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Pipeline split by value

Graph missing

A City of London offices 35%

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A high-quality and diverse portfolio

Our business Minerva is a property investment and development company whose principal strategy is to create shareholder wealth through investment and development in UK real estate.

Our aim We are firmly focused on delivering value from the existing portfolio of first class developments in London.

Our portfolio We have a diverse portfolio of developments comprising City of London offices, high-end residential, mixed-use and town centre shopping. Each project is, in our view, well positioned to take advantage of the market it is in.

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City of London offices

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The City of London is one of the world's primary financial and business centres. We have assembled and achieved planning for two prominent sites within the Square Mile. Construction commenced this year on the high-quality buildings that will stand at these landmark locations – The Walbrook and St Botolphs

→ 1 **The Walbrook** | Page 4

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The Walbrook London EC4

The Walbrook is a landmark development located in the heart of the City of London between Cannon Street and Bank stations

This spectacular building has been designed by Foster & Partners and will stand on a prime 1.6 acre site

The building has been planned with sustainability targets in mind and has received an 'Excellent' BREEAM rating

Development finance is in place and construction is making good progress for completion by the end of 2009

The scheme will provide some 410,000 sq ft of office space and 35,000 sq ft of retail space. A show suite has been set up and marketing is underway

The Grade A office accommodation will provide a rare opportunity for a prestigious headquarters building in the centre of the City of London

The retail space will offer shop and restaurant premises along part of The Walbrook and Cannon Street, directly opposite Cannon Street station

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www.thewalbrook.co.uk/

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St Botolphs London EC3

St Botolphs occupies a prominent island site of 1.25 acres on the eastern side of the City of London

Designed by Grimshaw, this striking building will provide office and retail accommodation in all amounting to some 560,000 sq.ft

The office floor plates have been designed to offer a high degree of flexibility and clear runs of space

Some 84,000 sq.ft. has been pre-let to Lockton International, the United States' largest private insurance broker with an option for them to take a further 40,000 sq.ft. before practical completion

Development finance is in place and construction is underway with completion scheduled for the Summer of 2010

The building has achieved a BREEAM rating of 'Very Good'

Marketing continues with interest being shown by insurance and professional services firms

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www.stbotolphs.co.uk/

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High-end residential

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We took the strategic decision to diversify our development portfolio and subsequently acquired the Odeon Kensington and Lancaster Gate sites. These properties are well-positioned in sought-after residential locations in Central London and, once developed, will provide luxury accommodation in the ultra-prime sector of the market.

→ 3 **Lancaster Gate** | Page 10

→ 4 **Odeon Kensington** | Page 12

→ High-end residential market overview and detailed review | Page 27

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Lancaster Gate London W2

This classic revival scheme involves the redevelopment of 15 grand town houses looking south over Hyde Park

Planning permission has been achieved for 81 highly specified private apartments and 11 affordable residential units behind the retained façades

Building work has commenced and when complete the property will benefit from car parking, fitness facilities and a swimming pool

A site loan and construction facility is in place. Construction is underway for completion at the end of 2010

Pre-sales totalling 27 per cent of the scheme have been achieved, which will generate over £100 million of future revenue

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www.minervapl.co.uk/developments/

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Odeon Kensington London W8

This landmark building stands on Kensington High Street and benefits from excellent local amenities and transport links

The development is located in a premier residential district of London just south of Holland Park and adjacent to the low-rise period homes of Edwardes Square

A resolution to grant planning permission was obtained in December 2007 with full permission expected shortly for an exclusive development of apartments and town houses with car parking and an underground multi-screen public cinema

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www.minervapl.co.uk/developments/

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Mixed-use

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With the former Ram Brewery at its core, we have assembled a development area of about eight acres in central Wandsworth. The planned residential-led development will carefully integrate heritage buildings with modern architecture and provide new public space with shops and restaurants.

→ ⁵ **Ram Brewery** | Page 16

→ Mixed-use detailed review | Page 29

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Ram Brewery London SW18

This site is in the centre of Wandsworth and comprises the Ram Brewery, Buckhold Road and Capital Studios sites. The adjacent period properties in Church Row have recently been acquired.

A loan facility is in place to fund the site acquisitions while providing the Group with the ability to draw upon further finance once planning permission is obtained.

Following extensive local consultations, a planning application was submitted for a mixed-use scheme comprising private and affordable residential accommodation as well as retail and office space. At present the application is expected to be heard by the Council in Autumn 2008.

The exciting mixed-use scheme envisaged will regenerate a brownfield site into a vibrant quarter of the town centre with shops and restaurants, a riverside walk, two public squares and dedicated play space.

The development sensitively combines important heritage buildings with outstanding contemporary architecture. The scheme has been designed to meet high level environmental sustainability targets.

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www.therambrewery.com/

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Retail

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Our retail development, Park Place, located in central Croydon, will have a catchment area in South London and the affluent southern counties. This premier shopping centre will be anchored by a full line department store and detailed discussions are underway for the realisation of the scheme.

→ **■ Park Place** | Page 20

→ Retail market overview and detailed review | Page 30

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Park Place Croydon

Park Place represents one of the few remaining opportunities to create a new town centre shopping and leisure district in the Greater London area. The completed scheme will re-establish Croydon as one of the premier retail destinations in the UK.

Designed by renowned US architects RTKL, the proposed 900,000 sq ft development will comprise around 100 retail outlets, restaurants and cafes and will be anchored by a full line department store.

The retail aspects of the scheme have initially been awarded a 'Very Good' BREEAM Retail rating.

Discussions continue with John Lewis Partnership and detailed design work is currently being undertaken to refresh the design of the shopping centre to accommodate their requirements.

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www.minervapl.co.uk/developments/

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Chairman's statement

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I am pleased to report that we have made steady progress during the year in implementing the Group's strategy. Our achievements are a clear demonstration of the skill and dedication of Minerva's team who are focused on the delivery of our projects. This has been achieved against a background of economic uncertainty which had a detrimental effect on our immediate financial results.

Financial results Loss for the year before taxation, but incorporating revaluation movements from our investment property portfolio, was £269.2 million (2007: profit of £16.3 million). As is our normal practice, the Group's property portfolio has been independently valued by CB Richard Ellis Limited. The income statement results take no account of the valuation surplus on our trading properties, which have performed strongly this year and which are stated at cost in line with the accounting policy of the Group.

Adjusted shareholders' equity, incorporating the Group's share of the valuation surplus on our trading properties, fell to £372.2 million, equivalent to 230.6 pence per share, from £556.5 million or 342.1 pence per share at 30 June 2007.

Operational performance We have achieved a number of key milestones which are set out in more detail in the *Business review*. Most significantly, we have pre-let part of the St Botolphs development to Lockton International and commenced construction of this project. Planning approval for Lancaster Gate has been achieved and construction is underway with off-plan sales exchanged for circa 27 per cent of the private accommodation for a consideration on completion in excess of £100 million. A resolution to grant planning consent has been obtained for Odeon Kensington with full planning permission expected shortly. We have also submitted a planning application in February for over 1 million sq ft of development at the Ram Brewery site in Wandsworth. During the year we purchased Leinster House Hotel and, since the year end, we have exchanged contracts for the acquisition of a further site in Wandsworth adjacent to the Ram Brewery, at 1-9 Church Row, for £8.0 million, which will enhance the proposed scheme and extend the development along the west side of the River Wandle.

We have finance in place for our City of London projects at The Walbrook and St Botolphs and, during the year, project finance was arranged for the development of Lancaster Gate, returning our original cash equity, as well as finance for the acquisition of the Ram Brewery and Leinster House Hotel.

The Board and management As reported previously, after many years' service, both Clive Richards and Christopher Sherdan have decided to retire from the Board at the forthcoming Annual General Meeting. On behalf of the Company, I would like to express my thanks to them for their robust contribution to the work of the Board. John McNeil and John Matthews joined the Board during 2007 and have now taken up chairmanship of the Audit and Remuneration Committees, respectively. Their contribution is already evident.

The Board and senior management alike have been working resolutely toward the delivery of the Group's strategy. I would like to thank all of our employees for their hard work and dedication during these challenging times.

Abortive offer for the Company Following an initial unsolicited approach on 8 May 2008, a proposal was received on 21 July for the purchase of the entire share capital of the Company subject to a number of waivable pre-conditions. In the event, the prospective purchaser withdrew its proposal on 26 September as it was unable to obtain the third party consents it required. Minerva will now continue with our strategy to deliver value to shareholders.

Outlook The background of economic turmoil has particularly affected the financial and real estate sectors. Minerva, however, has in place the funding and cash resources to undertake our projects as set out in the *Business review*. We also have a very high quality and diverse development portfolio, comprising, City of London offices, high-end London residential, mixed-use and town centre shopping. We believe that we will be able to benefit from the delivery of our developments into a property market where supply has been further constrained by the current 'credit crunch', which is restricting the supply of development finance. We remain committed to delivering the value inherent within our developments to our shareholders.

Oliver Whitehead Chairman



Business review

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Strategy overview

Objective and strategy Our primary objective is to deliver strong, 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 structured finance to drive returns, and

when appropriate, deliver dividend returns to shareholders based upon the realisation of development profits

The strategy is being implemented through

the delivery of best value from our existing development schemes,

the investment in new opportunities which primarily have development credentials that have a turnaround time within three to five years, and

the establishment of a portfolio of projects, coupled with appropriate structured finance and risk-adjusted return disciplines

Above, left to right

Tim Garnham Group Development Director

Salmaan Hasan Chief Executive

Ivan Ezekiel Finance Director

Operational review

City of London offices

Market overview During 2007 take up in the City office market was strong until the fourth quarter, which saw a sharp fall and the City experiencing its first significant rise in availability in over three years. With the onset of the 'credit crunch' it is well documented that a number of potential occupiers have scaled back, delayed or abandoned their search for new premises. Added to that, 2008 and 2009 are expected to see an increase in the supply of new speculative office developments coming onto the City market.

Despite this, there is activity in the market and the first quarter of 2008 saw take up of some 1.6 million sq ft and the second quarter saw a recorded take up of some 1 million sq ft. Prime headline rents are currently at £57.50 per sq ft and we expect this level to come under pressure as availability increases over the next 18 months.

It is important to note however, that with the reduction in availability of development finance, we are of the view that new speculative development will be very limited within the immediate future and consequently 2010/11 will see a significant reduction in development completions. This should benefit our two City projects, The Walbrook and St Botolphs, which complete at the end of 2009 and the Summer of 2010, respectively.

The Walbrook, London EC4 Located in the heart of the City of London, this prestigious 445,000 sq ft office and retail scheme is being developed speculatively.

A project loan facility, arranged in 2006 and totalling £275 million, has provided funds for the redevelopment of this property. Significant progress has been made on site and the design and build contract was entered into with Skanska in August 2007. Secant piling and the capping beam have been completed to the perimeter of the site and progress on the concrete substructure is well under way. All three tower cranes have now been erected and the steel work contractor is on site. Completion of the project is due December 2009.

Presentations have been made to potential tenants and their agents and we maintain ongoing discussions with potential occupiers, primarily from the financial and media sectors.

The design of the new building incorporates energy generation from renewable sources in accordance with the Greater London Authority's guidelines. 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. In particular, the development demonstrated strong environmental performance with respect to energy and transport.

Maintaining a close relationship with the local community is an important aspect of all of our projects, The Walbrook being no exception. Working with the City of London, we have made a contribution to provide a new community centre for local residents. A benefit of our development will also be the creation of a new and extended church garden which has public access and is adjacent to our scheme.

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Business review (continued)

St Botolphs, London EC3 St Botolphs is located at the eastern gateway of the City of London and comprises some 560,000 sq ft of high quality office and retail accommodation standing on a 1.25 acre island site. Designed by Grimshaw, the new scheme, when completed, will occupy a prominent corner position.

In January, we reported that we have pre-let some 84,000 sq ft of accommodation to Lockton International, the United States' largest private insurance broker, with an option for them to take a further 40,000 sq ft before practical completion. This successful letting was sufficient to start the construction of the project, with a development loan facility totalling £315 million for the redevelopment having been obtained.

A design and build contract has been entered into with Skanska for the construction of the new development. Progress on site is going well and over the year demolition of the existing buildings has been completed. A change in foundation design has introduced efficiencies and is likely to result in an improvement in the construction programme. Completion of the project is scheduled for August 2010. Marketing of the building continues with interest principally from the professional and insurance sectors, which is as may be expected in this location in the City of London for requirements in the range of approximately 100,000–150,000 sq ft.

The building has been designed with environmental considerations in mind including, for example, the generation of energy using photovoltaic panels at roof level and has achieved a BREEAM rating of 'Very Good'.

In accordance with our stated policy, a close working relationship has been maintained with members of the local community adjacent to this site. Regular meetings are held with their representatives to ensure that any disruption caused by our development is minimised. The Section 106 agreement has been specifically tailored to provide benefits to the locality which will outlive the temporary disruption caused by our construction works. Benefits include improvements to the estate in which the residents live, including a contribution towards double glazing, which will not only provide sound insulation but should reduce energy bills for residents for the future.

84,000 sq.ft.

We have pre-let some 84,000 sq.ft. of accommodation in St Botolphs to Lockton International.

This successful letting is with the United States' largest private insurance broker with an option for them to take a further 40,000 sq ft before practical completion.

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High-end residential

Market overview

Prime Over the two year period to late Summer 2007, the prime Central London market saw prices rise by some 50 per cent and, even without the 'credit crunch', this rate of growth was unlikely to continue. From that peak, the downward shift in sentiment created by current economic conditions has led to values falling by 5.5 per cent over the second quarter of 2008, amounting to a 9 per cent fall for the year from that high-point.

The prime Central London market clearly reflects the fortunes of the financial and international markets and as a consequence tends to dip to a greater extent in poor market conditions. At the same time its recovery is expected to be quicker and stronger once conditions improve, as this market is characterised by a small and inelastic supply of housing stock.

Ultra-prime Our Odeon Kensington and Lancaster Gate schemes are pitched in the ultra-prime sector of the market and this has not been affected to the same extent by either the 'credit crunch' or the non-domicile tax changes introduced earlier this year. Demand in this sector remains strong from those whose wealth has been supported by oil and commodity prices, particularly for scarce but highly exceptional properties.

Odeon Kensington, London W8 In partnership with Northacre, Minerva acquired this property in the latter part of 2005 for £24 million. The partnership retains the freehold and has granted a short-term lease to Odeon Cinemas which has the benefit of a development break clause. The site stands just south of Holland Park in one of London's premier residential districts.

A resolution to grant planning consent was obtained in December 2007. We have recently concluded negotiations on the Section 106 agreement and planning permission is expected shortly for an all-private residential scheme of around 100,000 sq ft with 35 apartments, 5 town houses, a basement car park, multi-screen cinema and off-site affordable housing.

Business review (continued)

27%

We have secured the sale of approximately 27 per cent of the Lancaster Gate scheme which will generate in excess of £100 million of future revenue

This was ahead of expectations – illustrating the demand for apartments of the highest quality

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Lancaster Gate, London W2 This property was acquired in partnership with Northacre in July 2006 for £67.2 million. Planning permission was achieved for a revised scheme to provide some 192,000 sq ft of prime residential and affordable accommodation in July 2007. This is arranged as 81 residential apartments with underground parking and 11 affordable residential units.

This ultra-prime development has been designed to draw the most discerning buyer in this exceptional area of the residential market. Overlooking Hyde Park, this will be a classic revival project providing a wide range of apartments, all benefiting from unique features in an enviable setting. Construction commenced in Autumn 2007 and the first phase of completion is programmed for the end of 2010. A site loan and construction facility of £215 million is in place.

As we reported in our half-year results, targeted approaches were made to select parties at the end of 2007. Following this, we secured the sale of approximately 27 per cent of the scheme which will generate in excess of £100 million of future revenue, comfortably ahead of our expectations. These sales, whilst reducing our exposure to the project, have been achieved at levels that provide confidence that this segment of the market remains relatively resilient and that significant value can be created for shareholders.

Leinster House Hotel, London W2 During the year, Minerva acquired Leinster House Hotel for £20.25 million. The building stands directly opposite our Lancaster Gate scheme and has a block-booking agreement in place with Westminster City Council until 2010 which provides an income from the property.

At the appropriate time discussions will begin with Westminster City Council's planning department regarding the redevelopment potential of this property. We are of the view that a future scheme on this site will significantly benefit from the success of the Lancaster Gate development.

Mixed-use

Ram Brewery Site, London SW18 This site in Wandsworth Town Centre was acquired in August 2006. The site comprises the Ram Brewery, Buckhold Road and Capital Studios – in all amounting to some 7.5 acres. In total, the acquisition price for the site amounted to £83.5 million. At 30 June 2008, deferred consideration of £11.6 million remained outstanding to be paid on completion in relation to the Capital Studios site. Loan financing has been put in place for these property acquisitions.

This is a mixed-use scheme, combining important heritage buildings with contemporary urban development which, together, will create a vibrant quarter of Wandsworth.

In February we reported that we had submitted a planning application for in excess of 1 million sq ft of accommodation, comprising approximately 1,000 apartments and 200,000 sq ft of retail, restaurant and office space. This followed extensive consultations with Wandsworth Council, stakeholders and the local community. At present we expect our application to be heard by the Council in Autumn 2008.

High sustainability aspirations are intrinsic to the design of this project. Urban regeneration features include a riverside walkway, two public squares, dedicated play space and roof gardens. The scheme incorporates affordable housing and the key heritage buildings will be retained and refurbished to provide a micro brewery, retail and restaurant accommodation. The project has also been designed to achieve a high standard of environmental performance. The retail elements of the scheme are predicted to achieve a BREEAM (Retail) rating of 'Excellent' and the majority of the residential elements are predicted to achieve a Level 3 rating under the Code of Sustainable Homes.

Since the year end, contracts have been exchanged for the purchase of an adjoining site, 1–9 Church Row, for consideration totalling £8.0 million.

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1 million sq.ft.

We have submitted a planning application for in excess of 1 million sq.ft. of accommodation at the Ram Brewery site

Our proposal comprises approximately 1,000 apartments and 200,000 sq ft. of retail, restaurant and office space. This followed extensive consultations with Wandsworth Council, stakeholders and the local community.

Business review (continued)

Retail

Market overview During the second half of the year to June 2008, £830 million of shopping centre property transactions took place representing a 64 per cent reduction on the £2.3 billion that occurred in the preceding six months. The impact of the 'credit crunch' became evident in the Summer of 2007 creating weakening investor demand and expectation of reduced consumer spending and this has continued into 2008. Since July 2007 only three such transactions with consideration of greater than £100 million have taken place.

Location remains paramount, with the prosperous South East dominating investor interest, which it is perceived as being better positioned to weather the current economic conditions.

While market conditions are generally difficult in many areas, the Retail sector is set to fare better than other property sectors this year. Shopping centres are forecast to be the best performing asset class in the Retail sector in both 2009 and 2010.

Although there are reports of subdued rental growth across the UK, we are aware of a number of major conurbations and suburbs of London experiencing robust rental growth.

Park Place, Croydon Park Place represents one of the few remaining opportunities to create a new town centre shopping and leisure district in the Greater London area. When completed this 900,000 sq ft development will include 100 retail outlets, restaurants and cafes and will be anchored by a full line department store.

Designed by leading U.S. architects, RTKL, a new shopping centre will be created with the aim of re-establishing Croydon as a top ten retail destination within the UK. It will also be the most significant contemporary centre within South London.

Minerva announced earlier in the year that the last of the two pre-conditions required to be satisfied in order to sell Lend Lease a 50 per cent stake in Park Place had not been met by 31 December 2007. Following on from this, arrangements were terminated with Lend Lease. In accordance with our strategy, we are now in discussion with a select number of investors for them to become involved in the project. We will report progress on this aspect of the project at the half year or as appropriate.

Discussions continue for the pre-letting of the department store to the John Lewis Partnership. Detailed design work is currently being undertaken to refresh the design of the shopping centre in order to accommodate John Lewis's requirements and to ensure that the scheme is at the forefront of modern retailing.

In line with our Corporate Responsibility policy, and intrinsic to the proposed revised designs, Minerva will produce a Sustainability Plan to address areas such as carbon emissions, waste management and the selection of building materials. The Sustainability Plan will also set out how we plan to minimise any disruption caused to the town during construction. We are also reviewing ways of improving the designs in order to obtain a high BREEAM (Retail) rating as we work towards re-submitting the planning application to take further into account the needs of key stakeholders. We envisage that the majority of the residential elements of the scheme will achieve a Level 3 rating under the Code for Sustainable Homes. This means that the scheme will go beyond regulatory compliance to demonstrate good environmental performance.

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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 long-term growth, the Group prioritises its use of capital in areas where it is considered 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 Basic net asset value per share decreased by 43 per cent in the year to 187.7 pence at 30 June 2008 (2007: 327.9 pence). This does not take account of the effect of the valuation of our trading and owner-occupied properties which are stated at cost in the balance sheet, in line with the accounting policy of the Group.

Given the significant value of trading properties that the Group now holds, a more relevant measure of the Group's position is that which reflects the valuation of the total property portfolio. Adjusted net asset value per share, which incorporates the Group's post-tax share of the unrecognised revaluation surplus on the trading properties and owner-occupied property, is 230.6 pence at 30 June 2008 (2007: 342.1 pence).

Income statement Loss before tax for the year, before property revaluation movements, was £12.8 million (2007: £1.1 million). After incorporating the property revaluation movements on our investment portfolio and tax, the loss was £231.9 million (2007: profit of £18.7 million).

The reduction in net property income from £9.1 million to £6.8 million is mainly a result of the development activities being undertaken by the Group and because we have ceased to receive income from properties now being developed.

During the year, net financing costs increased from £2.6 million to £8.8 million, net of interest capitalisation of £22.4 million (2007: £10.5 million) on the Group's development projects. This partly reflects the higher net debt operated by the Group as its overall development activities increase but, principally, also reflects a charge for the movement in derivative financial instruments not qualifying for hedge accounting of £5.0 million (2007: credit of £1.7 million).

Administrative expenses for the year increased from £7.8 million to £8.2 million. Excluding the share-based payment charge of £1.6 million (2007: £0.8 million), administrative expenses are slightly lower when compared with the corresponding period last year.

The Group's investment property performance has been significantly affected by weakening investment yields and deteriorating sentiment towards the UK real estate sector. This has been reflected in the valuation of our investment properties which has shown a reduction in the year of £256.4 million (2007 increase of £17.4 million) after adjusting for acquisitions and expenditure in the year. The majority of the decline relates to our City of London development projects at The Walbrook and St Botolphs, and our retail development scheme, Park Place, Croydon, although other assets have also shown some decline.

Our performance, however, in our high-end residential projects at Lancaster Gate and Odeon Kensington has seen a strong increase in valuations, partially off-setting the decline in valuations of our investment properties. In this regard, the Group has benefited from its strategy to diversify the portfolio into high-end residential in London, and this year has seen the value of both properties enhanced through planning, together increasing in value by £97.8 million (2007: £50.4 million) net of costs expended in the year. At 30 June 2008, these two properties had a combined valuation of £282.0 million (30 June 2007: £158.0 million).

Business review (continued)

£117 million

The Group has significant cash reserves

These provide the Group with security, liquidity and flexibility during the development phase of its projects

The corporation tax credit for the year is £37.3 million (2007: £2.4 million) and consists of deferred taxation arising on investment property revaluation movements in the year as well as on timing differences between the carrying amounts of the other assets and liabilities in the financial statements and their corresponding tax bases. The Group has no liability to corporation tax for the year (2007: £nil).

After incorporating the tax credit, the Group's loss for the year was £231.9 million (2007: profit of £18.7 million).

As in previous years, the income statement excludes revaluation surpluses on our trading and owner-occupied properties. If the Group's post-tax estimated share of the unrecognised revaluation surplus on these properties were to be recognised, the adjusted loss after tax and minority interests for the Group would be £190.4 million (2007: profit of £44.8 million).

No dividend has been paid or declared during this financial year (2007: £nil).

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 Limited at 30 June 2008. The investment property portfolio has been valued at £604.4 million (2007: £729.6 million) and the trading property portfolio at £282.0 million (2007: £158.0 million). In total, after adjusting for acquisitions and expenditure in the year, the portfolio has decreased by 15.2 per cent overall in the year. The investment portfolio has decreased by 29.8 per cent and the trading portfolio has increased by 53.2 per cent with, as mentioned earlier, only the former valuation movement being reflected in the income statement.

Lancaster Gate and Odeon Kensington continue to be treated as trading properties at 30 June 2008. These properties are therefore stated at their historical cost of £133.8 million in aggregate in the balance sheet, in line with the accounting policy of the Group and therefore the valuation by CB Richard Ellis Limited of £282.0 million in total at 30 June 2008 (2007: £158.0 million) has not been reflected in the Basic net asset value. We have nevertheless reflected the Group's estimated post-tax share of the revaluation surplus of these properties in the Adjusted net asset value.

The property additions during the year comprise the acquisition of Leinster House Hotel for £21.6 million and expenditure in relation to our development programme of £93.7 million. There were no disposals during the year (2007: £nil).

Net debt at 30 June 2008 was £409.2 million (2007: £205.7 million), comprising borrowings of £526.6 million (2007: £331.2 million) and cash and short-term deposits of £117.4 million (2007: £125.5 million). The increase in net debt during the year of around £203.5 million is principally in relation to the acquisition of Leinster House Hotel, the completion of the Buckhold Road and Ram Brewery site acquisitions as well as expenditure on our developments in the year.

The investment in joint ventures represents the Group's net investment in Orchard Brae House, Edinburgh, where we have a 25 per cent interest. Our investment in Skypark, Glasgow, was disposed of at the end of the financial year for £2.3 million. A loss for the year of £4.3 million (2007: profit 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 together with the loss on the aforementioned disposal.

The balance sheet includes a minority interest of £0.7 million (2007: £2.1 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 which has been estimated in arriving at the Adjusted net asset value for the Group.

Financing

The activities of the Group are financed 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, whilst holding a certain level of cash in reserve. The cash reserves provide the Group with security, liquidity and the flexibility during the development phase of its projects, whilst also enabling it to invest in new opportunities. The Group deposits its cash with selected financial institutions with high credit ratings.

During the year, we completed three new financings in relation to our activities:

- A £215 million site and development facility for the Lancaster Gate development. This loan, which leverages off the increased value following the enhanced planning permission obtained in July 2007, has enabled the Group and our partner, Northacre, to repatriate all of the equity previously invested in the project to date and fully debt finance the development of the scheme to completion,
- A £106.6 million loan facility to finance the cost of the acquisition of the Ram Brewery, Buckhold Road and Capital Studios sites in Wandsworth. Using this facility, we have been able to finance almost entirely the acquisition price of the properties with senior debt, while providing the Group with the ability to draw upon further funds when the appropriate planning permission is achieved, and
- A £13 million loan facility to fund the acquisition of Leinster House Hotel, a future development opportunity.

These financing commitments are in addition to the existing funding arrangements which enable the development of our City of London projects at The Walbrook and St Botolphs and which are referred to earlier.

As part of normal activities in managing the Group's debt maturities, during the year, we extended two loan facilities totalling £53 million which were due to expire in 2008 and related to Odeon Kensington and a property comprising part of the Park Place estate.

At 30 June 2008 the average interest cost of debt for the Group, excluding joint ventures, was 6.9 per cent (2007: 6.8 per cent). The increase in our average interest cost of debt is mainly a consequence of rising interest rates on loans which are unhedged or part unhedged.

Business review (continued)

In terms of interest rate management, we continue to use interest rate derivatives to manage the interest rate profile and, as at 30 June 2008, 67 per cent (2007 55 per cent) of the Group's bank borrowings were hedged under interest rate swap agreements. The Group's policy is, where possible, to 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 135 per cent at 30 June 2008 (2007 39 per cent). Net gearing, adjusted for all properties at valuation, is a more meaningful measure for the Group. This was 99 per cent at 30 June 2008 (2007 36 per cent), reflecting the Group's net debt as a proportion of total equity adjusted to include the unrecognised post-tax revaluation surplus on the trading and owner-occupied properties.

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 are subject to a range of legal, regulatory and planning regimes, we are committed to maintaining 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 and we are committed to a regime of safe working practices. We had one minor Reportable Accident on our projects in the current reporting period.

People We have a small and strong team of commercially-focused and experienced people, combining site-assembly, development, management and financing skills. Their acumen delivers the skills which underpin the Minerva market offering. Their loyalty to the Company is reflected in terms of their average length of service which stands at 5.8 years at 30 June 2008 (30 June 2007 5.3 years).

Planning 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 timely permissions consistent with our commercial objectives is fundamentally important to our success in achieving our strategy.

Energy and carbon emissions reduction With more widespread understanding of the challenges of climate change, the increasing demand from our clients for environmentally-friendly building space and the possibility of additional 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 preliminary assessments predicted that The Walbrook will exceed the Part L requirements by 23 per cent (2007 23 per cent), St Botolphs is predicted to exceed the requirements by 8 per cent (2007 16 per cent) and the Ram Brewery is predicted to exceed the requirements by 32 per cent (assessed in 2008). For our other developments the predicted performance against the Part L requirements will be included in our Business review in future years.

+£330 million

During the year we have put in place significant financings for key developments

These financings relate to Lancaster Gate, the Ram Brewery and Leinster House Hotel

Key risks and uncertainties

The Group's primary objective is to deliver strong 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 Group's main risk and uncertainties, the outlook, and in respect of other content, the Annual report and accounts contain 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

Business environment External economic and market factors may adversely affect the Group's business model. This risk is primarily managed through an annual strategy review which specifically takes these external factors into account, they are also considered at each Board meeting and by management when making decisions.

Property market The Group's speculative developments may suffer from poor market demand from tenants or buyers. We address this, in accordance with our strategy, by looking to situate our developments in supply-constrained sectors of the market in well-located areas of London.

Competing properties may affect demand for the Group's completed developments and so the Group's developments are designed and priced to attract tenants or buyers. In addition, leading agents are appointed to market them effectively.

Business review (continued)

Development The Group may acquire sites with the intention of increasing their value through a change of use or redevelopment, but planning permission may not be achieved. We address this risk by obtaining appropriate expert advice before an acquisition is made and prior to the submission of a planning application. Before significant planning applications are made, the Group, and its advisers, have detailed consultations with the relevant planning authority, statutory authorities and other relevant stakeholders. Alternative uses and design variations are considered in case the initial planning application is not successful.

Unforeseen environmental and archaeological issues and related regulatory concerns which come to light during the Group's development of a site may delay completion and increase costs. We manage this risk by undertaking desktop or full assessments as well as physical investigations as necessary and where practical. We strive to provide adequate contingency for such matters in the development appraisal and programme, supported by appropriate insurance when available. The Group appoints specialist advisers in this area.

Control may be lost during construction projects which may result in unnecessary specifications, increasing costs and additional time to complete. To address this risk we carefully monitor our developments, entering into design and build contracts where possible and appropriate, and appointing skilled professionals to help advise and manage the project plans, costs and progress. In addition, contingencies are provided to help mitigate this risk.

Changes in legislation, regulation or best practice, particularly in relation to planning and taxation, may impact the costs, timings and profitability of the Group's schemes in progress. Such changes are closely monitored with the assistance of appropriate professional advisers so that any impact may be mitigated where possible and, where relevant, opportunities identified.

Finance Appropriate financing needs to be in place to fund acquisitions and developments and to meet specific financial obligations. The Group addresses this by placing a strong emphasis on building long-term relationships with lenders, who are kept apprised of the Group's progress and strategy, with the aim of ensuring that the Group's facilities appropriately reflect its position and its business environment.

Compliance with lenders' covenants must be maintained. The Group regularly monitors the requirements of each loan facility in this regard.

The Group aims to retain adequate cash reserves to provide security, liquidity and flexibility during the development phase of its projects and to provide it with the ability to invest in new projects. This is addressed by careful cash monitoring, undertaken through regular budget reviews, development appraisals and other cash flow reviews. The impact of market conditions on the Group's cash flow is kept under review.

Movements in interest rates can have an impact on the profitability of projects and affect cash flow. We handle this risk by monitoring interest rates and undertaking interest rate hedges where considered appropriate.

Corporate responsibility Health and safety is a key issue especially where property construction is involved. Poor practice or carelessness could cause injury or a fatality which may also impact the business. The Group takes health and safety matters very seriously and the Board considers health and safety at each scheduled meeting. Procedures are monitored to ensure compliance by the Group and its contractors with the Construction (Design and Management) Regulations as well as other legislation, regulation and good practice.

Concern about the impact of the business on the environment, local communities and other stakeholders may impact the Group's share price or demand for its properties by buyers or tenants. We understand the importance of corporate responsibility and its relevance when making business decisions. The Group's developments are therefore planned to meet and, wherever possible, exceed the requirements set out in environmental regulation and planning guidelines. The Group regards strong relationships with stakeholders as vitally important and particularly encourages regular dialogue with the local community. Each year the Group provides a Corporate Responsibility Report to stakeholders to communicate its progress and aspirations for the coming year.

People The attraction and retention of key management and employees is of particular importance, given the Group's small headcount, and the skills these individuals bring to the organisation. The Group addresses this matter by regularly reviewing salaries and benefits to ensure that Directors and employees' remuneration is competitive. The Group seeks to align executive Directors and employees' rewards with the Group's achievements and performance through annual bonuses and long-term share-based arrangements. The Group places an emphasis on training and development.

The potential impact on the Group, were any of these risks to materialise, depends on the severity of the event. The Group has in place a control environment that is regularly monitored and which identifies risks to the Group, addressing them with measures to mitigate their impact. The Group seeks to attain the appropriate balance whereby the opportunities on the associated risks are identified and explored.

Summary

Our principal developments are of very high quality comprising City of London offices, high-end London residential and town centre shopping. 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. The difficulties within financial markets generally, and the property sector in particular, have led to a period of uncertainty. Each project is, in our view, well positioned to take advantage of the market it is in and we remain confident, subject to the property market stabilising, that we will deliver value to our shareholders in the medium-term.

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Board of Directors

Oliver Whitehead CBE

Non-executive Chairman

Chairman of the Nominations Committee

Member of the Remuneration Committee

Aged 67

Joined the Board of Minerva in July 2006 and appointed Chairman in November 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 43

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 and Company Secretary

Aged 42

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 BSC

Group Development Director

Aged 51

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 Matthews FCA

Non-executive Director

Chairman of the Remuneration Committee

Member of the Audit Committee

Member of the Nominations Committee

Aged 63

Worked in the corporate finance department of NM 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 Limited 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. Appointed to the Board of Minerva in September 2007.

John McNeil BA

Non-executive Director

Chairman of the Audit Committee

Member of the Remuneration Committee

Member of the Nominations Committee

Aged 48

He initially qualified 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. Appointed to the Board of Minerva in July 2007.

Clive Richards OBE DL FCA FCMA FMIM

Non-executive Director and Senior Independent Director

Member of the Audit Committee

Member of the Remuneration Committee

Member of the Nominations Committee

Aged 71

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 NM Rothschild & Sons Limited 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 Alpha Insurance Analysts Limited. Appointed to the Board of Minerva in November 1996.

Christopher Shendan FCIB MSI

Non-executive Director

Member of the Audit Committee

Member of the Remuneration Committee

Member of the Nominations Committee

Aged 65

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 non-executive director of Alpha Bank London Limited, Hanover Acceptances Limited, Standard Bank plc and Willmott Dixon Holdings Limited. Appointed to the Board of Minerva in November 1996.

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Oliver Whitehead

John Matthews

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Picture missing

Salmaan Hasan

John McNeil

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Ivan Ezekiel

Clive Richards

Picture missing

Picture missing

Tim Garnham

Christopher Sheridan

Picture missing

Picture missing

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Senior management team

Mark Cherry BSC MRICS

Investment

Aged 45

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 FCIS

Company Secretarial

Aged 49

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 Company Secretary at Senior plc.

Peter Holroyd

Construction

Aged 52

Joined Minerva in October 2005 after completing the Swiss Re Tower in the City of London as Swiss Re Assurance'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 MRICS

Investment

Aged 32

Joined Minerva in May 2007 from Ballymore Properties Limited 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 MRICS

Asset Management

Aged 47

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 Moms BSC

Construction

Aged 36

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

Arthur Rixon BSC

Structured Finance

Aged 57

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 ACA

Financial Control

Aged 37

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 considerable experience in the property sector including senior finance positions with Chelsfield plc and Multiplex.

Steven Yewman BSC MRICS

Development

Aged 38

Joined Minerva in May 1989 having previously worked at Land Investors plc. His responsibilities include development activities at Park Place together with specific new investment and development projects. He has recently been appointed as a Director of Croydon Town Centre Business Improvement District Limited.

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 as subsequently revised and reissued ('the Code') is set out below. The appointment of John McNeil and John Matthews in the early part of the financial year brought the number of independent non-executive Directors on the Board and its Committees to the levels recommended in the Code. 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, other decisions are delegated to management. The current members of the Board, and the roles of each Director, are given in the biographical details of the Directors on pages 38 and 39.

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 1996, they remain independent. The Board considered Oliver Whitehead who joined the Board in 2006 to be independent as a non-executive Director and on his appointment as Chairman. John McNeil who joined the Board on 16 July 2007 and John Matthews who joined 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 continues to keep the balance of skills, knowledge and experience on the Board under review. During the year under review, the Company has recruited John McNeil and John Matthews. As previously advised, Clive Richards and Christopher Sheridan will be stepping down from the Board at the forthcoming Annual General Meeting and the Company is therefore looking to supplement the non-executive Director membership of the Board.

Corporate governance (continued)

Board attendance

In addition to meetings of Directors arranged to discuss particular transactions and events and attendance at the 2007 Annual General Meeting, the Board met formally on seven occasions during the year ended 30 June 2008. The attendance of Directors at Board, Audit and Remuneration Committee meetings where they were members is shown in the table below. The table also sets out where Directors are not members but have been in attendance at Committee meetings by invitation. There were no formal meetings of the Nominations Committee during the year under review.

	Board	Audit Committee	Remuneration Committee
Number of meetings in year	7	4	5
	Attended	Attended	Attended
Oliver Whitehead	7	4*	5*
Salmaan Hasan	6	1*	1*
Ivan Ezekiel	7	4*	-
Tim Gamham	6	1*	-
John Matthews†	5	2	1
John McNeil†	7	4	3
Clive Richards	6	3	4
Christopher Shendan	6	4	5

* Not a member of the Committee but attended by invitation.

† Represents attendance at all scheduled Board and Committee meetings held since appointment.

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, Clive Richards and Christopher Shendan, non-executive Directors who served on the Board for more than nine years, had submitted themselves for re-election at the 2007 Annual General Meeting but, as previously advised, will not be standing for re-election to the Board at the forthcoming Annual General Meeting.

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. The Directors appointed during the year under review have undertaken site visits so that they are able to 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 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, John McNeil joined the Board as non-executive Director on 16 July 2007 and John Matthews joined 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 45 to 51.

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 52.

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 risk monitoring and internal control system operated by the Group. A report by the Audit Committee is set out on page 53.

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 is 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 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, established in accordance with the Turnbull Guidance 2005, 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 Group'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 responsible for preparing the Annual report and accounts in accordance with applicable law and regulation

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether the financial statements comply with IFRS as adopted by the European Union, and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business

The Directors confirm that they have complied with the above requirements in preparing the financial statements

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 1985, and, as regards group financial statements, Article 4 of the IAS Regulation. They are responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

A copy of the financial statements of the Company is placed on the Minerva plc website. The maintenance and integrity of the website is the responsibility of the Directors and the work carried out by the auditors does not involve consideration of these matters. Accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Salmaan Hasan Chief Executive

9 October 2008



Remuneration report

The Remuneration Committee

The Remuneration Committee (the 'Committee'), is established under terms of reference approved by the Board. The Committee's terms of reference are kept under review and updated when appropriate.

Membership

The Committee comprises independent non-executive Directors and the Chairman of the Company. Christopher Shendan was Chairman of the Committee throughout the year. Oliver Whitehead and Clive Richards were members of the Committee throughout the year. John McNeil and John Matthews were appointed to the Committee on 16 July 2007 and 17 September 2007, respectively when they joined the Board as independent non-executive Directors. John Matthews was appointed Chairman of the Committee with effect from 1 July 2008. 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 five times during the year. During the year, Hewitt New Bridge Street provided advice to the Committee in relation to executive remuneration. The Deputy 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. The Committee continues to monitor remuneration policy and will consult with major shareholders and representative bodies regarding any proposed changes to long term incentive schemes. Any changes that are made to annual performance bonus arrangements will be disclosed to shareholders in future Remuneration reports.

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.

Remuneration report (continued)

Annual performance bonuses

Bonus awards for the year ended 30 June 2008 were awarded on the revised policy set out in Annual report and accounts for the year ended 30 June 2007. Under this policy bonuses were to be predominantly based 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 was defined as NAV per share, plus dividends paid in the year, and might include such properties held for trading purposes as the Committee feels appropriate.

In addition, a maximum of 25 per cent of salary could be awarded having regard to a number of factors, 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.

Subject to performance, a maximum of 150 per cent of salary was to 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, would be in cash. Thereafter payment would be made in cash and shares up to the maximum amounts set out above. The shares would be deferred in equal proportions for two and three years and will 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').

To reflect the potentially increased level of Annual Performance Bonus available under the revised remuneration policy set out in the Annual report and accounts for the year ended 30 June 2007, the level of award under the EIP would normally be capped at no more than 100 per cent of salary in performance shares with no opportunity for matching performance shares to be granted.

Directors' remuneration

	Salary and fees		Bonus		Other benefits		Total	Pensions	
	Year ended 30 June 2008 £000	Year ended 30 June 2007 £000	Year ended 30 June 2008 £000	Year ended 30 June 2007 £000	Year ended 30 June 2008 £000	Year ended 30 June 2007 £000	Year ended 30 June 2008 £000	Year ended 30 June 2008 £000	Year ended 30 June 2007 £000
Executives									
Salmaan Hasan	441	420	110	550	35	36	586	1,006	44
Ivan Ezekiel	265	252	66	300	12	12	343	564	53
Timothy Garnham	265	252	66	300	37	37	368	589	26
	971	924	242	1,150	84	85	1,297	2,159	123
Non-executives									
Oliver Whitehead	130	97	–	–	–	–	130	97	–
John Matthews ¹	39	–	–	–	–	–	39	–	–
John McNeil ²	48	–	–	–	–	–	48	–	–
Clive Richards	50	50	–	–	–	–	50	50	–
Christopher Shendan	50	50	–	–	–	–	50	50	–
Andrew Rosenfeld	–	39	–	–	–	9	–	48	–
Christopher Mackenzie	–	17	–	–	–	–	–	17	–
	317	253	–	–	–	9	317	262	–

¹ Appointed on 17 September 2007

² Appointed on 16 July 2007

The revisions to remuneration policy were put in place prior to the current economic uncertainty and its effect on asset values across the sector and no bonuses became payable purely on the NAV measure. The Committee however awarded bonuses of 25 per cent of basic salary to the executive Directors based on the achievement of strategic and personal objectives including those set out above.

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 2008	Ordinary shares of 25 pence each 30 June 2007
Oliver Whitehead	120,000	40,000
Salmaan Hasan	145,000	115,000
Ivan Ezekiel	50,831	20,831
Tim Garnham	2,414	2,414
John Matthews ¹	15,000	– ³
John McNeil ²	127,841	68,541 ³
Clive Richards	211,110	211,110
Christopher Shendan	36,666	16,666

¹ Appointed on 17 September 2007

² Appointed on 16 July 2007

³ Shares held on appointment.

Remuneration report (continued)

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 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 H M 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).

Share options and EIP awards

At 30 June 2008, options and awards granted to Directors over the following number of shares in the Company remained outstanding:

Salmaan Hasan

Scheme	At 1 July 2007	Granted during year	Exercised during year	Lapsed during year	At 30 June 2008	Exercise price/ market value on date of award	Exercise period/date of vesting
D	310,077	–	–	–	310,077	nil/258.00p	Dec 2008
D	218,892	–	–	–	218,892	nil/383.75p	Nov 2009
D	–	344,195	–	–	344,195	nil/256.25p	Sep 2010

Ivan Ezekiel

Scheme	At 1 July 2007	Granted during year	Exercised during year	Lapsed during year	At 30 June 2008	Exercise price/ market value on date of award	Exercise period/date of vesting
A	112,218	–	–	(112,218)	–	320.80p	Apr 2004 – Apr 2008
B	177,692	–	–	(177,692)	–	169.00p	Sep 2005 – Sep 2012
B	162,729	–	–	–	162,729	190.50p	Oct 2006 – Oct 2013
C	4,547	–	–	(4,547)	–	205.60p	Dec 2008 – May 2009
C	–	9,467	–	–	9,467	101.40p	May 2011 – Nov 2011
D	186,046	–	–	–	186,046	nil/258.00p	Dec 2008
D	131,335	–	–	–	131,335	nil/383.75p	Nov 2009
D	–	206,517	–	–	206,517	nil/256.25p	Sep 2010

Remuneration report (continued)

Tim Garnham

Scheme	At 1 July 2007	Granted during year	Exercised during year	Lapsed during year	At 30 June 2008	Exercise price/ market value on date of award	Exercise period/date of vesting
A	121,568	–	–	(121,568)	–	320 80p	Apr 2004 – Apr 2008
B	218,698	–	–	(218,698)	–	169 00p	Sep 2005 – Sep 2012
B	200,052	–	–	–	200,052	190 50p	Oct 2006 – Oct 2013
C	–	9,467	–	–	9,467	101 40p	May 2011 – Nov 2011
D	186,046	–	–	–	186,046	nil/258 00p	Dec 2008
D	131,335	–	–	–	131,335	nil/383 75p	Nov 2009
D	–	206,517	–	–	206,517	nil/256 25p	Sep 2010

Scheme A: 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 B: 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 C: 2001 Sharesave Scheme

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

Scheme D: 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. Awards 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 2008 was 88 75 pence per share. During the year the share price ranged from 84 75 pence to 355 00 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 Shendan 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. 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 and John Matthews was appointed to the Board under an agreement dated 7 June 2007, commencing 17 September 2007. The agreements with Oliver Whitehead, John McNeil and John Matthews 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).

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 Gamham 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 Gamham 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 an executive Director of the Company during the year ended 30 June 2008.

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 by the following chart.

Graph missing

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 47, 49 and 50.

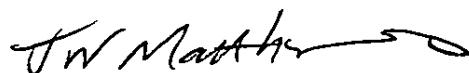
Approval

An ordinary resolution will be proposed for the approval of this report at the Annual General Meeting of the Company.

For and on behalf of the Board

John Matthews Chairman of the Remuneration Committee

9 October 2008



Nominations Committee report

The Nominations Committee

The Nominations Committee (the 'Committee') is established under terms of reference approved by the Board. The Committee's terms of reference are kept under review and updated when appropriate.

Membership

The Committee comprises independent non-executive Directors and the Chairman of the Company. Oliver Whitehead was Chairman of the Committee throughout the year. Clive Richards and Christopher Shendan were members of the Committee throughout the year. John McNeil and John Matthews were appointed to the Committee on 16 July 2007 and 17 September 2007, respectively when they joined the Board as independent non-executive Directors.

Meetings

The Committee did not formally meet during the year but its members have been kept apprised of the search for further non-executive Directors.

Main activities of the Committee

The role of the Committee includes

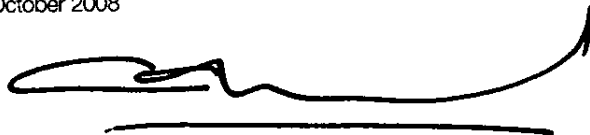
- monitoring the balance of skills, knowledge and experience on the Board,
- using executive search specialists, assisting the Board with the recruitment of Directors, and
- recommending to the Board the Directors proposed for re-election at the Annual General Meeting of the Company.

When appropriate, the Chief Executive may be invited by the Committee to its meetings. The Committee is able to consider items of business without other parties being present.

For and on behalf of the Board

Oliver Whitehead Chairman of the Nominations Committee

9 October 2008



Audit Committee report

The Audit Committee

The Audit Committee (the 'Committee') is established under terms of reference approved by the Board. The Committee's terms of reference are kept under review and updated when appropriate.

Membership

The Committee is comprised solely of independent non-executive Directors. Clive Richards chaired the Committee throughout the year. Christopher Shendan served on the Committee throughout the year. John McNeil and John Matthews were appointed to the Committee on 16 July 2007 and 17 September 2007, respectively when they joined the Board as independent non-executive Directors. John McNeil was appointed Chairman of the Committee with effect from 1 July 2008.

Clive Richards and John Matthews are Fellows of the Institute of Chartered Accountants in England and Wales. Christopher Shendan is a Fellow of the Chartered Institute of Bankers and a Member of the Securities Institute. John McNeil is a barrister and has significant experience in investment banking. All members are considered to have recent and relevant financial experience.

Meetings

The Committee met four times in the year ended 30 June 2008. 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,
- confirmed the formal policy for the Auditors to supply non-audit services,
- considered the Company's report on internal control and risk management compiled in accordance with the Turnbull Committee guidance 2005, 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 the non-audit work due to their relevant expertise and knowledge of the Company.

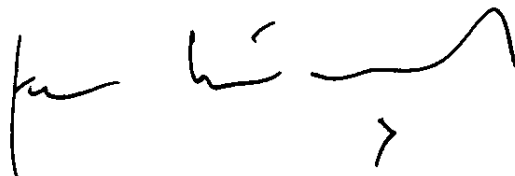
In addition, the Committee further safeguards the Auditor's objectivity by reviewing the measures they take to maintain their independence and manage any conflicts of interest.

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

For and on behalf of the Board

John McNeil Chairman of the Audit Committee

9 October 2008



Report of the Directors

The Directors present their report and the audited financial statements of the Group for the year ended 30 June 2008

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 22 and 23 and the Business review on pages 24 to 37. 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 2008 and are shown on page 60. The dividend policy for the Group, as previously outlined to shareholders is, where appropriate, 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 2008 (2007: £nil).

Directors

The Directors of the Company who served during the year ended 30 June 2008 are as follows:

Oliver Whitehead
Salmaan Hasan
Ivan Ezekiel
Tim Garnham
John Matthews (appointed 17 September 2007)
John McNeil (appointed 16 July 2007)
Clive Richards
Christopher Shendan

Biographical details of the Directors of the Company are set out on pages 38 and 39. The Articles of Association deal with the powers, appointment and replacement of Directors.

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 2008 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 2008 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 25 September 2008:

	Shares	Per cent
Aberdeen Asset Managers plc	24,941,605	15.47
Morgan Stanley Investment Management Limited	17,312,593	10.74
Calyon	11,196,606	6.95
European Investors Inc	8,716,806	5.41
Legal & General Investment Management Limited	7,407,615	4.60
Société Générale Asset Management UK Limited	7,351,045	4.56
HSBC Investment Bank	6,744,662	4.18
Dimensional Fund Advisors	6,714,819	4.17
APG Investments	5,082,646	3.15
Davis Selected Advisors, L.P.	5,073,464	3.15
Barclays Global Investors	4,937,981	3.06

Annual General Meeting

The business to be considered at the Annual General Meeting of the Company is set out separately in the Notice of Annual General Meeting

Combined Code

A statement on corporate governance is set out on pages 41 to 43

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 2008 exceeded book value by £2,547,000 (2007 £4,466,000)

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 19 days (2007 18 days) purchases outstanding

Donations

During the year the Group made charitable donations of £5,000 (2007 £6,000). No political donations were made during the year

Post balance sheet events

The post balance sheet events are disclosed in note 32 on page 88

Share capital

The Company has a single class of share capital which is divided into ordinary shares of 25 pence each. Details of the Company's share capital are set out in note 25 on page 84

The rights and obligations that are attached to the shares are set out in the Company's Articles of Association unless specified by law or regulation

There are no restrictions on voting rights or the transfer of shares other than as specified by the Articles of Association, law or regulation. The Directors of the Company were provided with authority, in relation to the issue or buying back by the Company of its shares, at the Annual General Meeting of the Company in 2007

Control of the Company

The Company is party to a number of loan facilities, certain of which contain change of control provisions. If a change of control were to occur, the ability of the Company to operate could depend upon the purchaser negotiating a waiver of those provisions from the relevant lenders or obtaining alternative finance

Other than the above arrangements, the Company is not party to any other significant agreements that would take effect, alter or terminate following a change in control of the Company

There are no agreements between the Company and the Directors or employees providing for compensation for loss of office or employment that occurs because of a change of control

The Company's share schemes contain provisions which take effect in the event of a change in control of the Company. No special rights are provided to any other shareholders with regard to the control of the Company

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

9 October 2008



Corporate Responsibility

Corporate responsibility is part of Minerva's business culture. Our Environmental and Social Policy, which had been in place since 2004, was reviewed and updated in 2007. Our commitments are now set out in our new Corporate Responsibility Policy, which reflects our shift in approach to thinking about sustainability in a holistic manner, encompassing environmental, social and economic issues.

Our Corporate Responsibility Report for 2007/08 summarises how we have managed the sustainability aspects of our business from July 2007 to June 2008, and outlines our new initiatives and targets. Over the past year, we have continued to review and manage the sustainability impacts of our property investments and developments and identify areas for improvement. A summary of the key initiatives this year is provided below.

Sustainable developments

The Group prides itself on the high quality design of its developments. In recent years it has become clear that a key aspect of quality is how the development performs in sustainability terms. We are now in the process of identifying a series of *additional sustainability* Key Performance Indicators ('KPIs') which can be applied across our development portfolio. These KPIs will help us measure and monitor the sustainability performance of both the design and the construction phases of our developments.

We also use tools such as BREEAM (Building Research Establishment Environmental Assessment Method), EcoHomes and The Code for Sustainable Homes to assess the performance of our developments in terms of sustainability.

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 BREEAM rating 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.

In addition to these market-led drivers, the assessment of new dwellings against the Code for Sustainable Homes became mandatory in May 2008. The Code was introduced in England in April 2007 to replace the 'EcoHomes' assessment scheme for housing. Our residential developments at Odeon Kensington and Lancaster Gate were already registered under the EcoHomes scheme prior to the introduction of the Code for Sustainable Homes, so they will still be assessed against the EcoHomes criteria. The sustainability of our *newer residential developments*, including the residential aspects of the Ram Brewery and Park Place, will be assessed using the Code for Sustainable Homes.

We always strive to achieve the maximum possible sustainability rating under the appropriate scheme for each of our developments, within the constraints of the site. Our current and predicted performance is summarised in the table below.

Development	Assessment rating
The Walbrook	BREEAM 'Excellent'
St Botolphs	BREEAM 'Very Good'
Ram Brewery (retail aspects)	Predicted BREEAM (Retail) 'Excellent'
Ram Brewery (residential aspects)	Predicted Code for Sustainable Homes Level 3
Park Place	Preliminary BREEAM (Retail) 'Very Good'
Odeon Kensington	Predicted Ecohomes 'Very Good'
Lancaster Gate	Predicted Ecohomes 'Pass'

Investing in communities

The Group is proactive in community engagement through all stages of our business activities, including design, planning, construction and occupation. This is demonstrated by our proactive consultation during the planning process. Community engagement is not seen as an optional add-on but as a business-critical aspect of managing our developments effectively. The process of proactive consultation varies from project to project, depending on the location and the nature of the key stakeholders. What all of our developments have in common is a desire to go beyond the minimum statutory consultation and to engage the local community in a meaningful dialogue about how the development can meet their needs. At our Park Place development, for example, we are working actively with the Council and other stakeholders towards creating a new urban district for Croydon. We do not view Park Place as an isolated development but as part of the wider regeneration aims for the local economy and community.

Shareholder dialogue

We recognise the importance of constructive dialogue with current and potential investors and the asset managers which act in their interest. In the past year we have been happy to respond to a number of inquiries relating to Socially Responsible Investment on our approach to Corporate Responsibility. We are pleased to report that, for the second year running, Minerva has met FTSE's corporate responsibility criteria, and continues to be 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.

Continual improvement

In our 2006/07 Corporate Responsibility Report, the Group set itself a series of challenges to be tackled as 'Next Steps' towards improving the sustainability of our business activities. We have responded successfully to many of these challenges and our progress is described in this year's report. We recognise that working towards sustainability is a process of continual improvement so efforts will continue throughout 2008/09 to build upon the activities undertaken to date.

Logo missing

For the second year running, Minerva has met FTSE's corporate responsibility criteria, and continues to be 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.

Logo missing

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 BREEM rating 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.

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 2008 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 also 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. In addition we 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 Combined Code 2006 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, the Directors' Report and the Corporate Responsibility 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 2008 and of its loss 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 2008 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

9 October 2008

PricewaterhouseCoopers UK

Consolidated income statement

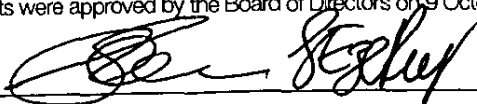
For the year ended 30 June 2008	Note	Year to 30 June 2008 £000	Year to 30 June 2007 £000
Continuing operations			
Revenue	2	12,227	12,448
Property outgoings		(5,387)	(3,303)
Net property income	2	6,840	9,145
Administrative expenses		(8,230)	(7,798)
Other income		1,637	93
Loss on sale of investment in joint venture		(189)	-
Movement on revaluation of investment properties	11	(256,403)	17,358
Operating (loss)/profit	3	(256,345)	18,798
Finance costs	6	(15,976)	(12,021)
Finance income	7	7,225	9,385
Net finance costs		(8,751)	(2,636)
Share of post tax (loss)/profit of joint ventures	14	(4,125)	101
(Loss)/profit before taxation		(269,221)	16,263
Taxation credit	8	37,292	2,389
(Loss)/profit for the year		(231,929)	18,652
Attributable to			
Equity shareholders		(231,890)	18,652
Minority interest		(39)	-
(Loss)/profit for the year		(231,929)	18,652
(Loss)/earnings per share			
- Basic	10	(143.9p)	11.6p
- Diluted	10	(143.9p)	11.5p

Consolidated balance sheet

As at 30 June 2008	Note	As at 30 June 2008 £000	As at 30 June 2007 £000
Assets			
Non-current assets			
Investment properties	11	589,730	730,763
Property, plant and equipment	12	9,568	9,136
Investment in joint ventures	14	-	6,964
Derivative financial instruments	20	15,370	11,640
Trade and other receivables	17	5,200	-
Other financial assets	15	230	276
		620,098	758,779
Current assets			
Trading properties	16	133,799	107,618
Trade and other receivables	17	27,613	7,117
Cash and cash equivalents	18	117,438	125,491
		278,850	240,226
Total assets		898,948	999,005
Liabilities			
Current liabilities			
Trade and other payables	19	(44,343)	(83,012)
Derivative financial instruments	20	(2,144)	-
Borrowings	20	(30,268)	(62,551)
		(76,755)	(145,563)
Non-current liabilities			
Other payables	21	(15,600)	(12,434)
Borrowings	20	(496,399)	(268,608)
Derivative financial instruments	20	(526)	-
Deferred tax	24	(6,458)	(41,821)
		(518,983)	(322,863)
Total liabilities		(595,738)	(468,426)
Net assets		303,210	530,579
Equity			
Called up share capital	25	40,294	40,294
Share premium account		198,422	198,422
Other reserves		52,800	48,414
Retained earnings		11,023	241,326
Total shareholders' equity		302,539	528,456
Minority interest		671	2,123
Total equity		303,210	530,579
Net asset value per share			
- Basic	26	187.7p	327.9p
- Diluted	26	187.6p	325.0p
- Adjusted	26	230.6p	342.1p

The financial statements were approved by the Board of Directors on 9 October 2008 and were signed on its behalf by

S Hasan Director
I H Ezekiel Director

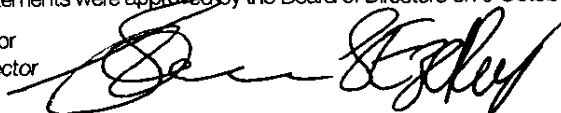


Parent Company balance sheet

As at 30 June 2008	Note	As at 30 June 2008 £000	As at 30 June 2007 £000
Assets			
Non-current assets			
Investment in subsidiary undertakings	13	50,980	49,393
		50,980	49,393
Current assets			
Trade and other receivables	17	235,890	241,042
Cash and cash equivalents		6,668	6,450
		242,558	247,492
Total assets		293,538	296,885
Liabilities			
Current liabilities			
Trade and other payables	19	(1,014)	(597)
Total liabilities		(1,014)	(597)
Net assets		292,524	296,288
Equity			
Called up share capital	25	40,294	40,294
Share premium account		198,422	198,422
Other reserves		17,116	15,529
Retained earnings		36,692	42,043
Total equity		292,524	296,288

The financial statements were approved by the Board of Directors on 9 October 2008 and were signed on its behalf by

S Hasan Director
I H Ezekiel Director



Statements of changes in equity

Group	Attributable to equity shareholders					Minority interest £000	Total equity £000
	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total £000		
1 July 2006	40,278	198,329	37,978	225,210	501,795	530	502,325
Movement in fair value of derivative financial instruments	-	-	9,421	-	9,421	-	9,421
Transfer of hedge reserve	-	-	3,302	(3,302)	-	-	-
New share capital issued	16	93	-	-	109	-	109
Share-based payment	-	-	-	766	766	-	766
Share of joint venture's movement in fair value of derivative financial instruments (net of tax)	-	-	373	-	373	-	373
Movement in minority interest	-	-	-	-	-	1,593	1,593
Tax on items directly taken to equity	-	-	(2,660)	-	(2,660)	-	(2,660)
Profit for the year attributable to equity shareholders	-	-	-	18,652	18,652	-	18,652
1 July 2007	40,294	198,422	48,414	241,326	528,456	2,123	530,579
Movement in fair value of derivative financial instruments	-	-	6,890	-	6,890	-	6,890
Share-based payment	-	-	-	1,587	1,587	-	1,587
Share of joint venture's movement in fair value of derivative financial instruments (net of tax)	-	-	(164)	-	(164)	-	(164)
Realisation of derivative financial instruments held by joint venture (net of tax)	-	-	(411)	-	(411)	-	(411)
Movement in minority interest	-	-	-	-	-	(1,452)	(1,452)
Tax on items directly taken to equity	-	-	(1,929)	-	(1,929)	-	(1,929)
Loss for the year attributable to equity shareholders	-	-	-	(231,890)	(231,890)	-	(231,890)
30 June 2008	40,294	198,422	52,800	11,023	302,539	671	303,210

Company	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
1 July 2006	40,278	198,329	14,763	40,778	294,148
New share capital issued	16	93	-	-	109
Share-based payment	-	-	766	-	766
Profit for the year attributable to equity shareholders	-	-	-	1,265	1,265
1 July 2007	40,294	198,422	15,529	42,043	296,288
Share-based payment	-	-	1,587	-	1,587
Loss for the year attributable to equity shareholders	-	-	-	(5,351)	(5,351)
30 June 2008	40,294	198,422	17,116	36,692	292,524

Consolidated cash flow statement

For the year ended 30 June 2008	Note	Year to 30 June 2008 £000	Year to 30 June 2007 £000
Cash flows from operations	31	(8,867)	(36,817)
Interest received		6,943	7,337
Interest paid		(16,318)	(14,909)
Cash flows from operating activities		(18,242)	(44,389)
Investing activities			
Additions to investment properties		(173,930)	(53,319)
Additions to property, plant and equipment		(827)	(352)
Additions to other financial assets		(20)	–
Receipts from sale of derivative financial instruments		850	138
Receipts from sale of property, plant and equipment		183	100
Receipts from sale of other financial assets		66	–
Investment in joint ventures		(38)	(2,567)
Receipts from sale of interest in joint venture		2,300	–
Cash flows from investing activities		(171,416)	(56,000)
Financing activities			
Issue of share capital		–	109
Equity dividends paid		–	(3)
New loans		298,590	99,507
Issue costs of loans		(4,499)	(1,446)
Equity (repayment to)/contribution from minority interest		(815)	998
Repayment of loans		(111,671)	(34,537)
Cost of early loan repayments		–	(388)
Cash flows from financing activities		181,605	64,240
Net decrease in cash and cash equivalents		(8,053)	(36,149)
Cash and cash equivalents at beginning of year		125,491	161,640
Cash and cash equivalents at end of year		117,438	125,491

Parent Company cash flow statement

For the year ended 30 June 2008	Note	Year to 30 June 2008 £000	Year to 30 June 2007 £000
Cash flows from operations	31	(33)	(183)
Interest received		251	306
Cash flows from operating activities		218	123
Financing activities			
Issue of share capital		-	109
Equity dividends paid		-	(3)
Cash flows from financing activities		-	106
Net increase in cash and cash equivalents		218	229
Cash and cash equivalents at beginning of year		6,450	6,221
Cash and cash equivalents at end of year		6,668	6,450

Notes to the financial statements

1. Accounting policies

Basis of preparation

Minerva plc is a limited liability company incorporated and domiciled 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 new standards, amendments to standards or interpretations are mandatory for the first time for the financial year ended 30 June 2008:

- IFRS 7, 'Financial Instruments: Disclosures' and the complementary amendment to IAS 1, 'Presentation of financial statements', and
- IFRIC 11, 'IFRS 2 – Group and treasury share transactions'

The following standards, amendments to standards and interpretations, although effective for the year ended 30 June 2008, do not have an impact on or are not relevant to the Group:

- IFRIC 10, 'Interim financial reporting and impairment'

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

- IFRS 2, 'Share-based payments (Amended)',
- IFRS 3, (Amendment), 'Business combinations' and consequential amendments to IAS 27 'Consolidated and separate financial statements',
- IFRS 8, 'Operating segments',
- IAS 1, (Amendment), 'Presentation of financial statements',
- IAS 23, (Amendment), 'Borrowing costs',
- IAS 32, (Amendment), 'Financial instruments: presentation',
- IFRIC 12, 'Service concession arrangements',
- IFRIC 13, 'Customer loyalty programmes',
- IFRIC 14, 'IAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction',
- IFRIC 15, 'Agreements for the construction of real estate', and
- IFRIC 16, 'Hedge of net investment in a foreign operation'

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 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, other financial assets 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,
- distinction between investment properties, trading 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.

1. Accounting policies continued

Basis of consolidation

The consolidated financial statements of the Group include 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. Subsidiaries are deconsolidated from the date that control ceases.

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. Discounts on acquisition arising are recognised directly in the income statement.

Revenue

Property 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.

Other income comprises non-property revenue and other sundry amounts earned on an accruals basis.

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.

Foreign currency transactions

The consolidated financial statements of the Group are presented in UK Sterling, the Group's functional and presentational currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities, denominated in foreign currencies, are recognised in the income statement.

Investment properties

Investment properties are properties held for long-term rental income and for capital appreciation and are measured initially at cost, including related transaction 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 properties held for sale and 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.

Notes to the financial statements (continued)

1. Accounting policies continued

Property transactions

Purchases and sales are recognised on exchange of contracts provided that, if the exchange is conditional, all material conditions have been satisfied. Non-refundable deposits are deferred until the sale has been recognised or forfeited by the purchaser.

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.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount.

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.

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 comprise cash in hand, deposits with banks and short-term 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.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the balance sheet.

Derivative financial instruments

The Group's derivative financial instruments comprise interest rates swaps and swaptions, which are entered into in order to manage interest rate risk from its activities, and embedded foreign exchange forward contracts on development activities. All derivative financial instruments are recorded at fair value based on market prices, estimated future cash flows and quoted forward rates as appropriate.

The Group applies hedge accounting where the financial instruments 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 of hedge accounted instruments is recognised immediately in the income statement as a finance cost. In all other cases movements in the fair value of derivative financial instruments are taken to the income statement.

The fair value of a hedge accounted instrument is classified as a non-current asset or liability when the maturity of the hedged item is more than 12 months. Non-hedging instruments are classified in accordance with their particular maturity profile.

1. Accounting policies continued

Taxation

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 initially at fair value and subsequently measured at amortised cost using the effective interest method. A provision for impairment is established where 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 initially at fair value and subsequently measured at amortised cost using the effective interest method.

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 45 to 51.

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.

The grant by the Company of options and awards in the Group's equity instruments to the employees of subsidiary undertakings are treated as capital contributions.

Share capital

Share capital, which comprises ordinary shares, are classified as equity. Incremental costs attributable to the issue of new subscriptions are shown in equity as a deduction, net of tax, from the proceeds.

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.

Notes to the financial statements (continued)

2. Revenue and property outgoings

	Year ended 30 June 2008 £000	Year ended 30 June 2007 £000
Rental income	11,675	11,690
Recoverable property expenses	552	758
Revenue	12,227	12,448
Property expenses	(2,912)	(2,545)
Recoverable property expenses	(552)	(758)
Marketing expenses on properties under development	(1,923)	–
Property outgoings	(5,387)	(3,303)
Net property income	6,840	9,145

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 2008 £000	30 June 2007 £000
Less than one year	8,552	7,700
Between one and five years	30,972	27,969
Over five years	73,957	78,513
	113,481	114,182

3. Group operating (loss)/profit

	Year ended 30 June 2008 £000	Year ended 30 June 2007 £000
Operating (loss)/profit is stated after charging/(crediting)		
Fees payable to Company's auditors for the audit of Parent Company and consolidated accounts	60	54
Fees payable to the Company's auditor and its associates for other services		
Audit of the Company's subsidiaries pursuant to legislation	68	66
Other services pursuant to legislation	32	18
Tax services	25	20
All other services	13	–
Depreciation charge	307	283
Share-based payment	1,587	766
Operating lease rentals – land and buildings	27	36
Profit on sale of tangible fixed assets	(95)	(59)

4 Staff costs

	Year ended 30 June 2008 £000	Year ended 30 June 2007 £000
Average number of employees (including executive Directors) employed by the Group	29	28
	£000	£000
Staff costs for the above persons (including executive Directors)		
Wages and salaries	2,856	2,548
Discretionary bonuses	689	1,904
Share-based payment	1,587	766
Social security costs	477	549
Pension costs	132	126
	5,741	5,893

5. Directors' remuneration

	Year ended 30 June 2008 £000	Year ended 30 June 2007 £000
Aggregate emoluments	1,614	2,421
Contributions to pension schemes of Directors	123	117

Details of Directors' emoluments are set out in the table in the Remuneration report on page 47. In addition to the above, £879,000 of the share-based payment charge for the year is attributable to the Directors (2007: £491,000).

6. Finance costs

	Note	Year ended 30 June 2008 £000	Year ended 30 June 2007 £000
Bank interest and charges		31,258	21,112
Amortisation of loan issue costs		1,911	842
Expense relating to early loan repayment		-	388
Fair value loss on derivative financial instruments			
- Movement on non-hedging instruments	20	5,891	-
- Sale proceeds on disposal of non-hedging instruments		(850)	-
		5,041	-
Interest on obligations under finance leases		151	151
Capitalised interest and similar charges		(22,385)	(10,472)
		15,976	12,021

Notes to the financial statements (continued)

7. Finance income

	Note	Year ended 30 June 2008 £000	Year ended 30 June 2007 £000
Interest on short-term deposits		7,106	7,632
Other interest receivable		58	38
Fair value gain on derivative financial instruments			
– Ineffectiveness on cash flow hedges	20	61	360
– Movement on non-hedging instruments	20	–	1,217
– Sale proceeds on disposal of non-hedging instruments		–	138
		61	1,715
		7,225	9,385

8. Taxation

	Note	Year ended 30 June 2008 £000	Year ended 30 June 2007 £000
Corporation tax		–	–
Deferred tax credit	24	(37,292)	(2,389)
		(37,292)	(2,389)
(Loss)/profit before taxation		(269,221)	16,263
Tax on (loss)/profit at 29.5 per cent (2007: 30 per cent)		(79,420)	4,879
Expenses not deductible for tax purposes		626	368
Accelerated capital allowances		(41)	(43)
Differences arising from taxation of chargeable gains and property revaluations		38,540	(6,046)
Joint ventures' results (net of tax)		1,221	(30)
Tax losses and other temporary differences		1,782	760
Adjustments for change in substantively enacted corporation tax rate		–	(2,277)
Taxation credit for the year		(37,292)	(2,389)

The UK corporation tax rate changed to 28 per cent from 30 per cent from 1 April 2008, following substantive enactment on 26 June 2007. The reduced rate was applied to all temporary differences in the year ended 30 June 2007, which were due to be settled or realised after the change in legislation took effect.

9. (Loss)/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 loss for the year, £5,351,000 (2007: profit of £1,265,000) is dealt with in the financial statements of the Company.

10. (Loss)/earnings per share

(Loss)/earnings per share is calculated on a weighted average of 161,174,373 ordinary shares of 25 pence each in issue throughout the year (year to 30 June 2007: 161,144,986 ordinary shares) and is based on losses attributable to ordinary shareholders of £231,890,000 (year to 30 June 2007: profit of £18,652,000).

Due to the loss in the year, share options and incentive awards do not have a dilutive effect. In the year to 30 June 2007, the diluted earnings per share was calculated after allowing for the potential exercise of employee share options and incentive awards and was based on 162,595,811 ordinary shares of 25 pence each.

11. Investment properties

Group	30 June 2008 £000	30 June 2007 £000
At beginning of year Net book value	730,763	580,150
Acquisitions	21,644	87,820
Additions	93,726	45,435
Revaluation movement	(256,403)	17,358
At end of year Net book value	589,730	730,763
Recognition of finance lease obligations	(2,131)	(2,134)
Amounts included within prepayments and accrued income	16,841	974
At end of year At valuation	604,440	729,603

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 £28,251,000 (2007: £13,488,000). The average cost of interest capitalised was 6.9 per cent (2007: 6.6 per cent).

Investment properties include freehold properties with a net book value of £354,652,000 (2007: £421,956,000) and long leasehold properties with a net book value of £235,078,000 (2007: £308,807,000).

12. Property, plant and equipment

Group	Owner occupied property £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Valuation/cost				
At 1 July 2006	8,622	1,678	701	11,001
Additions	125	3	224	352
Disposals	–	–	(255)	(255)
At 1 July 2007	8,747	1,681	670	11,098
Additions	413	54	360	827
Disposals	–	(162)	(371)	(533)
At 30 June 2008	9,160	1,573	659	11,392
Depreciation				
At 1 July 2006	38	1,476	379	1,893
Depreciation charge	75	66	142	283
Disposals	–	–	(214)	(214)
At 1 July 2007	113	1,542	307	1,962
Depreciation charge	94	59	154	307
Disposals	–	(162)	(283)	(445)
At 30 June 2008	207	1,439	178	1,824
Net book value at 30 June 2008	8,953	134	481	9,568
Net book value at 30 June 2007	8,634	139	363	9,136

The owner-occupied property was valued on an open market 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 valuation of owner-occupied property at 30 June 2008 is £11,500,000 (30 June 2007: £13,100,000). The owner-occupied property is held on a long lease.

Notes to the financial statements (continued)

13. Investment in subsidiary undertakings

	Total £000
Parent Company	
At 1 July 2007	49,393
Additions	1,587
At 30 June 2008	50,980

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 (Finance) Limited
Antares Properties Limited	Minerva (Kensington) Limited
Castlereport Limited	Minerva (Lancaster Gate) Limited
Chainbill Limited	Minerva (Orchard Brae House) Limited
Croydon Leisure Limited	Minerva Property Holdings plc
Croydon Plaza Limited	Minerva Property Investments Limited
Dalebrook Properties Limited	Minerva Property Services Limited
Eagleprint Limited	Minerva Property Services (Wigmore Street) Limited
Futurestate Limited	Minerva Residential Holdings Limited
Goldrock Developments Limited	Minerva (Skypark) Limited
Gradegift Limited	Minerva (Stores) Limited
Helios Property Investments Limited	Minerva (Ventures) Limited
Hutch Investments Limited	Minerva Walbrook Limited Partnership
Jack Cade Limited	Minerva (Wandsworth) Limited
Jimtrack Limited	OMD Holdings Limited
Lancaster Gate (Hyde Park) Limited†	OMD Holborn Limited
Larchfield Investments Limited	OMD Property (Holborn) Limited
Leinster HH LLP	OMD Property Limited
LLH One Limited	Park Place Limited Partnership*
LLH Two Limited	Sparage Properties Limited
M1 Limited	Tipace Limited
M6 Limited	Tipace Investments Limited
Minel Limited	The Abingdons Partnership†
Minerva (Ambassador) Limited	Walbrook Property Investments Limited
Minerva (City) Limited	245 Blackfriars Road Limited
Minerva Corporation plc	245 Blackfriars Road Investments Limited
Minerva (Croydon) 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 2008 £000	30 June 2007 £000
Group		
At 1 July	6,964	3,923
Additions	225	2,567
Share of post tax (loss)/profit	(4,125)	101
Movement in fair value of derivative financial instruments recognised in equity (net of tax)	(164)	373
Disposal	(2,900)	–
At 30 June	–	6,964

Share of loss for the year attributable to joint ventures, comprises £4,083,000 of income and £8,208,000 of expenses (year to 30 June 2007 profit, comprising £3,683,000 of income and £3,582,000 of expenses)

The Group's 25 per cent share of the net assets of joint ventures at 30 June 2008 is as follows

	30 June 2008 £000	30 June 2007 £000
Group		
Property assets	4,500	32,594
Other non-current assets	88	996
Current assets	293	1,952
Gross assets	4,881	35,542
Current liabilities	(114)	(1,568)
Borrowings	(4,767)	(26,599)
Other non-current liabilities	–	(411)
Gross liabilities	(4,881)	(28,578)
Group share of net assets	–	6,964

In the year to 30 June 2008, the Group disposed of its 25 per cent interest in the property known as Skypark, for total proceeds of £2,300,000. The loss, after the realisation of the hedge effective derivative financial instrument previously hedge accounted for, amounts to £189,000.

The Group's remaining interest in joint ventures comprises a 25 per cent interest in the property known as Orchard Brae House, located in Edinburgh. The investment property is held through a joint venture vehicle which has as its main activity property investment and operates and is registered in Great Britain. The investment property was valued on an open market value basis by GVA Grimley LLP, independent external valuers, as at 30 June 2008 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 2008 £000	30 June 2007 £000
Group		
At 1 July	276	276
Additions	20	–
Disposals	(66)	–
At 30 June	230	276

Investments held as other financial assets are traded in active markets and are valued on the basis of quoted market prices at the balance sheet date, which approximates to fair value.

Notes to the financial statements (continued)

16. Trading properties

	30 June 2008 £000	30 June 2007 £000
Group		
At 1 July	107,618	26,933
Additions	26,181	80,685
At 30 June Book value	133,799	107,618
At 30 June Valuation	282,000	158,000

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 2008 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 £11,517,000 (30 June 2007: £3,895,000). The average cost of interest capitalised was 7.5 per cent (2007: 7.8 per cent).

Both properties were acquired by the Group, in partnership with residential developer, Northacre Plc who 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 2008 £000	Group 30 June 2007 £000	Parent Company 30 June 2008 £000	Parent Company 30 June 2007 £000
Trade receivables	1,180	1,277	–	–
Allowance for doubtful debts	(253)	(308)	–	–
	927	969	–	–
Other receivables	12,303	2,908	15	33
Amounts owed by subsidiary undertakings	–	–	235,680	240,907
Prepayments and accrued income	19,583	3,240	195	102
	32,813	7,117	235,890	241,042
Less non-current assets: trade and other receivables	(5,200)	–	–	–
Current trade and other receivables	27,613	7,117	235,890	241,042

	Group 30 June 2008 £000	Group 30 June 2007 £000	Parent Company 30 June 2008 £000	Parent Company 30 June 2007 £000
Movement in allowance for doubtful debts				
At 1 July	308	131	–	–
Allowance	243	221	–	–
Written off	(250)	(1)	–	–
Recovered	(48)	(43)	–	–
At 30 June	253	308	–	–

Trade receivables comprise rental income and service charges which are due on contracted quarter days with no credit period. Trade receivables are assessed on a tenant by tenant basis and where there is doubt as to recoverability of the debt, a specific allowance is made. Other receivables predominantly comprise recoverable Value Added Tax, rights of light compensation and deposits receivable in respect of future trading property sales. All significant receivables due to be settled, have been received since 30 June 2008.

17. Trade and other receivables continued

There are no current trade or other receivables, over due or past credit terms but not impaired greater than six months old. Group prepayments and accrued income at 30 June 2008 include £15,717,000 of prepaid development expenditure (2007: £nil). The non-current trade and other receivable comprises a £5,200,000 deposit in respect of future sales of trading properties (2007: £nil).

18. Cash and cash equivalents

Cash and cash equivalents include £2,901,000 (2007: £5,421,000) retained in rent and restricted accounts which is not readily available to the Group for day-to-day commercial purposes.

19. Trade and other payables

	Group 30 June 2008 £000	Group 30 June 2007 £000	Parent Company 30 June 2008 £000	Parent Company 30 June 2007 £000
Trade payables	2,324	1,620	–	–
Taxation and social security	1,040	846	–	–
Other payables	2,944	1,571	299	299
Amounts payable on property acquisitions	12,434	58,446	–	–
Accruals and deferred income	25,601	20,529	715	298
	44,343	83,012	1,014	597

20. Borrowings and derivative financial instruments

	30 June 2008 £000	30 June 2007 £000
Group		
Borrowings		
Current liabilities		
Bank and other borrowings	30,266	62,549
Finance lease obligations	2	2
	30,268	62,551
Non-current liabilities		
Bank and other borrowings	494,270	266,476
Finance lease obligations	2,129	2,132
	496,399	268,608

The fair value of borrowings approximates to the carrying value, by virtue of all borrowings comprising floating rate liabilities. All bank borrowings are secured on the land and buildings of the Group.

Maturity of borrowings

	Bank and other borrowings	
	30 June 2008 £000	30 June 2007 £000
Less than one year	30,266	62,549
Between one and two years	72,471	110,150
Between two and five years	173,292	29,322
Over five years	248,507	127,004
	524,536	329,025

Notes to the financial statements (continued)

20. Borrowings and derivative financial instruments continued

	Finance lease obligations		Finance lease obligations (net of future finance charges)	
	30 June 2008 £000	30 June 2007 £000	30 June 2008 £000	30 June 2007 £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	9,466	9,619	2,119	2,122
	10,231	10,384	2,131	2,134
Future finance charges on leases	(8,100)	(8,250)	-	-
	2,131	2,134	2,131	2,134

Undrawn facilities

At 30 June 2008 the Group had undrawn loan and overdraft facilities maturing as follows

	30 June 2008 £000	30 June 2007 £000
Less than one year	2,000	2,208
Between one and two years	5,496	-
Between two and five years	164,913	169,075
Over five years	390,284	467,855
	562,693	639,138

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 2008 are analysed as follows

	30 June 2008		30 June 2007	
	Total £000	Weighted average interest rate %	Total £000	Weighted average interest rate %
Swapped fixed-rate borrowings	348,290	6.7	182,324	6.3
Floating rate borrowings	176,246	7.3	146,701	7.4
Total borrowings	524,536		329,025	

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 6.7 per cent (2007: 6.3 per cent) and includes loan margins ranging from 0.6 per cent to 2.0 per cent with all inclusive interest rates ranging from 5.5 per cent to 7.6 per cent (2007: 5.5 per cent to 7.8 per cent). The weighted average period of the Group's swapped fixed-rate borrowings was 4.6 years at 30 June 2008 (2007: 5.2 years).

Floating rate debt incurs interest at margins between 1.2 per cent and 2.0 per cent over LIBOR (2007: 1.0 per cent and 2.0 per cent).

20. Borrowings and derivative financial instruments continued

Derivative financial instruments

	Assets £000	Liabilities £000	Total £000
At 1 July 2006	3,887	(3,245)	642
Movement in fair value recognised in equity			
Effectiveness on cash flow hedges	6,536	2,885	9,421
Movement in fair value recognised in income statement			
Ineffectiveness on cash flow hedges	-	360	360
Movement on non-hedging instruments	1,217	-	1,217
At 1 July 2007	11,640	-	11,640
Movement in fair value recognised in equity			
Effectiveness on cash flow hedges	6,890	-	6,890
Movement in fair value recognised in income statement			
Ineffectiveness on cash flow hedges	61	-	61
Movement on non-hedging instruments	(3,221)	(2,670)	(5,891)
At 30 June 2008	15,370	(2,670)	12,700
Less non-current portion			
Cash flow hedges	(15,370)	-	(15,370)
Non-hedging instruments	-	526	526
	(15,370)	526	(14,844)
Current portion	-	(2,144)	(2,144)

Fair value estimation

All derivative financial instruments are carried at fair value at the balance sheet date, following a valuation by JC Rathbone Associates Limited, which calculates the present value of the estimated future cash flows

Gearing

Net gearing, measured as Group net debt to total equity, was 135 per cent at 30 June 2008 (2007 39 per cent)

21 Other payables

	30 June 2008 £000	30 June 2007 £000
Non-current liabilities		
Deferred income on future sales of trading properties	15,600	-
Amounts payable on property acquisition	-	12,434
	15,600	12,434

Notes to the financial statements (continued)

22. Financial assets and liabilities carrying values

	30 June 2008 £000	30 June 2007 £000
Group		
Non-current assets		
Derivative financial instruments used for hedging at fair value	15,370	11,640
Trade and other receivables at amortised cost less impairment	5,200	–
Other financial assets at fair value	230	276
	20,800	11,916
Current loans and receivables		
Trade and other receivables at amortised cost less impairment	27,613	7,117
Cash and cash equivalents	117,438	125,491
	145,051	132,608
Total financial assets	165,851	144,524
Current liabilities		
Trade and other payables at amortised cost	(42,584)	(82,091)
Derivative financial instruments not used for hedging at fair value	(2,144)	–
Borrowings at fair value	(30,268)	(62,551)
	(74,996)	(144,642)
Non-current liabilities		
Other payables at amortised cost	–	(12,434)
Borrowings at fair value	(496,399)	(268,608)
Derivative financial instruments not used for hedging at fair value	(526)	–
	(496,925)	(281,042)
Total financial liabilities	(571,921)	(425,684)
Company		
Current loans and receivables		
Trade and other receivables at amortised cost less impairment	235,890	241,042
Cash and cash equivalents at fair value	6,668	6,450
Total financial assets	242,558	247,492
Current liabilities		
Trade and other payables at amortised cost	(1,014)	(597)
Total financial liabilities	(1,014)	(597)

Investments classified as other financial assets and derivative financial instruments not used for hedging are financial assets or liabilities, held at fair value, with movements through the income statement

Derivative financial instruments used for hedging are held at fair value and hedge accounted. Ineffective movements in fair value are taken through the income statement with the remaining effective movement recognised in equity

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. Where an impairment is identified, the loss is recognised in the income statement

23. Financial risk management

In the normal course of business, the Group is exposed to interest rate risk, liquidity risk, credit risk and to a lesser extent currency risk, which it seeks to mitigate through a combination of sound business practices and use of derivative financial instruments

The Group's risk management policies and practices are as follows

Interest rate management

Interest rate swaps are generally used to alter the interest rate profile of the Group's debt, having the effect of transforming floating rate liabilities into fixed rate liabilities. The Group has well established practices to monitor the interest rates prevailing on current borrowings. Further details relating to derivative financial instruments are given in note 20

Sensitivity to interest rates

The Group's exposure to changes in interest rates relates to the effect of a rate change on the fair value of the Group's derivative financial instruments and the cost of servicing the Group's floating rate borrowings. Based on the 30 June 2008 balance sheet, a 50 basis point rise in interest rates could equate to a £13,047,000 net gain (2007 £7,197,000), conversely a 50 basis point fall could result in a net loss of £13,056,000 (2007 £6,758,000)

In the circumstances where there is a 50 basis point rise a loss of £273,000 (2007 gain £1,916,000) in respect of the net gain would be expected to go through the income statement and a gain of £13,320,000 (2007 £5,281,000) would be taken to equity. In the circumstances where there is a 50 basis points fall a gain of £264,000 (2007 loss £1,478,000) in respect of the net loss would be allocated to the income statement with a loss of £13,320,000 (2007 £5,280,000) going through equity

Credit risk management

Principal financial assets comprise investments, trade and other receivables, cash and deposits and derivative financial instruments

The credit risk in respect of cash and deposits and derivative financial instruments is limited and mitigated by the counterparties who are financial institutions with high credit ratings

The level of credit risk attaching to the remaining financial assets is low, given their relative size compared to overall net worth. Other financial assets predominantly comprise rental and service charge income due from tenants, recoverable Value Added Taxation, rights of light compensation and deposits receivable in respect of future trading property sales. The credit risk attaching to these assets is mitigated by a combination of an assessment of a tenant's, purchaser's or, supplier's financial standing before credit is advanced, the holding deposits and/or guarantees and rental contracts requiring rent to be paid in advance

Foreign currency management

The Group monitors its foreign exchange exposure and would use forward foreign exchange contracts or other methods of risk management where it considers appropriate

Sensitivity to foreign currency

The Group's exposure to changes in the Euro/UK Sterling exchange rate relates to the effect of a rate change on an embedded foreign exchange forward contract on development activities

Based on the 30 June 2008 balance sheet, a 1 per cent strengthening of UK Sterling against the Euro could equate to a gain of £168,000 (2007 £nil) through the income statement. Conversely a 1 per cent weakening of UK Sterling against the Euro could equate to a loss of £168,000 (2007 £nil) through the income statement

Liquidity management

Cash reserves are monitored to ensure adequate resources are available to provide the Group with security, liquidity and the flexibility during the development phase of its projects, whilst also enabling it to invest in new opportunities

The Group seeks, where possible, to borrow on a non-recourse or limited-recourse basis, with a view to maintaining an appropriate maturity profile that supports the Group's operations. Borrowings usually comprise variable rate loans in the first instance

Capital risk management

The Group seeks to manage its capital in a way to safeguard its ability to continue as a going concern, provide returns for shareholders and benefits for other stakeholders

In order to achieve these objectives, the Group may adjust the dividends paid to shareholders, return capital to shareholders, issue new shares or purchase, develop or sell assets

Notes to the financial statements (continued)

23. Financial risk management continued

Maternity analysis of the undiscounted contractual cash flows relating to financial liabilities

Group	Trade and other payables £'000	Borrowings £'000	Derivative financial instruments £'000	Total contractual cash flows £'000
30 June 2008				
Less than one year	42,584	71,737	2,144	116,465
Between one and two years	-	109,717	526	110,243
Between two and five years	-	248,717	-	248,717
Over five years	-	345,873	-	345,873
	42,584	776,044	2,670	821,298
30 June 2007				
Less than one year	82,091	86,387	-	168,478
Between one and two years	12,434	127,662	-	140,096
Between two and five years	-	64,044	-	64,044
Over five years	-	219,821	-	219,821
	94,525	497,914	-	592,439

Parent Company undiscounted contractual cash flows relating to financial liabilities comprise trade and other payables, which are due within one year are disclosed on page 77

23. Financial risk management continued

Reconciliation of the undiscounted contractual cash flows to balance sheet carrying values of financial liabilities

Group	Carrying value £'000	Interest £'000	Unamortised borrowing costs £'000	Effect of rent reviews and discounting on finance lease obligations £'000	Contractual cash flows costs £'000
30 June 2008					
Borrowings					
Less than one year	30,268	39,338	1,243	888	71,737
Between one and two years	72,473	35,230	1,126	888	109,717
Between two and five years	173,300	70,804	1,951	2,662	248,717
Over five years	250,626	49,523	1,544	44,180	345,873
	526,667	194,895	5,864	48,618	776,044
30 June 2007					
Borrowings					
Less than one year	62,551	21,902	1,046	888	86,387
Between one and two years	110,152	16,303	319	888	127,662
Between two and five years	29,330	31,319	733	2,662	64,044
Over five years	129,126	44,783	844	45,068	219,821
	331,159	114,307	2,942	49,506	497,914

There is no difference between the undiscounted contractual cash flows and balance sheet carrying values of the Group's derivative financial liabilities and trade and other payables, or any of the financial liabilities of the Parent Company as disclosed on page 77

24. Deferred tax

Group	At 1 July 2007 £000	Income statement £000	Equity £000	At 30 June 2008 £000
Accelerated capital allowances	6,151	(1,697)	–	4,454
Tax losses	(7,654)	(1,770)	–	(9,424)
Temporary differences	4,345	3,527	–	7,872
Property revaluations	36,441	(36,441)	–	–
Derivative financial instruments	2,538	(911)	1,929	3,556
	41,821	(37,292)	1,929	6,458

Deferred tax assets in respect of losses available against future taxable income, not recognised at the balance sheet date, amount to £9,931,057 (2007 £3,459,000)

Notes to the financial statements (continued)

25. Called up share capital

	30 June 2008 £000	30 June 2007 £000	30 June 2008 Number	30 June 2007 Number
Group and Parent Company				
Authorised				
Ordinary shares of 25 pence each	75,000	75,000	300,000,000	300,000,000
Issued and fully paid				
At 1 July	40,294	40,278	161,174,373	161,110,341
Issued on exercise of share options	–	16	–	64,032
At 30 June	40,294	40,294	161,174,373	161,174,373

There have been no changes to the number of shares in issue since 30 June 2008

At 30 June 2008, options and awards granted to employees over the following number of shares in the Company remained outstanding

Scheme	Date of Grant	At 1 July 2007	Granted during year	Forfeited/cancelled during year	At 30 June 2008	Exercise price
2001 Sharesave Scheme						
	28 Oct 2005	34,838	–	(33,019)	1,819	205 60p
	19 Dec 2006	18,814	–	(18,814)	–	300 00p
	15 Oct 2007	–	50,503	(45,386)	5,117	187 60p
	2 Apr 2008	–	227,683	–	227,683	101 40p
		53,652	278,186	(97,219)	234,619	
1996 Share Option Scheme						
	20 Apr 2001	439,497	–	(439,497)	–	320 80p
		439,497	–	(439,497)	–	
2001 Discretionary Share Option Scheme						
	25 Sep 2002	795,205	–	(795,205)	–	169 00p
	2 Oct 2003	646,980	–	–	646,980	190 50p
		1,442,185	–	(795,205)	646,980	
Scheme	Date of Award	At 1 July 2007	Awarded during the year	Forfeited/cancelled during year	At 30 June 2008	Market price on date of award
2005 Executive Incentive Plan						
	1 Dec 2005	1,172,572	–	–	1,172,572	258 00p
	13 Nov 2006	878,556	–	–	878,556	383 75p
	11 Sept 2007	–	1,484,729	–	1,484,729	256 25p
	16 Oct 2007	–	7,745	–	7,745	218 75p
		2,051,128	1,492,474	–	3,543,602	

25 Called up share capital continued

At 30 June 2008 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 2008 Number of shares	Subscription price Pence
December 2008	1,819	205 60
December 2010	5,117	187 60
May 2011	177,979	101 40
May 2013	49,704	101 40

At 30 June 2008, 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 2008 Number of shares	Subscription price Pence
October 2006 to October 2013	646,980	190 5

The following awards of conditional shares have been granted under the 2005 Executive Incentive Plan and remain outstanding at 30 June 2008

Vesting date	30 June 2008 Number of shares	Subscription price Pence
December 2008	1,172,572	nil
November 2009	878,556	nil
September 2010	1,484,729	nil
October 2010	7,745	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	2005 Executive Incentive Plan	2001 Sharesave Scheme	2001 Sharesave Scheme	2001 Sharesave Scheme
Grant date	11 Sep 2007	16 Oct 2007	15 Oct 2007	2 April 2008	2 April 2008
Exercise price	nil	nil	187 6p	101 4p	101 4p
Expected life (years)	3	3	3	3	5
Expected volatility per annum	27%	28%	28%	37%	35%
Expected dividend yield per annum	0%	0%	0%	0%	0%
Risk free rate per annum	5 0%	5 2%	5 2%	4 0%	4 1%

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.

Notes to the financial statements (continued)

26. Net asset value per share

	30 June 2008 £000	30 June 2007 £000
Basic net asset value	302,539	528,456
Share awards	240	128
Diluted net asset value	302,779	528,584
Adjustment for		
Unrecognised revaluation surplus on owner occupied property	2,547	4,466
Group's estimated share of unrecognised revaluation surplus on trading properties	90,860	33,130
Deferred tax in respect of unrecognised revaluation surplus on owner occupied property	(429)	(1,113)
Deferred tax in respect of Group's estimated share of unrecognised revaluation surplus on trading properties	(23,594)	(8,616)
Adjusted net asset value	372,163	556,451
	Number of shares '000	Number of shares '000
Basic	161,174	161,174
Share awards	233	1,487
Diluted	161,407	162,661
	Pence	Pence
Basic net asset value per share	187.7	327.9
Share awards	(0.1)	(2.9)
Diluted net asset value per share	187.6	325.0
Adjustment for		
Unrecognised revaluation surplus on owner occupied property	1.6	2.7
Group's estimated share of unrecognised revaluation surplus on trading properties	56.3	20.4
Deferred tax in respect of unrecognised revaluation surplus on owner occupied property	(0.3)	(0.7)
Deferred tax in respect of Group's estimated share of unrecognised revaluation surplus on trading properties	(14.6)	(5.3)
Adjusted net asset value per share	230.6	342.1

Given the significant value of trading properties that the Group holds, a more relevant measure of the Group's financial position is one that reflects the valuation of the total property portfolio. Adjusted net asset value incorporates the Group's post tax share of the unrecognised revaluation surplus of its trading and owner occupied properties, having taken into account the estimated share attributable to minority interest. The estimated deferred tax provided assumes the disposal of the properties at the values ascribed to them at 30 June 2008.

27 Dividends

No final dividend or interim was proposed or paid in respect of the year ended 30 June 2008 (2007 £nil)

28 Capital commitments

Capital commitments contracted, but not provided for, at 30 June 2008 were £271,402,000 (2007 £7,886,000)

29. Commitments under operating leases

Total commitments under non-cancellable operating leases

	30 June 2008 £000	30 June 2007 £000
Less than one year	27	27
Between one and five years	108	108
Over five years	107	134
	242	269

30 Contingent liabilities

The Company has guaranteed external borrowings of some of its subsidiary undertakings, which at the balance sheet date amounted to £35,000,000 (2007 £37,146,000)

31. Cash flows from operations

Group	Year to 30 June 2008 £000	Year to 30 June 2007 £000
(Loss)/profit before taxation	(269,221)	16,263
Share of post tax loss/(profit) of joint ventures	4,125	(101)
Net finance costs	8,751	2,636
Operating (loss)/profit	(256,345)	18,798
Depreciation	307	283
Movement on revaluation of investment properties	256,403	(17,358)
Profit on sale of property, plant and equipment	(95)	(59)
Loss on sale of investment in joint ventures	189	—
Amortisation of lease incentives, letting fees and other non-cash items	215	250
Share-based payment	1,587	766
Expenditure on trading properties	(17,367)	(74,014)
(Increase)/decrease in trade and other receivables	(10,277)	37,487
Increase/(decrease) in trade and other payables	16,516	(2,970)
	(8,867)	(36,817)
Parent Company	Year to 30 June 2008 £000	Year to 30 June 2007 £000
(Loss)/profit before taxation	(5,351)	1,264
Net finance income	(366)	(305)
Operating (loss)/profit	(5,717)	959
Decrease/(increase) in trade and other receivables	5,267	(1,183)
Increase in trade and other payables	417	41
	(33)	(183)

Notes to the financial statements (continued)

32. Post balance sheet events

Since 30 June 2008, the Group has acquired or exchanged contracts to acquire properties for a total consideration of £13,600,000

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 45 to 51, and with joint ventures where the Group has made and disposed of equity investments, which are disclosed in note 14

During the year the Company was charged £4,605,000 of management fees by subsidiaries (2007 £4,315,000)
Amounts advanced by the Company to subsidiary undertakings, are disclosed in note 17 and are unsecured, interest free and repayable on demand. The Company did not receive any intra-group dividends during the year (2007 £6,500,000)

Further information

Property portfolio

Development projects

The Wallbrook
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

Orchard Brae House*
Edinburgh

*Joint venture

Advisers to the Company

Auditors

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1 Embankment Place
London WC2N 6RH

Solicitors

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London WC1V 6XX

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New Court St Swithin's Lane
London EC4P 4DU

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Citigroup Centre
33 Canada Square
Canary Wharf
London E14 5LB

Principal bankers

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1 Churchill Place
London E14 5HP

Deutsche Postbank AG
London Branch
61 Queen Street
London EC4R 1AF

HSH Nordbank AG
London Branch
Moorgate Hall
155 Moorgate
London EC2M 6UJ

Landesbank Berlin
London Branch
1 Crown Court
London EC2V 6LR

Lloyds TSB Bank plc
25 Gresham Street
London EC2V 7HN

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Moulton Park
Northampton NN3 6NW

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