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Minerva plc
Annual report and accounts 2007
Developing for the future

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Overview

St Botolphs London EC3

While our consultants have been finalising the design we have set up a marketing suite adjacent to the site. On this page can be seen a model showing the St Botolphs development in its local context and on the facing page elements of the design can be seen on-screen.

Overview

St Botolphs London EC3

During the course of the year the project architects Grimshaw have reviewed the scheme in detail and identified improvements that can be made to the building

These refinements to the scheme have resulted in an increase in the net lettable area and will offer versatile floor plates

Overview

The Walbrook London EC4

Demolition of the existing building has now been completed. Archaeological investigations are almost concluded and piling has commenced.

Overview

The Walbrook London EC4

The health and safety of our employees and the workforce on our sites is of paramount importance to us and our contractors.

A new marketing suite has been created to promote the building to potential tenants.

Chairman's statement

Oliver Whitehead

In this, my first year as Chairman, I am pleased to report good progress across the Group's operations. We are on course to fulfil our development objectives and our management team has clearly demonstrated its commitment to the task.

Financial results

Profit for the year before taxation, incorporating revaluation movements from our property portfolio, was £16.3 million (2006: loss of £6.9 million). As is our normal practice, the Group's property portfolio has been independently valued by CB Richard Ellis Limited. The results take no account of the valuation surplus on our trading properties, which are stated at the lower of cost and net realisable value in line with the accounting policy of the Group.

Total shareholders' equity increased to £528.5 million, equivalent to 327.9 pence per share, from £501.8 million or 311.5 pence per share at 30 June 2006.

Operational performance

The Group has shown consistent progress over the last 12 months and we have achieved a number of key milestones which are set out in detail in the Business review. Most significantly, the Group has successfully obtained a Compulsory Purchase Order in respect of our Park Place shopping centre development in Croydon, acquired and achieved consent for our high-end residential scheme at Lancaster Gate and secured a fresh planning permission for The Walbrook where we are now on site having completed demolition. We have also submitted a revised planning application for the Odeon Kensington development.

In addition to the purchase of Lancaster Gate in July 2006, we have also acquired the Ram Brewery site for redevelopment. More recently, we have purchased an adjacent site to the Ram Brewery which will enhance the proposed scheme and extend the development to both sides of the River Wandle.

The Board and management

Since the last Annual Report and Accounts, a number of changes have been made to the Board. Christopher Mackenzie retired in October 2006 and I should like to thank him for the contribution he made. My predecessor, Andrew Rosenfeld, stepped down as Chairman at the Annual General Meeting in November 2006 and, on behalf of the Board, I should like to thank him for his leadership, both as CEO and latterly Chairman, since the Company was floated in 1996.

I am pleased to report the appointment of two new non-executive Directors to the Board, John McNeil who joined the Board in July 2007 and John Matthews who will be joining the Board later this month. We welcome their broad business knowledge, including that gained in the property, construction and financial sectors.

Both Clive Richards and Christopher Sheridan have, after many years' service, decided to retire from the Board, but to ensure continuity they have agreed to stay on until the Annual General Meeting in 2008. Until then, we will be able to continue to benefit from their considerable knowledge and experience.

We have demonstrated our ability to augment the strength of our senior management team with the addition of further enthusiastic and skilled individuals. The Board and senior management alike are fully committed to delivering the Group's strategy. I would like to thank all of our employees for their hard work and dedication.

Outlook

While share prices in the quoted real estate sector have experienced much volatility in the past few months, the City of London office and high-end London residential markets remain robust. We believe the quality and focus of our property portfolio leaves the Group well positioned and with our sound financial base and able people, we have in place the key components of continued progress.

Oliver Whitehead
Chairman



Chief Executive's strategy overview Salmaan Hasan

Objective and strategy

Our primary objective is to deliver superior, long-term returns to shareholders through the investment, development and management of UK real estate

The key elements of our strategy are to

- focus on areas where Minerva has a competitive advantage (for example on projects where inherent planning disciplines and site-assembly skills can be used to add value),
 - use limited/non-recourse structured finance to drive returns, and
 - deliver dividend returns to shareholders based upon the realisation of development profits
-

We are implementing the strategy through

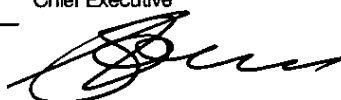
- the delivery of best value from our existing development schemes,
 - the investment in new opportunities which primarily have development credentials that have a turn around time within three to five years, and
 - the establishment of a portfolio of projects, coupled with appropriate structured finance and risk-adjusted return disciplines
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Progress

The financial year ended 30 June 2007 represented a major step in the execution of our strategy

Activity on our City of London developments is now gathering speed with demolition completed and site construction commencing. Significant progress has been made across our residential and retail portfolios, the key highlights being the acquisition of, and subsequent planning consent for, our Lancaster Gate scheme, a successful outcome to the Compulsory Purchase Inquiry at our Park Place project, and the significant acquisition of the Ram Brewery site in Wandsworth. Most recently we have acquired land adjacent to the Ram Brewery site to enhance the overall scale of this proposed mixed-use development. Funding for acquisitions and project developments is in place.

Salmaan Hasan
Chief Executive



Business review

“We have assembled a first class development pipeline including City offices, retail and high-end residential. We have achieved a number of key milestones during the last 12 months.”

Tim Garnham
Development Director

Operational review

City of London offices

The City of London market overview

During the course of the last 12 months, the City Office Market has continued to see falling supply, increased take up and strong tenant demand. Take up in Quarter 2 2007 was 2.8 million sq ft, equalling the level seen in Quarter 3 2006, the highest since 2001. Active demand from the financial sector is at its highest level in the last five years, and 80 per cent of these requirements are driven by expansion.

Availability continues to fall with a vacancy rate of 6.6 per cent, the lowest level since 2001. Of particular note is the Grade A vacancy rate which is now below 2 per cent. In the City of London core this figure is at 1.2 per cent, below the levels seen at the peak of the last cycle.

Continued strong demand from financial sector occupiers and limited up-and-ready new product has fuelled the increase in rental levels which stood at £61.50 per sq ft at the end of Quarter 2 2007 for top 'normal' rents excluding landmark and tower buildings, a 5 per cent increase on the previous quarter's level and 25 per cent over the last 12 months. Since the end of June there are transactions proceeding at £64 per sq ft in the central core of The City for comparable buildings.

The Walbrook, London EC4

- The Walbrook represents a key opportunity to create a high quality new office headquarters building in the heart of the City of London. Demolition is completed and construction is underway.
- Internationally renowned architects Foster & Partners have designed the new building which will stand on this prime 1.6 acre freehold site.
- The scheme will provide some 445,000 sq ft. of air-conditioned offices, retail and restaurant accommodation. The retail accommodation will run along part of The Walbrook and the building's frontage of Cannon Street opposite Cannon Street Station.
- The scheme includes
 - 410,000 sq ft. of offices suitable for a major occupier
 - Prime landmark status
 - 35,000 sq ft. of retail and restaurant accommodation directly opposite Cannon Street Station
 - Excellent public transport facilities
- The new building will occupy virtually the entire side of a city street and is one of the largest sites in the central city area.

<http://www.thewalbrook.co.uk/>

This is a speculative office development to provide some 445,000 sq ft. of high quality offices and retail accommodation located in the heart of the City of London.

Good progress has been made on site and we have now completed the demolition of the existing buildings and the majority of the archaeological investigations. Piling for the perimeter walls to the development is now well underway.

We have also secured a revised planning consent having completed a Section 106 Agreement. The new consent significantly improves the internal layout of the building largely through the repositioning of the main lift core. During this process, our architects, Foster & Partners, took the opportunity to refresh the cladding design. The design also incorporates the generation of energy from renewable sources in accordance with the Greater London Authority's guidelines. Overall, the design performs very well in sustainability terms, and has achieved an 'Excellent' rating under BREEAM (Building Research Establishment Environmental Assessment Method), the most widely used environmental assessment method for buildings.

Business review continued

Since the year end, we have entered into a design and build contract with Skanska for the new building to be completed by the end of 2009

We have now completed the marketing suite for the building, initiated the marketing campaign and we are encouraged by the interest shown in the project to date

The building has been designed to maximise environmental benefits including, for example, the generation of energy using photovoltaic panels at roof level. The design will also be subject to a BREEAM assessment in due course. In addition, the building is now able to offer flexible floor plates with as many as four tenancies per floor and the entrance hall has been re-configured.

Demolition of the existing buildings on the site has been completed and further excavation and perimeter piling under the direction of Skanska is now underway. A marketing suite for the project has been established and numerous presentations have been made to agents and potential tenants with significant interest. Construction works for the development will be triggered on a partial pre-letting of the new building.

Development finance is in place for this project and this is set out later in the Financial review.

St Botolphs, London EC3

- The St Botolphs development stands on an island site of approximately 1.25 acres located on the eastern side of the City of London
- The St Botolphs development is to provide a prestigious air-conditioned office building suitable for major occupiers in all amounting to some 550 000 sq ft net of accommodation
- Office floorplates are generally uniform and the principal floors each provide in the order of 37 000 sq ft of flexible space
- The building will also provide retail area at ground and lower ground floor levels
- A detailed design review of the building has been undertaken and demolition is now completed
- The development will proceed once a partial pre-letting has been achieved

<http://www.saintbotolphs.co.uk/>

This project involves the construction of offices and retail accommodation on an island site in the eastern district of the City of London. The new building has been designed by Grimshaw and, during the course of the year, we have reviewed the scheme in detail and identified improvements that can be made to the building. This has principally involved reconfiguring the lifting system and this, together with other refinements, has increased the net lettable area by 20,000 sq ft to 550,000 sq ft.

Retail

Market overview

The investment market for shopping centres remains strong. The first half of 2007 started robustly with approximately £2.3 billion of shopping centres sold, up 21 per cent on £1.9 billion for the corresponding period last year. There continues to be a scarcity of large scale shopping schemes which are centred on regeneration of existing town centres. Consequently, yields have continued to hold up well with the prime yield indicator remaining at 4.75 per cent since the beginning of the year.

Demand for prime assets continues to remain strong for well located shopping centres that have deliverable asset management and/or rental growth potential.

Park Place, Croydon

- This scheme has been granted detailed planning permission by The London Borough of Croydon and the Compulsory Purchase Order was confirmed by the Secretary of State during this year
- When completed, it will provide 900,000 sq ft of accommodation comprising principally of retail space and restaurants. A key component of the retail space is the provision of a new full range department store
- This scheme will re-establish Croydon as a top retail destination within the UK
- Situated in the heart of the town it will offer excellent access by car, rail, tram and bus and also use and improve existing pedestrian routes for the high foot falls expected

Park Place has been granted detailed planning permission by The London Borough of Croydon to provide 900,000 sq ft of accommodation, comprising principally retail space and restaurants

Designed by leading international architects RTKL, this scheme will comprise both the large retail units and the mall environment needed to re-establish Croydon as a top retail destination within the UK as well as the largest, most modern and contemporary centre within South London

Following the positive decision by the Secretary of State and subsequent granting of the Compulsory Purchase Order ("CPO"), the key activities over the past six months have been to address the preparatory work for the Development

Together with Lend Lease, we have focused on pre-development activities. This has centred on finalising the utility diversion designs with the relevant authorities, investigating ground conditions and agreeing methods of working within a large town

Edward Moody Asset Management
Peter Holroyd Construction

Business review continued

In addition, we are moving forward with our preparations to gain vacant possession through the CPO

We are in negotiation with John Lewis Partnership to conclude the Heads of Terms for the Anchor Department Store and will bring forward the required design changes to satisfy the size requirement of around 250,000 sq ft

Under the new arrangements with Lend Lease, the agreement to sell 50 per cent of our interest in Park Place for £92.5 million is conditional on securing Heads of Terms with the anchor tenant. This process is expected to be concluded by the end of this calendar year.

High-end residential

Market overview

Prime Central London residential property continues to represent one of the most valuable global urban residential markets and has demonstrated consistent value accretion in recent years. Savills has reported in its Summer 2007 market bulletin, that prime residential property in Central London has grown in value in the previous 12 months by 29 per cent. By using the skills at Minerva and the specific sector knowledge within residential developer Northacre, our development partner, we believe that our projects will generate favourable returns. It is our intention to augment this partnership if further opportunities present themselves.

Odeon Kensington, London W8

- Standing on Kensington High Street this famous local landmark is set to be redeveloped to create luxury apartments befitting the location of the site
- Overlooking the Commonwealth Institute and with the low rise period homes of Edwaredes Square immediately to the west the completed development will have superb local facilities nearby with the rest of London available through the excellent transport links
- A planning application has been submitted for around 100,000 sq.ft. of high-end luxury residential apartments and houses together with a multi-screen cinema and off-site affordable residential accommodation

Minerva, in partnership with Northacre, acquired this property for £24 million towards the end of 2005. The property is held freehold with a short-term lease to Odeon Cinema, which contains break provisions in favour of the partnership. The immediate location is a prime residential area on the south side of Kensington High Street, opposite the Commonwealth Institute and just south of Holland Park.

The scheme was submitted for planning approval in November 2006 after considerable public consultation and design input. The application was for 82,500 sq ft of private residential accommodation, a basement car park, multiplex cinema and on-site affordable housing. Further discussions were held with the planning authorities through the statutory consultation process and a revised planning application has been submitted and consultations have been held with the planners, local residents and local councillors. The revised scheme is for an all-private residential scheme of around 100,000 sq ft with a basement car park, multiplex cinema and off-site affordable homes.

A decision is expected in Autumn 2007 which, assuming a positive outcome, should allow construction to commence in mid-2008. The market has strengthened during the planning process with continued strong demand for high quality residential real estate.

Lancaster Gate, London W2

- This exciting opportunity involves the redevelopment of 15 grand town houses overlooking the north side of Hyde Park adjacent to London's West End
- Planning consent was granted in July 2007 for 192,000 sq ft. of residential accommodation comprising 81 private units and 11 affordable residential units
- Construction is scheduled to commence in Autumn 2007 with the first phase of completion due in 2010
- Underground car parking, fitness facilities and a swimming pool are amongst the attributes that residents will enjoy

Since acquiring this property in partnership with Northacre in July 2006 for £67.2 million, we have achieved planning permission for 192,000 sq ft of residential accommodation. This is arranged as 81 private apartments with underground parking and an independent affordable residential building.

The private apartments have been designed to cater for the most discerning buyer, at the prime end of the market. There will be a wide range of units, all benefiting from the unique features and setting of the building. It will be a classic revival project which our partners, Northacre, have considerable experience in delivering. Construction will commence in Autumn 2007 with first phase completion in 2010. A new site loan and construction facility of £215 million has been arranged.

Business review continued

Leinster House Hotel, London W2

Since the year end, this property was acquired for £20.25 million and the purchase is scheduled to be completed in October 2007. This property, which has been acquired in partnership with Northacre who have a 5 per cent equity stake, has the benefit of a block booking agreement with Westminster City Council until 2010, is located to the rear of our Lancaster Gate scheme and will benefit from its development. We will initiate discussions with the planning authorities regarding the redevelopment potential and will up date you with progress in due course.

Mixed-use**Ram Brewery, London SW18**

- The Ram Brewery development consists of three sites. Ram Brewery, Buckhold Road and Capital Studios
- The proposed development is to provide a 1 million sq ft residential led mixed-use scheme using as its signature the heritage buildings forming part of the site
- A planning application is intended to be submitted towards the end of 2007

Contracts were exchanged on this acquisition, comprising the Ram Brewery and Buckhold Road sites, in August 2006 for a price of £69 million, to be paid on a phased basis with £14 million paid on exchange of contracts. The first completion payment of £8.5 million took place in July 2007, on Buckhold Road. Wells & Young's will remain in occupation of Buckhold Road until February 2008 on a short lease. The second completion payment of £46.5 million is due in January 2008 when Young's vacate the Ram Brewery site.

Shortly before the year end we exchanged contracts to purchase the one acre Capital Studio site located on the opposite side of the River Wandle to the main Brewery site, for £14.5 million, of which £11.6 million is deferred. There is a clear synergy between this site and the main Brewery site and we envisage that they will be linked by a footbridge.

The planned development will be a residential-led mixed-use scheme, using as its signature the heritage buildings forming part of the site. All the key heritage buildings will be retained and adapted for contemporary use. Important aspects of this project will be to incorporate environmental sustainability considerations, together with an appropriate amount of affordable housing.

Over the last six months further progress has been made on this scheme and meetings have been held with senior members of Wandsworth Council, the Greater London Authority, the Commission for Architecture and the Built Environment, local interest groups and English Heritage, all of which have contributed to the development of our design. In addition, two public exhibitions have been held as part of our engagement with the local community. It remains our intention to submit the planning application in the final quarter of 2007.

Our current proposals for the development provide for a combined total of 1 million sq ft of accommodation, incorporating both residential and commercial uses.

Joint ventures

Skypark, Glasgow

Skypark is held in a joint venture with Paradigm, Bank of Scotland and Kenmore, with Minerva holding a 25 per cent stake

The property comprises around 550,000 sq ft of mainly office accommodation, is located on the continually improving west side of Glasgow and is multi-let to over 60 occupiers, comprising a wide variety of tenants ranging from small local businesses to high-profile occupiers such as O₂. In addition to the joint venture's initial acquisition, two further small acquisitions have been made of adjoining sites, which afford further development opportunities and will benefit from the enhancement of Skypark

Orchard Brae House, Edinburgh

Orchard Brae House is held in a joint venture with Paradigm, Bank of Scotland and the Irvine Group, with Minerva holding a 25 per cent share

The property is an eight storey, 105,000 sq ft 1970's office building and was acquired by the joint venture in July 2006 for £24 million. It occupies a prominent position on the north side of Queensbury Road, approximately one mile northwest of Edinburgh City Centre. The immediate area is recognised as a prime residential area benefiting from close links to the City Centre. Our investment in the joint venture was £1.7 million and provides the Group with a 25 per cent interest in the venture. The strategy is to look at the added value opportunities available with the lease expiry programme along with development opportunities available on the car park areas.

Mark Cherry and Jonathan Huxley
Investment

Find out more about our developments at:

<http://www.minervapl.c.co.uk/developments/>

Find out more about our principal investments at:

<http://www.minervapl.c.co.uk/investment/>

“Since last year we have put in place project loan facilities totalling in excess of £600 million in order to take our development programme forward.”

Ivan Ezekiel
Finance Director

Financial review

Measuring performance

Net asset value per share and property valuations are the key financial performance indicators for the Group, and the performance of these measures and others for the year under review is commented upon below. As part of the strategy to achieve the required financial performance, the Group prioritises its use of capital in areas where we feel it will deliver strong and sustainable shareholder returns whilst adhering to a simple philosophy regarding capital discipline and financial leverage.

Review of results

Headline results

Net asset value per share increased by 5.3 per cent in the year to 327.9 pence at 30 June 2007 (2006: 311.5 pence). This does not reflect the valuation surplus on our trading portfolio which is stated at cost in the balance sheet, and which at 30 June 2007 provides a valuation in excess of cost of £50.4 million, before minority interest and tax.

Profit for the year before taxation but incorporating revaluation movements, increased to £16.3 million (2006: loss of £6.9 million). Profit after tax and minority interest for the year increased by £17.0 million to £18.7 million (2006: £1.7 million).

Income statement

In line with expectations, rental income decreased in the year from £20.2 million to £12.4 million principally as a result of terminating leases on development projects at The Walbrook, St Botolphs and Park Place, although part of the reduction is due to the comparative period including rental income from investment properties which were disposed of during the first half of the previous financial year. For the same reason, net property outgoings reduced from £5.1 million to £3.3 million during the year.

Net financing costs, excluding charges relating to early loan repayments, decreased from £8.2 million to £2.7 million. This reduction in part reflects the move by the Group towards a more development focused business and hence finance costs associated with development projects of £10.5 million have been capitalised during the year (2006: £nil). The Group has also benefited from interest receivable on its cash balances which has contributed to an overall reduction in the net financing costs of the Group.

The Group continues to hedge account for interest rate derivatives where applicable and, in these instances, the movement in fair values is shown through reserves. During the year the Group's holdings in interest rate swap and swaptions have benefited from the rise in medium-term interest rates and, allowing for disposals, contributed £11.0 million (before tax) to the net assets of the Group, £9.4 million (before tax) has been credited through reserves and £1.6 million (before tax) has been credited to the income statement within net finance costs.

Administrative expenses for the year decreased to £7.8 million from £8.8 million. This reduction of £1.0 million reflects, in part, the focus on our development business and, where appropriate, costs directly attributable to these activities are included within the relevant project costs.

Business review continued

The valuation surplus on our investment property portfolio for the year was £17.4 million (2006 £11.1 million). The majority of this relates to the revaluation movement on The Walbrook development, our investment property in Wigmore Street and our new investment, the Ram Brewery. Against this, a write down has been made principally in relation to our historical investment in Bishopsgate, Glasgow reflecting the rise in yields on this long-term income bearing asset. It is important to note that the results do not incorporate revaluation movements on our trading properties. These comprise our high-end residential projects, which have seen significant gains in value over the year as noted later in this report.

After including the items referred to above, the Group recorded a profit before tax for the year of £16.3 million (2006 loss of £6.9 million).

The corporation tax credit for the year is £2.4 million (2006 £8.6 million) and consists entirely of deferred taxation. This credit is predominantly the result of the change in corporation tax rate from 30 per cent to 28 per cent (announced in the March 2007 Budget Statement and substantively enacted at the balance sheet date) which has been applied to the Group's temporary differences expected to be settled or realised after the change in legislation takes effect. The remaining deferred taxation movement principally relates to the tax effect of the movement in valuation of the Group's investment portfolio, offset by indexation allowance where appropriate, as well as other operating losses in the year. The Group has no liability to corporation tax for the year (2006 £nil).

After incorporating the tax credit, the Group's profit for the year was £18.7 million (2006 £1.7 million).

The dividend policy for the Group is designed to repatriate special dividends to shareholders when profits are delivered through our development activities. Consequently, no dividend has been paid or declared this financial year.

Balance sheet

In respect of the second of our key financial performance indicators, the Group's property portfolio has been valued by CB Richard Ellis at 30 June 2007. The investment property portfolio has been valued at £729.6 million (2006 £579.2 million) and the trading property portfolio at £158.0 million (2006 £26.9 million). In total, after adjusting for acquisitions and expenditure in the period, the portfolio has increased by 8.9 per cent overall in the year. The investment portfolio has increased by 2.6 per cent and the trading portfolio by 53.3 per cent, with only the former valuation uplift being reflected in our results.

Lancaster Gate and Odeon Kensington have been treated as trading properties at 30 June 2007. As it is our current intention to redevelop these properties into mainly high-end residential apartments for sale, the treatment of these assets as 'trading' is considered to be the most appropriate. These assets are therefore stated at their historical cost of £107.6 million in aggregate in the Balance Sheet, in line with the accounting policy of the Group and therefore the valuation by CB Richard Ellis of £158.0 million in total at 30 June 2007 has not been reflected in our financial results.

The property additions during the year consist of acquisitions (principally the Ram Brewery including the adjacent Capital Studios site and Lancaster Gate) of £156.8 million, development expenditure (in relation to The Walbrook and St Botolphs) of £37.0 million and pre-development expenditure (in relation to Park Place, The Ram Brewery, Lancaster Gate and Odeon Kensington) of £20.1 million. There were no disposals during the year (2006 £225.7 million).

Net debt at 30 June 2007 was £205.7 million (2006: £100.4 million), comprising borrowings at 30 June 2007 of £331.2 million (2006: £262.1 million) and cash and short-term deposits of £125.5 million (2006: £161.6 million). The increase in net debt during the year of around £105.3 million is principally in relation to the acquisition of Lancaster Gate, the deposit payments to secure the Ram Brewery site acquisitions, as well as, expenditure on our developments in the period. If we were also to recognise the balance of the deferred consideration payable in respect of the Ram Brewery site acquisitions of £66.6 million, pro forma group net debt at 30 June 2007 would be £272.3 million.

The investment in joint ventures represents the Group's net investment in Skypark, Glasgow and Orchard Brae House, Edinburgh where we have a 25 per cent interest in both. A small profit for the year of £0.1 million has been recorded in the income statement reflecting the Group's net effective share of the results of the two joint ventures.

The balance sheet includes a minority interest of £2.1 million (2006: £0.5 million) which represents Northacre's interest in the high-end residential projects, Odeon Kensington and Lancaster Gate. Northacre, who have a 5 per cent equity stake in both ventures, can earn, subject to the achievement of pre-determined financial targets, an enhanced return.

Business review continued

Financing

The Group finances its activities through a mixture of equity, cash and bank borrowings

The Group seeks selectively to gear property acquisitions and fund developments with appropriately structured bank debt, typically either non-recourse or limited recourse, whilst holding a certain level of cash in reserve. The cash reserves provide the Group with security, liquidity and the flexibility to invest in future opportunities. The Group deposits its cash with selected financial institutions with high credit ratings.

During the year, we secured site and development financing for St Botolphs which was arranged in two stages. In July 2006, we completed the site refinancing with HSH Nordbank with a new £52.2 million non-recourse facility. This refinancing not only repaid the existing site loan but also provided the Group with circa £14 million to fund the demolition and detailed design activities, which we have since begun. In February 2007, we secured a commitment from HSH Nordbank and Landesbank Berlin for a new £315 million development facility which will refinance the site loan referred to above as well as provide the Group with the development funding to complete the construction of the building. In structuring the new facility we needed to pay regard to the Group's exposure to the City of London office market and we therefore agreed that we would only commit to the construction of the building once a minimum pre-let has been achieved.

Since the year end, the Group has completed two new financings.

Alexander Morns Construction
Arthur Rixon Structured Finance

The first is in relation to the Ram Brewery where we have secured a new £106.65 million loan facility to finance the acquisition of the Ram Brewery, Buckhold Road and Capital Studios sites in Wandsworth. This facility, which is provided by Deutsche Postbank, allows the Group to almost entirely finance the purchase price of the properties on these sites with senior debt, whilst providing the Group with the ability to draw upon further funds as and when planning is achieved.

The second is a new £215 million site and development facility for Lancaster Gate. The new loan, which leverages off the increased value of the scheme following receipt of enhanced planning consent in May of this year, permitted the Group, and its partner Northacre, to repatriate all of the equity previously invested in the scheme to date, and fully debt finance the development of the scheme to completion. This financing, which is provided by Deutsche Postbank and HSH Nordbank, is structured around achieving a small element of pre-sales over the coming months.

At 30 June 2007 the average interest cost of debt for the Group, excluding joint ventures, was 6.8 per cent (2006: 6.4 per cent).

The increase in our average interest cost of debt is mainly a consequence of rising interest rates on loans which are unhedged.

In terms of interest rate management, we continue to use interest rate derivatives to manage the interest rate profile and as at 30 June 2007, 55 per cent (2006: 83 per cent) of the Group's bank borrowings were hedged under interest rate swap agreements.

The Group's policy is to, where possible, match the revenue profile from the properties with certainty in relation to interest costs.

Where there is less certainty of revenue, for example as is the case where properties are being developed, we will endeavour to hedge interest costs with swaps, caps and other financial instruments where appropriate.

Net gearing, measured as Group net debt as a proportion of total equity, was 39 per cent at 30 June 2007 (2006: 20 per cent).

Pro forma net gearing would be 51 per cent, measured in the same way as above but assuming the remaining consideration for the Ram Brewery site acquisitions was paid at 30 June 2007.

Other performance indicators

We have already set out the financial performance indicators by which we assess our business model. The sustainability of our strategy however, is equally underpinned by the attention we pay to wider, business-critical, aspects of our activities. All of our developments have an impact on the communities in which we operate and we are subject to a range of legal, regulatory and planning regimes; we strive to maintain compliance in all these areas. Consistent with our commitment to be at the forefront in this arena, we look to anticipate and where possible, take commercial advantage of, issues which may affect the future value and earnings potential of the business.

Health and safety

The health and safety of our employees and contractors is a concern of paramount importance to Minerva. We can report that we have had no Reportable Accidents on our projects and we are committed to a regime of safe working practices.

People

We have a small but strong team of commercially-focused and experienced people, combining site-assembly, development, management and financing skills. Their contribution delivers the competitiveness which underpins the Minerva market offering.

Business review continued

Planning issues

Planning considerations constitute one of the major value drivers of our business. Maintaining excellent relationships with local planning authorities whilst leveraging and growing our reputation to secure planning outcomes consistent with our objectives, in terms of timing and content, are fundamentally important to our success in achieving our strategy.

Energy and carbon emissions reduction

With increasingly-widespread understanding of the challenges of climate change, the mounting demand from our clients for environmentally-friendly building space and the possibility of increasing regulation in this area, we recognise our responsibility to ensure that our developments not only meet, but exceed the requirements for buildings to reduce their carbon dioxide emissions. The extent to which the designs of our developments exceed the requirement in Part L of the Building Regulations (2006) to achieve reductions in carbon dioxide emissions is an effective indicator of our developments' likely performance in this respect.

We are pleased to report that the preliminary assessments indicate that The Walbrook is predicted to exceed the Part L requirements by 23 per cent and St Botolphs is predicted to exceed the requirements by 16 per cent.

The current designs of our other developments have not yet been assessed, but their predicted performance against the Part L requirements will be included in our Business review in successive years.

Peter Francis Accounts
Leigh Grant Company Secretarial

Prospects

Key risks and uncertainties

The Group's primary objective is to deliver superior long-term returns to shareholders through the investment, development and management of UK real estate

We recognise that risk is attached to making investment decisions in order to drive growth for shareholders. This is amplified in the UK property sector by exposure in development and gearing, which the Group aims to use judiciously

In setting out the Company's main risks and uncertainties, the outlook, and in respect of other content, the Annual Report contains statements which, by their nature, cannot be considered indications of likelihood or certainty. The statements are based on the knowledge and information at the date of preparation of this Business review, and what are believed to be reasonable judgements. A wide range of factors may cause the actual outcome and results to differ materially from those contained within, or implied by, these various forward-looking statements. Nor should any of these statements be construed as a profit forecast.

Our main risks and uncertainties revolve around the following areas:

- demand and supply of tenants and investors,
- alternative uses for buildings, site assembly and re-development,
- planning and construction risks,
- funding sources and the interest rate environment,
- health and safety,
- environmental and wider sustainability issues, particularly relating to growing concern with the challenges posed by climate change,

- retention of key people and skills,
- changes in legislation and regulation, particularly relating to planning and taxation, and
- economic cycles and conditions, both in the UK and abroad

The potential impact on the Group, were any of these risks to materialise, depends on the severity of the event. We actively monitor our risks, and our governance procedures and risk management policies seek to minimise our exposure, and attain the appropriate balance whereby we also identify and exploit the associated opportunities.

Outlook

Our principal developments are located in supply-constrained sectors, namely, City of London offices, high-end London residential and town centre shopping. These sub-markets have performed well over the last 12 months, in addition, our Ram Brewery site should, subject to planning, provide a significant mixed-use development in a key London suburb where such opportunities are rare.

Each of these projects is well positioned to take advantage of the markets they are in and we remain confident, subject to the property market remaining robust, that we will deliver good returns to our shareholders. The last few months have witnessed a degree of volatility in real estate stock prices and it is our view that sustainable value will accrue to portfolios that have quality product situated in prime locations. Accordingly, it is our contention that the Group's development portfolio is underpinned by the fundamentals of supply and demand and thus well placed to deliver long-term value.

Overview

Park Place Croydon

Designed by architects RTKL, this scheme will rejuvenate and improve Croydon town centre - re-establishing it as a top retail destination within the UK. Our proposals, which have been granted detailed planning permission will provide 900,000 sq ft of accommodation and will feature an anchor department store, large retail space and restaurants in an exciting new mall environment.

Overview

Odeon Kensington London W8

An exciting development opportunity
This well known landmark was acquired by Minerva in 2005. When completed the development will comprise high quality residential accommodation, a new multi-screen Odeon cinema all overlooking Holland Park.

Lancaster Gate London W2

Prime location for high quality residential
The private apartments designed for this development will cater for the most discerning buyer at the prime end of the market. Construction will commence in Autumn 2007.

Overview

Ram Brewery London SW18

Great potential
Minerva plans to transform
this historic site where
until it closed beer had
been brewed since the
16th century. Our current
proposals are for a
mixed-use development
comprising 1 million sq ft
of accommodation.
We intend to submit a
planning application by the
end of this calendar year.

Board of Directors

Oliver Whitehead CBE

Non-executive Chairman
Chairman of the Nominations Committee
Member of the Remuneration Committee
Aged 66

Appointed to the Board of Minerva in July 2006. Chief Executive of Alfred McAlpine from May 1993 to August 2003 and from then until June 2007 was Chairman of Alfred McAlpine. Between March 2004 and February 2005 he was non-executive Chairman of ITNET plc. Formerly Group Chief Executive of Babcock International Group plc, having previously been an executive Director of AMEC plc and John Laing plc.

Salmaan Hasan BA MBA

Chief Executive
Aged 42

Joined Minerva in July 2005 from Deutsche Postbank AG where, as Head of Property Finance, he ran the unit for 11 years concluding over £5 billion of structured property loans in the UK and Europe. Prior to this he worked at Industrial Bank of Japan and Samuel Montagu in London. He is responsible, alongside the Board, in setting the strategy of the Group, day to day management and new business initiatives.

Ivan Ezekiel BSC FCA ATII CF

Finance Director
Aged 41

Responsible for finance, accounting, tax and co-ordination of management and external reporting. He qualified as a Chartered Accountant with KPMG and worked for Capital and Regional Properties plc for three years as Group Financial Controller before joining Minerva plc in November 1997 as Chief Financial Officer. He was appointed to the Board in March 2005.

Tim Garnham BSCDevelopment Director
Aged 50

Joined Minerva in January 1998 from the Trafalgar House Property Group where as Deputy Managing Director he was responsible for the UK development programme including a number of major London developments. He is responsible for the overall control of the Group's development activities

John McNeil BANon-executive Director
Member of the Audit Committee
Member of the Remuneration Committee
Member of the Nominations Committee
Aged 47

Appointed to the Board of Minerva in July 2007. He initially trained as a barrister and has spent over 20 years working in various aspects of finance in the UK and internationally. Between 1997 and 2000 he was head of corporate finance in the UK for J. Henry Schroder & Co Limited and between 2000 and 2001 served as head of UK investment banking for Schroder Salomon Smith Barney. Between 2001 and 2006 he worked for Citigroup Corporate and Investment Bank, first as head of European Investment Banking and then as a senior consultant. He retired from full time investment banking in 2005 and presently serves as a non-executive director of Mecom Group plc.

Clive Richards OBE DL FCA FCMA FMIMNon-executive Director and Senior Independent Director
Chairman of the Audit Committee
Member of the Remuneration Committee
Member of the Nominations Committee
Aged 70

Following six years at Peat Marwick Mitchell (now part of KPMG) in 1960 he joined Wedd Durlacher Mordant, subsequently a major constituent part of Credit Suisse where he became Managing Partner. From 1970 to 1976 he worked at N M Rothschild & Sons Ltd where he rose to become Group Finance Director. In 1976 he left to set up his own investment and financial services company Clive Richards & Co which has been involved in a number of successful ventures. He is currently non-executive Chairman of Intelligent Environments Group plc and CEL International Limited. Appointed to the Board of Minerva in November 1996.

Christopher Shendan FCIB MSINon-executive Director
Chairman of the Remuneration Committee
Member of the Audit Committee
Member of the Nominations Committee
Aged 64

Joined Samuel Montagu & Co Limited in 1962 and became a Director in 1974. He was appointed head of Samuel Montagu's Treasury Division, with overall responsibility for all the bank's dealing activities, in 1976. He was Chief Executive of Samuel Montagu from 1984 to 1994, where as head of merchant banking of the Midland Bank Group he oversaw the changes during "Big Bang" as well as the integration into HSBC. He is Chairman of Yorkshire Building Society and non-executive Director of Alpha Bank London Limited, Hanover Acceptances Limited, Standard Bank London Limited and Deputy Chairman of Inspace plc. Appointed to the Board of Minerva in November 1996.

Senior management team

Mark Cherry BSC MRICSInvestment
Aged 44

Joined Minerva in April 2005. He comes with wide experience in the fields of investment and development having previously worked for Postal Investment Management, Nelson Bakewell, Barclays Bank and more recently as a Director of Burford. He is responsible for new acquisitions along with specific investment and development projects.

Leigh Grant MBA FCISCompany Secretarial
Aged 48

Joined Minerva in June 2007. A qualified professional providing the Company with support on all Company Secretarial and Corporate Governance matters. He was previously Deputy Company Secretary at ebookers plc and Group Secretary at Senior plc.

Peter HolroydConstruction
Aged 51

Joined Minerva in October 2005 after completing the Swiss Re Tower in the City of London as Swiss Re Insurance's Construction Director. Prior to that he was in Property Development in Canada. He is responsible for the Group's City of London construction projects.

Jonathan Huxley MSC MRICSInvestment
Aged 31

Joined Minerva in May 2007 from Ballymore Properties Ltd where he worked for three years in London Docklands as Investment & Development Manager. Prior to that he worked for ATIS Real and Drivers Jonas' development consultancy teams. Jonathan is primarily involved with new acquisitions, financial modelling and specific development projects.

Edward Moody BSC MRICSAsset Management
Aged 46

Joined Minerva in August 1998 from the Corporation of London where he worked for nine years and headed the City Fund Portfolio. Prior to that he had been at the London Dockland Development Corporation. He is responsible for property asset management.

Alexander Morns BSCConstruction
Aged 35

Joined Minerva in October 2006 having previously worked on the Swiss Re Tower project for eight years, developing the building to shell and core and fit out. Prior to that he was with Gardiner and Theobald.

Arthur Rixon BSCStructured Finance
Aged 56

Joined Minerva full-time in November 1996 with responsibility for general property and structured finance. He has spent 20 years in banking with Bankers Trust where he was a senior Vice President and was responsible for all aspects of structured financing both in London and the USA.

David Wood BSC ACAFinancial Control
Aged 36

Joined Minerva in July 2006 and is responsible for day to day financial and administrative control. He qualified as a Chartered Accountant with Touche Ross and has worked in the property sector for the last 10 years with Chelsfield plc and Multiplex.

Steven Yewman BSC MRICSDevelopment
Aged 37

Joined Minerva in May 1989 having previously worked at Land Investors plc. His responsibilities include development activities at Park Place together with specific new projects.

Corporate governance

Statement by the Directors on compliance with the provisions of the Combined Code

The Board considers good corporate governance to be fundamental to the success of the Company and is committed to the highest standards. The way in which the Company has applied the principles of good governance as set out in Section 1 of the Combined Code issued by the Financial Reporting Council in July 2003 and revised and reissued in 2006 ("the Code") is set out below.

The Board has addressed the areas of non-compliance detailed in last year's Annual Report. Oliver Whitehead, independent on appointment, became Chairman on 21 November 2006 and, during the year, a process for appraising the Board's Committees and its members has been established. The number of independent non-executive Directors on the Board and its Committees fell below the levels recommended in the Code when Oliver Whitehead was appointed as Chairman, but following the year under review, John McNeil has joined the Board and its Committees and John Matthews is expected to join shortly.

The Company has otherwise fully complied throughout the year with the provisions of the Code.

Board of Directors

The Company supports the concept of an effective Board leading and controlling the Company. The Board provides entrepreneurial leadership of the Group within a framework of effective controls which allows risk to be assessed and managed. The Board has ultimate responsibility for setting overall strategy, acquisitions and disposals, internal control, approval of major capital expenditure projects, treasury and risk management policies, and consideration of significant matters relating to the raising of finance and corporate governance. The Board operates within the terms of its written authorities which include a schedule of matters which are reserved for its decision.

The current members of the Board, and the roles of each Director, are given in the biographical details of the Directors on pages 34 and 35. Details are also provided, on page 48, for John Matthews who is expected to join the Board on 17 September 2007.

Board independence

Clive Richards remained the Senior Independent Director. The Board considers that, notwithstanding that both Clive Richards and Christopher Sheridan have been members of the Board since October 1996, they remain independent. The Board considered Oliver Whitehead who joined the Board on 19 July 2006 to be independent as a non-executive Director and on his appointment as Chairman. John McNeil who joined the Board on 19 July 2007 and John Matthews who is expected to join on 17 September 2007 are also considered to be independent. In making these determinations, the Board has considered whether each individual is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could affect, the relevant Director's judgement. During the year the Chairman met with the non-executive Directors without the executive Directors being present.

Board balance

The non-executive Directors are of high calibre and contribute wide ranging commercial and financial experience to the Board's decision making process.

The Board and the Nominations Committee continue to keep the balance of skills, knowledge and experience on the Board under review and, since the end of the year under review, the Company has recruited John McNeil and John Matthews to strengthen the non-executive Director membership of the Board.

Governance

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Corporate governance continued

Board attendance

In addition to meetings of Directors arranged to discuss particular transactions and events and attendance at the 2006 Annual General Meeting and Extraordinary General Meeting in November 2006, the Board met formally on seven occasions during the year under review. The attendance of Directors at Board and Committee meetings where they were members is shown below.

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Number of meetings in year	7	3	4	4
	Attended	Attended	Attended	Attended
Oliver Whitehead ¹	7	1	4	2
Salmaan Hasan	7	–	–	–
Ivan Ezekiel	7	–	–	–
Tim Garnham	7	–	–	–
Clive Richards	7	3	4	4
Christopher Sheridan	7	3	4	4
Andrew Rosenfeld ²	3	–	–	–
Christopher Mackenzie ³	2	–	3	2

1 Represents full attendance at Committee meetings during his membership.

2 Represents full attendance at all scheduled Board meetings held until he stepped down from the Board on 21 November 2006.

3 Represents attendance at all scheduled Board meetings, all Nominations Committee meetings and three of four Remuneration Committee meetings until he stepped down from the Board on 26 October 2006.

For each meeting, the Board is supplied with information in a form and of a quality appropriate to enable it to discharge its duties.

Rotation of Directors

The Directors are subject to retirement by rotation and re-election by shareholders, in accordance with the Articles of Association of the Company, whereby one-third of the Directors retire by rotation each year. In addition, all Directors are required to submit themselves for reappointment at the next Annual General Meeting following their appointment by the Board. In accordance with the Combined Code, non-executive Directors who serve on the Board for more than nine years are required to submit themselves for re-election at each Annual General Meeting thereafter.

Evaluation and Training

The Board evaluation process was carried out based on a detailed questionnaire completed by all Directors and informal discussions with the Chairman. Responses were constructive and where changes or improvements were agreed to be necessary these are being implemented. The questionnaire covered an extensive range of topics including communications, competence and effectiveness of Directors, success of Board Committees, risk management and the appropriateness of the Group's strategy.

The evaluation process will be carried out annually and developed to ensure that the Board's performance continues to improve.

Training in matters relevant to their role on the Board is available to all Board Directors. New Directors are provided with an induction in order to introduce them to the operations and management of the business. Site visits are also arranged on request so that Directors may familiarise themselves with the Company's projects.

Company Secretary

The role of the Company Secretary is carried out by the Finance Director. The Board considers that combining these roles does not compromise the proper execution of the Secretary's responsibilities. A newly appointed Deputy Company Secretary provides assistance.

All Directors have access to independent professional advice at the expense of the Company and to the services of the Company Secretary who is available to give ongoing advice to all Directors on Board procedures and corporate governance.

Board changes

During the year, Christopher Mackenzie stepped down from the Board on 26 October 2006, Oliver Whitehead joined as non-executive Director and Chairman designate on 19 July 2006 and replaced Andrew Rosenfeld as Chairman of the Company at the 2006 Annual General Meeting on 21 November 2006. Following the end of the year under review, John McNeil joined the Board as non-executive Director on 16 July 2007 and John Matthews is expected to join the Board as non-executive Director on 17 September 2007.

Board Committees

The Board has established three standing Committees in which the non-executive Directors play an active role. Each Committee has written terms of reference which are regularly reviewed and which deal with its authorities and duties. The terms of reference are available on the Company's website. The Committees are:

The Remuneration Committee

The Committee is responsible for reviewing the terms and conditions of employment of executive Directors including the provision of incentives and performance related benefits. The Remuneration report is set out on pages 40 to 45.

The Nominations Committee

The Committee is responsible for the selection and appointment of all Directors to the Board and for succession planning. A report by the Nominations Committee is set out on page 46.

The Audit Committee

The Committee is responsible for, among other things, the appointment of external auditors, reviewing the interim and annual financial results, considering matters raised by the auditors and monitoring the internal financial control system operated by the Group. A report by the Audit Committee is set out on page 47.

Relations with shareholders

The Company has always recognised the importance of clear communications with shareholders and has encouraged a regular dialogue with institutional and other shareholders. The Company holds regular meetings with, and presents to, its existing shareholders and potential new shareholders to discuss strategic and other issues. Care is taken to ensure the protection of inside information which has not already been made available to all shareholders. During the course of a year, shareholders are kept informed of the progress of the Company through the announcement of financial results and other news that are released through the London Stock Exchange, other news services and the Company's website. The principal means of communication with private shareholders are through the Interim Report, Annual Report and the Annual General Meeting. The Notice of Annual General Meeting and any related papers are posted to shareholders with the Annual Report at least 20 working days before the date of the Annual General Meeting to ensure that the shareholders have sufficient time in which to consider the items of business. The Annual General Meeting provides the Board with an opportunity to communicate with, and answer questions from, private and institutional shareholders. Separate resolutions at the Annual General Meeting are proposed on each issue so that they can be given proper consideration. The Company counts all proxy votes and will indicate at the Annual General Meeting the level of proxies lodged on each resolution where such resolution has been dealt with by a show of hands.

Accountability and audit

Internal control

The Board recognises that it is responsible for the Group's system of internal control and for reviewing its effectiveness. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group which has been in place during the year under review and up to the date of approval of the Annual Report and Accounts. As part of this process the Board carries out an annual review of significant business risks, considering the scope and effectiveness of the Company's system of internal control. This involves the identification of risks specific to the areas of property, finance and external markets which impact on its objectives, together with the controls and reporting procedures designed to mitigate those risks. These are reviewed, adopted and, if appropriate, updated during the year. These include business risks, financial controls and the regulatory environment.

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Statement of Directors' responsibilities

The Directors are required by UK company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit or loss for the period. The Directors confirm that in preparing the financial statements for the year ended 30 June 2007, suitable accounting policies, in accordance with International Financial Reporting Standards as adopted by the European Union, consistently applied and supported by reasonable and prudent judgements and estimates, have been used. The Directors also confirm that the going concern basis is appropriate. The Directors are responsible for maintaining proper accounting records, for safeguarding the assets of the Company and the Group, and for taking reasonable steps to prevent and detect fraud and other irregularities. The Directors are also responsible for maintaining the integrity of the Group's website. Information published on the internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements. UK legislation governing preparation and dissemination of financial statements may therefore differ from that in other jurisdictions.

Remuneration report

The Remuneration Committee

The Remuneration Committee (the "Committee"), is established under terms of reference approved by the Board. These are kept under review and were most recently updated in June 2007.

Membership

The Committee comprises independent non-executive Directors and the Chairman of the Company. Christopher Sherdan was Chairman of the Committee throughout the year. Clive Richards was a member of the Committee throughout the year. Christopher Mackenzie served on the Committee until he stepped down from the Board on 26 October 2006. Oliver Whitehead joined the Committee when he was appointed to the Board on 19 July 2006.

John McNeil was appointed to the Committee on 16 July 2007 when he joined the Board as an independent non-executive Director. John Matthews is expected to join the Board as an independent non-executive Director on 17 September 2007 and will be appointed to the Committee.

Members of the Committee have no personal financial interest, other than as shareholders, in the outcome of the decisions taken by the Committee.

Meetings and advice

The Committee met four times during the year. During the year, New Bridge Street Consultants LLP provided advice to the Committee in relation to executive remuneration. The Company Secretary has provided administrative support to the Committee.

Remuneration policy

The remuneration policy is designed to motivate, reward and retain executive Directors of the highest calibre in a way which is consistent with their contribution to the success of the Company, while aligning their rewards and incentives directly with the performance and growth of the Company. The Committee considers annual performance bonuses and long-term share-based incentives to be the most effective mechanisms of aligning the interests of the executive Directors with shareholders.

During the year the Committee reviewed the Company's remuneration policy with assistance from its adviser and subsequently consulted with large shareholders and their representative bodies. During the consultation process the Committee gave consideration to the comments it received and the revised policy is set out in this report. The Committee will continue to monitor the policy and make changes as appropriate, undertaking further consultation as necessary.

The remuneration packages currently comprise:

Basic salaries and benefits

Basic salaries and benefits are reviewed by the Committee having regard to a number of factors, including the responsibility and performance of the individual and competitive market practice. Benefits to each Director principally include the provision of a company car, medical insurance and life assurance cover. In addition, contributions to a defined contribution pension scheme, based solely on basic salary, were made or have been accrued in respect of all executive Directors.

Annual performance bonuses

Previous policy Cash bonuses were awarded by the Committee having regard to a number of factors, including the performance of the Company and the performance of the individual. These were capped at 150 per cent of basic salary.

Individual performance was measured by the achievement of strategic and personal objectives, including, but not limited to:

- identification and investment in suitable new opportunities,
- preparation for and attainment of planning consent,
- delivery of development programmes, and
- capital structure and funding.

Revised policy Bonus awards for the forthcoming year will be based predominantly on Net Asset Value ("NAV") per share growth as follows:

NAV per share growth over the year	Percentage of salary awarded
Less than 5 per cent	Nil
Between 5 per cent and 20 per cent	Between 56.25 per cent and 225 per cent

NAV per share growth is defined as NAV per share, plus dividends paid in the year, and will include such properties held for trading purposes as the Committee feels are appropriate. In addition, a maximum of 25 per cent of salary may be awarded having regard to a number of factors, including those set out above under the previous policy.

Subject to performance, a maximum of 150 per cent of salary will be paid in cash and a maximum of 100 per cent of salary invested in Minerva shares. The first tranche of the annual bonus, up to a maximum of 100 per cent of salary, will be in cash. Thereafter payment will be made in cash and shares up to the maximum amounts set out above. The shares will be deferred in equal proportions for two and three years and would be forfeited by an executive Director leaving the Group other than in limited circumstances.

Long-term share-based incentives

Awards of share-based incentives are considered by the Committee annually. The Company has ceased granting options under the Company's Executive Share Option Schemes and currently only operates the 2005 Executive Incentive Plan (the "EIP") and the All Employee Savings Related Share Option Scheme ("Sharesave").

Previous policy Under the EIP, awards may be granted at a level of up to 200 per cent of basic salary worth of performance shares with the potential of up to a further 75 per cent of basic salary worth of matching performance shares if executives invest part of their bonus in shares.

Revised policy The level of award under the EIP will, in conjunction with the revised annual performance bonus, normally be up to and no more than 100 per cent of salary in performance shares with no opportunity for matching performance shares to be granted.

Summary of revisions to remuneration policy

Overall, the incentive opportunity for executive Directors can therefore be summarised as follows

	Revised Policy maximum percentage of salary	Previous Policy maximum percentage of salary
Annual performance bonus	250 per cent	150 per cent
EIP Performance shares	100 per cent	200 per cent
EIP Matching performance shares	–	75 per cent
Total maximum	350 per cent	425 per cent

The Committee considers that the revisions to both the annual performance bonus and long-term share-based incentives will provide a sharper focus for executives on the key performance measure of NAV growth as the Company undertakes its major development programme. The use of NAV growth will enable the Committee to respond to changing prospects for the real estate market, while the deferral of part of the bonus into Minerva shares for a further two or three years will aid retention and create a greater alignment through executive shareholdings. The Committee will continue to monitor the appropriateness of the policy to ensure that it meets the needs of the business as the Company evolves.

Directors' remuneration

	Salary and fees		Bonus		Other benefits		Total		Pension	
	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000
Executives										
Salmaan Hasan	420	397	550	300	36	36	1,006	733	42	40
Ivan Ezekiel	252	240	300	175	12	10	564	425	50	48
Tim Garnham	252	205	300	207	37	35	589	447	25	20
Andrew Rosenfeld ¹	–	200	–	–	–	26	–	226	–	20
Paul Coster ²	–	39	–	–	–	10	–	49	–	–
	924	1,081	1,150	682	85	117	2,159	1,880	117	128
Non-executives										
Oliver Whitehead ³	97	–	–	–	–	–	97	–	–	–
Clive Richards	50	48	–	–	–	–	50	48	–	–
Christopher Shendan	50	48	–	–	–	–	50	48	–	–
Andrew Rosenfeld ¹	39	50	–	–	9	12	48	62	–	–
Christopher Mackenzie ⁴	17	42	–	–	–	–	17	42	–	–
	253	188	–	–	9	12	262	200	–	–

¹ Retired as a Director on 21 November 2006

² Retired as a Director on 30 September 2005

³ Appointed on 19 July 2006

⁴ Retired as a Director on 26 October 2006

The levels of bonus for the executive Directors reflect the Committee's assessment of the performance of the Company and the individual Directors which were judged to be above target levels.

Remuneration report continued

Directors' interests

The Directors' interests, including immediate family interests in the share capital of the Company were as follows

	Ordinary shares of 25 pence each 30 June 2007	Ordinary shares of 25 pence each 30 June 2006
Oliver Whitehead*	40,000	–
Salmaan Hasan	115,000	100,000
Ivan Ezekiel	20,831	7,695
Tim Garnham	2,414	–
Clive Richards	211,110	211,110
Christopher Sheridan	16,666	16,666

*Appointed on 19 July 2006

Employee share incentives

The Group has operated three types of share plans: the EIP, the Executive Share Option Schemes and the Sharesave Scheme. During the year, conditional awards have been granted under the EIP and options were granted pursuant to the Sharesave Scheme. No options were granted under the Executive Share Option Schemes. None of the terms of the EIP, the Executive Share Option Schemes or the Sharesave Scheme were varied during the year.

2005 Executive Incentive Plan

Participation in the EIP is available to executive Directors and senior employees of the Company and its subsidiaries.

The EIP was adopted in November 2005 and comprises two parts. The first part provides for the Company to grant participants a conditional right (or an option with a nominal value exercise price) to acquire "Matching Performance Shares" over a number of shares in the Company linked to the number of shares purchased by the participant from his or her annual bonus. The second part allows the Company to grant participants a conditional right to acquire "Performance Shares" (or an option with a nominal value exercise price) which is not linked to the co-investment in Company shares by the participant.

The vesting of awards of Matching Performance Shares or conditional rights to acquire Performance Shares is subject to a three year condition which will compare the Company's total shareholder return ("TSR") performance with the TSR of the companies in the Comparator Group as follows:

Ranking of the Company within the Comparator Group	Proportion of Matching Performance Shares or Performance Shares which vest
Within the top 20 per cent of companies	100 per cent
Between the median company and the top 20 per cent of companies	straight-line basis between 25 per cent and 100 per cent
Median company	25 per cent
Below median company	Nil

The TSR measure was chosen as it is considered to be well understood by the business and is a transparent measure that acts to align the interests of the participants with the interests of the Company's shareholders.

The "Comparator Group" is such group of listed companies as the Committee may from time to time select at the time each award is made (to date this has comprised companies in the FTSE All-Share Real Estate Index at the date of grant, excluding agents). The Company currently considers that this index is the Company's closest and most appropriate Comparator Group, although it will consider the continued inclusion of companies classified as Real Estate Investment Trusts in future awards. The Committee will decide how to treat any companies that leave the Comparator Group, due to takeover for example, based on the circumstances prevailing at the time.

In addition, the Committee will have the power to scale back the vesting of awards where, in its reasonable opinion, there has not been satisfactory financial performance of the Company over the performance period.

Executive Share Option Schemes

The Executive Share Option Schemes have been operated for executive Directors and senior management. Details of the performance conditions which apply to historic share options are set out in the notes to the share options table below.

All Employee Sharesave Scheme

The Company has operated an HM Revenue and Customs approved Sharesave Scheme since 2002. All eligible employees of participating Group companies may participate in the Sharesave Scheme.

The Scheme offers employees the opportunity to save up to a maximum of £250 each month with a selected bank or building society over a three or five year period. At the end of three or five years, employees may use their savings, plus a tax-free bonus to exercise an option to buy a certain number of shares in the Company at up to a 20 per cent discount to the share price shortly before they started saving. Options granted under the Sharesave Scheme are not subject to performance conditions.

Share ownership guidelines

Executive directors are encouraged to build and retain a holding in the Company's shares to the value of 100 per cent of their basic salary (150 per cent for the Chief Executive) over the next three to five years.

Share options and EIP awards

At 30 June 2007, options and awards granted to Directors over the following number of shares in the Company remained outstanding:

Salmaan Hasan

Scheme	At 1 July 2006	Granted during year	Exercised during year	Lapsed during year	At 30 June 2007	Exercise price/market value on date of award	Exercise period/date of vesting
E	310,077	-	-	-	310,077	258 0p	Dec 2008
E	-	218,892	-	-	218,892	383 8p	Dec 2009

Ivan Ezekiel

Scheme	At 1 July 2006	Granted during year	Exercised during year	Lapsed during year	At 30 June 2007	Exercise price/market value on date of award	Exercise period/date of vesting
A	16,161	-	(16,161) ¹	-	-	185 6p	Nov 2000– Nov 2007
B	112,218	-	-	-	112,218	320 8p	April 2004– April 2008
C	149,802	-	-	(149,802)	-	227 8p	Dec 2004– Dec 2011
C	177,692	-	-	-	177,692	169 0p	Sept 2005– Sept 2012
C	162,729	-	-	-	162,729	190 5p	Oct 2006– Oct 2013
D	4,547	-	-	-	4,547	205 6p	Dec 2008– May 2009
E	186,046	-	-	-	186,046	258 0p	Dec 2008
E	-	131,335	-	-	131,335	383 8p	Dec 2009

Tim Garnham

Scheme	At 1 July 2006	Granted during year	Exercised during year	Lapsed during year	At 30 June 2007	Exercise price/market value on date of award	Exercise period/date of vesting
A	15,020	-	(15,020) ²	-	-	199 7p	Jan 2001– Jan 2008
B	121,568	-	-	-	121,568	320 8p	April 2004– April 2008
C	184,372	-	-	(184,372)	-	227 8p	Dec 2004– Dec 2011
C	218,698	-	-	-	218,698	169 0p	Sept 2005– Sept 2012
C	200,052	-	-	-	200,052	190 5p	Oct 2006– Oct 2013
D	2,414	-	(2,414) ³	-	-	152 8p	Dec 2006– May 2007
E	186,056	-	-	-	186,056	258 0p	Dec 2008
E	-	131,335	-	-	131,335	383 8p	Dec 2009

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Remuneration report continued

Andrew Rosenfeld

Scheme	At 1 July 2006	Granted during year	Exercised during year	Lapsed during year*	21 November 2006	At 2006	Exercise price/market value on date of award	Exercise period/date of vesting
C	274,363	–	–	(274,363)	–	–	227 8p	Dec 2004– Dec 2011
C	310,650	–	–	(310,650)	–	–	169 0p	Sept 2005– Sept 2012
C	283,464	–	–	(283,464)	–	–	190 5p	Oct 2006– Oct 2013

1 Exercised on 2 January 2007 when the closing mid-market price was 405 25 pence per share

2 Exercised on 15 December 2006 when the closing mid-market price was 381 75 pence per share

3 Exercised on 5 December 2006 when the closing mid-market price was 387 75 pence per share

4 Retired from the Board on 21 November 2006 and his options consequently lapsed

Scheme A. Approved 1996 Share Option Scheme

The increase in share price has to be at least equal to the increase in the Retail Prices Index at any time following the third anniversary of grant

Scheme B. Unapproved 1996 Share Option Scheme

The increase in share price has to be at least at an upper quartile level compared to other real estate companies at any time following the third anniversary of grant.

Scheme C. 2001 Discretionary Share Option Scheme

The Total Shareholder Return has to be at an upper quartile level compared to other real estate companies on the 3rd, 4th or 5th anniversaries of grant for full vesting to take place. Options vest at progressively lower levels as the level of Total Shareholder Return falls to a median level at which point a third of options vest. Options lapse for below median performance.

Scheme D. 2001 Sharesave Scheme

Options granted under the Sharesave Scheme are not subject to performance conditions

Scheme E. 2005 Executive Incentive Plan.

The Total Shareholder Return has to be within the top 20 per cent of comparator companies for all share awards to vest

Share awards vest at progressively lower levels as the level of Total Shareholder Return falls to a median level at which point a quarter of options vest. Options lapse for below median performance

No consideration was paid for the grant of any option or award

The mid-market price of the Company's shares on the London Stock Exchange at 30 June 2007 was 353 5 pence per share. During the year the share price ranged from 250 0 pence to 426 5 pence

Non-executive remuneration

The non-executive Directors do not have service contracts. Their appointments are subject to the provisions of the Articles of Association and the Combined Code dealing with appointment and retirement by rotation

Christopher Sheridan is engaged under an agreement dated 11 September 2003. Clive Richards is engaged under an agreement with Tarrakam Limited (trading as Clive Richards & Co) dated 11 September 2003. Their agreements are not subject to a fixed term and are terminable by either party on three months' notice

Christopher Mackenzie was engaged under an agreement dated 30 August 2005 but stepped down from the Board 26 October 2006. Andrew Rosenfeld became a non-executive Director of the Company on 31 December 2005, being engaged under an agreement dated 22 February 2006. Mr Rosenfeld retired at the Company's Annual General Meeting on 21 November 2006. The agreements with these non-executive Directors were not subject to a fixed term and were terminable by either party on three months' notice

Oliver Whitehead joined the Board on 19 July 2006 under an agreement also dated 19 July 2006. John McNeil was appointed to the Board under an agreement dated 7 June 2007, commencing 16 July 2007. The agreements with Oliver Whitehead and John McNeil are for an initial term of three years and terminable by either party on three months' notice

Non-executive Directors receive a fee for their services to the Company, including in connection with Board and Board Committee meetings. The non-executive Directors do not receive any pension or other benefits from the Company (such as bonuses, options or awards under any share incentive arrangements) save that Andrew Rosenfeld received a Company car together with office and secretarial services until he retired from the Board

Service contracts, contracts of significance and notice periods

The service contract of Salmaan Hasan is dated 4 July 2005 and his appointment also commenced on that date. The contract has no fixed term and is terminable by either party on 12 months' notice.

The service contract of Ivan Ezekiel is dated 24 August 2005. The contract has no fixed term and is terminable by the Company on 12 months' notice and by Mr Ezekiel on six months' notice. Mr Ezekiel's service contract provides that, in the event that his employment is terminated without notice (other than for cause), the Company will make a lump sum payment to him equivalent to 95 per cent of the salary and benefits he would have received had he remained in employment during the notice period in full and final settlement of any claims he may have.

The service contract of Tim Garnham is dated 16 January 2006. His appointment commenced on 30 August 2005. The contract has no fixed term and is terminable by the Company on 12 months' notice and by Mr Garnham on six months' notice.

Andrew Rosenfeld stepped down from the Board on 21 November 2006. Mr Rosenfeld's service contract as an executive Director of the Company was dated 24 August 2005, it had no fixed term and was terminable by the Company on 12 months' notice and by Mr Rosenfeld on six months' notice.

No Director has contractual rights for compensation on early termination beyond payment of the contractual notice period.

The Remuneration Committee reviews the service contracts periodically.

Other than set out above, there were no other persons who served as a Director of the Company during the year ended 30 June 2007.

Apart from share options, conditional share awards and service contracts or non-executive Director agreements, no contract subsisted during or at the end of the financial year in which a Director is or was materially interested and which is or was significant in relation to the Group's business during the period under review.

Total shareholder return performance

The total shareholder return to the members of the Company, calculated by reference to share price growth plus reinvested dividends, relative to the FTSE All-Share Real Estate Index for each of the last five financial years, is illustrated graphically by the following chart.

The Company is a constituent of the FTSE All-Share Real Estate Index and, therefore, the Committee considers this to be the most appropriate broad market equity index for illustrating the Company's performance.

Auditable information

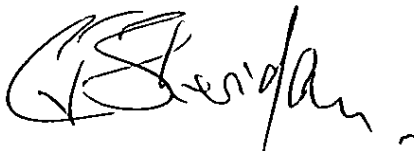
The Remuneration report consists of non-auditable information with the exception of the sections entitled Directors' remuneration and the details of share options held by Directors set out in the tables and accompanying notes on pages 41, 43 and 44.

Approval

At the Annual General Meeting to be held on 15 November 2007, an ordinary resolution will be proposed approving this report.

For and on behalf of the Board

Christopher Sheridan Chairman of the Remuneration Committee
10 September 2007



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Nominations Committee report

The Nominations Committee

The Nominations Committee (the "Committee") is established under terms of reference approved by the Board. These are kept under review and were most recently updated in June 2007.

Membership

Clive Richards served on the Committee throughout the year and was its Chairman until Oliver Whitehead joined the Committee and became the Committee Chairman on 19 July 2006. Christopher Sheridan served on the Committee throughout the year. Christopher Mackenzie served on the Committee until he stepped down from the Board on 26 October 2006.

John McNeil was appointed to the Committee on 16 July 2007 when he joined the Board as an independent non-executive Director. John Matthews is expected to join the Board as an independent non-executive Director on 17 September 2007 and will be appointed to the Committee.

Meetings

The Committee met four times in the year ended 30 June 2007. When appropriate, the Chief Executive has been invited by the Committee to its meetings. The Committee is able to consider items of business without other parties being present.

Main activities of the Committee

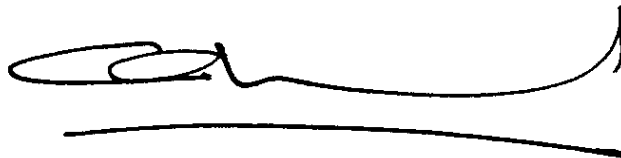
The Committee has

- continued to monitor the balance of skills, knowledge and experience on the Board,
- using executive search specialists, assisted the Board with the recruitment of Oliver Whitehead who joined as non-executive Director on 19 July 2006, becoming Chairman of the Company on 21 November 2006,
- using executive search specialists, assisted the Board with the recruitment of non-executive Directors John McNeil, who joined the Board on 16 July 2007, and John Matthews, who is expected to join on 17 September 2007, and
- recommended to the Board the Directors proposed for re-election at the Annual General Meeting of the Company.

For and on behalf of the Board

Oliver Whitehead Chairman of the Nominations Committee

10 September 2007



Audit Committee report

The Audit Committee

The Audit Committee (the "Committee") is established under terms of reference approved by the Board. These are kept under review and were most recently updated in June 2007.

Membership

The Committee is comprised solely of independent non-executive Directors.

Clive Richards chaired the Committee throughout the year. Christopher Sheridan served on the Committee throughout the year. As an independent non-executive Director, Oliver Whitehead served on the Audit Committee from 19 July 2006, the date he joined the Board, until his appointment as Chairman of the Company on 21 November 2006.

Clive Richards is a Fellow of the Institute of Chartered Accountants in England and Wales. Christopher Sheridan is a Fellow of the Chartered Institute of Bankers and a Member of the Securities Institute. Both members are considered to have recent and relevant financial experience.

John McNeil was appointed to the Committee on 16 July 2007, the date he joined the Board as an independent non-executive Director. John Matthews is expected to join the Board as an independent non-executive Director on 17 September 2007 and will be appointed to the Committee.

Meetings

The Committee met three times in the year ended 30 June 2007. When appropriate, the Finance Director, other Directors and the Auditors have been invited by the Committee to attend its meetings. The Committee is able to consider items of business without other parties being present.

Main activities of the Committee

The Committee has

- undertaken detailed reviews of published annual and interim financial information including consideration of the appropriateness of accounting policies and material assumptions and estimates adopted by management;
- held a meeting with the auditors, in advance of the annual audit, to consider and discuss the nature and scope of the audit;
- undertaken the annual review of the need for an internal audit function and confirmed that was not necessary given the size and complexity of the Company;
- monitored the independence of the Auditors;
- developed and approved a formal policy for the Auditors to supply non-audit services;
- reviewed the Company's report on internal control and risk management systems with regard to financial controls; and
- reviewed and reaffirmed the Company's whistleblowing arrangements.

Auditors

The Committee reviews the level of fees and type of non-audit work carried out by the Auditors. It was considered in the best interests of the Company to retain PricewaterhouseCoopers LLP for this non-audit work due to their relevant expertise and knowledge of the Company.

In addition, the Committee further safeguards the Auditor's objectivity by reviewing the measures they take to maintain their independence and manage any conflicts of interest.

The Committee has recommended to the Board that the Auditors should be reappointed.

For and on behalf of the Board

Clive Richards, Chairman of the Audit Committee

10 September 2007



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Report of the Directors

The Directors present their report and the audited financial statements of the Group for the year ended 30 June 2007

Principal activities and review of the business

The principal activities of the Group are that of property investment, development and management. A review of the business of the Group is provided in the Chairman's statement on pages 8 and 9 and the business review on pages 12 to 27. The business review details the Group's strategy and includes an operational update, including the progress of the Group's projects, a financial review, including hedging and risk management, as well as other information regarding the Group's activities, position at the year end and future prospects.

Results and dividends

The financial statements deal with the results of the Group for the year ended 30 June 2007 and are shown on page 54. The dividend policy for the Group was outlined to shareholders last year and is designed to repatriate special dividends to shareholders when profits are delivered through our development activities. As expected, no dividend is declared in respect of the year ended 30 June 2007 (2006: £nil).

Directors

The Directors of the Company who served during the year ended 30 June 2007 are as follows:

Oliver Whitehead (appointed to the Board on 19 July 2006)

Salmaan Hasan

Ivan Ezekiel

Tim Gamham

Clive Richards

Christopher Shendan

Andrew Rosenfeld (resigned 21 November 2006)

Christopher Mackenzie (resigned 26 October 2006)

Since the year ended 30 June 2007, John McNeil has been appointed to the Board on 16 July 2007 by the Directors. He will retire in accordance with the Articles of Association and being eligible will offer himself for reappointment at the Annual General Meeting.

Salmaan Hasan will retire by rotation in accordance with the Articles of Association and, being eligible, will offer himself for re-election at the next Annual General Meeting.

Clive Richards and Christopher Shendan, who will have served as non-executive Directors of the Company for 11 years, are subject to re-election at the next Annual General Meeting in accordance with the Combined Code on Corporate Governance. Notwithstanding that Clive Richards and Christopher Shendan have served as non-executive Directors since October 1996, the Directors consider that each of them remains independent and consider their performance to be effective, demonstrating commitment to the role of a non-executive Director of the Company. To ensure continuity, both Clive Richards and Christopher Shendan have agreed to remain on the Board until the Annual General Meeting in 2008.

John Matthews is expected to join the Board on 17 September 2007 and will offer himself for reappointment at the Annual General Meeting. John Matthews (aged 62) is a Chartered Accountant. He worked in the corporate finance department of NIM Rothschild before joining County NatWest which he was with for 20 years, latterly as Managing Director. In 1988 he became Deputy Chief Executive of Beazer plc leaving prior to its acquisition in 1991. He was then with Indosuez Capital Ltd until 1994 when he left to concentrate on a portfolio of non-executive appointments including at Crest Nicholson plc where he was non-executive director from 1992, becoming Chairman from 1996 until the company's acquisition in April 2007. He was also a director of Center Parcs (UK) Group plc from 2003 until it was sold in 2006. He is currently Chairman of Regus Group plc, and a non-executive director of Rotork plc, SDL plc and Diploma plc.

Biographical details of the Directors of the Company as at the date of this report are set out on pages 34 and 35.

The interests of the Directors and their immediate families in the shares of the Company and in options over shares of the Company as at 30 June 2007 are as set out in the Remuneration report.

There has been no change in the beneficial and non-beneficial shareholdings of the Directors between 30 June 2007 and the date of this report.

Substantial shareholdings

The Company has been notified of the following substantial interests in the share capital of the Company as at 10 September 2007

	Shares	Per cent
Aberdeen Asset Managers plc	20,792,131	12.90
Goldman Sachs Group, Inc	16,083,807	9.98
Morgan Stanley Investment Management Ltd	12,954,735	8.04
Henderson Global Investors Ltd	11,328,538	7.03
Legal & General Group Ltd	6,857,065	4.25
Stichting Pensioenfonds ABP	5,646,841	3.50
Dimensional Fund Advisors	5,076,442	3.15

Annual General Meeting

The Annual General Meeting of the Company will be held on 15 November 2007. The notice of Annual General Meeting is enclosed with the Annual Report and Accounts.

Authority to allot shares

Under Section 80 of the Companies Act 1985 ("the Act"), the Directors are not allowed to allot shares unless they are authorised to do so by shareholders. Resolution 9 set out in the Notice of Annual General Meeting gives the Directors authority, until the date of the next Annual General Meeting, to allot authorised but unissued share capital of the Company up to a maximum nominal amount of £13,431,197. This amounts to 53,724,788 ordinary shares representing one-third of the issued share capital of the Company at the date of this report. The Directors consider the authority necessary to preserve maximum flexibility for the future. Section 89 of the Act gives all shareholders the right to participate on a pro rata basis in all issues of equity shares for cash, unless they agree that this right should be excluded. The effect of resolution 10, which is proposed as a special resolution, is to give the Directors authority until the date of the next Annual General Meeting, firstly, to carry out a rights issue without having to comply with the detailed requirements of Section 89 and Section 90 of the Act and, secondly, to allot equity shares for cash otherwise than by an issue pro rata to existing shareholders, up to an aggregate nominal amount of £2,014,679, which represents 5 per cent of the issued share capital of the Company at the date of this report. Except in relation to the Company's employee share option or share incentive schemes, the Directors have no present intention of issuing any ordinary shares, whether for cash or otherwise. No issue will be made which would effectively alter the control of the Company without the prior approval of shareholders in general meeting. It is proposed to renew both powers each year at the Company's Annual General Meeting.

Purchase of own shares

At the 2006 Annual General Meeting, the shareholders passed a resolution granting to the Company authority to make market purchases of the Company's ordinary shares subject to certain specified limits. No shares have been purchased pursuant to this authority, which expires at the conclusion of the 2007 Annual General Meeting to be held on 15 November 2007. Under resolution 11, which is proposed as a special resolution, the Directors are seeking to renew such authority to make market purchases (if they deem it appropriate from time to time) of up to 24,160,038 ordinary shares of 25 pence each in the Company, which represents 14.99 per cent of the issued share capital of the Company at the date of this report, at no more than 105 per cent of the average of the closing mid-market price for the ordinary shares of the Company for the five business days prior to the date of purchase, nor at less than 25 pence each. The Directors will only exercise the power to make market purchases of ordinary shares if they believe that as a result there will be an increase in net assets per ordinary share for the remaining shareholders and that such purchases would be in the best interests of the shareholders generally.

Remuneration policy

The Company's shareholders will be asked to approve the Remuneration report contained in the Annual Report and Accounts at the Annual General Meeting to be held on 15 November 2007 and resolution 2 is drafted accordingly.

Combined Code

A statement on corporate governance is set out on pages 37 to 39.

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Report of the Directors continued

Health and safety

The Group is committed to achieving a high standard of health and safety and regularly reviews its policies and practices to ensure that appropriate standards are maintained

Land and buildings

Currently in use within the Group are land and buildings where the market value at 30 June 2007 exceeded book value by £4,466,000 (2006 £2,416,000)

Suppliers

The Group's policy concerning the payment of its trade creditors and other suppliers is to

- set the terms of payment with major suppliers when agreeing the terms of each transaction,
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in their contracts, and
- pay all suppliers in accordance with its contractual and other legal obligations

At the year end the Group had an average of 18 days (2006 17 days) purchases outstanding

Donations

During the year the Group made charitable donations of £6,000 (2006 £16,000) No political donations were made during the year

Post balance sheet events

Post balance sheet events are disclosed in note 32 on page 76

Disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information of which the auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting

By order of the Board
Ivan Ezekiel Secretary
10 September 2007



Corporate Responsibility

Corporate responsibility is part of Minerva's business culture. Our Corporate Responsibility Report for 2006/7 outlines how we have managed the environmental and social aspects of our business from July 2006 to June 2007, and outlines our new initiatives and targets.

Over the past year, we have continued to review and manage the environmental and social impacts of our property investments and developments and identify areas for improvement. A summary of the key initiatives this year is provided below.

Membership of the FTSE4Good Index Series

We are pleased to report that we received confirmation in June that Minerva now meets FTSE's corporate responsibility criteria, and is now a constituent company in the FTSE4Good Index Series. Created by the FTSE group, the global index company, the FTSE4Good Index Series is designed to identify companies that meet globally recognised corporate responsibility standards for socially responsible investment.

Corporate Responsibility Policy

Minerva's Environmental and Social policy had been in place since 2004, and was reviewed and updated this year. Our environmental and social commitments are now documented in our Corporate Responsibility Policy. One of the key updates was to promote carbon management, including carbon dioxide emissions associated with energy consumption from managed properties. Another key inclusion was our commitment to encourage our consultants, suppliers, managing agents and contractors to adopt the objectives of the Policy by applying the Minerva Sustainable Procurement Policy across our supply chain.

The Sustainable Procurement Policy was developed in recognition that significant environmental and social impacts, both positive and negative, can arise from our supply chain activities. The Policy sets out in greater detail our commitments to improve the environmental, social and ethical impacts of our supplier base by procuring more sustainable goods and services. The prime aim of the Policy is to raise our suppliers' awareness of Minerva's approach to Corporate Responsibility. It was developed as the first step in a process of engagement with our supply chain.

Sustainable developments

We recognise our responsibility to ensure all our projects are developed to be as environmentally and socially sustainable as practicable. Recognising the influence we have over designers and contractors, Minerva developed a Sustainability Checklist for design and construction to be applied to all our development projects. As the field of sustainable construction is continually evolving, the checklist was updated in the last year to align with changes in best practice approaches.

BREEAM and Ecohomes

We recognise a trend that investors and tenants are increasingly demanding that buildings are environmentally sound, especially in terms of energy efficiency and carbon dioxide emissions. The environmental performance of our portfolio is therefore an important consideration. A high rating using the Building Research Establishment Environmental Assessment Method (BREEAM) can be taken as a strong indication of the likely environmental performance of a building, as it may be stipulated by investors or tenants as a requirement. We are therefore pleased to report that the design for The Walbrook achieved an "Excellent" rating in a recent BREEAM assessment. Preliminary assessments of St Botolphs and Park Place indicate that both could achieve at least a "Very Good" rating, and we hope to report their successful achievement of BREEAM certification in future reports.

Similarly, we assess the environmental performance of our residential developments using the Building Research Establishment's "Ecohomes" scheme. A pre-assessment of The Odeon development using Ecohomes 2006 predicts that the Odeon development will achieve a "Good" rating. There is potential however, to improve the score in a number of areas and a "Very Good" rating is expected. A pre-assessment of the Lancaster Gate development using Ecohomes 2006 predicts that the development will achieve at least a "Pass" rating, but there is scope to achieve a "Good" rating if additional steps are taken to improve the sustainability of the development. The Grade II listed nature of the existing buildings, and the design for prime residential properties, compromises the extent to which some of the Ecohomes credits can be achieved, but the Group aims to secure the highest Ecohomes rating practicable within the limitations of the site.

Low carbon technologies

This year Minerva committed to reduce the carbon emissions from its properties. In line with the Greater London Authority energy policy, low carbon technologies and renewable energy generation have been integrated into the design of The Walbrook and St Botolphs, and options for reducing the carbon footprint of our other developments are also being explored.

For the St Botolphs development, Minerva analysed several options for energy generation from renewable sources, including wind turbines, biomass heating/cooling, ground source heat pumps and aquifer heating/cooling, but these had to be ruled out due to the constraints of the city-centre site. The design now incorporates a combination of energy efficiency measures, tri-generation (energy efficient production of electricity, heating and cooling) and generation of energy from solar hot water panels and photovoltaic cells. These measures will lead to significant carbon dioxide emissions reductions.

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Corporate Responsibility continued

The design of The Walbrook development was revised to incorporate a range of measures to provide carbon dioxide savings, including the application of best practice in the design of the façade, lighting, heating, ventilation and air conditioning services. A gas-fired tri-generation plant producing electricity, some heating and chilled water via absorption refrigeration plant is planned. In addition, solar hot water and photovoltaic panels will be installed at roof level.

Sustainability appraisal of The Walbrook

Last year, a sustainability appraisal of The Walbrook development was undertaken using Arup's Sustainable Project Appraisal Routine (SPeAR®) tool. SPeAR® is based on a four-quadrant model that structures the issues of sustainability into a framework with a focus on the key elements of environmental protection, social equity, economic viability and efficient use of natural resources. The sustainability appraisal provided a snapshot of The Walbrook's sustainability performance. It showed that the scheme performed well overall, but highlighted some opportunities for improvement. When the design of The Walbrook was revised, these opportunities were taken into consideration.

We have since commissioned a comparative sustainability appraisal of The Walbrook, and are pleased to report an overall improvement in the performance of the development across a variety of indicators. In particular, the development demonstrates strong sustainability performance with regard to transport, access and land use.

Heritage-led regeneration at the Ram Brewery

In the heritage-led regeneration development Ram Brewery in Wandsworth, Minerva aims not just to meet the minimum requirements for environmental sustainability and social involvement, but to go further. As there has been brewing activity on the site of the Ram Brewery since the 16th century, Minerva aims to retain some of the historic function of the site by creating a micro-brewery as part of the redevelopment. The redevelopment will revitalise the surrounding area through the refurbishment of listed and historic buildings, and the addition of leisure, restaurant and commercial uses will encourage a sustainable future for the buildings. The redevelopment will provide mixed residential opportunities, which will be designed to encourage community interaction both within the residential areas and with the wider Wandsworth community. By providing effective links to Wandsworth's other amenities, Minerva hopes to play a key role in the regeneration of the town centre.

Independent auditors' report to the members of Minerva plc

We have audited the Group and Parent Company financial statements (the "financial statements") of Minerva plc for the year ended 30 June 2007 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and the Business review that is cross referred from the Business review section of the Directors' Report. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, the Business review, the Corporate Governance Statement, the Nominations Committee report, the Audit Committee report, the unaudited part of the Directors' Remuneration report and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

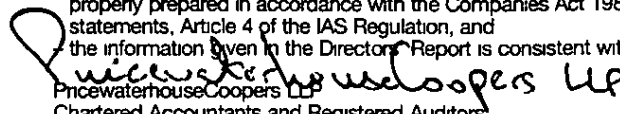
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. 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 Group's and 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 June 2007 and of its profit and cash flows for the year then ended,
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 30 June 2007 and cash flows for the year then ended,
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and as regards the Group financial statements, Article 4 of the IAS Regulation, and
- the information given in the Directors' Report is consistent with the financial statements.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
10 September 2007

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Consolidated income statement

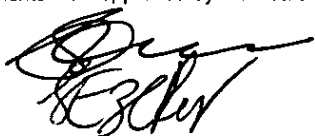
For the year ended 30 June 2007	Note	Year to 30 June 2007 £000	Year to 30 June 2006 £000
Continuing operations			
Revenue	2	12,448	20,216
Property outgoings		(3,303)	(5,110)
Net rental income	2	9,145	15,106
Administrative expenses		(7,798)	(8,761)
Other income		93	131
Movement on revaluation of investment properties	11	17,358	11,070
Loss on sale of investment properties		–	(827)
Operating profit	3	18,798	16,719
Finance costs	6	(12,188)	(18,835)
Finance income	7	9,516	10,602
Income/(charges) relating to early loan repayments		36	(15,391)
Net finance costs		(2,636)	(23,624)
Share of post tax profit of joint ventures	14	101	19
Profit/(loss) before taxation		16,263	(6,886)
Taxation credit	8	2,389	8,569
Profit for the year		18,652	1,683
Attributable to			
Equity shareholders		18,652	1,705
Minority interest	25	–	(22)
Profit for the year		18,652	1,683
Earnings per share			
– Basic	10	11 6p	1 1p
– Diluted	10	11 5p	1 1p

Consolidated balance sheet

As at 30 June 2007	Note	As at 30 June 2007 £000	As at 30 June 2006 £000
Assets			
Non-current assets			
Investment properties	11	730,763	580,150
Property, plant and equipment	12	9,136	9,108
Investment in joint ventures	14	6,964	3,923
Derivative financial instruments	20	11,640	3,887
Other financial assets	15	276	276
		758,779	597,344
Current assets			
Trading properties	16	107,618	26,933
Trade and other receivables	17	7,117	44,122
Cash and cash equivalents	18	125,491	161,640
		240,226	232,695
Total assets		999,005	830,039
Liabilities			
Current liabilities			
Trade and other payables	19	(83,012)	(20,837)
Borrowings	20	(62,551)	(49,138)
		(145,563)	(69,975)
Non-current liabilities			
Other payables	21	(12,434)	–
Borrowings	20	(268,608)	(212,944)
Derivative financial instruments	20	–	(3,245)
Deferred tax	22	(41,821)	(41,550)
		(322,863)	(257,739)
Total liabilities		(468,426)	(327,714)
Net assets		530,579	502,325
Equity			
Called up share capital	23	40,294	40,278
Share premium account	24	198,422	198,329
Other reserves	24	48,414	37,978
Retained earnings	24	241,326	225,210
Total shareholders' equity		528,456	501,795
Minority interest	25	2,123	530
Total equity		530,579	502,325
Net asset value per share			
– Basic	26	327 9p	311 5p
– Diluted	26	325 0p	311 4p

The financial statements were approved by the Board of Directors on 10 September 2007 and were signed on its behalf by

S Hasan Director
I H Ezekiel Director




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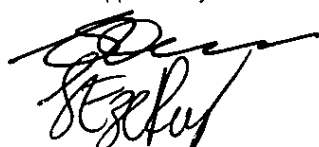
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Parent Company balance sheet

As at 30 June 2007	Note	As at 30 June 2007 £000	As at 30 June 2006 £000
Assets			
Non-current assets			
Investment in subsidiary undertakings	13	49,393	48,627
		49,393	48,627
Current assets			
Trade and other receivables	17	241,042	239,859
Cash and cash equivalents		6,450	6,221
		247,492	246,080
Total assets		296,885	294,707
Liabilities			
Current liabilities			
Trade and other payables	19	(597)	(559)
Total liabilities		(597)	(559)
Net assets		296,288	294,148
Equity			
Called up share capital	23	40,294	40,278
Share premium account	24	198,422	198,329
Other reserves	24	15,529	14,763
Retained earnings	24	42,043	40,778
Total equity		296,288	294,148

The financial statements were approved by the Board of Directors on 10 September 2007 and were signed on its behalf by

S Hasan Director
I H Ezekiel Director




Statements of changes in equity

Group

For the year ended 30 June 2007	Note	Year to 30 June 2007 £000	Year to 30 June 2006 £000
Opening total equity		502,325	506,761
Impact of adopting IAS 39		–	(11,152)
		502,325	495,609
Movement in fair value of derivative financial instruments	20	9,421	5,807
Realisation of derivative financial instruments		–	4,380
New share capital issued	23	109	279
Share-based payment		766	346
Share of joint venture's movement in fair value of derivative financial instruments	14	373	204
Movement in minority interest	25	1,593	530
Tax on items directly taken to equity		(2,660)	(3,056)
Profit for the year attributable to equity shareholders	24	18,652	1,705
Dividends	27	–	(3,479)
Closing total equity		530,579	502,325

Parent Company

For the year ended 30 June 2007	Note	Year to 30 June 2007 £000	Year to 30 June 2006 £000
Opening total equity		294,148	302,370
New share capital issued	23	109	279
Share-based payment		766	346
Dividends	27	–	(3,479)
Profit/(loss) for the year attributable to equity shareholders	24	1,265	(5,368)
Closing total equity		296,288	294,148

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Consolidated cash flow statement

For the year ended 30 June 2007	Note	Year to 30 June 2007 £000	Year to 30 June 2006 £000
Cash flows from operations	31	(36,817)	(7,552)
Interest received		7,337	9,390
Interest paid		(14,909)	(17,918)
UK corporation tax		–	–
Cash flows from operating activities		(44,389)	(16,080)
Investing activities			
Additions to investment properties		(53,319)	(52,553)
Additions to property, plant and equipment		(352)	(342)
Additions to investments		–	(129)
Receipts from sale of investment properties		–	374,537
Receipts from sale of derivative financial instruments		138	–
Receipts from sale of property, plant and equipment		100	55
Investment in joint ventures		(2,567)	(3,700)
Cash flows from investing activities		(56,000)	317,868
Financing activities			
Issue of share capital		109	279
Equity dividends paid		(3)	(3,182)
New loans		99,507	96,632
Issue costs of loans		(1,446)	(1,665)
Equity contribution from minority interest		998	550
Repayment of loans		(34,537)	(351,882)
Cost of early loan repayments		(388)	(25,319)
Cash flows from financing activities		64,240	(284,587)
Net (decrease)/increase in cash and cash equivalents		(36,149)	17,201
Cash and cash equivalents at beginning of year		161,640	144,439
Cash and cash equivalents at end of year		125,491	161,640

Parent Company cash flow statement

For the year ended 30 June 2007	Note	Year to 30 June 2007 £000	Year to 30 June 2006 £000
Cash flows from operations	31	(183)	3,268
Interest received		306	304
Cash flows from operating activities		123	3,572
Financing activities			
Issue of share capital		109	279
Equity dividends paid		(3)	(3,182)
Cash flows from financing activities		106	(2,903)
Net increase in cash and cash equivalents		229	669
Cash and cash equivalents at beginning of year		6,221	5,552
Cash and cash equivalents at end of year		6,450	6,221

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Notes to the financial statements

1 Accounting policies

Basis of preparation

Minerva plc is a limited liability company incorporated in the United Kingdom. The Group's financial statements consolidate those of the Company and its subsidiaries ("the Group") and equity account the Group's interest in joint ventures.

The Group and Parent Company financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The following standards and interpretations, although effective for the year ended 30 June 2007, do not have an impact on or are not relevant to the Group.

- IFRS 1, (Amendment), First-time adoption of International Financial Reporting Standards,
- IFRS 6, Exploration for and evaluation of mineral resources,
- IAS 19, (Amendment), Employee benefits – Actuarial gains and losses, group plans and disclosure,
- IAS 21, (Amendment), The effects of changes in foreign exchange rates,
- IAS 39, (Amendment), Cash flow hedge accounting of forecast intra-group transactions,
- IAS 39, (Amendment), Financial instruments – recognition and measurement the fair value option,
- IAS 39, (Amendment), Financial instruments – recognition and measurement and IFRS 4 Insurance contracts,
- IFRIC 4, Determining whether an arrangement contains a lease,
- IFRIC 5, Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds,
- IFRIC 6, Liabilities arising from participating in a specific market – Waste electrical and electronic equipment,
- IFRIC 7, Applying the restatement approach under IAS 29, financial reporting in hyper-inflationary economies,
- IFRIC 8, Scope of IFRS 2, and
- IFRIC 9, Re-assessment of embedded derivatives

The following new standards and interpretations have been issued, but are not yet effective and have not been adopted early by the Group.

- IFRS 7, Financial instruments – disclosure,
- IFRS 8, Operating segments,
- IAS 1, (Amendment), Presentation of financial statements capital disclosures,
- IFRIC 10, Interim financial reporting and impairment,
- IFRIC 11, IFRS 2 – Group and treasury share transactions, and
- IFRIC 12, Service concession arrangements

Following an initial review it is not anticipated that the adoption of these standards and interpretations will have a material financial impact on the financial statements in the period of initial application. The exception to this is anticipated to be IFRS 7 and IAS 1, where additional presentation and disclosure is expected to be required.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in the financial statements.

Measurement convention

The consolidated financial statements of the Group have been prepared in accordance with EU endorsed IFRS, IFRIC interpretations, the Companies Act 1985 applicable to companies reporting under IFRS, and the historical cost convention as modified by the inclusion of investment properties and financial instruments at fair value.

Areas requiring the use of estimates and critical judgement that may impact on the Group's earnings and financial position include:

- valuation of investment properties, where the Board has relied upon external valuations carried out by professionally qualified valuers in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors,
- valuation of derivative financial instruments, where the Board has relied upon the valuation carried out by JC Rathbone Associates Limited, finance risk consultants,
- recognition of a share-based payment charge, where the Board has relied upon actuarial estimates produced by Lane Clark & Peacock LLP,

1 Accounting policies continued

- distinction between investment properties and owner occupied property, where the Board considers owner occupied property to be held for use in the supply of services and for administration purposes by the Group, and
- calculation of deferred tax, where indexation is used to reduce the provision for deferred tax on revaluation surpluses

Other areas of judgement, risk and uncertainty, which are relevant to an understanding of the financial results and position of the Group, are referred to in the Business review

Basis of consolidation

The consolidated financial statements of the Group includes the financial results of subsidiaries acquired during the year from the effective date of acquisition, being the date on which the Group obtains control. Business combinations are accounted for under the acquisition method. Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the Group's consolidated financial statements. Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

A joint venture is an undertaking in which the Group has a long-term interest and over which it exercises joint control, whereas an associate is an entity in which the Group has significant influence but not control over financial and operating policies. In accordance with IAS 31, the Group equity accounts for its share of net result after tax of joint ventures and associates, together with its share of fair value adjustments, through the income statement and recognises its share of the net assets of the joint ventures and associates in the consolidated balance sheet. To the extent that fair value adjustments are in respect of cash flow hedges, these movements are recognised directly in equity.

Investments in subsidiaries

Investments in subsidiaries are held in the Company balance sheet at cost and reviewed for impairment.

Goodwill

Goodwill represents the excess of cost over the fair value of net identifiable assets acquired. Goodwill is recognised as an asset and reviewed for impairment. Any impairment is recognised immediately in the income statement. Negative goodwill arising on acquisition is recognised directly in the income statement.

Revenue

Revenue comprises rental income from operating leases, service charge income and other amounts receivable from tenants. Rental income and lease incentives to tenants are recognised in the income statement on a straight-line basis over the lease term.

Property expenses

Refurbishment expenditure in respect of major works is capitalised. Renovation and refurbishment expenditure of a revenue nature is charged to the income statement as incurred.

Costs directly attributable to the arrangement of a lease, which include letting and professional fees, are capitalised and amortised over the lease term.

Investment properties

Investment properties are measured initially at cost, including related transactions costs, and subsequently at fair value. Changes in the fair value of an investment property at the balance sheet date and its carrying amount prior to re-measurement, are recorded in the income statement.

Additions to properties in the course of development or refurbishment include the cost of finance and directly attributable internal and external costs incurred during the period of development until practical completion.

When the Group redevelops an existing investment property for continued use as an investment property, the property remains an investment property measured at fair value and is not reclassified.

Trading properties

Trading properties are included in the balance sheet at the lower of cost and net realisable value.

Properties reclassified as trading properties are transferred at deemed cost, being the carrying amount at the date of reclassification.

Property transactions

Purchases and sales are recognised on exchange of contracts provided that, if the exchange is conditional, all material conditions have been satisfied.

Property, plant and equipment

This category comprises owner occupied property, motor vehicles and fixtures and fittings. These assets are stated at historical cost, or in the case of owner occupied property its carrying value at the date of transfer, less accumulated depreciation and any accumulated impairment. Owner occupied property is depreciated over 50 years and motor vehicles and fixtures and fittings are depreciated on a straight-line basis over their estimated useful lives of between three and five years.

Leases – the Group as a lessor

Properties leased out under operating leases are included in investment or trading properties, with lease income being recognised over the term of the lease on a straight-line basis.

Notes to the financial statements continued

1 Accounting policies continued

Leases – the Group as a lessee

Leases are classified according to the substance of the transaction. A lease that transfers substantially all the risks and rewards of ownership to the lessee is classified as a finance lease. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the income statement over the term of the lease on a straight-line basis.

Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings.

Cash and cash equivalents

Cash and cash equivalents are stated in the balance sheet at cost. Cash and cash equivalents comprise cash in hand, deposits with banks and other short-term highly liquid investments.

Borrowings

Bank loans are included in the financial statements, initially at fair value, net of transaction costs incurred, which are amortised over the life of the loan. Bank loans are subsequently stated at amortised cost, any difference between the proceeds, net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest rate method.

Derivative financial instruments

The Group enters into derivative transactions such as interest rate swaps and swaptions in order to manage the risks arising from its activities. Derivatives are recorded at fair value based on market prices, estimated future cash flows and forward rates as appropriate. Amounts payable and receivable on interest rate derivatives are recognised in the period to which they relate.

The Group applies hedge accounting to its interest rate swaps where they meet the relevant criteria and represent a cash flow hedge. Changes in fair value of such derivatives that are designated and effective as hedges are recognised directly in reserves, to be transferred to the income statement in the period during which the hedge item is recognised in the income statement. Any ineffective portion is recognised immediately in the income statement as a finance cost and in all other cases movements in the fair value of interest rate derivatives are taken to the income statement.

Income tax

The charge for current taxation is based on the results for the year as adjusted for items which are non-taxable or disallowed having taken into consideration capital allowances, indexation and available tax losses.

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax is calculated on the basis that properties will be realised predominantly through sale and therefore capital gains are reduced by indexation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Income tax is determined using rates and laws that have been enacted or substantively enacted by the balance sheet date and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Trade and other receivables

Trade and other receivables are recognised and carried at the original transaction value less provision for impairment where it is established there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms of the receivable. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The provision is recorded in the income statement.

Trade and other payables

Trade and other payables are recognised and carried at the original transaction value.

Share-based payment

The Group provides share-based payment in the form of share options and share award plans. These plans are discussed in greater detail in the Remuneration Report on pages 40 to 45.

All share-based payment arrangements granted after 7 November 2002 that have not vested prior to 1 January 2005 are recognised in the financial statements. The Group uses, where appropriate, either a modified binomial or a Monte Carlo valuation model and the resulting fair values, calculated at each award date, are expensed through the income statement over the vesting period of the share-based payments.

The Group revises its estimate of the number of employees expected to remain in service to each vesting date and of the expected satisfaction of any other non-market performance conditions. It recognises the impact of the revision to the original estimates, if any, in the income statement, with a corresponding adjustment to equity.

1 Accounting policies continued

Retirement benefits

Employer contributions to schemes of employees are charged to the income statement as incurred

Dividends

Final dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which they are approved. Interim dividends are recognised when paid.

2 Net rental income

	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000
Rental income	11,690	18,947
Recoverable property expenses	758	1,269
Revenue	12,448	20,216
Net property outgoings	(2,545)	(3,841)
Recoverable property expenses	(758)	(1,269)
Property outgoings	(3,303)	(5,110)
Revenue	12,448	20,216
Property outgoings	(3,303)	(5,110)
Net rental income	9,145	15,106

The Group operates in one business segment in Great Britain and as such no segmental information is provided.

The Group's minimum lease payments receivable under non-cancellable operating leases are as follows:

	30 June 2007 £000	30 June 2006 £000
Less than one year	7,700	8,350
Between one and five years	27,969	28,062
Over five years	78,513	85,390
	114,182	121,802

3 Group operating profit

	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000
Operating profit is stated after charging/(crediting)		
Fees payable to Company's auditors for the audit of Parent Company and consolidated accounts	54	58
Fees payable to the Company's auditor and its associates for other services		
Audit of the Company's subsidiaries pursuant to legislation	66	65
Other services pursuant to legislation	18	92
Tax services	20	-
All other services	-	80
Depreciation charge	283	317
Share-based payment	766	346
Operating lease rentals – land and buildings	36	38
Profit on sale of tangible fixed assets	(59)	(55)

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Notes to the financial statements continued

4 Staff costs

	Year ended 30 June 2007	Year ended 30 June 2006
Average number of employees (including executive Directors) employed by the Group	28	31
	£000	£000
Staff costs for the above persons (including executive Directors)		
Wages and salaries	2,548	2,669
Discretionary bonuses	1,904	1,081
Share-based payment	766	346
Social security costs	549	505
Pension costs	126	139
	5,893	4,740

5 Directors' remuneration

	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000
Aggregate emoluments	2,421	2,080
Contributions to pension schemes of Directors	117	128

Details of Directors' emoluments are set out in the table in the Remuneration report on page 41

6 Finance costs

	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000
Bank interest and charges	21,112	18,355
Amortisation of loan issue costs	842	329
Loss on sale of derivative financial instruments	555	–
Interest on obligations under finance leases	151	151
Capitalised interest and similar charges	(10,472)	–
	12,188	18,835

7 Finance income

	Note	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000
Interest on short-term deposits		7,632	8,343
Other interest receivable		38	807
Fair value gain on derivative financial instruments	20	1,846	1,452
		9,516	10,602

8 Taxation

	Note	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000
Corporation tax		–	–
Deferred tax credit	22	(2,389)	(8,569)
		(2,389)	(8,569)
Profit/(loss) on ordinary activities before taxation		16,263	(6,886)
Tax on profit/(loss) on ordinary activities at 30 per cent		4,879	(2,066)
Expenses not deductible for tax purposes		368	183
Accelerated capital allowances		(43)	(5,333)
Differences arising from taxation of chargeable gains and property revaluations		(6,046)	(1,761)
Joint ventures' results recognised net of tax		(30)	(6)
Tax losses and other temporary differences		760	414
Adjustments for change in substantively enacted corporation tax rate		(2,277)	–
Taxation credit for the year		(2,389)	(8,569)

Following the substantive enactment on 26 June 2007 of tax law to reduce the UK corporation tax rate from 30 per cent to 28 per cent, the reduced rate has been applied to all temporary differences due to be settled or realised after the change in legislation takes effect

9 Profit dealt with by Parent Company

As permitted by Section 230 of the Companies Act 1985, the Company's income statement has not been included in these financial statements. Of the profit after taxation from continuing operations, a profit of £1,265,000 (2006: loss of £5,368,000) is dealt with in the financial statements of the Company

10 Earnings per share

Earnings per share is calculated on a weighted average of 161,144,986 ordinary shares of 25 pence each in issue throughout the year (year to 30 June 2006: 161,051,411 ordinary shares) and is based on profits attributable to ordinary shareholders of £18,652,000 (year to 30 June 2006: £1,705,000)

Diluted earnings per share is calculated after allowing for the exercise of share options and is based on 162,595,811 ordinary shares of 25 pence each (year to 30 June 2006: 161,085,088 ordinary shares)

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Notes to the financial statements continued

11 Investment properties

Group	30 June 2007 £000	30 June 2006 £000
At 1 July Net book value	580,150	804,099
Acquisitions	87,820	39,954
Additions	45,435	12,451
Disposals	-	(225,736)
Transfer to property, plant and equipment	-	(8,622)
Transfer to trading properties	-	(26,933)
Amounts receivable on surrender of lease	-	(26,133)
Revaluation movement	17,358	11,070
At 30 June Net book value	730,763	580,150
Recognition of finance lease obligations	(2,134)	(2,136)
Amounts included within prepayments and accrued income	974	1,181
At 30 June At valuation	729,603	579,195

The investment properties were valued on an open market value basis by CB Richard Ellis Limited, independent external valuers, as at the year-end in accordance with the current edition of the Appraisal and Valuation Standards issued by the Royal Institution of Chartered Surveyors. The total amount of interest capitalised as part of the cost of investment properties was £13,488,000 (2006 £6,911,000). Investment properties include freehold properties with a net book value of £421,956,000 (2006 £279,483,000) and long leasehold properties with a net book value of £308,807,000 (2006 £300,667,000).

12 Property, plant and equipment

Group	Owner occupied property £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost				
At 1 July 2005	-	1,517	685	2,202
Additions	-	163	179	342
Transfer from investment properties	8,622	-	-	8,622
Disposals	-	(2)	(163)	(165)
At 1 July 2006	8,622	1,678	701	11,001
Additions	125	3	224	352
Disposals	-	-	(255)	(255)
At 30 June 2007	8,747	1,681	670	11,098
Depreciation				
At 1 July 2005	-	1,350	391	1,741
Depreciation charge	38	128	151	317
Disposals	-	(2)	(163)	(165)
At 1 July 2006	38	1,476	379	1,893
Depreciation charge	75	66	142	283
Disposals	-	-	(214)	(214)
At 30 June 2007	113	1,542	307	1,962
Net book value at 30 June 2007	8,634	139	363	9,136
Net book value at 30 June 2006	8,584	202	322	9,108

13 Investment in subsidiary undertakings

	Total £000
Parent Company	
At 1 July 2006	48,627
Additions	766
At 30 June 2007	49,393

The Company is the ultimate holding company of the Group and has the following principal subsidiary undertakings which are consolidated and have as their main activity property investment, development, trading, investment holding or the provision of property related services. Unless otherwise stated all subsidiary undertakings are wholly-owned and registered and operate in Great Britain

Angelmist Limited	Minerva (Lancaster Gate) Limited
Antares Properties Limited	Minerva (Orchard Brae House) Limited
Castlereport Limited	Minerva Property Holdings plc
Chanbill Limited	Minerva Property Investments Limited
Croydon Leisure Limited	Minerva Property Services Limited
Croydon Plaza Limited	Minerva Property Services (Wigmore Street) Limited
Dalebrook Properties Limited	Minerva Residential Holdings Limited
Eagleprint Limited	Minerva (Skypark) Limited
Futurestate Limited	Minerva (Stores) Limited
Goldrock Developments Limited	Minerva (Ventures) Limited
Gradegilt Limited	Minerva Walbrook Limited Partnership*
Helios Property Investments Limited	Minerva (Wandsworth) Limited
Hutch Investments Limited	OMD Holdings Limited
Jimtrack Limited	OMD Holborn Limited
Lancaster Gate (Hyde Park) Limited†	OMD Property (Holborn) Limited
Larchfield Investments Limited	OMD Property Limited
M1 Limited	Park Place Limited Partnership
M6 Limited	Sparrage Properties Limited
Minel Limited	Tipace Limited
Minerva (Ambassador) Limited	Tipace Investments Limited
Minerva (City) Limited	The Abingdons Partnership†
Minerva Corporation plc	Walbrook Property Investments Limited
Minerva (Croydon) Limited	245 Blackfriars Road Limited †
Minerva (Finance) Limited	245 Blackfriars Road Investments Limited
Minerva (Kensington) Limited	90 High Holborn Limited Partnership*

*Established according to Jersey Law and operates, through its general partner, in Great Britain.

†95% of the issued shares are held by the Group

14 Investment in joint ventures

	30 June 2007 £000	30 June 2006 £000
Group		
At 1 July	3,923	–
Additions	2,567	3,700
Profit for the year, including property revaluation movements	101	19
Movement in fair value of derivative financial instruments recognised in equity	373	204
At 30 June	6,964	3,923

Profit for the year, attributable to joint ventures, comprises £3,683,000 of income and £3,582,000 of expenses (year to 30 June 2006 income £1,760,000, expenses £1,741,000)

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14 Investment in joint ventures continued

The Group's 25 per cent share of the net assets of joint ventures at 30 June 2007 is as follows

	30 June 2007 £000	30 June 2006 £000
Property assets	32,594	22,563
Other non-current assets	996	292
Current assets	1,952	788
Gross assets	35,542	23,643
Current liabilities	(1,568)	(854)
Borrowings	(26,599)	(18,778)
Other non-current liabilities	(411)	(88)
Gross liabilities	(28,578)	(19,720)
Group share of net assets	6,964	3,923

The Group's interests in joint ventures comprise a 25 per cent interest in the properties known as Skypark and Orchard Brae House, located in Glasgow and Edinburgh respectively. Both investment properties are held through joint venture vehicles which have as their main activity property investment or investment holding and operate and are registered in Great Britain. The investment properties were valued on an open market value basis by GVA Grimley LLP, independent external valuers, as at 30 June 2007 in accordance with the current edition of the Appraisal and Valuation Standards issued by the Royal Institution of Chartered Surveyors.

15 Other financial assets

	30 June 2007 £000	30 June 2006 £000
Group		
At 1 July	276	5,082
Impact of adopting IAS 39	-	(4,935)
Additions	-	129
At 30 June	276	276

Investments held as other financial assets have been stated at fair value, with movements recognised through the income statement.

On the adoption of IAS 39 on 1 July 2005, interest rate swaptions were reclassified as derivative financial instruments.

16 Trading properties

	30 June 2007 £000	30 June 2006 £000
Group		
At 1 July	26,933	-
Additions	80,685	26,933
At 30 June Book value	107,618	26,933
At 30 June Valuation	158,000	26,933

Trading properties comprise the Odeon Kensington and Lancaster Gate, which have been stated at cost in the consolidated balance sheet, but were valued at 30 June 2007 on an open market value basis by CB Richard Ellis Limited, independent external valuers. The total amount of interest capitalised as part of the cost of the properties was £3,895,000 (30 June 2006: £nil).

Both properties were acquired by the Group, in partnership with residential developer, Northacre Plc who will act as development manager. The Group holds a 95 per cent interest in both ventures, with Northacre also able to earn a range of returns, of up to 50 per cent in the case of Lancaster Gate and 60 per cent in the case of Odeon Kensington, on the incremental profits above pre-agreed thresholds.

17 Trade and other receivables

	Group 30 June 2007 £000	Group 30 June 2006 £000	Parent Company 30 June 2007 £000	Parent Company 30 June 2006 £000
Trade receivables	969	3,334	–	–
Other receivables	2,908	36,472	33	33
Amounts owed by subsidiary undertakings	–	–	240,907	239,712
Prepayments and accrued income	3,240	4,316	102	114
	7,117	44,122	241,042	239,859

Included within other receivables at 30 June 2006 are amounts receivable on surrender of a lease of £26,133,000

18 Cash and cash equivalents

Cash and cash equivalents include £5,421,000 (2006 £4,299,000) retained in rent and restricted accounts and not readily available to the Group for day-to-day commercial purposes

19 Trade and other payables

	Group 30 June 2007 £000	Group 30 June 2006 £000	Parent Company 30 June 2007 £000	Parent Company 30 June 2006 £000
Trade payables	1,620	1,097	–	–
Taxation and social security	846	4,723	–	–
Other payables	1,571	1,556	299	311
Amounts payable on property acquisitions	58,446	–	–	–
Accruals and deferred income	20,529	13,461	298	248
	83,012	20,837	597	559

20 Borrowings and derivative financial instruments

Group	30 June 2007 £000	30 June 2006 £000
Borrowings		
Current liabilities		
Bank and other borrowings	62,549	49,136
Finance lease obligations	2	2
	62,551	49,138
Non-current liabilities		
Bank and other borrowings	266,476	210,810
Finance lease obligations	2,132	2,134
	268,608	212,944

The fair value of borrowings approximates to the carrying value, by virtue of all borrowings comprising floating rate liabilities

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20 Borrowings and derivative financial instruments continued

Maturity of borrowings

	Bank and other borrowings	
	30 June 2007 £000	30 June 2006 £000
Less than one year	62,549	49,136
Between one and two years	110,150	2,441
Between two and five years	29,322	88,891
Over five years	127,004	119,478
	329,025	259,946

	Finance lease obligations		Finance lease obligations (net of future finance charges)	
	30 June 2007 £000	30 June 2006 £000	30 June 2007 £000	30 June 2006 £000
Less than one year	153	153	2	2
Between one and two years	153	153	2	2
Between two and five years	459	459	8	8
Over five years	9,619	9,772	2,122	2,124
	10,384	10,537	2,134	2,136
Future finance charges on leases	(8,250)	(8,401)	-	-
	2,134	2,136	2,134	2,136

Undrawn facilities

At 30 June 2007 the Group had undrawn loan and overdraft facilities maturing as follows

	30 June 2007 £000	30 June 2006 £000
Less than one year	2,208	4,244
Between one and two years	-	509
Between two and five years	169,075	214,300
Over five years	467,855	200,000
	639,138	419,053

Included within the analysis of undrawn facilities are development loan facilities, which, although committed, have conditions that need to be satisfied prior to drawdown

Interest rate risk profile of borrowings

Fixed and floating rate borrowings of the Group as at 30 June 2007 are analysed as follows

	30 June 2007		30 June 2006	
	Total £000	Weighted average interest rate %	Total £000	Weighted average interest rate %
Swapped fixed-rate borrowings	182,324	6.3	216,069	6.4
Floating rate borrowings	146,701	7.4	43,877	6.0
Total borrowings	329,025		259,946	

20 Borrowings and derivative financial instruments continued

Swapped fixed arrangements have the effect of transforming floating rate liabilities into fixed rate liabilities. The weighted average interest rate shown for fixed rate liabilities is 6.3 per cent (2006 6.4 per cent) and includes loan margins ranging from 1.0 per cent to 1.8 per cent with all inclusive interest rates ranging from 5.5 per cent to 7.8 per cent (2006 5.5 per cent to 8.1 per cent). The weighted average period of the Group's swapped fixed-rate borrowings was 5.2 years at 30 June 2007 (2006 5.6 years).

Floating rate debt incurs interest at margins between 1.0 per cent and 2.0 per cent over LIBOR (2006 1.0 per cent and 2.0 per cent).

The Group holds interest rate swaptions to hedge loan amounts totalling £86,000,000. The swaptions, which may be exercised on specific dates in 2008, have an exercise interest rate of 5.25 per cent.

Derivative financial instruments

	Assets £000	Liabilities £000	Total £000
At 1 July 2006	3,887	(3,245)	642
Disposals	(693)	424	(269)
Movement in fair value recognised in equity	6,536	2,885	9,421
Movement in fair value recognised in income statement	1,910	(64)	1,846
At 30 June 2007	11,640	–	11,640

All derivative financial instruments are non-current and are interest rate derivatives.

Fair values

All derivative financial instruments are carried at fair values following a valuation as at 30 June 2007 by J C Rathbone Associates Limited. Fair value is calculated on a replacement basis, of the Group's derivative financial instruments used to protect its current and future interest rate costs.

Gearing

Net gearing, measured as Group net debt to total equity, was 39 per cent at 30 June 2007 (2006 20 per cent).

Currency risk

The Group has no currency risk as all monetary assets and liabilities are denominated in sterling.

21 Other payables

	30 June 2007 £000	30 June 2006 £000
Amounts payable on property acquisition	12,434	–

22 Deferred tax

Group	At 1 July 2006 £000	Income statement £000	Equity £000	At 30 June 2007 £000
Accelerated capital allowances	6,450	(299)	–	6,151
Tax losses	(4,685)	(2,969)	–	(7,654)
Temporary differences	1,681	2,664	–	4,345
Property revaluations	39,392	(2,951)	–	36,441
Derivative financial instruments	(1,288)	1,166	2,660	2,538
	41,550	(2,389)	2,660	41,821

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23 Called up share capital

Group and Parent Company	30 June 2007 £000	30 June 2006 £000	30 June 2007 Number	30 June 2006 Number
Authorised				
Ordinary shares of 25 pence each	75,000	75,000	300,000,000	300,000,000
Issued and fully paid				
At 1 July	40,278	40,230	161,110,341	160,918,640
Issued on exercise of share options	16	48	64,032	191,701
At 30 June	40,294	40,278	161,174,373	161,110,341

The Company received consideration of £109,000 in respect of share options exercised in the year. There have been no changes to the number of shares in issue between 30 June 2007 and the date of this report.

At 30 June 2007, options and awards granted to employees over the following number of shares in the Company remained outstanding:

Scheme	Date of Grant	At 1 July 2006	Granted during year	Exercised during year	Forfeited/cancelled during year	At 30 June 2007	Exercise price
2001 Sharesave Scheme							
	16 Apr 2002	3,122	-	(3,122)	-	-	212.0p
	28 Oct 2003	8,450	-	(8,450)	-	-	152.8p
	28 Oct 2005	35,747	-	-	(909)	34,838	205.6p
	19 Dec 2006	-	19,444	-	(630)	18,814	300.0p
		47,319	19,444	(11,572)	(1,539)	53,652	
1996 Share Option Scheme							
	26 Nov 1996	21,279	-	(21,279)	-	-	141.0p
	4 Nov 1997	16,161	-	(16,161)	-	-	185.6p
	5 Jan 1998	15,020	-	(15,020)	-	-	199.7p
	20 Apr 2001	439,497	-	-	-	439,497	320.8p
		491,957	-	(52,460)	-	439,497	
2001 Discretionary Share Option Scheme							
	7 Dec 2001	965,756	-	-	(965,756)	-	227.8p
	25 Sep 2002	1,105,855	-	-	(310,650)	795,205	169.0p
	2 Oct 2003	930,444	-	-	(283,464)	646,980	190.5p
		3,002,055	-	-	(1,559,870)	1,442,185	

Scheme	Date of Award	At 1 July 2006	Awarded during the year	Vested during year	Forfeited/cancelled during year	At 30 June 2007	Market price on date of award
2005 Executive Incentive Plan							
	1 Dec 2005	1,205,130	-	-	(32,558)	1,172,572	258.0p
	13 Nov 2006	-	878,556	-	-	878,556	383.8p
		1,205,130	878,556	-	(32,558)	2,051,128	

At 30 June 2007, the following options granted to subscribe for new ordinary shares of 25 pence each under the Employee Share Option Schemes remained outstanding:

Period within which options are exercisable	30 June 2007 Number of shares	Subscription price Pence
April 2004 to April 2008	439,497	320.8
September 2005 to September 2012	795,205	169.0
October 2006 to October 2013	646,980	190.5

23 Called up share capital continued

At 30 June 2007 the following options granted to subscribe for new ordinary shares of 25 pence each under the Company's Sharesave Scheme remained outstanding

First exercisable date	30 June 2007 Number of shares	Subscription price Pence
December 2008	27,008	205 6
December 2010	7,830	205 6
February 2010	13,356	300 0
February 2012	5,458	300 0

The following awards of conditional shares have been granted under the 2005 Executive Incentive Plan and remain outstanding at 30 June 2007

Vesting date	30 June 2007 Number of shares	Subscription price Pence
December 2008	1,172,572	nil
November 2009	878,556	nil

The fair value of grants and awards are measured by Lane Clark & Peacock LLP using a combination of Monte Carlo simulation models and modified binomial models, taking into account the terms and conditions upon which instruments were granted. The fair value is recognised over the expected vesting period. The main assumptions of the pricing model are as follows:

	2005 Executive Incentive Plan	2001 Sharesave Scheme	2001 Sharesave Scheme
Grant date	13 November 2006	19 December 2006	19 December 2006
Exercise price	383 75p	386 75p	386 75p
Expected life (years)	3	3	5
Expected volatility per annum	29%	27%	30%
Expected dividend yield per annum	0%	0%	0%
Risk free rate per annum	4 9%	5 1%	4 9%

Expected volatility was determined by reference to the historical volatility of the Minerva plc share price over a period consistent with expected life of the award and reflects the assumption that the historical volatility is indicative of future trends, but may not necessarily be the actual outcome.

The 2005 Executive Incentive Plan has a performance condition based on the Company's Total Shareholder Return ("TSR") measured against a Comparator Group of companies. This is a "market condition" for the purpose of IFRS 2 and, as such, it is allowed for in the calculation of the fair value. The assumptions used were based on an analysis of the historic volatility of each comparator company's share price return as well as the statistical correlations between the historic TSRs of the different shares.

For both the Discretionary Share Option Scheme and Sharesave Scheme awards, the fair values take into account an assumed pattern of early exercise, dependent on the level of share prices during the exercise period.

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24 Reserves

Group	Share premium account £000	Other reserves £000	Retained earnings £000
At 1 July 2006	198,329	37,978	225,210
Premium on exercise of share options	93	-	-
Movement in fair value of derivative financial instruments	-	9,421	-
Transfer of hedge reserve	-	3,302	(3,302)
Share-based payment	-	-	766
Share of joint venture's movement in fair value of derivative financial instruments	-	373	-
Tax on items directly taken to equity	-	(2,660)	-
Profit for the year	-	-	18,652
At 30 June 2007	198,422	48,414	241,326

Parent Company	Share premium account £000	Other reserves £000	Retained earnings £000
At 1 July 2006	198,329	14,763	40,778
Premium on exercise of share options	93	-	-
Share-based payment	-	766	-
Profit for the year	-	-	1,265
At 30 June 2007	198,422	15,529	42,043

25 Minority interest

	30 June 2007 £000	30 June 2006 £000
At 1 July	530	-
Loss for the year	-	(22)
Equity contribution in the year	1,593	552
At 30 June	2,123	530

26 Net asset value per share

	30 June 2007			30 June 2006		
	Net assets £000	Number of shares Million	Net assets per share Pence	Net assets £000	Number of shares Million	Net assets per share Pence
Basic net asset value per share	528,456	161.2	327.9	501,795	161.1	311.5
Share awards	128	1.5	(2.9)	180	0.1	(0.1)
Diluted net asset value per share	528,584	162.7	325.0	501,975	161.2	311.4

27 Dividends

No final dividend or interim was proposed or paid in respect of the year ended 30 June 2007 (2006 £nil)

28 Capital commitments

Capital commitments contracted, but not provided for, at 30 June 2007 were £7,886,000 (2006 £500,000)

All capital commitments relate to expenditure on the development of investment and trading properties

29 Commitments under operating leases

Total commitments under non-cancellable operating leases

	30 June 2007 £000	30 June 2006 £000
Less than one year	27	36
Between one and five years	108	108
Over five years	134	161
	269	305

30 Contingent liabilities

The Company has guaranteed external borrowings of some of its subsidiary undertakings, which at the balance sheet date amounted to £37,146,000 (2006 £35,250,000)

31 Cash flows from operations

Group	Year to 30 June 2007 £000	Year to 30 June 2006 £000
Profit/(loss) before taxation	16,263	(6,886)
Share of post tax profit of joint ventures	(101)	(19)
Net finance costs	2,636	23,624
Operating profit	18,798	16,719
Depreciation	283	317
Movement on revaluation of investment properties	(17,358)	(11,070)
Loss on sale of investment properties	–	827
Profit on sale of property, plant and equipment	(59)	(55)
Amortisation of lease incentives, letting fees and other non-cash items	250	19
Share-based payment	766	346
Expenditure on trading properties	(74,014)	–
Decrease/(increase) in trade and other receivables	37,487	(10,969)
Increase in trade and other payables	(2,970)	(3,686)
	(36,817)	(7,552)

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31 Cash flows from operations continued

Parent Company	Year to 30 June 2007 £000	Year to 30 June 2006 £000
Profit/(loss) before taxation	1,264	(5,368)
Net finance income	(305)	(259)
Operating profit/(loss)	959	(5,627)
Movement in trade and other receivables	(1,183)	9,875
Movement in trade and other payables	41	(980)
	(183)	3,268

32 Post balance sheet events

In August 2007, the Group entered into a £159,595,000 design and build contract with Skanska in respect of The Walbrook, where the major design consultants have been novated to the contractor

In August 2007, the Group conditionally contracted to acquire the business and property known as Leinster House Hotel for £20.25 million. The acquisition, which is in partnership with Northacre Plc who have a 5 per cent stake, is expected to complete in October 2007.

33 Related party transactions

The Group has not entered into any transactions with related parties other than with key management, whose compensation, share awards and options granted in the year are disclosed in the Remuneration report on pages 40 to 45, and with joint ventures where the Group has made equity investments, which are disclosed as additions in note 14.

During the year the Company received £6,500,000 of intra-group dividends (2006: £nil) and was charged £4,315,000 of management fees by subsidiaries (2006: £4,139,000). Amounts advanced by the Company to subsidiary undertakings, are disclosed in note 17 and are unsecured, interest free and repayable on demand.

Further information

Property portfolio

Development projects

The Walbrook
London EC4

St Botolphs
London EC3

Park Place
Croydon

Odeon Kensington
London W8

Lancaster Gate
London W2

Ram Brewery
London SW18

Investments

103 Cannon Street
London EC4

111 Cannon Street
London EC4

13 St Swithin's Lane
London EC4

15 St Swithin's Lane
London EC4

17 St Swithin's Lane
London EC4

5 Welbeck Street
42 Wigmore Street and
44-48 Wigmore Street
London W1

1 Harrow Place
London E1

2-12 Cambridge Heath Road
London E1

Westerhill Road
Bishopbriggs, Glasgow

Leinster House Hotel
London W2

Joint ventures

Skypark
Glasgow

Orchard Brae House
Edinburgh

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