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INVESTMENT MANAGEMENT



Invista Foundation Property Trust Limited

Annual Report and Accounts 2009

For the year ended 31 March 2009

www.ifpt.co.uk

Invista Foundation Property Trust Limited aims to provide Shareholders with an attractive level of income together with the potential for income and capital growth from investing in UK commercial property.

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Financial Summary

Net Asset Value per share	Earnings per share	Dividend per share
43.8p	–55.0p	5.13p

- Net Asset Value ('NAV') per share decreased by 59.4%.
- Earnings per share of –55.0p.
- The Company has declared and paid dividends amounting to 5.135 pence per share.
- Total NAV return of –56.9%.

	31/03/2009	31/03/2008	% change
NAV[1] (£000)	**£141,663**	£378,359	(62.6)
NAV per Ordinary Share published[1] (pence)	**43.8**	108.1	(59.5)
NAV per Ordinary Share per accounts[1] (pence)	**43.8**	107.8	(59.4)
Share price (pence)	**23.0**	64.3	(64.2)
Share price discount to NAV	**(47.5%)**	(40.3%)	
NAV total return[2]	**(56.9%)**	(19.8%)	
FTSE All Share Index	**1,984.2**	2,927.1	(32.2)
FTSE Real Estate Index	**1,310.0**	3,670.7	(64.3)
Total Group assets less current liabilities (£000)	**£382,696**	£644,882	(40.7)
Borrowings as % of total assets less current liabilities	**55.8%**	40.9%	14.9[3]
Loan-to-value, net of all cash and following post year end sales	**43.2%**	38.6%	4.6[3]

Sources: Invista Real Estate Investment Management and Datastream based on returns during the period from 1 April 2008 to 31 March 2009.

1 NAV is calculated using International Financial Reporting Standards.
2 NAV total return calculated by Invista Real Estate Investment Management Limited.
3 Percentage point change in borrowings.

Company Summary

Invista Foundation Property Trust Limited and its subsidiaries (the 'Company'/the 'Group') hold a diversified portfolio of UK commercial properties, which is mainly invested in three commercial property sectors: office, retail and industrial. The Group may also invest in other sectors from time to time. The Group will not invest in other listed investment companies. In pursuing the investment objective, the Investment Manager concentrates on assets with good fundamental characteristics, a diverse spread of occupational tenants and with opportunities to enhance value through active management.

Performance Summary

Reconciliation of Net Asset Value per accounts to published Net Asset Value

	31/03/2009 Total £000	31/03/2008 Total £000
Net Asset Value as published 29 April 2009	**141,785**	379,383
Revaluation of associates	**–**	(1,219)
Adjustment to investment property	**–**	155
Adjustment of (expense)/income	**(122)**	40
Net Asset Value per financial statements	**141,663**	378,359
Property Performance		
Value of Property Assets	**304,579**	592,284
Current annualised rental income (prior to post year end sales)	**27,407**	30,539
Estimated open market rental value (prior to post year end sales)	**31,909**	37,766
Underlying property performance (year ending)*†	**(25.4%)**	(9.9%)
IPD Quarterly Version of Balanced Monthly Index Funds (year ending)*	**(24.6%)**	(11.0%)

* Source: Investment Property Databank ('IPD').
† Direct underlying property portfolio.

Summary Consolidated Income Statement

	01/04/2008 to 31/03/2009 £000	01/04/2007 to 31/03/2008 £000
Net rental and related income	31,903	30,103
Realised and unrealised losses on investment property	(159,730)	(64,665)
Expenses	(7,807)	(9,242)
Net finance costs	(13,584)	(12,288)
Share of loss of associates and joint ventures	(34,720)	(33,491)
Loss before tax	(183,938)	(89,583)
Taxation	(124)	233
Loss for the year	(184,062)	(89,350)

Earnings and Dividends

Earnings per share (pence)	(55.0)	(25.3)
Dividends paid per share (pence)	5.135	6.75
Annualised dividend yield on 31 March share price	15.3%	10.5%

Bank Borrowings

	31/03/2009	31/03/2008
On-balance sheet borrowings (£000s)	213,500	263,500
On-balance sheet borrowings as % of total assets less current liabilities	55.8%	40.9%
Loan-to-value, net of all cash and following post year end sales	43.2%	38.6%

Estimated Annualised Total Expense Ratio

As % of total assets less current liabilities	2.04%	1.43%
As % of equity	5.51%	2.44%

Chairman's Statement

Andrew Sykes
Chairman
Invista Foundation Property Trust

Since my last report in November 2008, financial markets have continued to experience unprecedented levels of uncertainty and volatility. Government and Central Bank intervention in the UK has now provided some stability but the supply of credit is highly constrained and risks remain in the financial system.

This lack of liquidity has dramatically reduced the number of commercial property transactions, which are estimated to have fallen by 62% in the year to March 2009, compared to the preceding period (source: Knight Frank).

The challenging environment resulted in the worst ever recorded annual total return for 2008 of –22.1% according to Investment Property Databank ('IPD'). Over the 12 months to 31 March 2009 returns deteriorated further with the IPD Quarterly Index recording a total return of –25.1% driven by a 30% decline in capital values. The vast majority of the decline in values is attributable to adverse movements in investment yields which according to IPD increased by more than 240bps over the 12 months to 31 March 2009.

The problems in the financial markets have now fed through to the wider economy and the UK is in recession for the first time since 1991. As anticipated, this is now resulting in an increased level of tenant failure and declining rental value growth. As at April 2009, UK commercial property values are down 42.7% from the peak in June 2007 (source: IPD).

Results

As a result of the substantial market decline over the 12 months to 31 March 2009, the Group's audited Net Asset Value ('NAV') fell by 64 pence per share or 59.4% from 107.8 pence per share to 43.8 pence per share. Shareholders have received total dividends of 5.135 pence per share over the period resulting in a NAV total return of –56.9% over the year. From the Group's inception to 31 March 2009, its NAV total return has been –10.9%.

Strategic Review Update

Significant progress has been achieved since July 2008 when the Board and Investment Manager completed an intensive review of the Group's strategy. Since that time the Group has:

1. **Raised a further £60 million from disposals** in addition to the £47 million of disposals announced last year.
2. **Repaid £50 million of debt at par in October 2008** (with an additional £915,000 used to break a proportionate part of the interest rate swap hedge).
3. **Built up cash reserves of £78 million.** This has enabled the Group to maintain a loan-to-value ratio at March 2009, net of all cash and following disposals, of 43% despite the significant decline in capital values over the period.

The steps outlined above have been positive for the Group and have been successfully executed by the Investment Manager in difficult market conditions. The disposals have been achieved at an average discount to the immediately preceding quarterly independent valuation of 6.6%.

Having built up substantial cash reserves in the Group, the Board continues to evaluate alternative uses for this capital and expects to make announcements in this regard in the near future.

The Portfolio

The Group's portfolio continues to be well diversified with an above average weighting to the South East. Disposals over the period have reduced exposure to the Central London

> *"Significant progress has been accomplished through the completion of the strategic review, putting the Company on a firmer footing."*

office markets from 31% to 13%. Other disposals have focused on properties where asset management initiatives have been completed. Following the disposal activity, the average initial yield across the portfolio net of purchaser's costs is now 7.4%, compared with 5.2% in March 2008 and the average reversionary yield is 8.95%.

The Investment Manager has succeeded in increasing the average unexpired lease term in the Group's portfolio from 7.8 years in March 2008 to 8.8 years as at May 2009. The vacancy rate across the portfolio is 5.2%, at 31 March 2009. Subsequent to the year end this has risen to 8.6%, partly due to a lease expiry at Victory House, Brighton. This is below the rate recorded in the IPD benchmark which is currently 10.5%

Over the three years to 31 March 2009, the Group's directly held portfolio has produced a total return of –6.8% compared with the IPD Benchmark of –8.4%, placing the Company 16th out of 57 funds. However over the last 12 months the above average sales activity contributed to a total return of –25.4% over the year to 31 March 2009 compared with the Benchmark of –24.6%. Over the three year period rental value growth contributed 3.1% to capital growth, against the Benchmark average of 0.5%.

Financing

Following the repayment of £50 million of debt at par in October 2008, the Group's borrowings consist of a securitised facility of £213.5 million, fully hedged against interest rate movements until maturity in July 2014 at a total cost of 5.58% per annum. This cost reflects two interest rate swaps with a blended cost of 5.38% and a margin on the underlying borrowings of 0.2% per annum over LIBOR.

The historic rates on the interest rate swap contracts compared with current market rates resulted in a negative marked to market value as at 31 March 2009 of –£30.8 million or 9.5 pence per share of the NAV at the same date. This compares with a marked to market value as at 31 March 2008 of –£6.94 million. This value will change with movements in swap rates but the positive or negative value is only realised if debt is repaid in part or in full before maturity and the value is ignored for the purposes of testing the loan-to-value ratio covenant. The Group's securitised debt facility also allows cash to be netted off the outstanding debt for the purposes of calculating the loan-to-value ratio covenant.

The two key banking covenants within this facility are monitored closely and regularly by the Board. The facility has a loan-to-value ratio covenant of 60%, and adopting 31 March 2009 valuations and adjusting for sales since year end the portfolio stood well within this ratio at 43% with all cash held by the Group netted off the debt. The second key banking covenant is the interest cover ratio ('ICR') requiring net rental income to exceed 150% of interest payable, which again compares well to current interest cover of 193% when taking into account the debtors received since the year end.

The Group has three non-recourse joint venture investments which are carried at nil value following declines in the value of the underlying property investments.

Share Buy-backs

At the time of last year's review of strategy, it was the Board's intention to repurchase up to £20 million worth of the Company's shares. 27.3 million shares were acquired for £11.4 million between July and November. The severe weakness of property markets in late 2008 led us to conclude that we should suspend the buy-back programme at that stage.

Chairman's Statement

Investment Manager Overview

The Board reviews the Investment Manager's performance at its quarterly Board meetings. In addition, the Board visited the Investment Manager in April 2009 to review its capabilities in more depth. Following this review, the Board is satisfied that the Investment Manager has the appropriate depth and quality of resources required to support the Company, and believes that the continuing appointment of the Investment Manager is in the interests of shareholders.

Board

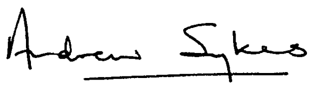
The Board conducted its annual review of its own performance and skills. This review concluded that the Board was functioning satisfactorily and that, between them, the Directors had a broad range of appropriate technical and market knowledge and experience.

Outlook

The sharp slowdown and expectations of a sustained period of weak domestic and global growth have reduced inflation expectations. This has in turn resulted in low interest rates and gilt yields. These dynamics have resulted in the largest positive yield gap between UK commercial property and gilt yields on record. Whether this leads to the market stabilising during 2009 will depend upon increased liquidity in the wider financial markets and a pragmatic approach from existing lenders to the sector – a further wave of bank-induced forced selling in the second half of 2009 is likely to result in a continued decline in valuations.

Although vacancy rates are increasing, in previous cycles market turning points have been driven by yields rather than a rental recovery. Consequently whilst it is too early to predict a recovery in capital values, this may well occur even whilst rents are declining and void rates remain relatively high.

The steps taken by the Group following the strategic review mean that it is in a stronger position to withstand these uncertain market conditions. The Board and the Investment Manager will continue to focus on capital and liquidity to provide resilience in a harsh economic environment, whilst actively managing the Group's portfolio assets to maximise income.



Andrew Sykes, Chairman
7 July 2009

Investment Manager's Report

Duncan Owen
Chief Executive Officer
Invista Real Estate Investment Management

Performance

The unprecedented decline in capital values over the last 18 months has had a significant negative effect on the Group's Net Asset Value ('NAV') which now stands at 43.8 pence per share. As at 31 March 2009 the annualised NAV total return per annum since inception has been –10.9% per annum. Over the last year, we have taken a number of steps to stabilise the Company's position, as described below.

Strategic Review

Subsequent to the disposal of £47 million of assets which was announced at the time of the strategic review last year, a further seven properties have been sold, generating additional proceeds of £60 million. Having repaid £50 million of debt in October 2008, the Group still holds approximately £80 million of cash which following the post year end disposals and with all cash held netted off the debt results in a net loan-to-value ('LTV') ratio of 43% compared with a LTV ratio covenant of 60%, providing the Group with significant headroom.

Having stabilised the Group through disposals we have been considering the optimal use for the cash to generate long-term shareholder value whilst retaining a strong balance sheet. We expect to provide an update in this regard in the near future.

The Market

According to IPD, 2008 produced the worst returns for the UK commercial property market in the last 30 years and values are now 42.7% lower than at the peak in June 2007. As at 31 May 2009, capital values are back at 1997 levels and the average initial yield is 7.8%. The latest phase of the market cycle is being driven by falling rents, particularly in Central London, and wider concerns regarding tenant default.

Encouragingly, investment demand for UK commercial property is now increasing, albeit from a low base, in two distinct sectors of the market. Firstly, smaller private investors have returned to the sector due to the low returns offered by cash and other low risk investments. The Group has exploited this demand through recent disposals such as the small shops in York and Brighton. Secondly, an increasing number of institutional and opportunistic investors are reviewing the sector, attracted by a high income yield and the potential to capitalise from distressed owners. This demand is largely confined to the best quality, prime assets let to durable tenants on long leases. Demand for secondary assets remains very weak, with limited prospects for a recovery in demand until the wider economy recovers.

The consensus view of a 50% peak to trough fall in UK commercial property values would result in average yields exceeding 8.5%. This is a yield level from which property can offer a sufficient return to attract investment back to the sector.

Property Portfolio

The Group's direct property portfolio was valued at £339.5 million as at 31 March 2009, which reduces to £305.5 million when taking account of disposals that have completed following the year end. Following these disposals the Group has 60 direct property assets with an average value of £5.1 million. The portfolio is well diversified by tenant, sector and geography. The Group's three joint venture investments are held at nil value following valuation declines during the course of the year.

Investment Manager's Report

Sector Weightings

Sector	Year end – 31/03/2008 Net weighting %	Year end – 31/03/2009 (post sales) Net weighting %
Retail	21.4	25.4
Offices	52.6	45.1
Industrial	22.3	25.2
Other	3.7	4.3
Total	100.0	100.0

Regional Weightings

Region	Year end – 31/03/2008 Net weighting %	Year end – 31/03/2009 (post sales) Net weighting %
Central London	30.9	13.2
South East excluding Central London	35.7	46.3
Rest of South	10.7	12.7
Midlands and Wales	13.8	18.4
North and Scotland	8.9	9.4
Total	100.0	100.0

Top Ten Properties by Value

		31/03/2009 value (£)	%
1	Portman Square House, 43/45 Portman Square, London W1 (21.6% share)	20,540,000	6.7
2	Minerva House, Montague Close, London SE1 (50% share)	19,650,000	6.4
3	Victory House, Trafalgar Place, Brighton	15,750,000	5.2
4	The Galaxy, Luton	13,150,000	4.3
5	Reynard Business Park, Brentford	12,280,000	4.0
6	Retail Park, Churchill Way West, Salisbury, Wiltshire	10,550,000	3.5
7	Olympic Office Centre, Fulton Road, Wembley	10,150,000	3.3
8	106 Oxford Road, Uxbridge	9,850,000	3.2
9	The Gate Centre, Syon Gate Way, Brentford	9,250,000	3.0
10	Union Park, Fifers Lane, Norwich	8,850,000	2.9
	Total as at 31 March 2009	130,020,000	42.5

Top Ten Tenants by Rent per annum

		Rent per annum (£)	%
1	Mott MacDonald Limited[1]	1,307,148	5.1
2	Cushman & Wakefield Finance Limited	1,183,617	4.6
3	Wickes Building Supplies Limited	1,092,250	4.3
4	Synovate Limited[2]	950,000	3.7
5	The Buckinghamshire New University[3]	900,000	3.5
6	The British Broadcasting Corporation	863,100	3.4
7	Recticel SA	713,538	2.8
8	Winkworth Sherwood LLP[4]	663,095	2.5
9	Motorhouse 2000 Limited[5]	570,150	2.2
10	Irwin Mitchell LLP	555,000	2.2
	Total as at 31 March 2009	8,797,898	34.3

1 Rent will fall to £944,000 per annum in June 2009 following surrender and granting of new lease over ground to third floors (approximately 60% of original space). Mott MacDonald Group Limited will remain guarantor.

2 Synovate Limited will begin paying this rent in June 2009. Aegis Group plc are guarantor. Figures based on 50% ownership of Minerva House.

3 The Buckinghamshire New University began paying £450,000 from March 2009 and will increase to full rent in June 2012.

4 On assignment from Reed Smith Rambaud Charot LLP. Figures based on 50% ownership of Minerva House.

5 Six month rental deposit held.

Following disposals completed since the year end, the portfolio rental income was £23.7 million per annum equating to a net initial yield of 7.3% based on the independent valuation as at 31 March 2009. Rent free periods expiring during 2009 increase the rent to £25.7 million per annum or a net initial yield of 7.8%. The independent valuation estimates the annual rental value of the portfolio to be £29.5 million equating to a net yield of 9.0%.

The table below shows the percentage of current income expiry over defined periods, with and without tenant break options exercised at the earliest opportunity.

Income Expiry Profile

	% of rent passing	
Years to expiry	Earliest termination	No breaks
Up to 5	40.1	34.9
5 to 10	18.3	21.6
10 to 15	28.2	26.4
15 to 20	9.0	11.4
Over 20	4.4	5.7

Investment Manager's Report

Property Portfolio Performance

Investment Property Databank ('IPD') has analysed the performance of the Group's underlying property portfolio relative to its peer group IPD Benchmark.

Over the three years to 31 March 2009, the Group's underlying direct property portfolio produced a total return of –6.8% per annum compared with the Benchmark of –8.4%, placing the Group on the 27th percentile or 16th out of 57 funds. Including the joint venture, investments in the IPD analysis diluted the Group's return to –8.4%, due to their inclusion at a net asset value that was written down to nil over the year to 31 March 2009.

Over the three years to 31 March 2009 the rental value growth of the Group's directly held portfolio including transactions contributed 3.1% towards capital growth versus the IPD Benchmark of 0.5%. The office, retail and industrial assets all contributed more rental value growth of 4.0%, 2.0% and 1.2% compared with the Benchmark of 0.8%, 0.5% and 0.1% respectively. This is a significant margin of outperformance generated by an exposure to growth sectors over the period and an active management approach.

Over the 12 months to 31 March 2009 the Group's underlying direct property portfolio produced a total return of –25.4% relative to the Benchmark of –24.6%. Rental value growth remained better than the Benchmark, contributing –2.1% compared to the IPD Benchmark of –4.9%. Including the joint venture, investments in the IPD analysis diluted the Group's total return to –30.3%, again due to their inclusion at a net asset value that was written down to nil over the year to 31 March 2009.

Disposals

The Group has implemented 11 disposals over the year, three of which completed following the year end. Total disposals between 31 March 2008 and 28 May 2009 raised £106.9 million versus the original acquisition price of £116.8 million. Details of the disposals relative to original acquisition price and the independent quarterly valuation immediately prior to exchange of contracts are shown below:

Address	Acquisition date	Acquisition price (£m)	Sale date	Valuation at previous quarter (£m)	Sale price (£m)
Mercury Lane & Burgate, Canterbury	July 2004	2.6	June 2008	2.9	2.8
Unit A, Stirling Court, Swindon	July 2004	1.3	June 2008	1.2	1.7
Minerva House, London SE1 (50%)	June 2005	21.1	June 2008	26.2	25.0
Tokenhouse Yard, London EC2	May 2006	21.0	June 2008	20.0	17.8
35 Tavern Street, Ipswich	July 2004	1.9	July 2008	2.5	2.5
The Quadrant, Bristol	July 2004	8.6	August 2008	9.8	9.5
Victoria Plaza, Bolton	July 2004	9.9	December 2008	10.8	10.0
Electric House, Brighton	July 2004	3.2	March 2009	2.8	3.5
Sales unconditionally exchanged prior to the year end, but completed post year end					
National Magazine House, London W1	January 2005	45.1	April 2009	35.7	31.4*
Sales completed after 31 March 2009					
Consort Way, Burgess Hill	July 2004	0.9	May 2009	0.8	0.8
Parliament Street, York	July 2004	1.2	May 2009	1.7	1.9
Total		116.8		114.4	106.9

*£31.4 million excludes potential for further overage – see opposite.

With the exception of National Magazine House, disposals were implemented following completion of asset management initiatives or where there were concerns over future performance prospects. National Magazine House was sold to increase the Group's cash position. The price of £31.4 million reflected a net initial yield to the buyer of 7.75% before any overage payment which could result from an outstanding rent review. The overage is capped at £2 million, and dependent upon a third party settlement in line with the independent valuation rental value assumption at the time of disposal, the Group might receive further net proceeds up to the capped amount. The NAV as at 31 March 2009 ignores the overage due to the uncertainty of both the third party rent review process and the timing for any payment.

Asset Management

In the current environment a proactive approach to asset management is essential. Over the period asset management has focused on four main objectives:

1. Increase income
   On a like-for-like basis, portfolio income has increased by 5.9%.

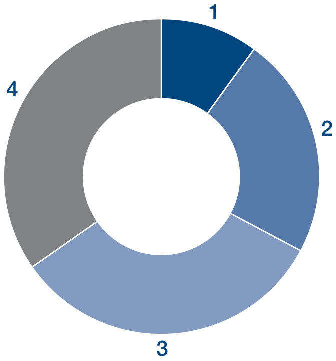
2. Maintain low void rates and arrears
   The portfolio had a void rate of 5.2% of rental value as at 31 March 2009 (31 March 2008: 4.6%) which has risen to 8.6% at the date of this report, partly due to a lease expiry at Victory House, Brighton. This compares to the IPD Benchmark of 10.5% (31 March 2008: 7.8%). As anticipated, tenant default across the portfolio is increasing and it is possible that if assets with tenants in administration currently paying rent become void, the void rate will increase to 10.8%. The accounts show rent arrears in excess of 90 days of £0.4 million as at 31 March 2009 (31 March 2008: £1.5 million). Since the year end £0.3 million of those arrears have been recovered.

3. Increase the average lease length
   As at 31 March 2009 and after disposals, the Group had 219 tenancies with an average unexpired lease length of 8.8 years calculated to the earlier of lease expiry or a tenant's break option. This compares to an average lease length of 7.8 years in 2008 and reflects significant asset management achievements such as those at Uxbridge and Brighton, noted below, where new long leases have been agreed and income improved.

4. Control and reduce costs wherever possible
   The Group's largest property operating expense is empty business rates, which totalled £0.58 million over the year to 31 March 2009 (31 March 2008: £0.22 million). The Group has actively reduced the ongoing liability for empty business rates by approximately £0.44 million per annum through the letting of 106 Oxford Road, Uxbridge to The Buckinghamshire New University and the demolition of an obsolete industrial building in Hinckley. The benefit of this should be realised during the current financial year.

Retail and Leisure Sector

Regional Weightings of the Retail and Leisure Portfolio – Post Sales



Geography

1 Central London	10.1%
2 South East	22.9%
3 Rest of South	32.3%
4 Rest of UK	34.7%

Key Facts

- 23 direct assets totalling £91.0 million (31 March 2008: £149.0 million).
- 61 direct tenants generating £7.68 million per annum (31 March 2008: £8.5 million).
- 11.2 years weighted lease length (31 March 2008: 11.9 years).
- 3.4% void as at 31 March 2009 (31 March 2008: 3.9%).
- Increasing to 5.4% void rate including tenants in administration (31 March 2008 basic void rate: 3.9%).

York

29/30 Parliament Street

In February the Group paid £45,000 to take back a lease from Jessops who were paying £90,000 per annum on a lease with four years remaining. The property was simultaneously re-let to Vodafone on a new 10 year lease at £110,000 per annum that reflected a rental uplift of 22.2%. The property has now been sold to take advantage of strong private investor demand for small, well-let investments. The £1.9 million disposal price reflected a net initial yield of 5.5% and was 9.8% above the 31 March 2009 valuation. More importantly the disposal price was 26.7% above the December 2008 valuation (ie before the deal with Vodafone was agreed).

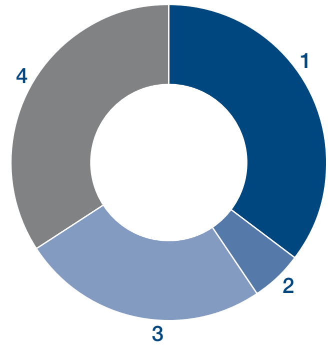
York

15/17 Market Street

Following the year end and in parallel with rent review negotiations, the Group has completed an agreement with Superdrug to increase the rent from £285,000 to £290,000 and extend the lease by five years to 18.5 years unexpired. In exchange the Group has granted Superdrug a six month rent free period with effect from 25 June 2009. The independent valuer estimates that this transaction increases the value from £4.3 million as at 31 March 2009 to £4.5 million, taking account of the rent free.

Industrial Sector

Regional Weightings of the Industrial Portfolio – Post Sales



Geography

1 Central London	35.3%
2 South East	5.5%
3 Rest of South	25.1%
4 Rest of UK	34.1%

Acton

Booker Cash & Carry

In July 2008 the rent review, dating from June 2007, was agreed at £550,000 per annum reflecting an increase of £200,000 or 57%. The original acquisition strategy was to increase the low base rent and explore potential redevelopment as the property is located close to higher value alternative uses, although redevelopment at some stage may still be possible. Since the year end, we have extended the lease from 2.5 years to 18 years at the current rent. In return Booker will benefit from two years at half rent. To provide future flexibility for redevelopment we have incorporated a seven year landlord's only break option.

Brentford

Reynard Business Park

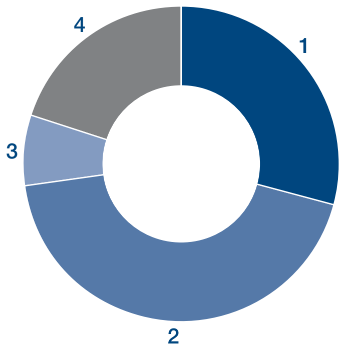
The Group's biggest potential vacancy during 2008 and 2009 was the British Broadcasting Corporation ('BBC') at Reynards Business Park, Brentford, an industrial estate in West London. In February 2009 lease agreements were completed producing an annual rent of £702,000 for a further four years, with a tenant-only break option after two and a half years. The new rental level reflects an uplift of £55,000 per annum, or 9% compared to the previous rent, and provides the Group with time to consider alternative, higher value uses at the site.

Key facts

- 16 direct assets totalling £76.8 million
  (31 March 2008: £126.4 million).
- 84 direct tenants generating £6.7 million per annum
  (31 March 2008: £8.28 million).
- 5.7 years weighted lease length
  (31 March 2008: 5.3 years).
- 3.6% void as at 31 March 2009
  (31 March 2008: 5.0%).
- Increasing to 6.0% including tenants in administration
  (31 March 2008 basic void rate: 5%).

Office Sector

Regional Weightings of the Office Sector Portfolio – Post Sales



Geography

1 Central London	29.2%
2 South East	43.7%
3 Rest of South	7.3%
4 Rest of UK	19.8%

Key Facts

- 21 direct assets totalling £137.7 million
  (31 March 2008: £288.5 million).
- 74 direct tenants generating £9.96 million per annum
  (31 March 2008: £13.9 million).
- 8.4 years weighted lease length
  (31 March 2008: 6.1 years).
- 7.5% void as at 31 March 2009
  (31 March 2008: 4.8%).
- Increasing to 8.2% including tenants in administration
  (31 March 2008 basic void rate: 4.8%).

Trafalgar Place, Brighton

Victory House

In November 2008 unconditional agreements were exchanged for Mott MacDonald Limited ('Mott') to take a new 15 year lease on 46% of the building and a 10 year lease on 15% of the building, at a combined rent of £944,000 per annum, a like-for-like rental uplift of 18%. The lease completed on 24 June 2009 and Mott will receive four and a half months rent free. Mott previously paid £1.307 million per annum on a lease on the whole building with a break option, effective in June 2009. The remaining 32,000 sq ft will be refurbished at a cost of £1.5 million. The independent valuation estimates the rental value for the vacant space to be £685,000 per annum.

Uxbridge

106 Oxford Road

A weakening letting market led to a review of the 106 Oxford Road redevelopment proposals for which the Group obtained planning permission in 2007. We concluded that, in this market, redevelopment was unviable and instead pursued a marketing of the existing building. This resulted in letting the whole building to The Buckinghamshire New University for 15 years at rent of £900,000 per annum. The tenant is controlled by the Higher Education Funding Council for England and the letting was conditional on a further planning consent for educational use which has now been received. Due to the specialist use, five yearly fixed uplifts of 2.5% per annum compound have been agreed. The tenant will receive a £2 million contribution to the fit-out and benefits from paying half rent for 38 months from March 2009. The works are currently underway and the tenant expects to take occupation of their new premises in August 2009.

“Active asset management remains key to enhance value and to maintain resilience.”

London W1

Portman Square House

(Rental figures below reflect the Group’s 21.6% share)

The Group has a 21.6% interest in one West End office property, Portman Square House. The building was acquired in 2006 producing income of £1.03 million per annum with a strategy to grow the rent from a low average base of £38 per sq ft. As reported last year, achieving a new lease in the building at £95 per sq ft provided strong evidence for the key rent review which occurred in June 2008 with tenant Cushman, which occupies 62% of the building by floor area. The Cushman rent review was settled at £78.50 per sq ft or £1.18 million per annum. A review with Regus followed shortly afterwards which has now been settled at £182,000 per annum, an uplift of 89% reflecting £80 per sq ft on the majority of the space. Including minimum fixed uplifts this will increase the total rent at Portman Square House to £1.86 million per annum by the end of 2009. This 81% uplift in rent since acquisition has helped to offset some of the significant value falls that are now being seen in the West End.

Investment Manager's Report

Finance

On-balance Sheet Finance

£50 million of the Group's on-balance sheet securitised debt facility was repaid in October 2008 which reduced the outstanding debt to £213.5 million. To optimise the efficiency of the debt repayment the marginally more expensive AA tranche of debt was repaid in full with the balance directed to the remaining AAA tranche of debt. As part of the debt repayment, the Group incurred a £915,000 swap break cost in addition to the £50 million debt repayment. Following the debt repayment the Group's annual interest payment has reduced from £14.7 million to £12 million per annum. The table below sets out a breakdown of the interest cost including details of the Group's remaining interest rate swaps that fully hedge the Group's interest payments for the duration of the loan term that matures in July 2014:

Amount (£)		Fixed rate	Margin interest rate	Total expiry	M2M* 31/03/2009 (£)	M2M* 31/03/2008 (£)
102,500,000	5.099%	0.20%	5.299%	15/07/2014	(11,703,275)	(716,140)**
111,000,000	5.713%	0.20%	5.913%	15/07/2016	(19,126,145)	(5,878,594)
213,500,000	5.418%		5.6218%		(30,829,420)	(6,594,734)

* M2M means 'marked to market'.
** This has been pro rated to assist with comparability, the original amount of this swap was £152,500,000.

The Group accounts show the marked to market value of its interest rate swaps in the balance sheet. The impact on the NAV as at 31 March 2009 was 9.14 pence per share or 21% of the total NAV of the Company. The marked to market value will continue to change with movements in swap rates but the positive or negative value is only realised if debt is repaid in part or in full before maturity otherwise they are 'wasting' assets, in that the value will always be zero at maturity. To illustrate the volatility, at the end of June 2009 the combined marked to market loss of the swaps had fallen to – £22.08 million.

Based on the independent valuation as at 31 March 2009 and following subsequent disposals the LTV ratio in the securitised debt facility is 55% compared with the LTV ratio covenant of 60%. In addition to the £305.5 million of property assets there is cash of £46.9 million in the security pool which is netted off the debt for the purposes of calculating the LTV ratio. The negative marked to market value of the swaps is ignored for the purposes of testing the LTV ratio covenant.

Outside the securitised debt pool the Group has further unencumbered cash of £36.4 million which results in total cash in the Group of £83.3 million following the receipt of the disposal proceeds from National Magazine House. This results in a LTV ratio, taking account of post year end sales and net of all cash in the Group, of 43%.

The Board has determined that on-balance sheet debt should not exceed 40% of on-balance sheet assets and over the year to 31 March 2009 the Investment Manager has raised significant sums through disposals and is investigating options for debt reduction to bring the level of debt more in line with Board guidance.

The other key banking covenant is the interest cover ratio ('ICR') covenant of 150%, calculated as a percentage of total annual net rent over total annual interest. Net rent is the rent that the Group will receive over the 12 months following the test date, on the assumption that tenants vacate at the earliest opportunity. Deducted from this number is the annualised rent for any tenancies where the tenant has rental arrears and also any interest earned on cash in the security pool. Calculating the covenant in this way results in an ICR of 193% when debtors received after the calculation date were taken into consideration compared with the covenant of 150%. In addition it should be noted that the full annual rent payable in relation to key lettings subject to ongoing rent free periods, and the like, is not fully reflected in this calculation.

Joint Ventures

The Group continues to have three joint ventures that are financed using non-recourse debt, meaning that the lender's security is limited to the assets held by the individual joint ventures. Any breach or default of an individual joint venture has no impact upon the Group's other assets or banking arrangements.

Due to further reductions in property values, the Group's three joint ventures are held at a carrying value of nil.

Outlook and Future Strategy

The UK commercial property market has fallen heavily over the last two years. Falling rents will mean that 2009 and 2010 will also prove very challenging for many parts of the market. These conditions mean that the commercial property market is being priced as a high risk asset. We believe that this will create an opportunity for well positioned companies to acquire fundamentally good assets let to strong tenants at historically high yields and potentially benefit from exceptional medium to long-term risk adjusted returns.

The Group has made demonstrable progress in strengthening its Balance Sheet and has taken an active approach across the portfolio which has helped to grow income and improve its defensive characteristics. The cash held by the Group ensures it is well positioned to benefit from any compelling new opportunities that may arise as the market recovers.

Duncan Owen
Chief Executive Officer
Invista Real Estate Investment Management
7 July 2009

Board of Directors

Andrew Sykes Chairman
Aged 51, was a Director of Schroders plc from 1998 to 2004, having joined Schroders in 1978. He was responsible for the Group's private banking and alternative investments businesses, including property, private equity, structured products and hedge funds. He is Chairman of Absolute Return Trust Limited, Deputy Chairman of Smith & Williamson Holdings Limited and a Non-executive Director of Schroder Exempt Property Unit Trust, JP Morgan Asian Investment Trust plc, and Record plc.

John Frederiksen
Aged 61, is Chairman of the Danish Property Federation and several major Danish property and other companies as well as President of the European Property Federation. He established and was Managing Director of Bastionen A/S, one of the largest Danish property investment companies from 1986 to 2001. He was also Chairman of ASC, the largest property management company in Denmark, from 1990 to 1998.

Keith Goulborn
Aged 64, was Head of Unilever's UK Property Department for 17 years. In this capacity he was responsible for the property investment activities of the Unilever Pension Fund in the UK and operational property advice to the UK group and its implementation. Prior to that, he was a Partner in Debenham, Nightingale Chancellors. He is a Fellow of the Royal Institution of Chartered Surveyors and a member of the Investment Property Forum.

Harry Dick-Cleland
Aged 52, is Managing Director of Cleland & Co Limited, Chartered Accountants which he founded in 2003. He was previously a Partner at Ernst & Young from 1998 to 2003, having joined their Guernsey office in 1987. He is a Fellow of the Institute of Chartered Accountants in England & Wales.

David Warr
Aged 55, is a Fellow of the Institute of Chartered Accountants in England & Wales with particular expertise in trust and corporate work. He is also a Non-executive Director of UK Select Trust Limited, FRM Diversified Alpha Limited, Marwyn Materials Limited and Unigestion (Guernsey) Limited.

Peter Atkinson
Aged 54, was the Senior Partner of Collas Day Advocates for 14 years where he specialised in corporate and fiduciary work. He joined Collas Day in 1980 and became Senior Partner in 1992. He is now a Non-executive Director of a number of listed and unquoted companies. He is an Advocate of the Royal Court of Guernsey and a Solicitor of the Supreme Court of England and Wales. He is a former Chairman of the Guernsey Bar.

Report of the Directors

The Directors of Invista Foundation Property Trust Limited ('the Company') and its subsidiaries (together 'the Group') present their report and the audited financial statements of the Group for the year ended 31 March 2009. The Company was registered in Guernsey, Channel Islands on 27 May 2004 under the Companies (Guernsey) Laws 1994 to 1996 (as amended) (the 'Old Law') with registered number 41959. The Old Law has now been superseded by the Companies (Guernsey) Law 2008 (the 'New Law') and the Company has prepared these financial statements in compliance with the New Law.

This Report of the Directors is comprised of two sections: Section A and Section B

In addition to the usual business transacted at the Annual General Meeting of the Company, which will take place on 2 September 2009, the Directors are also proposing resolutions at this time to:

- amend the Memorandum and Articles of Association of the Company with a view to aligning them with the changes introduced by the New Law; and
- renew the Directors current authority to purchase up to 14.99% of the Company's Ordinary Shares.

The details of the resolutions proposed are set out in Section B.

Section A

Business Review

Business of the Company

The Company is a limited liability, closed-ended, Guernsey investment company managed by Invista Real Estate Investment Management Limited (the 'Investment Manager'). A review of the business during the past year is contained in the Chairman's Statement and the Investment Manager's Report.

Investment Policy and Strategy

Investment Objective

The investment objective of the Company is to provide shareholders with an attractive level of income together with the potential for income and capital growth through investing in UK commercial property. The Group will invest in three commercial property sectors: office, retail and industrial and other sectors from time to time.

Diversification

The Board believes that in order to maximise the stability of the Group's income, the optimal strategy for the Group is to invest in a portfolio of assets which (a) is diversified by location, sector, asset size and tenant exposure and (b) has low vacancy rates and creditworthy tenants. There is a predefined limit on the value of any individual asset at the date of its acquisition, set at 15% of gross assets, and a limit of 10% on the proportion of rental income deriving from a single tenant. From time to time the Board may also impose limits on sector, location and tenant types. At present, the Board has not set a limit on the proportion of the portfolio that can be invested in development property.

The Company's portfolio will be invested and managed, as is currently required by the Listing Rules of the Financial Services Authority ('FSA' and 'Listing Rules' respectively), in a way which is consistent with its objectives of spreading investment risk, in accordance with the Rules of the Channel Islands Stock Exchange ('CISX') and taking into account the Company's investment objectives, policies and restrictions.

Report of the Directors

Asset Allocation

The Group currently owns, and intends to continue to own, a diversified portfolio of UK commercial property. Its sector focus will be office, retail and industrial. The Group may acquire other types of real estate including, for example residential or leisure. At present, the Board has instructed the Investment Manager to seek to maintain the Group's exposure to the office sector at below 60% of the total value of the Group's assets. This instruction will be kept under review by the Board. Asset allocation will also be determined taking into account current Listing Rule requirements (please refer to the paragraph below headed 'Investment Restrictions'), the Rules of the CISX and the Company's investment objective, policy and restrictions.

Borrowings

As at 31 March 2009, the Group had £213.5 million of on-balance sheet debt. The Board has determined that on-balance sheet debt should not exceed 40% of on-balance sheet assets. It should be noted that the Company's Articles of Association limit its borrowings to 65% of the Group's gross assets, calculated as at the time of borrowing. If the on-balance sheet limit is breached at any time the Directors will require the Investment Manager, as a priority, to manage the Group's assets with the objective of bringing borrowings within the appropriate limit while taking due account of the interests of shareholders. Accordingly, corrective measures may not have to be taken immediately if this would be detrimental to shareholder interests. Over the year to 31 March 2009 the Investment Manager has raised significant sums through disposals and is investigating options for debt reduction.

Interest Rate Exposure

It is the Board's policy to hedge interest rate risk, either by ensuring that borrowings are on a fixed rate basis, or through the use of interest rate derivatives. Interest rate derivatives may only be employed for hedging purposes.

Investment Strategy

In pursuing the investment objective, the Investment Manager intends to target assets with good fundamental characteristics, a diverse spread of occupational tenants and with opportunities to enhance value through active management.

The Investment Manager will adjust sector and regional weightings to access higher growth markets to maximise the potential for income and capital growth, subject to restrictions imposed by the Board from time to time.

Investment Restrictions

As the Company is a closed-ended investment fund for the purposes of the Listing Rules, the Group will adhere to the Listing Rules applicable from time to time to closed-ended investment funds. The Company and, where relevant, its subsidiaries will observe the following restrictions applicable to closed-ended investment funds in compliance with the current Listing Rules:

- neither the Company nor any subsidiary will conduct a trading activity which is significant in the context of the Group as a whole and the Group will not invest in other listed investment companies; and

- where amendments are made to the Listing Rules, the restrictions applying to the Company will be amended so as to reflect the new Listing Rules.

Key Performance Indicators ('KPIs')

The Board uses two principal financial KPIs to monitor and assess the performance of the Company being (1) the absolute Net Asset Value ('NAV') total return of the Company and (2) the performance of the Company's underlying property portfolio relative to a peer group Benchmark Index (defined below):

1. NAV total return
   For the year to 31 March 2009 the Company produced a NAV total return of –56.9%. From inception in May 2004 the Company has produced an annualised NAV total return of –10.9% per annum.

2. Underlying property portfolio performance relative to peer group Benchmark
   The performance of the Company's property portfolio is measured against a specific benchmark defined as the Investment Property Databank Quarterly Version of Balanced Monthly Index Funds (the 'Benchmark Index'). As at 31 March 2009 the Benchmark Index comprised 63 member funds with an aggregate value of £25.2 billion. For the 12 months to 31 March 2009 the Company's underlying property portfolio produced a total return of –25.4% compared to the Benchmark Index

average of –24.6%. Over the three years to 31 March 2009 the Company's underlying direct property portfolio produced a total return of –6.8% per annum compared to the Benchmark Index total return of –8.4% per annum. It should be noted that all these return calculations are undertaken on a like-for-like basis and take account of all direct property related transaction costs. Including the Group's joint venture investments at their Net Asset Value dilutes the Company's performance over the 12 months and three years to 31 March 2009 to –8.4% and –30.3% respectively.

The Board also monitors the level of the share price compared to the NAV. Where appropriate on investment grounds, the Company will from time to time repurchase its own shares, but the Board recognises that movements in the share price premium or discount are driven by numerous factors, including investment performance, gearing and market sentiment. Accordingly it focuses its efforts principally on addressing sources of risk and return as the most effective way of producing long-term value for shareholders.

Dividend

During the year the Company has declared and paid the following interim dividends to its ordinary shareholders:

Dividend for quarter	Date declared	Rate
31 March 2008	7 May 2008	1.6875 pence per share
30 June 2008	6 August 2008	1.6875 pence per share
30 September 2008	5 November 2008	0.8800 pence per share
31 December 2008	4 February 2009	0.8800 pence per share

All dividends are declared and paid as interim dividends. The Directors do not therefore recommend a final dividend. A dividend for the quarter ended 31 March 2009 of 0.88 pence per share was declared on 29 April 2009 and paid on 20 May 2009.

Accounting, Legal and Regulatory

The Company has robust processes in place to ensure that accurate accounting records are maintained and that evidence to support the accounts is available to the auditors upon request. The Investment Manager operates established property accounting systems and has procedures in place to ensure that the quarterly NAV and Gross Asset Value are calculated properly.

In addition, the Company's property assets are valued quarterly by specialist property valuation firms who are provided with regular updates on portfolio activity by the Investment Manager.

The Administrator monitors legal requirements to ensure that adequate procedures and reminders are in place to meet the Company's legal requirements and obligations. The Investment Manager undertakes full legal due diligence with advisers when transacting and managing the Company's assets. All contracts entered into by the Company are reviewed by the Company's legal and other advisers.

Processes are in place to ensure that the Company complies with the conditions applicable to property investment companies set out in the Listing Rules and the Rules of the CISX. The Administrator attends all Board meetings to be aware of all announcements that need to be made and the Company's advisers are aware of their obligations to advise the Administrator and where relevant, the Board of any notifiable events. Finally, the Board is satisfied that the Investment Manager and Administrator have adequate procedures in place to ensure continued compliance with the regulatory requirements of the FSA, the CISX and the Guernsey Financial Services Commission.

Management

The Company has retained the services of Invista Real Estate Investment Management Limited as its Investment Manager. The Investment Manager is the largest listed real estate fund manager in the United Kingdom with Lloyds Banking Group plc holding a 55% stake. The team dealing with the Company is led by Duncan Owen, CEO of the Investment Manager who chairs their bi-monthly investment committees. The other members of that committee are Philip Gadsden, Nick Montgomery and Mark Long who have comprised the investment committee since the Company's launch in 2004. The Board continues to be satisfied that the Investment Manager has sufficient resources available to deliver the investment objective.

Report of the Directors

Management and Performance Fees

The Investment Manager is entitled to a base fee and a performance fee together with reasonable expenses incurred in the performance of its duties. The base fee is equal to one quarter of 0.95% of the gross assets less current liabilities of the Group per quarter.

The Investment Manager is also entitled to an annual performance fee where the NAV total return per Ordinary Share during the relevant financial period exceeds an annual rate of 10% (the 'Performance Hurdle'). Where the Performance Hurdle is met, a performance fee will be payable in an amount equal to 15% of any aggregate total return over and above the Performance Hurdle (the 'Performance Fee'). The Performance Fee will only be payable where (1) in respect of the relevant financial period, the total return of the underlying assets must meet or exceed the Benchmark Index on a like-for-like basis and (2) the annualised total return over the period from admission of the Company's Ordinary Shares to the end of the relevant financial period must be equal to or greater than 10% per annum.

The Investment Management Agreement can be terminated by either party on not less than 12 months notice in writing.

Administration

The Board appointed Northern Trust International Fund Administration Services (Guernsey) Limited as the administrator to the Company (the 'Administrator') with effect from 25 July 2007. The Administrator is entitled to an annual fee equal to £120,000.

Accounting Services

The Board appointed Invista Real Estate Investment Management Limited as the accounting agent to the Company ('the Accounting Agent') with effect from 1 April 2007. The Accounting Agent is entitled to a fee equal to five basis points of NAV subject to a minimum annual fee of £250,000.

Going Concern

The Directors have examined significant areas of possible financial risk including cash and cash requirements and the debt covenants, in particular the loan-to-value covenant and interest cover ratio. They have not identified any material uncertainties which would cast significant doubt on the Group's ability to continue as a going concern for a period of not less than 12 months from the date of the approval of the financial statements. The Directors have satisfied themselves that the Group has adequate resources to continue in operational existence for the foreseeable future. After due consideration the Board believes it is appropriate to adopt the going concern basis in preparing the financial statements.

Creditor Payment Policy

It is the Group's policy to ensure settlement of supplier invoices in accordance with stated terms.

Directors

The Directors of the Company together with their beneficial interest in the Company's ordinary share capital as at the date of this report are given below:

Director	Number of Ordinary Shares	%
Andrew Sykes (Chairman)	60,292	Less than 0.1
Keith Goulborn	34,880	Less than 0.1
Harry Dick-Cleland	–	–
David Warr	150,000	Less than 0.1
Peter Atkinson	10,000	Less than 0.1
John Frederiksen	50,000	Less than 0.1

The remuneration of the Directors during each of the last two years was as follows:

Director	£
Andrew Sykes (Chairman)	37,500
Keith Goulborn	22,500
Harry Dick-Cleland*#	32,500
David Warr*	27,500
Peter Atkinson*	27,500
John Frederiksen	22,500
	170,000

* Member of the Transaction Committee (see page 25).
# Chairman of the Audit Committee.

None of the Directors had a service contract with the Company during the year.

Directors receive a base fee of £22,500 per annum, and the Chairman receives £37,500 per annum. The Chairman of the Audit Committee receives an additional fee of £5,000 and members of the Transaction Committee each receive an additional fee of £5,000 reflecting their additional responsibilities and workload.

Substantial Shareholdings

At 31 March 2009 the Directors were aware that the following shareholders each owned 3% or more of the issued Ordinary Shares of the Company.

	Number of Ordinary Shares	%
Cazenove Capital Management (UK)	41,155,160	12.72
Schroder Investment Management Limited	38,929,342	12.03
Rensburg Sheppards Investment Management	35,546,852	10.99
Legal & General Investment Management Limited	16,174,791	5.00

Disclosure of Information to Auditors

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

Independent Auditors

KPMG Channel Islands Limited have expressed their willingness to continue as auditors to the Company ('the Auditors') and resolutions proposing their reappointment and authorising the Directors to determine their remuneration for the coming year will be put to Shareholders at the Annual General Meeting ('AGM') of the Company.

Corporate Governance

Principles Statement

The Directors are committed to maintaining high standards of corporate governance. Insofar as the Directors believe it to be appropriate and relevant to the company, it is their intention that the Company should comply with best practice standards for the business carried on by the Company. As a Guernsey registered company, the Company is not obliged to comply with the Combined Code on Corporate Governance, or the Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance.

It is the Board's intention to continue to comply with the Association of Investment Companies code for Corporate Governance Best Practice.

Report of the Directors

Role of the Board

The Board has determined that its role is to consider and determine the following principal matters which it considers are of strategic importance to the Company:

- the overall objectives of the Company as described under the paragraph above headed 'Investment Policy and Strategy' and the strategy for fulfilling those objectives within an appropriate risk framework in light of market conditions prevailing from time to time;
- the capital structure of the Company including consideration of an appropriate policy for the use of borrowings both for the Company and in any joint ventures in which the Company may invest from time to time;
- the appointment of the Investment Manager, Administrator and other appropriately skilled service providers and to monitor their effectiveness through regular reports and meetings; and
- the key elements of the Company's performance including NAV growth and the payment of dividends.

Board Decisions

The Board makes decisions, among other things on the principal matters set out under the paragraph above headed 'Role of the Board'. Issues associated with implementing the Company's strategy are generally considered by the Board to be non-strategic in nature and are delegated either to the Investment Manager or the Administrator, unless the Board considers there will be implementation matters significant enough to be of strategic importance to the Company and should be reserved to the Board. Generally these are defined as:

- large property decisions affecting 10% or more of the Company's assets;
- large property decisions affecting 5% or more of the Company's rental income; and
- decisions affecting the Company's financial borrowings.

Board Performance Evaluation

During the year to 31 March 2009 the Board undertook a review of its performance. This review concluded that the Board was operating effectively and that the Directors had the breadth of skills required to fulfil their role.

Non-executive Directors, Rotation of Directors and Directors' Tenure

The Combined Code recommends that Directors should be appointed for a specified period. The Board has resolved in this instance that Directors' appointments need not comply with this requirement as all Directors are non-executive and their respective appointments can be terminated at any time without penalty. However the Board has also approved a policy that Directors will stand for re-election every three years. Harry Dick-Cleland and Peter Atkinson will stand for re-election during the year commencing 1 April 2009.

The Board has determined that all the Directors are independent of the Investment Manager.

Keith Goulborn has agreed to be the Senior Independent Director.

Board Meetings

The Board meets quarterly and as required from time to time to consider specific issues reserved for the Board.

At the Board's quarterly meetings it considers papers circulated in advance including reports provided by the Investment Manager and the Administrator. The Investment Manager's report comments on the UK commercial property market, performance, strategy, transactional and asset management activities and the Group's financial position including relationships with its bankers and lenders.

The Administrator provides a compliance report.

These reports enable the Board to assess the success with which the Group's objectives and other associated matters are being implemented and also to consider any relevant risks and how they can be properly managed. The Board also considers reports provided from time to time by its various service providers reviewing their internal controls.

The table below shows the attendance at quarterly Board and Audit Committee meetings during the year to 31 March 2009:

	Board	Audit Committee
Andrew Sykes (Chairman)	4	2
Keith Goulborn	4	2
Harry Dick-Cleland	4	2
David Warr	4	1
Peter Atkinson	4	2
John Frederiksen	3	1
No. of meetings during the year	4	2

In addition to its regular quarterly meetings, the Board met on five other occasions during the period although it was not possible for all Directors to attend these meetings. The Company maintains liability insurance for its Directors and Officers.

Committees of the Board

The Audit Committee

The Audit Committee is chaired by Harry Dick-Cleland with Andrew Sykes, Keith Goulborn, John Frederiksen, David Warr and Peter Atkinson as members. The Board considers that Harry Dick-Cleland's experience makes him suitably qualified to chair the Audit Committee. The Audit Committee meets no less than twice a year and if required meetings can also be attended by the Investment Manager, the Administrator and the Auditors.

The Audit Committee is responsible for reviewing the half-year and annual financial statements before their submission to the Board. In addition the Audit Committee is specifically charged under its terms of reference to advise the Board on the terms and scope of the appointment of the Auditors, including their remuneration independence and objectivity and reviewing with the Auditors the results and effectiveness of the audit.

During the year the Auditors were involved in reviewing the interim financial statements. No non-audit work was performed. Members of the Committee may also meet with the Company's valuers to discuss the scope and conclusions of their work.

Nomination Committee

The Nomination Committee is chaired by Andrew Sykes with all other Directors as members. The Nomination Committee did not meet in the course of the year.

As all the Directors are non-executive the Board has resolved that it is not appropriate to have a Remuneration Committee.

Transactions Committee

The members of the Transactions Committee are Peter Atkinson, Harry Dick-Cleland and David Warr, with the Chairman elected at each meeting. The Transactions Committee reviews transactions between regular scheduled Board meetings where a Board approval is required. All transaction proposals are circulated to all Directors in advance of meetings of the Transactions Committee, together with a recommendation and explanatory note from the Investment Manager. All Board members may comment in advance of the Transactions Committee meeting, but only those attending will consider the proposal. Transactions are noted subsequently at regular quarterly Board meetings. The members of the Transactions Committee are each paid a fee of £5,000 per annum, in addition to their fees as Directors.

Report of the Directors

Shareholder Relations

Shareholder communications are a high priority for the Board. The Investment Manager produces quarterly updates which are released to the London Stock Exchange and Channel Islands Stock Exchanges. Members of the Investment Manager's Investment Committee make themselves available at all reasonable times to meet with Shareholders and sector analysts. Feedback from these sessions is provided by the Investment Manager to quarterly Board meetings. The Company's website is www.ifpt.co.uk.

In addition, the Board is kept fully appraised by the Investment Manager and other professional advisers including the Company's brokers of all market commentary on the Company. Through this process the Board seeks to monitor the views of shareholders and to ensure an effective communication programme. The Chairman and Directors also hold meetings with Shareholders in response to invitations to do so.

Details of the resolutions to be proposed at the Annual General Meeting on 2 September 2009 can be found in the Notice of the Meeting.

Internal Control

The Combined Code requires the Directors annually to review the effectiveness of the Group's system of internal controls and to report to shareholders on their findings. Although such a system can only provide reasonable assurance and not absolute assurance against material misstatement or loss, it is designed to manage rather than eliminate the risk of failure.

The Board considers risk management and internal controls on a regular basis during the year. The key reviews conducted by the Directors are described as follows:

- The Board arranges to meet the Investment Manager annually at the Investment Manager's office in London. This allows the Board to inspect the office arrangements and to meet other members of the Investment Manager's team. On those occasions the Board examines the Investment Manager's processes in more detail than is possible at Board meetings and is able to gain a better understanding on the level of resource that is applied by the Investment Manager to the Company's business.

- The Board regularly reviews the Investment Manager's Business Contingency Management and is able to discuss this and other matters with the Investment Manager's Chief Risk Officer. The Board has also reviewed a risk report prepared by the Investment Manager's risk team in relation to the Company and is satisfied that their approach is appropriate for the Group.

- The Board meets regularly at the offices of the Administrator for its formal quarterly Board meetings and for ad-hoc Board meetings. The Board is therefore familiar with the environment in which the Administrator is operating and has the opportunity to meet the staff responsible for providing administrative services to the Company. This enables the Board to view at first hand the level of resources made available to the Company by the Administrator.

The Group's system of internal controls therefore is substantially reliant on the Investment Manager's and the Administrator's own internal controls and internal audit processes.

The key elements designed to provide effective internal controls are as follows:

- regular review of relevant financial data including management accounts and performance projections;

- contractual documentation with appropriately regulated entities which clearly describes responsibilities for the principal service providers concerned;

- the Investment Manager's system of internal controls which is based on clear written processes, a formal investment committee, clear lines of responsibility and reporting all of which are monitored by the Investment Manager's internal risk team. The Investment Manager is regulated by the FSA; and

- the Company's strategy as authorised by the Board, including regular monitoring by the Board of the Investment Manager's effectiveness in its implementation.

Corporate Social Responsibility – Benefits, Risks and Controls

The Board agrees with the Investment Manager that corporate social responsibility as key to long-term future business success.

The Investment Manager states:
"Invista is committed to delivering strong financial returns to our clients, but in a way that delivers positive and measurable environmental, social and economic benefits. We recognise that the way in which buildings are designed, built, managed and occupied significantly influences their impact on the environment and affected communities, and we seek to manage these issues through our sustainable investment programme.

We believe that through the implementation of this programme we can manage effectively our sustainability related risks, associated with, for example, climate change (more severe and regular floods, increasing storm damage costs and rising energy prices), site contamination and remediation, use of hazardous materials, employee and contractor health and safety, waste management (rising landfill and disposal costs) and local community relations.

The drivers for Invista to address these issues have never been stronger: greater occupier demand for sustainable/energy efficient buildings, growing regulation, increased investor interest and significant planning requirements. All these factors make it imperative that we both manage the risks and maximise the opportunities presented by these issues."

Recognising the scale of this challenge, the Company's implementation of this is underpinned by two key principles – striving for continuous improvement and actively engaging with stakeholders. Implementation managed by the Investment Manager's Sustainability Committee which comprises senior representatives from around the firm including the Deputy Chief Executive Officer and members from the property sector teams. In addition the Investment Manager has engaged with an external sustainability consultant, Upstream Strategies ('Upstream'), to advise the Sustainability Committee.

The Investment Manager's standard business process ensures that environmental reports are obtained as part of the due diligence process for property acquisitions and an evolving environmental checklist is used to highlight key issues arising from major development and refurbishment projects. However, the main focus for implementation is with existing standing investments.

As well as being required to comply with all relevant laws and regulations affecting the business, the Company's property managing agents are required to meet specified minimum standards developed by the Investment Manager and Upstream that will ensure the objectives and targets are being achieved. During 2008 the managing agents were asked to provide data on a number of key areas for a sample of multi-tenanted properties across the portfolios managed by Invista. The sample included Portman Square House in London, Albion Shopping Centre in Ilkeston and The Galaxy in Luton. The sampling exercise has proved the feasibility of the data collection and this programme is being undertaken across all multi-tenanted properties in the portfolio for 2009. From next year, assessment of the changes in the data will enable quantitative targets to be set for improved performance in the following key areas:

- energy use;
- pollution;
- waste management;
- water use; and
- transport.

In the case of energy use, the Company's managing agents have undertaken a review of suppliers and where possible electricity contracts have been re-tendered and awarded to green energy providers. Green electricity is now used on 72% of the managed properties where the Company is responsible for sourcing energy supplies.

For single let properties and joint ventures where property management responsibilities have been delegated, the Company has less scope to influence sustainability issues on a day-to-day basis. However the Investment Manager is seeking to encourage appropriate behaviour towards environmental matters from all tenants and business partners through communication of our policy and by offering to work with our tenants and business partners to assist them in improving

Report of the Directors

their own sustainability policies and credentials. In many cases tenants have advanced policies of their own and it is hoped that this full exchange of information can be used to improve performance in other areas of the portfolio.

Through implementation of these ideas the Company expects to make a significant contribution to managing and reducing the direct and indirect environmental impact from its property portfolio. The Company is also a participant in Upstream's Third Dimension benchmarking service which assists in the understanding of the impact of medium to longer-term sustainability on rental income and investment values, set within a framework of social and economic risk.

Status for Taxation

The Income Tax Director in Guernsey has granted the Company exemption from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 and the income of the Company may be distributed or accumulated without deduction of Guernsey Income Tax. Exemption under the above mentioned Ordinance entails the payment by the Company of an annual fee of £600.

During the year, the Company's properties have been held in various subsidiaries and associates, the majority of which are subject to UK Income Tax. In each instance any tax due is computed after deduction of debt financing costs and other allowances as appropriate.

Section B

THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the contents of this section of the document or the action you should take, you are recommended to seek immediately your own personal financial advice from an appropriately qualified independent adviser authorised pursuant to the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your shares in the Company please send this document (including the Notice of AGM) and the accompanying documents at once to the purchaser, transferee, or to the stockbroker, bank or other person through whom the sale or transfer was affected for onward transmission to the purchaser or transferee. However, such documents should not be distributed, forwarded or transmitted in or into the United States, Canada, Australia or Japan or into any other jurisdiction if to do so would constitute a violation of applicable laws and regulations in such other jurisdiction.

Changes to the Memorandum and Articles of Association

Following the changes to Guernsey law, the Company has reviewed its Memorandum and Articles of Association with a view to aligning them with the changes. The information below sets out a summary of the proposed changes.

The Companies (Guernsey) Law, 2008: Adoption of New Memorandum and Articles of Incorporation

On 1 July 2008, the new Companies (Guernsey) Law, 2008 (the 'Companies Law'), as amended, came into force in Guernsey. It is proposed that the Company adopt new Memorandum and Articles of Incorporation, which have been updated to reflect those changes brought in by the Companies Law that are beneficial to the Company as well as certain other changes described below (the 'Proposals').

Certain of the Proposals will make the Company operationally more flexible and allow it to operate in a manner consistent with the Companies Law.

The new Memorandum and Articles of Incorporation will reflect, amongst other things, the following changes:

- the term 'Articles of Association' will be replaced with the term 'Articles of Incorporation';
- the term 'Memorandum of Association' will be replaced with the term 'Memorandum of Incorporation';
- the objects of the Company will now be unrestricted;

- new provisions to allow communications with shareholders to be conducted electronically, with the permission of shareholders;
- certain amendments regarding shareholders and Board meetings to ensure compliance with the Companies Law;
- the minimum number of Directors shall not be less than three;
- the requirement that distributions be paid only out of distributable profits will be removed to allow the Company to make distributions where the solvency test (as defined in the Companies Law) is met on the payment of any distribution;
- restrictions on the application of reserves created by the Board will be removed;
- the ability to convert shares into shares of a different class and to convert the currency of shares into a different currency will be introduced;
- the indemnity granted by the Company to the Directors and its officers and servants will be restricted to those matters permissible under the Companies Law; and
- the standard articles of incorporation prescribed pursuant of section 16(2) of the Companies Law will be excluded.

The new Memorandum and Articles of Incorporation will also allow the Company to issue an unlimited number of shares of any kind with or without a par value. However, this ability will be subject to the existing requirement in the Company's current Memorandum and Articles of Association that requires the Company to issue Ordinary Shares on a pre-emptive basis, other than where the issue of Ordinary Shares:

- is an issue not exceeding 10 percent of the total number of Ordinary Shares in issue;
- is an issue for non cash consideration;
- is an issue in connection with a rights issue, open offer or other offer of securities in favour of ordinary shareholders; or
- has previously been approved by ordinary shareholders by special resolution.

The proposed amendments to the current Memorandum and Articles of Association will also allow any share in the Company to be issued with such preferred, deferred or other special rights or restrictions, whether as to dividend, voting, return of capital or otherwise, as the Board may determine. This power would be without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares and subject to any requirements of the Companies Law.

Provisions of the current Memorandum and Articles of Association relating to C Shares will also be removed as, in accordance with their terms, the C Share provisions no longer have any effect.

The Board considers that the Proposals are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends that shareholders vote in favour of the special resolution relating to amending the Company's current Memorandum and Articles of Association which is to be proposed at the AGM.

Drafts of the new Memorandum and Articles of Incorporation both in clean and blackline copies showing the proposed amendments will be available for inspection at the offices of Herbert Smith LLP, Exchange House, Primrose Street, London EC2A 2HS and at the registered office of the Company during normal business hours on any business day from the date of this document until the conclusion of the AGM and at the place of the AGM for at least 15 minutes prior to, and during, the AGM.

Report of the Directors

Authority to Repurchase Shares

The Company purchased 27,262,450 Ordinary Shares for cancellation during the year. The Directors currently have authority to repurchase up to 14.99% of the Company's Ordinary Shares and will seek annual renewal of this authority from shareholders. Any repurchase of Ordinary Shares will be made subject to Guernsey law and within any guidelines established from time to time by the Board and the making and timing of any repurchases will be at the absolute discretion of the Board.

Purchases of Ordinary Shares will only be made through the market for cash at prices below the prevailing NAV of the Ordinary Shares (as last calculated) where the Directors believe such purchases will enhance shareholder value. Such purchases will also only be made in accordance with the Listing Rules and Rules of the CISX which provide that the price to be paid must not be more than 5 percent above the average market value for the Ordinary Shares for the five business days before the Ordinary Shares are purchased. Any Ordinary Shares purchased under this authority will be cancelled.

The Board considers that the renewal of the repurchase authority is in the best interests of shareholders as a whole and unanimously recommends that shareholders vote in favour of the ordinary resolution to renew the authority to repurchase the Ordinary Shares of the Company, which is to be proposed at the AGM.

Andrew Sykes, Chairman
7 July 2009

Harry Dick-Cleland, Director
7 July 2009

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Report of the Directors 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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group 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 applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Statement of Directors' Responsibilities in Respect of the Consolidated Annual Report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the Group and the undertakings included in the consolidation taken as a whole; and
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Andrew Sykes

Andrew Sykes, Chairman
7 July 2009

Harry Dick-Cleland, Director
7 July 2009

Consolidated Income Statement

	Notes	31/03/2009 £000	31/03/2008 £000
Rental income		**30,631**	30,924
Other income	4	**3,096**	1,170
Property operating expenses	5	**(1,824)**	(1,991)
Net rental and related income		**31,903**	30,103
(Loss)/profit on disposal of investment property		**(29,202)**	551
Net valuation loss on investment property	12	**(130,528)**	(65,216)
Expenses			
Investment management fee	3	**(4,661)**	(6,600)
Valuers' and other professional fees		**(2,075)**	(1,233)
Administrators and accounting fee	3	**(370)**	(470)
Auditor's remuneration	6	**(193)**	(115)
Directors' fees	7	**(170)**	(170)
Other expenses	7	**(338)**	(654)
Total expenses		**(7,807)**	(9,242)
Net operating loss before net finance costs		**(135,634)**	(43,804)
Interest receivable		**1,785**	2,479
Finance costs payable	8	**(15,369)**	(14,767)
Net finance costs		**(13,584)**	(12,288)
Share of loss of associates and joint ventures	14	**(34,720)**	(32,842)
Loss on sale of associate		**–**	(649)
Loss before tax		**(183,938)**	(89,583)
Taxation	9	**(124)**	233
Loss for the year attributable to the equity holders of the parent		**(184,062)**	(89,350)
Basic and diluted loss per share	10	**(55.0p)**	(25.3p)

All items in the above statement are derived from continuing operations.

The accompanying notes 1 to 23 form an integral part of the financial statements.

Consolidated Balance Sheet

	Notes	31/03/2009 £000	31/03/2008 £000
Investment property	12	**304,579**	563,057
Investment in associates and joint ventures	14	**–**	29,227
Non-current assets		**304,579**	592,284
Trade and other receivables	15	**39,513**	8,878
Cash and cash equivalents		**50,318**	59,224
Current assets		**89,831**	68,102
Total assets		**394,410**	660,386
Issued capital and reserves		**141,663**	378,359
Equity		**141,663**	378,359
Interest–bearing loans and borrowings	17	**210,203**	259,579
Interest rate swap	17	**30,830**	6,944
Non–current liabilities		**241,033**	266,523
Trade and other payables	18	**11,626**	15,380
Taxation payable	9	**88**	124
Current liabilities		**11,714**	15,504
Total liabilities		**252,747**	282,027
Total equity and liabilities		**394,410**	660,386
Net Asset Value per Ordinary Share	19	**43.8p**	107.8p

The financial statements on pages 32 to 49 were approved at a meeting of the Board of Directors held on 7 July 2009 and signed on its behalf by:

Andrew Sykes, Chairman

Harry Dick–Cleland, Director

The accompanying notes 1 to 23 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

		Share premium £000	Hedge reserve £000	Revenue reserve £000	Revaluation reserve £000	Total £000
Balance as at 31 March 2007		**98,356**	**3,163**	**401,133**	**–**	**502,652**
Share capital cancelled in the year		–	–	(2,190)	–	(2,190)
Loss on cash flow hedge		–	(10,107)	–	–	(10,107)
Loss for the year		–	–	(89,350)	–	(89,350)
Unrealised gain on investment property under development		–	–	–	1,170	1,170
Transfer unrealised gain on investment under development to revenue reserve		–	–	1,170	(1,170)	–
Dividends paid	11	–	–	(23,816)	–	(23,816)
Balance as at 31 March 2008		**98,356**	**(6,944)**	**286,947**	**–**	**378,359**
Share capital cancelled in the year		–	–	(11,405)	–	(11,405)
Loss on cash flow hedge		–	(24,801)	–	–	(24,801)
Swap break costs transfer		–	915	–	–	915
Loss for the year		–	–	(184,062)	–	(184,062)
Dividends paid	11	–	–	(17,343)	–	(17,343)
Balance as at 31 March 2009		**98,356**	**(30,830)**	**74,137**	**–**	**141,663**

Share capital was issued at nil par value, see note 16 for movements in the year.

Total recognised expense for the year was £207,948,000 (2008: £98,287,000).

The accompanying notes 1 to 23 form an integral part of the financial statements.

Consolidated Cash Flow Statement

	Notes	31/03/2009 £000	31/03/2008 £000
Operating activities			
Loss for the year		**(184,062)**	(89,350)
Adjustments for:			
Loss/(profit) on disposal of investment property		**29,202**	(551)
Net valuation loss on investment property		**130,528**	65,216
Share loss of associates and joint ventures		**34,720**	32,842
Loss on sale of associate		**–**	649
Net finance cost		**13,584**	12,288
Taxation		**124**	(233)
Operating profit before changes in working capital and provisions		**24,096**	20,861
Decrease/(increase) in trade and other receivables		**766**	(943)
Decrease in trade and other payables		**(3,850)**	(12,193)
Cash generated from operations		**21,012**	7,725
Finance costs paid		**(15,216)**	(14,527)
Interest received		**1,785**	2,479
Tax (paid)/received		**(160)**	242
Cash flows from operating activities		**7,421**	(4,081)
Investing Activities			
Proceeds from sale of investment property		**71,487**	21,587
Addition to investment property		**(3,574)**	(19,662)
Proceeds from sale of associate		**–**	21,277
Investment in associates		**(5,492)**	(359)
Cash flows from investing activities		**62,421**	22,843
Financing Activities			
Redemption of shares		**(11,405)**	(2,190)
Draw down of loan facility	17	**–**	111,000
Repayment of existing loans	17	**(50,000)**	(69,080)
Dividends paid	11	**(17,343)**	(23,816)
Cash flows from financing activities		**(78,748)**	15,914
Net (decrease)/increase in cash and cash equivalents for the year		**(8,906)**	34,676
Opening cash and cash equivalents		**59,224**	24,548
Closing cash and cash equivalents		**50,318**	59,224

The accompanying notes 1 to 23 form an integral part of the financial statements.

Notes to the Financial Statements

1. Significant Accounting Policies

Invista Foundation Property Trust Limited ('the Company') is a closed-ended investment company registered in Guernsey. The Consolidated Financial Statements of the Company for the year ended 31 March 2009 comprise the Company, its subsidiaries and its interests in associates and joint ventures (together referred to as the 'Group').

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by, or adopted by, the International Accounting Standards Board (the 'IASB'), and interpretations issued by the International Financial Reporting Interpretations Committee.

The financial statements give a true and fair view and are in compliance with the Companies (Guernsey) Law, 2008, applicable legal and regulatory requirements and the Listing Rules of the UK Listing Authority.

Basis of Preparation

The financial statements are presented in Sterling, rounded to the nearest thousand. They are prepared on the historical cost basis except that investment property, investment property under development and derivative financial instruments are stated at their fair value.

The accounting policies have been consistently applied to the results, assets, liabilities and cash flows of the entities included in the Consolidated Financial Statements and are consistent with those of the previous year.

After making enquiries the Directors have reasonable expectations that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis for preparing the financial statements. This is discussed more fully in the Report of the Directors on page 19.

Use of Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. These 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 judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. 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 estimates are revised and in any future periods affected.

The most significant judgements made in preparing these accounts relate to the carrying value of investment properties and investment properties under development which are stated at market value. The Group uses external professional valuers to determine the relevant amounts. Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed in note 20.

Basis of Consolidation

Subsidiaries

The Consolidated Financial Statements comprise the accounts of the Company and all of its subsidiaries drawn up to 31 March each year. Subsidiaries are those entities, including special purpose entities, controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. Where properties are acquired by the Group through corporate acquisitions but the acquisition does not meet the definition of a business combination, the acquisition has been treated as an asset acquisition.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The Consolidated Financial Statements include the Group's share of the total recognised gains and losses of these entities on an equity accounted basis, from the date that significant influence commences to the date that significant influence ceases. When the Group's share of losses exceeds its interest in an entity, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or is making payments on behalf of an entity.

Notes to the Financial Statements

1. Significant Accounting Policies continued

Joint Ventures
Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The Consolidated Financial Statements include the Group's share of recognised gains and losses of jointly controlled entities on an equity accounted basis. When the Group's share of losses exceeds its interest in an entity, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or is making payments on behalf of an entity.

Transactions Eliminated on Consolidation
Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Investment Property
Investment property is land and buildings held to earn rental income together with the potential for capital growth.

Acquisitions of investment properties are recognised on unconditional exchange of contracts and are initially recognised at cost, being the fair value of the consideration given, including transaction costs associated with the investment property.

After initial recognition, investment properties are measured at fair value, with unrealised gains and losses recognised in the Income Statement. Realised gains and losses on the disposal of properties are recognised in the Income Statement. Fair value is based on the market valuations of the properties as provided by a firm of independent chartered surveyors, at the balance sheet date. Market valuations are carried out on a quarterly basis.

As disclosed in note 21, the Group leases out all owned properties on operating leases. A property held under an operating lease is classified and accounted for as an investment property where the Group holds it to earn rentals, capital appreciation, or both. Any such property leased under an operating lease is classified as an investment property and carried at fair value.

Disposals of investment properties are recognised on unconditional exchange of contracts.

Investment Property Under Development
Property that is being constructed or developed for future use as investment property is classified as 'investment property under development' and is initially stated at cost. After initial recognition investment property under development is measured at fair value. Any unrealised gains are recognised directly in the equity of the Group, with any unrealised losses recognised in the Income Statement. Fair value is based on the market valuations of the property under development as provided by Knight Frank LLP at various stages during the development process.

Upon completion of the development the property is reclassified and subsequently accounted for as 'investment property'.

Financial Instruments

Non-derivative Financial Instruments

Assets
Non-derivative financial instruments comprise trade and other receivables and cash and cash equivalents. These are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method less any impairment losses.

Cash and Cash Equivalents
Cash at banks and short-term deposits that are held to maturity are carried at cost. Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash in hand and short-term deposits at banks with a term of no more than three months.

Liabilities
Non-derivative financial instruments comprise loans and borrowings and trade and other payables.

Notes to the Financial Statements

1. Significant Accounting Policies continued

Loans and Borrowings
Borrowings are recognised initially at fair value of the consideration received, less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Consolidated Income Statement over the period of the borrowings on an effective interest basis.

Trade and Other Payables
Trade and other payables are stated at cost.

Derivative Financial Instruments
The Group uses derivative financial instruments to hedge its exposure to interest rate fluctuations. It is not the Group's policy to trade in derivative financial instruments.

Cash Flow Hedges
Cash flow hedges are used to hedge the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction.

Derivative financial instruments are recognised initially at fair value and are subsequently re-measured and stated at fair value. Fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the Balance Sheet date. Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the Consolidated Income Statement.

On maturity or early redemption of the hedged item the realised gains or losses arising are taken to the Consolidated Income Statement, with an associated transfer from the Statement of Changes in Equity in respect of unrealised gains or losses arising in the fair value of the same arrangement.

Share Capital
Ordinary Shares are classified as equity.

Dividends
Dividends are recognised in the period in which they are declared.

Impairment
Financial Assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the Income Statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the Income Statement.

Non-financial Assets
The carrying amounts of the Group's non-financial assets, other than investment property, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset.

Notes to the Financial Statements

1. Significant Accounting Policies continued

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the ‘cash-generating unit’).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the Consolidated Income Statement.

Provisions

A provision is recognised in the Balance Sheet when the Group has a 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.

Rental Income

Rental income from investment properties is recognised on a straight-line basis over the term of ongoing leases and is shown gross of any UK income tax. Lease incentives are spread evenly over the lease term.

Finance Income and Expenses

Finance income comprises interest income on funds invested and gains on hedging instruments that are recognised in the Income Statement. Interest income is recognised on an accruals basis.

Finance expenses comprise interest expense on borrowings, and losses on hedging instruments that are recognised in the Income Statement. Attributable transaction costs incurred in establishing the Group’s credit facilities are deducted from the fair value of borrowings on initial recognition and are amortised over the lifetime of the facilities through the Income Statement. Finance expenses are accounted for on an effective interest basis.

Expenses

All expenses are accounted for on an accruals basis. The investment management and administration fees and all other expenses are charged through the Income Statement.

Taxation

The Company and its subsidiaries are subject to UK income tax on any income arising on investment properties, after deduction of debt financing costs and other allowable expenses.

Income tax on the profit or loss for the year comprises current tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Segmental Reporting

The Directors are of the opinion that the Group is engaged in a single segment of business, being property investment business and in one geographical area, the UK.

2. New Standards and Interpretations

No new IFRSs which were effective for the first time at 31 March 2009 have had a material impact on these financial statements.

The following are new standards, amendments to standards issued by the IASB, and interpretations issued by the International Financial Reporting Interpretations Committee, but are not yet effective for the year ended 31 March 2009 and have not been applied by the Group in preparing these financial statements.

Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 8 ‘Operating Segments’ which is applicable for periods commencing on or after 1 January 2009. This introduces the ‘management approach’ to segment reporting, the Directors are of the opinion that the Group is engaged in a single segment of business, being property investment business and in one geographical area, the UK.

- Revised IAS 23 ‘Borrowing Costs’ which is applicable to borrowing costs related to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. This removes the option to expense borrowing costs and requires that an entity capitalises borrowing costs directly attributable to a qualifying asset as part of the cost of the asset.

Notes to the Financial Statements

2. New Standards and Interpretations continued

- Revised IAS 1 'Presentation of Financial Statements' which is applicable for periods commencing on or after 1 January 2009. Implementation will impact the presentation and format of the primary statements and notes and these disclosures will be revised accordingly in the 2010 financial statements.

- Amendments to IAS27 'Consolidated and Separate Financial Statements' which is applicable for periods commencing on or after 1 July 2009. Implementation will impact the presentation and format of the primary statements and notes and these disclosures will be revised accordingly in the 2010 financial statements.

3. Material Agreements

Invista Real Estate Investment Management Limited (Invista) has been appointed as Investment Manager to the Company.

The Investment Manager is entitled to a base fee and a performance fee together with reasonable expenses incurred by it in the performance of its duties. The base fee is equal to one quarter of 95 basis points of the gross assets less current liabilities of the Group per quarter.

In addition, and subject to the conditions below, the Investment Manager is entitled to an annual performance fee where the NAV total return per ordinary share during the relevant financial period exceeds an annual rate of 10 percent (the 'performance hurdle'). Where the performance hurdle is met, a performance fee will be payable in an amount equal to 15 percent of any aggregate total return over and above the performance hurdle. A performance fee will only be payable where: (i) in respect of the relevant financial period, the total return of the underlying assets meets or exceeds the Investment Property Databank ('IPD') Monthly Index balanced funds benchmark on a like for like basis; and (ii) the annualised total return over the period from admission of the Company's Ordinary Shares to the end of the relevant financial period is equal to or greater than 10 percent per annum.

The total charge to the Income Statement during the period was £4,661,000 (2008: £6,600,000) for the base management fee. As the conditions for receipt of a performance fee were not met during the year, there was no charge to the Income Statement for the year (2008: £nil).

The Investment Management Agreement may be terminated by either the Company or the Investment Manager on not less than 12 months notice in writing.

The Board appointed Invista Real Estate Investment Management Limited as the Accounting Agent to the Company from 1 April 2007. The Accounting Agent is entitled to a fee equal to 5 basis points of net asset value subject to a minimum annual fee of £250,000. The charge to the Income Statement for the year was £250,000 (2008: £250,000).

The Board appointed Northern Trust International Fund Administration Services (Guernsey) Limited as the Administrator to the Company with effect from 25 July 2007. The Administrator is entitled to an annual fee equal to £120,000. The charge to the Income Statement for the year was £120,000 (2008: £118,000 plus the previous Administrator's fee of £102,000).

4. Other Income

	31/03/2009 £000	31/03/2008 £000
Insurance commissions	**275**	313
Dilapidations	**231**	586
Surrender premia	**2,192**	–
Miscellaneous income	**398**	271
	3,096	1,170

Lease surrender premia have been received in respect of properties at Warwick (£1.7 million) and Fleet (£0.4 million). In respect of Warwick an equal amount was paid as an incentive to an incoming tenant, which is being amortised over the length of the lease.

The Group is obliged to arrange insurance on the majority of its property assets for which it receives a commission which is stated net of any fees payable to insurance brokers.

Notes to the Financial Statements

5. Property Operating Expenses

	31/03/2009 £000	31/03/2008 £000
Agents' fees	**203**	155
Repairs and maintenance	**85**	234
Surrender premia	**114**	245
Advertising	**16**	6
Rates – vacant	**573**	218
Security	**178**	110
Insurance	**111**	197
Other expenses	**544**	826
	1,824	1,991

6. Auditor's Remuneration

The total expected audit fees for the year are £193,000 (including an under accrual for prior years of £50,000) (2008: £115,000). No non-audit fees were paid to the auditors during the year (2008: £nil).

7. Other Expenses

	31/03/2009 £000	31/03/2008 £000
Directors' and officers' insurance premium	**40**	46
Regulatory costs	**48**	65
Marketing	**38**	35
Impairment of other receivables	**–**	266
Other expenses	**212**	242
	338	654

Directors are the only officers of the Company and its subsidiaries and there are no other key personnel.

The Directors total remuneration for the year was £170,000 (2008: £170,000).

8. Finance Costs Payable

Interest payable by the Group was £14,454,000, (2008: £14,767,000). Also included in finance costs are swap break costs of £915,000 (2008 £nil).

Notes to the Financial Statements

9. Taxation

	31/03/2009 £000	31/03/2008 £000
Tax (expense)/credit in year	**(124)**	233

Reconciliation of effective tax rate

Loss before tax	**(183,938)**	(89,583)
Effect of:		
Income tax using UK income tax rate of 20% (2008: 22%)	**(36,788)**	(19,708)
Revaluation loss not taxable	**26,106**	14,348
Share of loss of associates not taxable	**6,944**	7,225
Profit/(loss) on disposal of investment property not taxable	**5,840**	(121)
Loss on disposal of associate not taxable	**–**	143
Other profits not taxable	**(1,978)**	(2,120)
Current tax expense/(credit) in the year	**124**	(233)

The Company and its Guernsey registered subsidiaries have obtained exempt company status in Guernsey under the terms of the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 so that they are exempt from Guernsey taxation on income arising outside Guernsey and on bank interest receivable in Guernsey. Each company is, therefore, only liable to a fixed fee of £600 per annum. The Directors intend to conduct the Group's affairs such that they continue to remain eligible for exemption.

Cumulative tax losses of £24,403,000 (2008: £23,754,000) have been carried forward and are available for use against future taxable profits, this amount has not been recognised in the accounts.

The tax treatment of two past transactions has been challenged by HM Revenue & Customs. These challenges remain in progress and are being robustly defended by the Group.

10. Basic and Diluted Loss per Share

The basic and diluted loss per share for the Group is based on the net loss for the year of £184,062,000 (2008: loss of £89,350,000) and the weighted average number of Ordinary Shares in issue during the year of 334,743,462 (2008: 353,145,831).

11. Dividends Paid

In respect of	No. of Ordinary Shares	Rate (pence)	31/03/2009 £000
Quarter 31 March 2008 dividend paid 22 May 2008	350.85 million	1.6875	**5,921**
Quarter 30 June 2008 dividend paid 22 August 2008	336.58 million	1.6875	**5,680**
Quarter 30 September 2008 dividend paid 21 November 2008	329.00 million	0.8800	**2,895**
Quarter 31 December 2008 dividend paid 20 February 2009	323.59 million	0.8800	**2,847**
		5.1350	**17,343**

In respect of	No. of Ordinary Shares	Rate (pence)	31/03/2008 £000
Quarter 31 March 2007 dividend paid 18 May 2007	353.56 million	1.6875	5,966
Quarter 30 June 2007 dividend paid 17 August 2007	353.56 million	1.6875	5,966
Quarter 30 September 2007 dividend paid 30 November 2007	353.36 million	1.6875	5,963
Quarter 31 December 2007 dividend paid 22 February 2008	350.85 million	1.6875	5,921
		6.7500	23,816

A dividend for the quarter ended 31 March 2009 of 0.88 pence (£2,847,000) was declared on 29 April 2009 and paid on 20 May 2009 (31 March 2008: 1.6875).

Notes to the Financial Statements

12. Investment Property

	Leasehold £000	Freehold £000	Total £000
At valuation as at 31 March 2007	**76,970**	**552,410**	**629,380**
Additions	450	10,692	11,142
Transfer from investment property under development (see note 13)	–	8,650	8,650
Disposals	–	(20,899)	(20,899)
Net valuation losses on investment property	(2,586)	(62,630)	(65,216)
At valuation as at 31 March 2008	**74,834**	**488,223**	**563,057**
Reclassification	19,431	(19,431)	–
Additions	931	2,643	3,574
Disposals	–	(131,524)	(131,524)
Net valuation losses on investment property	(33,326)	(97,202)	(130,528)
Amounts recognised as investment property	**61,870**	**242,709**	**304,579**

Fair value of investment properties as determined by the valuers excluding lease incentives totals £308,055,000 (2008: £563,835,000).

There has been a reclassification of mixed tenure properties.

The majority of the fair value of investment property has been determined by Knight Frank LLP with one property with a value of £20,540,000 being determined by CB Richard Ellis Limited, both firms of independent chartered surveyors, who are registered independent appraisers. Fair values were determined having regard to recent market transactions for similar properties in the same location as the Group's investment property. Investor sentiment towards property investment has weakened considerably over the past months. Far fewer negotiations are resulting in transactions as many investors wait to see how market pricing will ultimately adjust to changing economic and restrictive credit conditions. In consequence, there is a limited number of comparable transactions. It should be noted that the valuers' opinion of market value is provided in light of these conditions.

The Group owned two non income generating sites during the year (2008: none). Direct operating expenses relating to these sites was £234,000.

13. Investment Property Under Development

	31/03/2009 £000	31/03/2008 £000
Opening balance	**–**	4,337
Additions	**–**	3,143
Valuation gain	**–**	1,170
Transfer to investment property	**–**	(8,650)
Closing balance	**–**	–

During the year there was no investment property under development.

14. Investment in Associates and Joint Ventures

The Group has interests in three associates and joint ventures all of which are now carried at nil value following declines in the values of the underlying properties.

Plantation Place – the Group has a 28.08% interest in One Plantation Place Unit Trust which is classified as an investment in an associate. This associate is currently in breach of its LTV covenant.

Crendon – the Group has a 50% interest in Crendon Industrial Partnership which is classified as a joint venture due to the Company sharing the control with another investor.

Merchant – the Group has a 19.49% interest in Merchant Property Unit Trust which is classified as an investment in an associate due to the Company having the ability to exert significant influence through its unit-holding and the associated agreements. This associate is currently in breach of its LTV covenant.

Notes to the Financial Statements

14. Investment in Associates and Joint Ventures continued

The table below shows the changes in equity in joint ventures and associates:

	£000
Opening balance as at 1 April 2007	83,671
Additions	359
Disposals	(21,961)
Write-down	(32,842)
Closing balance as at 31 March 2008	29,227
Additions	5,493
Write-down	(34,720)
Closing balance as at 31 March 2009	–

As at 31 March 2009	Plantation Place £000	Other joint ventures and associates £000	Total £000
Total assets	387,531	55,020	442,551
Total liabilities	505,813	59,565	565,378
Revenues for year	32,467	4,120	36,587
Loss for year	(173,024)	(20,201)	(193,225)
Net Asset Value attributable to Group	–	–	–
Loans due to Group	–	–	–
Total asset value attributable to Group	–	–	–
Total loss attributable to the Group	(27,734)	(6,986)	(34,720)

The unrecognised cumulative losses at the end of the year attributable to the joint ventures and associates is £34,720,000.

As at 31 March 2008	Plantation Place £000	Other joint ventures and associates £000	Total £000
Total assets	554,562	74,986	629,548
Total liabilities	471,969	59,060	531,029
Revenues for year	30,764	3,344	34,108
Loss for year	(105,260)	(7,105)	(112,365)
Net Asset Value attributable to Group	23,192	3,885	27,077
Loans due to Group	–	2,150	2,150
Total asset value attributable to Group	23,192	6,035	29,227
Loss attributable to the Group	(29,557)	(2,485)	(32,042)
Loss from MidCity			(800)
Total loss attributable to the Group			(32,842)

The numbers included in the above tables are based on accounts prepared on a going concern basis, if for any reason any of these joint ventures and associates were not classified as a going concern their assets could be valued at significantly less amounts.

Notes to the Financial Statements

15. Trade and Other Receivables

	31/03/2009 £000	31/03/2008 £000
Rent receivable	**4,264**	7,316
VAT recoverable	**–**	307
Other debtors and prepayments	**35,249**	1,255
	39,513	8,878

Other debtors and prepayments includes £3,476,000 (2008: £778,000) in respect of lease incentives.

Other debtors and prepayments also includes £31,400,000 of sale monies due in respect of National Magazine House which unconditionally exchanged prior to the year end and has since completed on 9 April 2009. This has been subsequently received.

16. Issued Capital and Reserves

Authorised Share Capital

The authorised share capital of the Company is represented by an unlimited number of Ordinary Shares of no par value.

Issued share capital.

The number of issued Ordinary Shares of the Company at the start of the year was 350,856,669. This has reduced to 323,594,219 at the end of the year following the buy back and cancellation of 27,262,450 shares.

17. Interest-bearing Loans and Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk, see note 20.

	31/03/2009 £000	31/03/2009 £000	31/03/2008 £000	31/03/2008 £000
Non-current liabilities				
Class A Secured Floating Rate Notes		**102,500**		139,000
Class B Secured Floating Rate Notes		**–**		13,500
Sub total		**102,500**		152,500
Reserve Notes		**111,000**		111,000
Total		**213,500**		263,500
Less: Finance costs incurred	**(5,367)**		(5,367)	
Add: Amortised finance costs	**2,070**	**(3,297)**	1,446	(3,921)
		210,203		259,579

In March 2005 the Group entered into a £152.5 million loan repayable in July 2014 with Real Estate Capital (Foundation) Limited, a securitisation vehicle ('the facility') which was admitted to the Official List of the Irish Stock Exchange. Securitised notes were issued at a blended margin of 20.8 basis points over LIBOR and simultaneously the Company entered into an equivalent maturity swap agreement at 5.1%.

At the time of the original securitisation, an additional facility of £150 million of 'reserve notes' was arranged, £111 million of which were sold in June 2007 (leaving £39 million undrawn). These were issued at a margin of 25 basis points over LIBOR and simultaneously the Company entered into an equivalent maturity swap agreement at 5.71%.

In October 2008 the Group repaid £50 million of the original debt being £36.5 million of the Class A secured floating rate notes and all the £13.5 million Class B secured floating rate notes. Simultaneously, as required by the Credit Agreement, an equal amount of one of the interest rate swaps was broken. The cost of breaking the swap was £915,000.

These interest rate swaps are classified as cash flow hedges and are stated at fair value. The counterparty is liable to pay interest at LIBOR on the loans. As at 31 March 2009 the combined fair value of the swaps was a liability of £30,830,000 (2008: liability of £6,944,000). The deficit in the year of £23,886,000 (2008: £10,107,000) is taken to the hedge reserve in equity.

Notes to the Financial Statements

17. Interest-bearing Loans and Borrowings continued

Both facilities have first charge security over all the property assets in the ring fenced Security Pool (the 'Security Pool') which at 15 April 2009 contained properties valued at £308 million (2008: £538.24 million) together with £44.1 million cash pre disposals in the Property account (2008: £13.32 million). Assets can be sold and bought within this Security Pool without any need to revert to the Issuer or the Rating Agents up to an annual turnover rate of 20%. Various restraints apply during the term of the loan although the facilities have been designed to provide significant operational flexibility. The principal covenants however are that the loan should not comprise more than 60% of the value of the assets in the Security Pool nor should estimated rental and other income arising from assets in the Security Pool comprise less than 150% of the interest payments (interest cover at 31 March 2009; 188% at 31 March 2008 – 200%. NB the interest cover increased to 193% when debtors received after the calculation date were taken into consideration).

18. Trade and Other Payables

	31/03/2009 £000	31/03/2008 £000
Rent received in advance	**6,275**	6,683
Rental deposits	**635**	3,391
Other trade payables and accruals	**4,716**	5,306
	11,626	15,380

19. NAV per Ordinary Share

The NAV per Ordinary Share is based on the net assets of £141,663,000 (2008: £378,359,000) and 323,594,219 (2008: 350,856,669) Ordinary Shares in issue at the Balance Sheet date.

20. Financial Instruments, Properties and Associated Risks

Financial Risk Factors

The Group holds cash and liquid resources as well as having debtors and creditors that arise directly from its operations. The Group has entered into interest rate swap contracts which are used to limit exposure to interest rate risks, but does not have any other derivative instruments.

The main risks arising from the Group's financial instruments and properties are market price risk, credit risk, liquidity risk and interest rate risk. The Board regularly reviews and agrees policies for managing each of these risks and these are summarised below:

Market Price Risk

Rental income and the market value for properties are generally affected by overall conditions in the economy, such as changes in gross domestic product, employment trends, inflation and changes in interest rates. Changes in gross domestic product may also impact employment levels, which in turn may impact the demand for premises. Furthermore, movements in interest rates may also affect the cost of financing for real estate companies.

Both rental income and property values may also be affected by other factors specific to the real estate market, such as competition from other property owners, the perceptions of prospective tenants of the attractiveness, convenience and safety of properties, the inability to collect rents because of bankruptcy or the insolvency of tenants, the periodic need to renovate, repair and release space and the costs thereof, the costs of maintenance and insurance, and increased operating costs.

The Directors monitor the market value of investment properties by having independent valuations carried out quarterly by a firm of independent chartered surveyors as described in note 12.

Included in market price risk is interest rate risk which is discussed further below:

Credit Risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. In the event of default by an occupational tenant, the Group will suffer a rental income shortfall and incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property. The Investment Manager reviews reports prepared by Experian, or other sources to assess the credit quality of the Group's tenants and aims to ensure there is no excessive concentration of risk and that the impact of any default by a tenant is minimised.

Notes to the Financial Statements

20. Financial Instruments, Properties and Associated Risks continued

In respect of credit risk arising from other financial assets, which comprise cash and cash equivalents, exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments. In order to mitigate such risks, cash is maintained with major international financial institutions. During the year and at the balance sheet date the Group maintained relationships with branches and subsidiaries of HSBC and The Royal Bank of Scotland.

The maximum exposure to credit risk for rent receivables at the reporting date by type of sector was:

	31/03/2009 Carrying amount £000	31/03/2008 Carrying amount £000
Office	**1,989**	4,000
Industrial	**1,315**	2,300
Retail	**960**	1,016
	4,264	7,316

Rent receivables which are past their due date, but which were not impaired at the reporting date were:

	31/03/2009 Carrying amount £000	31/03/2008 Carrying amount £000
0–30 days	**3,343**	5,754
31–60 days	**412**	7
61–90 days	**130**	7
91 days plus	**379**	1,548
	4,264	7,316

Since 31 March 2009 £309,000 of the 91 days plus arrears has been received.

An amount for bad debt provisions of £341,000 (2008: £197,000) has been included in the rent receivables.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations associated with its financial obligations.

The Group's investments comprise UK commercial property. Property and property related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the valuation date. Investments in property are relatively illiquid, however the Group has tried to mitigate this risk by investing in properties that it considers to be good quality.

In certain circumstances, the terms of the Group's debt facilities entitle the lender to require early repayment and in such circumstances the Group's ability to maintain dividend levels and the net asset value attributable to the Ordinary Shares could be adversely affected. The Investment Manager prepares cash flows on a rolling basis to ensure the Group can meet future liabilities as and when they fall due.

The following table indicates the maturity analysis of the financial liabilities:

As at 31 March 2009	Carrying amount £000	Expected Cash flows £000	6 mths or less £000	6 mths-2 years £000	2-5 years £000	More than 5 years £000
Financial liabilities						
Interest-bearing loans and borrowings and interest	215,933	295,772	5,390	17,742	35,484	237,156
Trade and other payables	2,918	2,918	2,918	–	–	–
Total financial liabilities	**218,851**	**298,690**	**8,308**	**17,742**	**35,484**	**237,156**

As at 31 March 2008	Carrying amount £000	Expected Cash flows £000	6 mths or less £000	6 mths-2 years £000	2-5 years £000	More than 5 years £000
Financial liabilities						
Interest-bearing loans and borrowings and interest	266,511	378,514	6,624	21,678	43,356	306,856
Trade and other payables	5,686	5,686	5,686	–	–	–
Total financial liabilities	272,197	384,200	12,310	21,678	43,356	306,856

Notes to the Financial Statements

20. Financial Instruments, Properties and Associated Risks continued

Interest Rate Risk
Exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations and to interest earned on cash balances.

A 1% increase in short-term interest rates would improve the annual income by £503,000 based on the cash balance as at 31 March 2009. Not withstanding current low interest rates a 1% decrease would cause income to fall by the same amount.

A change of 1% in the swap rates would have an impact on the marked to market value of £11 million.

As described in note 17 the Group has entered into an interest rate swap contract whereby the rate of the Group's long-term debt facilities have an effective fixed interest rate of 5.58% per annum until maturity of the debt.

The following table indicates the periods in which the cash flows associated with the swap are expected to occur:

As at 31 March 2009	Carrying amount £000	Expected cash flows to maturity £000	6 months or less £000	6-12 months £000	1-2 years £000	2-5 years £000	More than 5 years £000
Interest rate swap	(30,830)	(30,942)	(4,036)	(3,895)	(6,484)	(10,863)	(5,664)

As at 31 March 2008	Carrying amount £000	Expected cash flows to maturity £000	6 months or less £000	6-12 months £000	1-2 years £000	2-5 years £000	More than 5 years £000
Interest rate swap	(6,944)	(10,375)	509	(554)	(2,046)	(3,970)	(4,314)

Fair Values
The fair values of financial assets and liabilities are not materially different from their carrying value in the financial statements.

The following summarises the main methods and assumptions used in estimating the fair values of financial instruments and investment property.

Investment Property
Fair value is based on valuations provided by an independent firm of chartered surveyors and registered appraisers. These values were determined after having taken into consideration recent market transactions for similar properties in similar locations to the investment properties held by the Group.

Derivatives
Fair value for the interest rate swap uses a broker quote. This is then tested using pricing models or discounted cash flow techniques.

Interest Bearing Loans and Borrowings
Fair values are based on the amounts which are to be repaid, less any costs incurred in obtaining the borrowings. These costs are then amortised over the period of the borrowings.

Trade and other Receivables/Payables
All receivables and payables are deemed to be due within one year and as such the notional amount is considered to reflect the fair value.

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 Group's approach to capital management during the year.

Notes to the Financial Statements

21. Operating Leases

The Group leases out its investment property under operating leases. At 31 March 2009 the future minimum lease receipts under non-cancellable leases are as follows:

	31/03/2009 £000	31/03/2008 £000
Less than one year	**26,582**	28,885
Between one and five years	**85,072**	105,998
More than five years	**116,838**	122,204
	228,492	257,087

The total above comprises the total contracted rent receivable as at 31 March 2009.

22. Related Party Transactions

Material agreements are disclosed in note 3. Transactions with Directors are disclosed in note 7.

23. Capital Commitments

At 31 March 2009 the Group had no capital commitments.

Independent Auditor's Report
to the Members of Invista Foundation Property Trust Limited

We have audited the group financial statements (the 'financial statements') of Invista Foundation Property Trust Limited (the 'Company') for the year ended 31 March 2009 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law 2008. 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 auditor's 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

The Directors are responsible for preparing the financial statements which give a true and fair view and are in accordance with International Financial Reporting Standards and are in compliance with applicable Guernsey Law as set out in the Statement of Directors' Responsibilities on page 31.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are in accordance with International Financial Reporting Standards and comply with the Companies (Guernsey) Law 2008. We also report to you if, in our opinion, the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2009 and of the Group's loss for the year then ended;
- are in accordance with International Financial Reporting Standards; and
- comply with the Companies (Guernsey) Law 2008.

KPMG Channel Islands Limited
Chartered Accountants
Date: 7 July 2009

Glossary

Earnings Per Share (EPS) is the profit after taxation divided by the weighted average number of shares in issue during the period. Diluted and Adjusted EPS per share are derived as set out under NAV.

Estimated Rental Value (ERV) is the Group's external valuers' reasonable opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

Gearing is the Group's net debt as a percentage of Adjusted Net Assets.

Group is Invista Foundation Property Trust Limited and its subsidiaries.

Initial Yield is the annualised net rents generated by the portfolio expressed as a percentage of the portfolio valuation.

Interest cover is the number of times Group net interest payable is covered by Group Net Rental Income.

IPD is the Investment Property Databank Limited, a Company that produces an independent benchmark of property returns.

Net Asset Value (NAV) are shareholders' funds divided by the number of shares in issue at the period end.

NAV total return is calculated on a daily basis taking into account the timing of dividends and share buy backs and issuance.

Net Rental Income is the rental income receivable in the period after payment of ground rents and net property outgoings.

Reversionary Yield is the anticipated yield, which the Initial Yield will rise to once the rent reaches the Estimated Rental Value.

Notice of Annual General Meeting

Notice is hereby given that the fifth Annual General Meeting (the 'AGM') of Invista Foundation Property Trust Limited (the 'Company') will be held at the offices of Northern Trust, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL at 10.00 am on 2 September 2009 for the following purposes:

To consider and if thought fit, pass the following Ordinary Resolutions:

1. That the accounts and the Report of the Directors and of the Auditors for the year ended 31 March 2009 be received and approved.

2. That KPMG Channel Islands Limited be reappointed as Auditors and the Directors be authorised to determine their remuneration.

3. That Mr Harry Dick-Cleland, who has retired in accordance with Article 74, be re-elected as a Director.

4. That Mr Peter Atkinson, who has retired in accordance with Article 74, be re-elected as a Director.

5. That the Company be authorised, in accordance with section 315 of The Companies (Guernsey) Law 2008 together (the 'Companies Law'), to make market purchases (within the meaning of section 316 of the Companies Law) of Ordinary Shares of the Company ('Ordinary Shares'), provided that:

   a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 14.99% of the issued Ordinary Shares on the date on which this resolution is passed;

   b) the minimum price which may be paid for an Ordinary Share shall be 0.01p;

   c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be 105% of the average of the middle market quotations on the relevant market where the repurchase is carried out for the Ordinary Shares for the five business days immediately preceding the date of a purchase;

   d) such authority shall expire at the annual general meeting of the Company in 2010 unless such authority is varied, revoked or renewed prior to such date by ordinary resolution of the Company in general meeting: and

   e) the Company may make a contract to purchase Ordinary Shares under such authority prior to its expiry which will or may be executed wholly or partly after its expiration and the Company may make a purchase of Ordinary Shares pursuant to any such contract.

To consider and if thought fit, pass the following Special Resolution:

6. That the Memorandum of Incorporation and Articles of Incorporation of the Company as produced to the AGM and signed by the Chairman of the AGM for the purposes of identification be approved and adopted as the new Memorandum of Incorporation and Articles of Incorporation of the Company in substitution for, and to the exclusion of, the existing Memorandum of Association and Articles of Association of the Company, with effect from the conclusion of the AGM.

By Order of the Board

Notes:

1. An ordinary resolution requires a simple majority of the votes cast by those shareholders voting in person or by proxy at the AGM (excluding any votes which are withheld) to be voted in favour of the resolution.

2. A special resolution requires a majority of at least 75 percent of the votes cast by those shareholders voting in person or by proxy at the AGM (excluding any votes which are withheld) to be voted in favour of the resolution.

3. A member who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him or her. A proxy need not be a member of the Company.

4. A form of proxy is enclosed for use at the meeting. The form of proxy should be completed and sent, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, so as to reach Computershare Investor Services (CI) Limited, Ordnance House, 31 Pier Road, St Helier, Jersey JE4 8PW not later than 10.00am on 27 August 2009.

5. Completing and returning a form of proxy will not prevent a member from attending in person at the meeting and voting should he or she so wish.

6. To have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a member may cast on a poll) a member must have his or her name entered on the register of members not later than 10.00am on 27 August 2009. Changes to entries in the register after that time shall be disregarded in determining the rights of any member to attend and vote at such Meeting.

Corporate Information

Registered Address
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

Directors
Andrew Sykes (Chairman)
Keith Goulborn
John Frederiksen
Harry Dick-Cleland
David Warr
Peter Atkinson
(All Non-Executive Directors)

Investment Manager and Accounting Agent
Invista Real Estate Investment Management Limited
Exchequer Court
33 St Mary Axe
London
EC3A 8AA

The Manager's Investment Committee
Duncan Owen (Chairman)
Philip Gadsden
Nick Montgomery
Mark Long

Secretary and Administrator
Northern Trust International Fund Administration Services (Guernsey) Limited
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

Auditor
KPMG Channel Islands Limited
20 New Street
St Peter Port
Guernsey GY1 4AN

Property Valuers
Knight Frank LLP
20 Hanover Square
London W1S 1HZ

Channel Islands Sponsor
Ozannes Securities Limited
1 Le Marchant Street
St Peter Port
Guernsey GY1 4HP

UK Sponsor and Broker
JPMorgan Cazenove Limited
20 Moorgate
London EC2R 6DA

Tax Advisers
Deloitte & Touche LLP
180 Strand
London WC2R 1BL

Receiving Agent and UK Transfer/Paying Agent
Computershare Investor Services PLC
The Pavilions
Bridgewater Road
Bristol BS99 1XZ

Solicitors to the Company
as to English Law;
Herbert Smith
Exchange House
Primrose Street
London EC2A 2HS

as to Guernsey Law;
Ozannes
1 Le Marchant Street
St Peter Port
Guernsey GY1 4HP

ISA/PEP status
The Company's shares are eligible for individual Savings Accounts (ISA's) and PEP transfers and can continue to be held in existing PEP's.

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

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

Ref: INV-352

Invista Real Estate Investment Management Limited
Registered office Exchequer Court, 33 St Mary Axe, London EC3A 8AA
Registered in England and Wales Registered number 04459443
Authorised and regulated by the Financial Services Authority