1,241
Invista Group undertakings	(b)	**765**	734
Invista Group joint venture companies	(c)	**379**	200

Payables **

HBOS plc	(d)	**44**	-
Lloyds Banking Group undertakings	(e)	**167**	167
Invista Group undertakings	(f)	**862**	-
Invista Group joint venture companies		-	5

* 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 due on various Lloyds Banking Group funds
(b) The receivables balance with Invista Group undertakings includes £387,000 (2009 £271,000) for corporation tax paid by the Company on behalf of other subsidiaries in the Group and £86,000 (2009 £419,000) 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 £230,000 (2009 £200,000) and £149,000 (2009 nil) in respect of VAT paid by the Company on behalf of joint venture companies
(d) The Company's payables balance with HBOS plc at 31 December 2010 represents an amount owed for the provision of taxation services provided by HBOS At 31 December 2009 the fees for these services for 2009 were fully paid
(e) The Company's payables balance with other Lloyds Banking Group undertakings at 31 December 2010 for £167,000 is due to Bank of Scotland (Ireland) for a distribution fee relating to the equity raising for the Invista Real Estate International Fund Limited Partnership The same amount was accrued at 31 December 2009
(f) The payables balance with Invista Group undertakings at 31 December 2010 relates to 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 (2009 £22,000) to Invista's partner in the Celsius joint venture for consultancy fees

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

		2010	2009
		£000	**£000**
Lloyds Banking Group undertakings		**12,642**	11,962
Invista Group undertakings	(a)	**895**	1,124
Invista Group joint venture companies		**1,882**	1,719

(a) The ıncome receıved from Invısta Group undertakıngs represents ınvestment advısory fees paıd to the Company by Invısta Real Estate Investment Management (CI) Lımıted

On 12 October 2010 one year's notıce of termınatıon was receıved from Lloyds Bankıng Group on the ınvestment management agreements for the HBOS Funds that Invısta manages on behalf of Lloyds Bankıng Group

No bad debt provısıons ın respect of related partıes were made durıng 2010 (2009 nıl)

In 2010 ıncome of €10,000 (2009 €12,500) was receıved by the Company from the Celsıus joınt venture company Celsıus European Holdıngs S à r l relatıng to one of the Company's Senıor Executıves holdıng a dırectorshıp of that company durıng the year

Durıng the year ended 31 December 2010 the Company paıd £102,000 (2009 £99,000) to HBOS plc for the provısıon of taxatıon servıces

The Company's lease of ıts premıses at Exchequer Court, 33 St Mary Axe, London, EC3A 8AA was wıth Clerıcal Medıcal Investment Group Lımıted untıl 1 March 2010 when the buıldıng was sold to a new owner un-related to the Company For the two months to 28 February 2010 rent of £161,000 was paıd (2009 £966,000 for the full year to 31 December 2009)

The Company ıs covered for crıme and professıonal ındemnıty ınsurance above certaın lımıts by Lloyds Bankıng Group polıcıes, and Lloyds Bankıng Group negotıate on behalf of Invısta wıth brokers for the addıtıonal ınfill polıcy that Invısta takes out each year to supplement the cover provıded under the Group ınsurance polıcıes

Half of the equıty ın the Invısta Real Estate Internatıonal Fund Lımıted Partnershıp was raısed by Bank of Scotland (Ireland) and as a result the Company ıs payıng a dıstrıbutıon fee to Bank of Scotland (Ireland) of £250,000 per annum for three years followıng the fund's launch ın May 2008

Agreements put ın place at the tıme of IPO of the Company's ımmedıate parent undertakıng Invısta Real Estate Investment Management Holdıngs plc ın September 2006 ın respect of related partıes are detaıled ın full ın the Admıssıon document

19. Share capital

Issued capital	**2010 £000**	**2009 £000**
Authorısed		
15,000,100 ordınary shares of £1 each	15,000	15,000
Allotted, called up and fully paid		
10,000,001 ordınary shares of £1 each	10,000	10,000

The Company has one class of ordınary shares whıch carry no rıght to fixed ıncome