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**THE NEXT PHASE**  
**MINERVA PLC**  
**ANNUAL REPORT**  
**AND ACCOUNTS**  
**2006**

IMAGE REMOVED



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COMPANIES HOUSE

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**WE HAVE A SMALL  
BUT STRONG TEAM  
OF HIGHLY FOCUSED  
AND EXPERIENCED  
PEOPLE LOOKING  
AT ASSEMBLY,  
DEVELOPMENT,  
MANAGEMENT  
AND FINANCING.**

IMAGE  
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**WE HAVE SUFFICIENT  
CAPITAL AVAILABLE  
WHICH GIVES US THE  
STABLE FRAMEWORK  
FROM WHICH TO MAKE  
TIMELY ACQUISITIONS  
AND REACT QUICKLY  
WHEN NECESSARY.**

**WE ARE FOCUSED  
ON DELIVERING THE  
POTENTIAL FROM  
OUR DEVELOPMENTS  
WITHIN A FIVE YEAR  
TIMESCALE.**

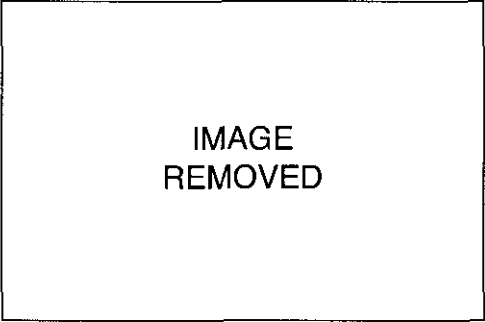


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**WE ENSURE THAT  
OUR PIPELINE  
OF DEVELOPMENT  
OPPORTUNITIES  
ARE IN SECTORS  
UNDERPINNED BY  
STRONG OR IMPROVING  
OCCUPIER DEMAND.**

**IN A YEAR WHERE BOTH  
NEW AND EXISTING  
OPPORTUNITIES HAVE  
PROMPTED A NATURAL  
SHIFT OF EMPHASIS IN  
THE GROUP'S FOCUS,  
WE HAVE SEEN  
OUR DEVELOPMENT  
CREDENTIALS BROUGHT  
TO THE FORE.**

## Group overview

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### Profile

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

### Financial highlights

|  | 2006    | 2005     |
|--|---------|----------|
| Net rental income                              | £15.1m  | £52.2m   |
| Profit/(loss) before tax and exceptional items | £9.3m   | £(4.7)m  |
| Profit/(loss) for the year                     | £1.7m   | £(20.4)m |
| Net asset value per share                      | 311.5p  | 314.9p   |
| Cash reserves                                  | £161.6m | £144.4m  |

## Chairman's statement

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### **OUR PROCESS OF REORIENTATION HAS ENABLED US TO MOVE INTO NEW ARENAS.**

Andrew Rosenfeld  
Chairman

With the commencement of The Walbrook Project, London EC4, a significant step towards the active realisation programme for the Group's major development projects has taken place. This has been made possible as a consequence of the radical steps that I announced in March of last year, to dramatically reduce the Group's borrowings, increase cash reserves and strengthen our Board along with the executive management team. This process of reorientation has enabled us to move into new arenas including luxury residential and mixed use development in Central London. With the London market remaining strong we are well placed to reap the rewards of these endeavours.

I would like to turn to our financial results for the year ended June 2006 which are the first full-year results for the Group to be prepared under International Financial Reporting Standards. Profit before tax and exceptional items was £9.3 million (2005: loss of £4.7 million).

Exceptional items of £16.2 million were incurred during the year which primarily relate to fixed rate loan and swap break costs, relating to both the disposal of the Bankside Estate and refinancing of the loan to enable The Walbrook to be developed. After incorporating the exceptional costs and the tax credit, the profit for the year for the Group was £1.7 million (2005: loss of £20.4 million).

Turning now to our main projects, the redevelopment of The Walbrook, a 455,000 sq.ft. headquarter office building in the heart of the City of London represents a major opportunity for the Group to enhance its asset base and construct what will be a major landmark office building,

which has been carefully pieced together over a number of years culminating in the securing of vacant possession at the beginning of 2005 through the conclusion of a lease surrender from Barclays Bank. This development which is scheduled for completion in 2009 has been designed by world renowned architects Foster and Partners. The design lends itself to a range of leasing options ranging from single to multi-tenanted occupation. With the City of London office market strengthening significantly we are confident of a successful outcome.

Against the improving market conditions in the City we have taken the decision to focus upon the development of the 530,000 sq.ft. headquarter office development at St. Botolph's House, London EC3. This building, designed by Grimshaw, has a similar design philosophy to that of The Walbrook, capable of being leased to a single tenant or a range of diversified occupiers. The Group is currently at a detailed stage of discussion in respect of construction finance and has procured funding to enable the demolition of the existing buildings and detailed design. The construction of the new development will be subject to a modest level of pre-leasing in order to avoid concentration of risk in the City market.

The Park Place project in Croydon has seen significant activity principally surrounding the compulsory purchase public inquiry which took place earlier this year, along with a growing relationship with Lend Lease with whom we entered into a development agreement in 2005 for the realisation of Park Place.

A key milestone during the year was entering into an agreement with The Whitgift Foundation, a major landowner in central Croydon, for a new 250 year head lease which will ensure a mutuality of interests through the realignment of our respective landholdings. It is anticipated that the decision of the public enquiry will be released during the early part of 2007.

In November 2005 we acquired The Odeon Cinema site in High Street Kensington where the Group plans to develop a scheme of luxury apartments. We are working closely with our partners Northacre plc on the design for the new project and we are optimistic that planning will be forthcoming.

In February 2006, again in joint venture with Northacre plc, we announced the conditional acquisition of 75-89 Lancaster Gate, London W2. This transaction became unconditional in July 2006. The project currently has planning consent for 139 residential units and we are currently embarking upon a detailed redesign of the development so as to create a range of luxury homes that will attract purchasers from around the world.

Since the end of our financial year we exchanged contracts for the acquisition of the Ram Brewery site in Wandsworth SW18. In contrast to High Street Kensington and Lancaster Gate this is a significant mixed use project which will draw upon our skills in the residential, office and retail arenas. It is an opportunity that will play to the Group's strengths as it requires a detailed understanding of the planning and construction process along with the ability to embrace a diverse range of interests shared by local stakeholders.

In addition to the core projects in order to diversify our activities into new markets the Group entered into two smaller joint ventures in Glasgow and Edinburgh with high calibre partners.

The Minerva team has made significant progress over the last 12 months and is now committed to a very clear development based strategy. With the commencement of The Walbrook Project the Group has signalled that it is now entering a new phase in its evolution, focused on delivering shareholder value through the development of its projects. With the London market continuing to be high on the list of international investors and occupiers this should be a period of sustained growth for the Group.

As stated in our Interims, the Board has determined that dividends will be paid from the realisation of our projects and accordingly no dividend will be paid for this year in line with this strategy.

I am pleased to confirm that at the forthcoming Annual General Meeting in November, Oliver Whitehead, subject to your approval, will take up the appointment of non-executive Chairman, having joined the Board in July of this year. He brings with him many years of experience from several senior roles within the construction industry.

As this is my last Chairman's Statement I would like to thank those at Minerva who have worked closely with me in taking a Company with an initial share capital of £70,000 to one which today has net assets of around £500 million.

## Strategy overview

Our strategy:  
Delivering the Company's future growth

**WE HAVE A VERY CLEAR  
VISION AND STRATEGY FOR  
THE FUTURE GROWTH OF  
THE BUSINESS, WHICH IS  
CENTRED AROUND FIVE  
KEY ELEMENTS.**

|   |   |
|---|---|
| 1 | Sustaining a high quality pipeline of opportunities                         |
| 2 | Establishing a timeframe of no more than five years for all new investments |
| 3 | Maximising return through capital discipline and leverage                   |
| 4 | Fully utilising our development capabilities                                |
| 5 | Maintaining sufficient cash reserves to react quickly to opportunities      |

## Business review

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### Our developments

#### The Walbrook, London EC4

The Walbrook represents a key opportunity to create a high quality new office headquarters building in the heart of the City of London. Demolition is underway with the main construction due to commence in the early Summer next year.

Internationally renowned architects Foster and Partners have designed the new building which will stand on this prime 1.6 acre freehold site.

The scheme will provide some 415,000 sq.ft. of air-conditioned offices incorporating flexible floorplates. Retail and restaurant accommodation amounting to 40,000 sq.ft. will be located along the 50 metre Cannon Street frontage directly opposite the main entrance to Cannon Street Station.

#### The scheme includes:

- 415,000 sq.ft. of offices suitable for a major occupier
- Prime landmark status
- 40,000 sq.ft. of retail and restaurant accommodation directly opposite Cannon Street Station
- Excellent public transport facilities.

The new building will occupy virtually the entire side of a City street and is one of the largest sites in the central City area.

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**2006 HAS BEEN A VERY  
PRODUCTIVE YEAR  
FOR THE GROUP AS  
WE HAVE POSITIONED  
THE BUSINESS TO DELIVER  
SIGNIFICANT MEDIUM  
AND LONG-TERM RETURNS  
FOR SHAREHOLDERS.**

Salmaan Hasan

Chief Executive

## Introduction and strategy

### Introduction

Minerva, over a number of years, has brought together several long-term development opportunities through site assembly and the achievement of planning permissions. Our Chief Executive, Salmaan Hasan, has spearheaded a review of the business and, together with the Board and its executive management team, focused on delivering shareholder value through:

- the delivery of best value from our three large development schemes: The Walbrook, St. Botolph's House and Park Place;
- the investment in new opportunities primarily which have development situations that have a turnaround time within three to five years; and
- the establishment of a portfolio of projects, coupled with appropriate structured finance and targeted risk adjusted return disciplines.

The net effect of this new approach has been a transition from an ostensibly investment-based Group to a developer model.

### Strategy

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

The essence of our strategy is to:

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

### Future evolution and development

Minerva will continue:

- the entrepreneurial nature of our activities;
- the development of opportunities with partners and alliances;
- to maintain a high quality skill base available to the Group, either directly or indirectly; and
- the improved communication with investors and key stakeholders.

### Performance

Set against this strategy, 2006 has been a very productive year for the Group as we have positioned the business to deliver significant medium/long-term returns for shareholders. We have arranged structured acquisition and development funding in excess of £500 million and have progressed planning applications and schemes including managing our Croydon shopping centre scheme, Park Place, through a compulsory purchase inquiry. We have also made substantial exciting acquisitions, some in joint venture with respected partners, in new alliances to drive shareholder value.

## Operational review

### City of London Offices:

#### The Walbrook, London EC4

We announced this time last year, that having secured an option to terminate the occupational lease with Barclays Bank at St. Swithin's House, we were going to speculatively develop The Walbrook, a 455,000 sq.ft. office development in the heart of the City of London designed by Foster and Partners.

To achieve this, in January the Group secured a £275 million senior debt facility to develop the building. This funding has enabled the Group to commence work on this prime City development this Summer, with completion expected in the third quarter of 2009. The financing, which initially provided £75 million to refinance existing bank debt on the site, has been structured on a project basis and provides the Group with further funding of up to £140 million for the development of the building. An additional £60 million is available to be drawn on reaching pre-agreed targets as the project is completed and let.

As we explained in last year's Annual Report, we have re-examined the internal design of the planning consented scheme (renewed in 2005) creating layouts that have a wider appeal in terms of divisibility to single occupiers but also provide layouts for multi-occupation. This will widen the range of potential tenants including the financial and professional sectors.

Business review continued

We have also undertaken a very detailed exercise in value engineering which has identified cost efficiencies and has increased the net lettable area for the building by around 15,000 sq.ft. to a total of 455,000 sq.ft.

Further to the agreement entered into last year with Barclays Bank, we terminated the occupational lease in April. The lease termination completed in July 2006 and the Group received an amount of £26.1 million.

The demolition of the three existing buildings on which The Walbrook will be built is underway. Under the current programme, completion of the project to Category A specification is expected to take place in the third quarter of 2009.

A formal marketing campaign has been agreed and we plan for this to commence towards the end of this calendar year.

In terms of our investment in adjoining properties, the Group acquired 111 Cannon Street for £9.0 million in June 2006. We believe that this property will benefit from the overall improvement in the area, fuelled by the development of The Walbrook. Going forward we will be looking to combine 111 Cannon Street, together with other adjoining properties that we own along St. Swithin's Lane and Cannon Street, as part of a new smaller development opportunity.

#### St. Botolph's House, London EC3

This project comprises St. Botolph's House and Ambassador House and the Group currently benefits from planning consents for two office buildings, both designed by architects, Grimshaw:

- a landmark 14 storey office building comprising circa 530,000 sq.ft. of offices and retail. This permission, which was granted in November 1999, has been implemented by the Group. This scheme is known as 'St. Botolph's House'; and
- a landmark tower comprising circa 1 million sq.ft. of office and retail accommodation. The permission for this scheme, known as 'The Minerva Building', was granted in April 2004.

Over the last year management has spent a considerable amount of time and effort reviewing both schemes, paying regard to the market, the financial resources available to the Group, the potential co-investment and funding partner interest as well as the financial dynamics of the respective schemes. We have concluded that, given the significant scale and risks associated with The Minerva Building, the resources needed, both of a technical and financial nature, are too large relative to the size of the Group. Accordingly, we have taken the decision to proceed with St. Botolph's House, a flexible and modern building that we consider presents a more deliverable and financially sound option for our shareholders in the current development cycle.

Before making this decision we approached the lending market to assess the attractiveness of the proposition. We are pleased to report that, since 30 June 2006, the Group has secured a new site refinancing from HSH Nordbank, initially for £45.0 million, which allows the Group to proceed with the demolition and detailed design works without using existing cash resources.

In terms of the construction of the building, we have credit committee approved financing for half of a £315 million senior loan facility to develop and construct St. Botolph's House, and we have started discussions with other banks who have expressed interest to underwrite the remaining amount of the loan. Furthermore, bearing in mind the speculative nature of our development at The Walbrook, we have resolved not to undertake the construction of this building until a trigger pre-letting of around 25 per cent of the office space is achieved. Initial marketing has now commenced and if we are able to achieve a pre-letting within our target programme, practical completion of the project will occur in the fourth quarter of 2009.

The professional team on this project has been re-assembled over the last few months and we are close to appointing demolition contractors with a view to demolition commencing within the next six months.

IMAGE  
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#### Our developments

#### St. Botolph's House, London EC3

The St. Botolph's House development stands on an island site of approximately 1.25 acres located on the eastern side of the City of London.

Minerva has a detailed planning consent for the redevelopment of the site to provide a prestigious air-conditioned office building suitable for a major occupier in all amounting to some 530,000 sq.ft. net of accommodation.

Office floorplates are generally uniform and the principal floors each provide in the order of 37,000 sq.ft. of flexible space.

The building will also provide some 28,500 sq.ft. of retail area at ground and lower ground floor levels.

A detailed design review of the building is underway with a view to commencing demolition within the next few months.

**WE HAVE TAKEN THE DECISION TO PROCEED WITH ST. BOTOLPH'S HOUSE, A FLEXIBLE AND MODERN BUILDING THAT WE CONSIDER PRESENTS A MORE DELIVERABLE AND FINANCIALLY SOUND OPTION FOR OUR SHAREHOLDERS IN THE CURRENT DEVELOPMENT CYCLE.**

#### City market overview

Both the City occupational and investment markets are performing strongly.

Total take-up activity in 2006 to date is 3.8 million sq.ft. compared to 3.6 million sq.ft. at the same time last year. Take-up looks set to reach 5.1 million sq.ft. this year compared to 4.8 million sq.ft. in 2005. The banking and financial sectors continue to dominate take-up activity being responsible so far for 41 per cent of the total space taken.

The volume of available space now stands at 9.7 million sq.ft. (which is historically just under two year's supply), a vacancy rate of 8 per cent with Grade A space standing at 3.7 per cent, the lowest since 2002. Developer confidence seen in late 2005 has continued apace with an increase of speculative starts in the first half of this year. Total space under construction stands at 5 million sq.ft. with 2 million sq.ft. due to commence shortly, but with only 14 per cent of the pipeline due for completion in the remainder of the year, there is downward pressure on availability. The shortage of Grade A space has driven rental values upwards. Prime rents now stand at £55 p.s.f. with quoting rents at a number of prime City buildings now set at £60 p.s.f.

With strong take-up activity forecast for the next five years and sharp falls in supply rates set to continue through 2009/2010, the outlook for the City, particularly for large floorplate buildings, remains extremely positive.

In the light of this favourable market our high quality office schemes at The Walbrook and St. Botolph's House, programmed for completion prior to 2010, are clearly well placed to reap the benefits.

Business review continued

Retail:

#### Park Place, Croydon

Following entering into arrangements with Lend Lease, as development project managers, in the Autumn of last year our efforts have been focused on preparations for the compulsory purchase inquiry which began in May 2006.

The Lend Lease involvement has provided the Park Place project with further retail expertise in terms of design creation, development management, leasing and delivery skills of quality retail assets. Lend Lease are best known in this country for their development of Bluewater, Kent. Together with Lend Lease the Park Place team created by Minerva now has the core expertise to develop and to complete the scheme. Under the arrangement, Lend Lease has an entitlement to exercise their right to purchase 50 per cent of the completed scheme at market value.

Over the course of the year we held detailed discussions with The Whitgift Foundation, a major land owner within our scheme, and following the agreement of Heads of Terms for a new 250 year lease, they withdrew their objection to the compulsory purchase. This was a major step forward for the Park Place project and set a positive tone to the inquiry.

Running up to the inquiry and during its course we were able to significantly reduce the number of objectors through negotiation and acquisition of their interests. Following the close of the inquiry we have entered into agreements with further parties who have now withdrawn their objections. We expect to have a decision from the Secretary of State within the first quarter of 2007.

IMAGE  
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**THE CITY MARKET HAS  
STRENGTHENED OVER  
THE LAST YEAR OR  
SO WITH IMPROVING  
OCCUPIER DEMAND AND  
A DIMINISHING SUPPLY  
OF OFFICE SPACE.  
THIS TREND SHOULD  
CONTINUE THROUGH  
NEXT YEAR WITH LIMITED  
AVAILABILITY OF NEW  
GRADE A SPACE COMING  
ONTO THE MARKET.**

Tim Garnham  
Development Director

Furthermore, together with our development manager, Lend Lease, discussions with John Lewis Partnership are ongoing.

Minerva and Lend Lease will jointly seek the arrangement of suitable funding during 2007, whilst also working with the architects on the detailed design to create the identity for Park Place, which will assist in attracting additional large space tenants to the centre.

Our overall objective, assuming a positive outcome from the compulsory purchase inquiry, is to initiate pre-development activities during the course of 2007. This will include service diversion, highway and other enabling works to facilitate the main demolition and construction, scheduled to commence in 2008 subject to arranging appropriate project funding.

#### High End Residential:

Odeon Cinema, Kensington,  
London W8

In November 2005, Minerva acquired, in partnership with residential developer, Northacre plc, the Odeon Cinema in High Street Kensington for £24.0 million. The freehold property is located in a prime residential area on the south side of Kensington High Street opposite the Commonwealth Institute and just south of Holland Park. The low rise period homes of Edwardes Square lie directly to the west of the site. The property is currently leased to Odeon Cinemas for a term of five years subject to a development break in favour of our Partnership.

The acquisition of this site represented a strategic diversification of our activities into a new area, which will involve the creation of luxury residential units with car parking and a new state of the art public cinema. A scheme is currently being prepared following discussions with the authorities and local stakeholders and we expect to submit a planning application shortly.

The scheme is expected to commence in mid-2007 following planning, with practical completion of the scheme expected towards the end of 2009.

Acquisition and construction loan facilities of £77.5 million have been arranged.

#### Lancaster Gate, London W2

Since the year end we have completed the purchase of the former Thistle Hotel at 75-89 Lancaster Gate for £67.2 million and this represents our second transaction with Northacre plc.

The site, which is vacant, has a current planning permission to provide some 162,000 sq.ft. of residential accommodation in 139 individual units. A detailed review of the internal layouts is well underway with a view to increasing the net saleable area and improving the unit mix. A planning application for these changes will be submitted shortly and we anticipate commencing development in the first half of 2007. This prestigious project represents the longest contiguous terrace overlooking Hyde Park, and together with gardens, underground car parking, fitness facilities and swimming pool, will create a landmark luxury residential scheme of grandeur in the West End of London.

IMAGE  
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#### Our developments

Park Place has been granted detailed planning permission by The London Borough of Croydon. When completed, it will provide 900,000 sq.ft. of accommodation, comprising principally of retail space and restaurants. A key component of the retail space is the provision of a new full range department store.

Designed by the leading international architects RTKL, this scheme will provide both the large retail units and the necessary mall environment needed to re-establish Croydon as a Top 10 retail destination within the UK and the largest and most efficient centre within South London.

Situated in the heart of the town it will offer excellent access by car, rail, tram and bus and also use and improve existing pedestrian routes for the high foot falls expected. The area of the proposed development together with the roads affected by the scheme will occupy some 8.5 hectares.

Business review continued

IMAGE  
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Our developments

The Odeon Cinema site, Kensington

Standing on Kensington High Street, this famous local landmark is set to be redeveloped to create luxury apartments befitting the location of the site.

Overlooking the Commonwealth Institute and with the low rise period homes of Edwardes Square immediately to the west, the completed development will have superb local facilities nearby with the rest of London available through the excellent transport links.

**DURING THE FINANCIAL YEAR, WE ENTERED INTO A JOINT VENTURE WITH PARADIGM, BANK OF SCOTLAND AND KENMORE FOR THE ACQUISITION OF SKYPARK IN GLASGOW.**

An acquisition and construction loan facility of £153.6 million has been arranged.

In relation to Northacre's participation in the above residential ventures, they have a 5 per cent equity stake and can earn, subject to the achievement of predetermined financial targets, an enhanced return.

In our view the high end residential market in London represents one of the most valuable global urban residential markets and has demonstrated consistent value accretion in recent years. By using the skills at Minerva and the specific sector knowledge within Northacre, we believe that the projects will generate highly favourable returns. It is our intention to augment this partnership if further opportunities present themselves.

Mixed use:

Ram Brewery, London SW18

Since the year end, we have exchanged contracts to acquire the Ram Brewery and 20-30 Buckhold Road, Wandsworth for £69.0 million. The site will be acquired with vacant possession and the consideration is to be paid in instalments with £14.0 million paid on exchange, £8.5 million payable in June 2007 on completion of the acquisition of the site at 20-30 Buckhold Road and £46.5 million payable in January 2008 on completion of the acquisition of the Ram Brewery site.

**IN OUR VIEW  
THE HIGH END  
RESIDENTIAL  
MARKET IN LONDON  
REPRESENTS  
ONE OF THE  
MOST VALUABLE  
GLOBAL URBAN  
RESIDENTIAL  
MARKETS.**

Investment property portfolio value

**£579.2M** 2006  
**£803.6M** 2005

To finance the acquisition, we intend to arrange a predominantly non-recourse senior loan facility.

This project represents in our view an exciting mixed use opportunity in an affluent catchment area of South West London. Whilst it is early stages, we will embark upon a full consultation with the local authority and other relevant stakeholders to deliver a valuable master plan for this important town centre location. We anticipate that, subject to a successful change of use and master planning, a significant mixed use scheme can be delivered. We will of course update you on progress in due course.

**Joint ventures:**

**Skypark, Glasgow**

During the financial year, we entered into a joint venture with Paradigm, Bank of Scotland and Kenmore for the acquisition of Skypark in Glasgow. The Group holds a 25 per cent interest in the venture and has made an initial investment of £3.7 million.

Skypark, which comprises around 550,000 sq.ft. of mainly office accommodation, is located on the continually improving west side of Glasgow, with easy access to the city centre, motorway network, public transport system and airport. The buildings have largely been refurbished to provide good quality secondary office space, call centres and commercial workspace in a business park-type environment.

The property is multi-let to over 60 occupiers, comprising a wide variety of tenants ranging from small local businesses to high-profile occupiers such as O<sub>2</sub>. The scheme has an excellent mix of asset management and value-enhancement opportunities through rent reviews, refurbishment and redevelopment.

Together with our partners, we are progressing a site masterplan to both expand the accommodation on the site and create environmental improvements.

**Orchard Brae House, Edinburgh**

Orchard Brae House is an eight storey 105,000 sq.ft. 1970's office building. It occupies a prominent position on the north side of Queensbury Road, approximately one mile north west of Edinburgh City Centre. The immediate area is recognised as a prime residential area benefiting from close links to the City Centre.

The property was acquired in July 2006 for £24.0 million in a joint venture between ourselves, Paradigm, Bank of Scotland and the Irvine Group. Our initial investment was £1.7 million and provides the Group with a 25 per cent interest in the Partnership. The strategy is to look at the added value opportunities available with the lease expiry programme along with development opportunities available on the car park areas.

Business review continued

IMAGE  
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**THE GROUP HAS EMBARKED  
UPON WHAT IS IN EFFECT  
AN INVESTMENT PERIOD  
THAT MARKS THE  
TRANSITION TOWARDS  
A MORE DEVELOPMENT  
BASED BUSINESS.  
THIS HAS CREATED A  
CHANGE IN THE FINANCIAL  
DYNAMICS OF THE GROUP.**

Ivan Ezekiel  
Finance Director

## Financial review

### Measuring performance

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Net asset value per share has been the key financial performance indicator for the Group for the year and is commented upon below. Since the completion of the property disposal programme earlier this financial year, the Group has embarked upon what is in effect an investment period that marks the transition towards a more development based business.

This has created a change in the financial dynamics of the Group whereby, as a consequence, the financial performance does not yet fully reflect the new strategy adopted and the investments made.

The Group will prioritise its use of capital in areas where we feel it will deliver strong and sustainable shareholder returns whilst adhering to a simple philosophy regarding capital discipline and leverage.

### International Financial Reporting Standards ("IFRS")

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This year is the first financial year that the Group has reported its results under IFRS, the International Financial Reporting Standards. Under European Union legislation, all EU listed companies are required to adopt IFRS for accounting periods beginning on or after 1 January 2005. Minerva has applied IFRS from 1 July 2005 and comparative figures for this financial year have been restated. The notes to the accounts contain summary reconciliations to the previously reported figures.

The interim results for the six months ended 31 December 2005 were published in March of this year under IFRS, soon after the publication of the Group's Transition Report which showed the movement between the

results previously reported under UK GAAP and those now reported under IFRS.

The principal IFRS adjustments impacting the Group's financial statements are:

- the recognition of property revaluation movements in the income statement, rather than through reserves;
- the full provision for deferred taxation on investment property revaluations, with movements in the provision being recognised in the income statement;
- the treatment of head leases relating to leasehold property as a financial liability, with a corresponding asset recognised within investment properties;
- the expensing of directly attributable letting fees over the period of the relevant lease, rather than to expense them as incurred;
- the recognition of a liability to pay a dividend in the period in which it has been approved;
- the amortisation of lease incentives over the period of the lease, rather than to the first rent review date;
- the recognition of the fair value of equity-settled long-term incentives granted to employees as an expense in the income statement; and
- the recognition of derivative financial instruments at fair value in the balance sheet with a movement in the period taken to the income statement unless they qualify for hedge accounting.

Further details, reconciliations and commentary summarising the transition to IFRS are available on the Group's website, [www.minervapl.co.uk](http://www.minervapl.co.uk).

## Review of results:

### Headline results

Net asset value per share at 30 June 2006 is 311.5 pence (2005: 314.9 pence). As the Group has no off-balance sheet financial instruments which are not reflected at valuation, this net asset value represents the UK industry measure referred to as triple net asset value per share.

Profit for the year, incorporating revaluation movements, increased to £1.7 million (2005: loss of £20.4 million).

### Income statement

The Group recorded a loss before tax of £6.9 million (2005: £42.3 million). This has been analysed in detail in note 2 of the accounts between a profit before exceptional items of £9.3 million (2005: loss of £4.7 million) and exceptional costs of £16.2 million (2005: £37.7 million).

The decrease in revenue from £61.4 million to £20.2 million principally arose from the reduction in rental income following the disposal of investment properties during the latter half of the last financial year and the first half of the year under review. Similarly net property outgoings reduced by £4.1 million to £5.1 million (2005: £9.2 million), although this reduction was partly offset by higher void costs on properties held for development.

Net financing costs decreased from £42.0 million to £8.2 million. As was also the case last year, the reduction reflects the effect of loan repayments following property disposals, as well as the benefit of higher interest receivable on the Group's higher average cash balances. During the year, no interest was capitalised (2005: £nil).

In the current year the income statement includes movements in the fair value of financial instruments. This reflects the introduction of IAS 39 and the exemptions afforded by IFRS 1 which do not require the prior year comparison to be adjusted. The Group mitigates the extent of this movement on the income statement by adopting hedge accounting treatment for interest rate derivatives where applicable and, in these instances, the movement in the fair value is shown through reserves. During the year, £5.8 million (before tax) has been credited through reserves and £1.5 million (before tax) has been credited to the income statement and is shown within interest receivable and similar income.

Administrative expenses for the year reduced from £16.8 million to £8.8 million. The reduction of around £8.0 million, in most part, reflects the exceptional charge of £8.0 million incurred last year for the irrecoverable part of a loan advanced to Scarlett Retail.

The income statement also includes the revaluation movements on investment properties, required under IFRS. The revaluation surplus for the year was £11.1 million (2005: deficit of £6.3 million) and includes the net amount receivable from Barclays Bank of £26.1 million following the surrender of their lease at The Walbrook.

After including the items referred to above, the Group recorded a pre-exceptional profit before tax of £9.3 million (2005: loss of £4.7 million).

Business review continued

In terms of exceptional items, the loss arising on the sale of the Bankside Estate, partially offset by contingent consideration received from one of the properties sold last year, resulted in a total loss on disposal of investment properties of £0.8 million (2005: £12.5 million). Fixed loan and swap break costs totalling £15.4 million were also incurred, principally in relation to the loans repaid on the Bankside Estate sale but also in relation to the repayment of the investment loans secured on The Walbrook. The latter was refinanced with a new £275 million loan facility provided by Deutsche Postbank and Nationwide Building Society, and permits the Group to develop the property speculatively.

The corporation tax credit for the year is £8.6 million (2005: £26.4 million) and consists entirely of deferred taxation. IFRS requires that full provision is made for deferred taxation and consequently the deferred tax movement in the income statement now shows the movement in the provision for tax on revaluation surpluses 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 deferred tax credit for the year reflects a number of items, but principally the tax effect of fixed rate loan and swap break costs incurred, balancing allowances arising on property disposals, indexation allowance as well as other losses in the period. The Group has no liability to corporation tax for the year (2005: £nil).

After incorporating exceptional items and the tax credit, the Group's profit for the year was £1.7 million (2005: loss of £20.4 million).

The dividend policy for the Group was outlined together with our interim results in March and is designed to repatriate special dividends to shareholders when profits are delivered through our development activities. Consequently, other than the dividend approved this year in respect of the last financial year of £3.5 million (2005: £5.2 million), no other dividend has been paid or declared this financial year.

#### Balance sheet

The investment property portfolio, including our non-trading development assets, has been valued for the first time by CB Richard Ellis Ltd at £579.2 million at 30 June 2006 (2005: £803.6 million).

The additions during the year consist of property acquisitions and related expenditure of £40.0 million and development expenditure, principally in relation to The Walbrook and Park Place, totalling £12.4 million. The disposals totalling circa £226 million relate entirely to the sales of Sampson House and Ludgate House which were completed in August 2005. The net revaluation surplus for the year to 30 June 2006 amounted to £11.1 million (2005: deficit of £6.3 million) and incorporates the Barclays surrender premium referred to above. As mentioned earlier, the revaluation movement is recognised through the Group's income statement.

It should be noted, as is normal practice, that investment properties are stated after valuing notional purchasers' costs including stamp duty. These costs assume that each property is sold at market value and take no account of structures through which the assets are held.

During the year, the Group acquired the Odeon Cinema on High Street Kensington and this has been treated as trading stock at 30 June 2006 and has therefore not been revalued. As it is our current intention to redevelop the property into mainly luxury apartments for sale, the treatment of the asset as trading stock is considered to be the most appropriate. A similar treatment will be adopted by the Group for the property acquired at Lancaster Gate after the year end.

Net debt at 30 June 2006 was £100.4 million (2005: £371.0 million), comprising borrowings at 30 June 2006 of £262.1 million (2005: £515.4 million) and cash and short-term deposits of £161.6 million (2005: £144.4 million). The decrease in net debt during the year of around £270 million largely reflects the property disposals completed at the beginning of the year partly offset by costs incurred in terminating hedging instruments on loans repaid and net expenditure incurred on the acquisition of new properties, investment in new ventures and the progression of our development projects.

The Group's investment in joint venture represents the Group's net investment in Skypark, Glasgow where we have a 25 per cent interest. A small profit for the year has been recorded in the income statement reflecting the Group's net effective share of the results of the joint venture.

The balance sheet now includes a minority interest figure, which represents Northacre plc's interest in the Odeon Cinema, Kensington.

## Finance for principal development opportunities

| Reason  | Total facility<br>£ million | Amount drawn at<br>30 June 2006<br>£ million |
|---|-----------------------------|--|
| To acquire and redevelop the Odeon Cinema, Kensington | 77.5                        | 16.3   |
| To refinance the site and develop The Walbrook        | 275.0                       | 75.0   |
| To acquire and redevelop Lancaster Gate               | 153.6                       | –  |
|   | 506.1                       | 91.3   |

## Cash reserves

**£161.6M** 2006  
**£144.4M** 2005

**DURING THE YEAR, WE HAVE SECURED £506.1 MILLION OF COMMITTED NEW FACILITIES TO FINANCE THREE PRINCIPAL DEVELOPMENT OPPORTUNITIES.**

## Financing

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

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

During the year, we have secured £506.1 million of committed new facilities to finance three principal development opportunities.

Since the year end, the Group has completed a refinancing of the St. Botolph's House site with HSH Nordbank. The new £52.2 million non-recourse facility, which allows interest to be rolled-up within it, initially generated circa £14.0 million of new cash to Group reserves after repaying the existing debt on the site and effectively forward finances the St. Botolph's House demolition and detailed design activities over the forthcoming year or so.

As outlined earlier in the report, our efforts are also focused on extending this facility to encompass the full construction of the building and in this regard we can report that HSH Nordbank have credit committee approval to underwrite 50 per cent of this new facility which is expected to extend to £315 million. We are in discussion with other lenders with a view to obtaining a fully underwritten facility over the next few months.

As previously explained, we will only commit to the construction of the building once a minimum pre-let equivalent to around 25 per cent of the office space has been secured.

During the year we have made repayments totalling £351.9 million principally in relation to the repayments of loans relating to property sales at the beginning of the year of £270.3 million, with the balance representing loans which have been refinanced or have been amortised.

At 30 June 2006 the average interest cost of debt for the Group, excluding joint ventures, was 6.4 per cent (2005: 6.9 per cent). The reduction in our average interest cost of debt is primarily a consequence of the repayment of more expensive loans as part of the property disposal programme.

In terms of interest rate management, we continue to use interest rate derivatives to manage the interest rate profile and at 30 June 2006, 83 per cent (2005: 93 per cent) of the Group's bank borrowings were hedged under interest rate swap agreements. The Group's policy is to, where possible, match the revenue profile from the properties with certainty in relation to interest costs. Where there is less certainty of revenue, for example as is the case where properties are being developed, we will endeavour to hedge interest costs with swaps, caps and other financial instruments.

Net gearing, measured as Group net debt as a proportion of total equity, was 20 per cent at 30 June 2006 (2005: 73 per cent).

Business review continued

IMAGE  
REMOVED

Our developments

Lancaster Gate, London W2

This exciting opportunity involves the redevelopment of 15 grand townhouses overlooking the north side of Hyde Park adjacent to London's West End.

We are refining the planning consent in order to maximise the potential offered by this project which will create grand luxury apartments, many of them lateral, overlooking the development's gardens with Hyde Park beyond.

Underground car parking, fitness facilities and a swimming pool are amongst the attributes that residents will enjoy.

IMAGE  
REMOVED

IMAGE  
REMOVED

## Prospects

### Key risks and uncertainties

The Group is focused on producing attractive risk-adjusted returns to shareholders over the long-term through investment in a variety of property assets which typically have development opportunities, either directly or indirectly in joint venture.

When making investment decisions in order to drive growth for shareholders there is inevitably risk attached. This is amplified in the UK property sector by exposure to development and gearing, which the group aims to use judiciously.

Although we consider our judgements for the future to be reasonable, we can give no assurance that they will prove to be correct. Our results may differ from those expressed or implied due to a variety of factors which include, though are not necessarily limited to:

- demand and supply of tenants and investors;
- alternative uses for buildings, site assembly and re-development;
- planning and construction risks;
- funding opportunities and the interest rate environment;
- health and safety and environmental issues;
- changes in legislation, particularly in relation to planning and taxation; and
- economic cycles and conditions, both in the UK and abroad.

Our governance procedures and risk management policies seek to minimise our exposure to these risks, and to attain the appropriate balance whereby we also identify and exploit the associated opportunities.

### Outlook

The central London commercial property market has strengthened over the past 12 months. This has been particularly noticeable in the City of London office market where vacancy rates have now dropped to 8 per cent with headline rental levels improving. Although there have been a number of speculative development starts within the City market, commentators generally believe that we are in a period of sustained demand at least through to 2010.

Our City developments at The Walbrook and St. Botolph's House are both programmed to complete within this timetable albeit, St. Botolph's House will be subject to a pre-let of part of the building before construction starts. We therefore expect, providing the City property market remains buoyant, that these projects will generate attractive returns.

Turning to our proposed shopping centre development at Park Place, sustained progress has been made over the last 12 months. Looking forward, key to the strategy for this project is a favourable outcome to the compulsory purchase inquiry and we expect to learn of the decision early in 2007. This will then allow us to move forward with Lend Lease, our development managers, to progress this scheme.

The high end residential market in London has been strong over the past year and shows no signs of abating at the present time. Our key activities for our residential projects, namely Lancaster Gate and the Odeon Cinema, High Street Kensington, are the achievement of satisfactory planning consents which will then allow construction to commence pursuant to finance that we have in place.

Although we acquired the Ram Brewery site in Wandsworth post year-end, this project provides us with an excellent opportunity to create an exciting mixed-use development. Our activities over the next period will be focused on appointing a consultant team in order to devise a suitable scheme for the site working in conjunction with the planning and statutory authorities, local stakeholders and residents.

Our projects will involve the Group engaging in all aspects of development activity over the next few years and providing the property market in our sector remains robust, we expect to be able to deliver favourable returns to shareholders.

### Blueprint for delivery

We possess a strong combination of skills to maximise the prospects for success and to strengthen the Group's investment and value proposition.

We have distinctive levels of expertise and experience at executive level. In our Annual Report for 2005, we set out the changes we were making to strengthen our skill set at the top of the Group. We now have a team which, in terms of capability and performance, possesses the attributes necessary to deliver the new strategy.

The Group's strong project management culture, our vision to excel in our chosen markets, and the values we promote to ensure we realise our objectives, provide the focus to ensure successful execution.

Stakeholders are ever more demanding of sustainable solutions to development. This is particularly the case where development takes place on brown-field sites and where, in densely-populated urban areas, providing solutions to the needs of local communities, for example, can assume as much importance in the eyes of business-critical stakeholders as the development itself. We together with our partners and consultants possess the capability in providing the required sustainable solutions. Not only does this help us deliver our obligations and reinforce our credentials, it also provides us with a competitive edge to address the needs of our tenants and partners for whom the sustainability issue is becoming a major business driver. We aim to continue to review our corporate responsibility practices, assess the associated risks and in the future, as appropriate, set key performance indicators.

Our knowledge of the market, and the ability to secure and maximise the right commercial opportunities, underpin our aim to be the developer, and partner, of choice, with a leading reputation. We are particularly committed to developing our relationships and networks as a means of leveraging value and advantage in highly competitive market conditions.

## Board of Directors

**THE BOARD COMBINES  
A COMPREHENSIVE MIX  
OF EXPERTISE GAINED  
FROM MANY YEARS OF  
EXPERIENCE. TOGETHER  
WITH THE EXECUTIVE  
MANAGEMENT TEAM,  
THEY ARE FOCUSED  
ON DELIVERING  
SHAREHOLDER VALUE.**

IMAGE  
REMOVED

### Andrew Rosenfeld BSC MRICS

Non-executive Chairman  
Aged 44

Responsible for ensuring the running of the Board. He founded the Group in 1988, prior to which he worked for merchant bankers, Schroders, in their property division, Berisford Property Group, and at Land Investors PLC.

IMAGE  
REMOVED

### Clive Richards OBE FCA FCMA FMIM

Senior non-executive Director  
Chairman of the Audit Committee  
Member of the Remuneration Committee  
Chairman of the Nominations Committee  
Aged 69

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



**Salmaan Hasan BA MBA**

Chief Executive  
Aged 41

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



**Ivan Ezekiel BSC FCA ATII CF**

Finance Director  
Aged 40

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**

Development Director  
Aged 49

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.



**Christopher Sheridan FCIB MSI**

Non-executive Director  
Chairman of the Remuneration Committee  
Member of the Audit Committee  
Member of the Nominations Committee  
Aged 63

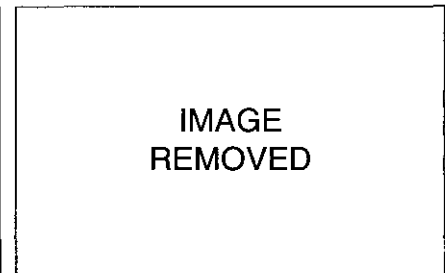
Joined Samuel Montagu & Co Limited in 1962 and became a Director in 1974. He was appointed head of Samuel Montagu's Treasury Division, with overall responsibility for all the bank's dealing activities, in 1976. He was Chief Executive of Samuel Montagu from 1984 to 1994, where as head of merchant banking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



**Christopher Mackenzie**

Non-executive Director  
Member designate of the Audit Committee  
Member of the Remuneration Committee  
Member of the Nominations Committee  
Aged 52

Chairman and CEO of Equilibrium, the London based investment advisory group. His 30 year career includes investment banking in Japan and in the USA at JP Morgan and Schroders in the 1980s. In 1993, he joined GE as President of GE Capital Europe, and joined the Board of GECC in 1997. In 2000, he became President and Chief Executive of TrizecHahn Corporation, the Canadian real estate company, where he focused on its core US operations, and converted it into a REIT, Trizec Properties. He has since concentrated his activities in the private equity arena, including property and holds a number of non-executive board appointments including media/marketing group WPP.



**Oliver Whitehead CBE**

Non-executive Director  
Chairman designate  
Chairman of the Nominations Committee (from 1 October 2006)  
Member of the Audit Committee  
Member of the Remuneration Committee  
Aged 64

Appointed to the Board of Minerva in July 2006. Chief Executive of Alfred McAlpine from May 1993 to August 2003 and from August 2003 to present day is 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.

## Senior management team

IMAGE  
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From left to right:  
David Wood  
Peter Holroyd  
Edward Moody  
Arthur Rixon  
Mark Cherry  
Steven Yewman

### Mark Cherry BSC MRICS

Investment  
Aged 43

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

### Peter Holroyd

Construction  
Aged 50

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

### Edward Moody BSC MRICS

Asset Management  
Aged 45

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.

### Arthur Rixon BSC

Structured Finance  
Aged 55

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 35

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

### Steven Yewman BSC MRICS

Development  
Aged 36

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

IMAGE  
REMOVED

**TRANSPARENCY IS A  
KEY INGREDIENT FOR  
COMMUNICATION WITH  
OUR STAKEHOLDERS.**

## Corporate governance

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

A summary of the system of governance adopted by the Company and the application of the Principles of Good Governance set out in Section 1 of the Combined Code issued by the Financial Reporting Council in July 2003 ("the Code") is set out below. The Company has complied throughout the year with the provisions of the Code, except in relation to the following areas:

A system for appraising the performance of the Board and its members

Whilst the Board undertook a formal evaluation of its performance in the period, a formal review of the performance of the Board members or its committees was not undertaken. However, a system for appraising the performance of the Board members and its Committees has been established during the year and will be implemented, under the direction of the new Chairman, during the course of the next financial year.

An Audit Committee and Remuneration Committee consisting of three independent non-executive Directors

The Group made two non-executive appointments since 30 June 2005; Christopher Mackenzie on 1 September 2005 and Oliver Whitehead on 19 July 2006. Christopher Mackenzie became a member of the Remuneration Committee on appointment to the Board and is expected to become a member of the Audit Committee immediately following the 2006 Annual General Meeting. Oliver Whitehead became a member of the Remuneration Committee and Audit Committee immediately on appointment to the Board. Although not for the full financial year under review, following these appointments the Remuneration Committee and Audit Committee consisted of three independent non-executive Directors since 1 September 2005 and 19 July 2006 respectively.

At least half the Board, excluding the Chairman, should comprise independent non-executive Directors

Only since the appointment of Christopher Mackenzie to the Board on 1 September 2005, has half the Board comprised independent non-executive Directors.

A Nominations Committee

A Nominations Committee was formed during the year, initially to recruit a new Chairman for the Company.

Chairman

Andrew Rosenfeld, the current Chairman of the Company, was previously Chief Executive of the Company and consequently was not independent on appointment. It is expected that following the 2006 Annual General Meeting of the Company, Oliver Whitehead, who is considered to be independent, will replace Andrew Rosenfeld as Chairman.

### 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 and which was reviewed and updated in January 2004.

The members of the Board, and the roles of each Director, are given in the biographical details of the Directors on pages 20 to 21.

Clive Richards remained the senior independent Director. The Board considers that, notwithstanding that both Clive Richards and Christopher Sheridan have been members of the Board since October 1996, each of the non-executive Directors remain independent. In addition, the Board considers the new non-executive Directors, Christopher Mackenzie and Oliver Whitehead, to be independent. In making this determination, the Board has considered whether each Director 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 executives being present.

### Board balance and independence

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 considers that the experience and skills of the executives and non-executive Directors on the Board will be further enhanced following the appointment of Oliver Whitehead, who initially joined the Board as a non-executive Director and who is expected to formally replace Andrew Rosenfeld as Chairman of the Company at the 2006 Annual General Meeting.

The Board considers that the balance between executives and non-executives is reasonable given the current size of the Company and its activities.

Training in matters that are relevant to their role on the Board are available to all Board Directors, including on appointment.

Biographies of each member of the Board are set out on pages 20 to 21.

#### Board attendance

In addition to meetings of Directors arranged to discuss particular transactions and events and the 2005 Annual General Meeting and 12 September 2005 Extraordinary General Meeting, the Board met formally on eight occasions during the year under review. The attendance record of the Directors is shown in the table below:

|                                    | Board    | Audit Committee | Remuneration Committee | Nominations Committee |
|------------------------------------|----------|-----------------|------------------------|-----------------------|
| Number of meetings in year         | 8        | 5               | 6                      | 4                     |
|                                    | Attended | Attended        | Attended               | Attended              |
| Andrew Rosenfeld                   | 8        | –               | –                      | –                     |
| Salmaan Hasan                      | 8        | –               | –                      | –                     |
| Paul Coster <sup>1</sup>           | 3        | –               | –                      | –                     |
| Ivan Ezekiel                       | 8        | –               | –                      | –                     |
| Tim Garnham <sup>2</sup>           | 7        | –               | –                      | –                     |
| Clive Richards                     | 8        | 5               | 6                      | 4                     |
| Christopher Sheridan               | 8        | 5               | 6                      | 4                     |
| Christopher Mackenzie <sup>3</sup> | 5        | –               | 2                      | 4                     |

<sup>1</sup> Attended all Board meetings held until his retirement from the Board on 30 September 2005.

<sup>2</sup> Attended all Board meetings since appointment to the Board on 30 August 2005.

<sup>3</sup> Attended five of seven Board meetings and two of four Remuneration Committee meetings since his appointment to the Board on 1 September 2005.

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

#### Rotation of Directors

The Directors are subject to retirement by rotation and re-election by shareholders in accordance with the Articles of Association of the Company, whereby one-third of the Directors retire by rotation each year. In addition, all Directors are required to submit themselves for reappointment at the next Annual General Meeting following their appointment by the Board.

In accordance with the Combined Code, non-executive Directors who serve on the Board for more than nine years are required to submit themselves for re-election at the Annual General Meeting annually thereafter.

#### 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.

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 Salmaan Hasan, Tim Garnham and Christopher Mackenzie joined the Board as Chief Executive, Development Director and non-executive Director respectively, whilst Paul Coster retired from the Board on 30 September 2005. Since the year-end, Oliver Whitehead joined as non-executive Director and is expected to replace Andrew Rosenfeld as Chairman of the Company at the 2006 Annual General Meeting.

#### 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 the authorities and duties.

These committees are:

##### The Remuneration Committee

The Remuneration Committee, comprising Christopher Sheridan (Chairman), Clive Richards and Christopher Mackenzie, met six times during the year ended 30 June 2006.

The Company's executives have attended by invitation. 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 27 to 33.

Corporate governance continued

**The Audit Committee**

The Audit Committee, comprising Clive Richards (Chairman) and Christopher Sheridan, met five times during the year ended 30 June 2006.

The Company's auditors and executives have attended by invitation. The Committee is responsible for, amongst other things, the appointment of external auditors, reviewing the interim and annual financial results, considering matters raised by the auditors and monitoring the internal control system operated by the Group.

The Board is satisfied that both Clive Richards and Christopher Sheridan have extensive and relevant financial experience through their past and present involvement with various listed and unlisted companies.

A report by the Audit Committee is set out on page 35.

**The Nominations Committee**

The Nominations Committee was formed during the year, initially to recruit a new Chairman. The Committee, comprising Clive Richards (Chairman), Christopher Sheridan and Christopher Mackenzie met four times during the year ended 30 June 2006.

The Company's executives have attended by invitation. 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 34.

**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 presentations to, its existing shareholders and potential new shareholders to discuss strategic and other issues. Care is taken to ensure the protection of price sensitive information which has not already been made available to all shareholders.

During the course of a year, shareholders are kept informed of the progress of the Company through the announcement of financial results and other news that are released through the London Stock Exchange, other news services and the Company's website.

The principal communication with private shareholders is through the Interim Report, Annual Report and the Annual General Meeting. The Notice of Annual General Meeting and any related papers are posted to shareholders with the Annual Report at least 20 working days before the date of the Annual General Meeting to ensure that the shareholders have sufficient time in which to consider the items of business.

The Annual General Meeting provides the Board with an opportunity to communicate with, and answer questions from, private and institutional shareholders. Separate resolutions at the Annual General Meeting are proposed on each issue so that they can be given proper consideration. The Company counts all proxy votes and will indicate at the Annual General Meeting the level of proxies lodged on each resolution where such resolution has been dealt with by a show of hands.

**Accountability and audit**

**Internal control**

The Board recognises that it is responsible for the Group's system of internal control and for reviewing its effectiveness. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group which has been in place during the year under review and up to the date of approval of the Annual Report and Accounts. As part of this process the Board carries out an annual review of significant business risks, considering the scope and effectiveness of the Company's system of internal control. This involves the identification of risks specific to the areas of property, finance and external markets which impact on its objectives, together with the controls and reporting procedures designed to mitigate those risks. These are reviewed, adopted and, if appropriate, updated during the year. These include business risks, financial controls and the regulatory environment.

The Board has considered the need for an internal audit function, but has resolved that, due to the size of the Company, this is not appropriate at present. This decision is reviewed annually.

**Going concern**

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

**Statement of Directors' responsibilities**

The Directors are required by UK company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit or loss for that period. The Directors confirm that in preparing the financial statements for the year ended 30 June 2006, suitable accounting policies, in accordance with International Financial Reporting Standards, consistently applied and supported by reasonable and prudent judgements and estimates, have been used. The Directors also confirm that the going concern basis is appropriate. The Directors are responsible for maintaining proper accounting records, for safeguarding the assets of the Company and the Group, and for taking reasonable steps to prevent and detect fraud and other irregularities.

The Directors are also responsible for maintaining the integrity of the Group's website. Information published on the internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements. UK legislation governing preparation and dissemination of financial statements may therefore differ from that in other jurisdictions.

## Remuneration report

### The Remuneration Committee

The Remuneration Committee (the "Committee"), as constituted by the Board, is responsible for the determination of the remuneration, including the grant of share-based incentives, of the executive Directors of Minerva plc.

The Committee comprises three non-executive Directors of the Company, Christopher Sheridan (Chairman of the Committee), Clive Richards and Christopher Mackenzie. Christopher Mackenzie was appointed to the Committee on 1 September 2005. All three Committee members are independent Directors. Members of the Committee have no personal financial interest, other than as shareholders, in the outcome of the decisions taken by the Committee. The Committee met six times during the year.

During the year, New Bridge Street Consultants LLP were appointed by the Committee to provide advice in relation to the Company's 2005 Executive Incentive Plan. The Company Secretary has provided administrative support to the Committee.

### Remuneration policy

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

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.

#### Performance-related bonus

Bonuses are awarded by the Committee having regard to a number of factors, including the performance of the Company and the performance of the individual.

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

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

Annual bonus awards are capped at 150% of base salary.

#### Share incentives

Awards of share-based incentives are considered by the Committee annually. Following advice from its advisers, the Committee decided that share based incentives for Directors and senior employees should take the form of share awards rather than options. As a result, the Minerva plc 2005 Executive Incentive Plan (the "EIP") was put to and approved by the Company's shareholders at last year's Annual General Meeting. Following the approval and adoption of the EIP no further options will be granted under the Company's Executive Share Option Schemes.

Awards continue to be based on the individual's performance, position and responsibilities. The vesting of awards is subject to demanding performance conditions which include, where applicable, a comparison against a peer group of other comparable quoted companies in the FTSE Real Estate Sector (excluding agents).

The Committee consults with the Chief Executive, as appropriate, with regard to its proposals for the remuneration of the executive Directors and other senior employees.

Remuneration report continued

**Directors' remuneration**

|                                    | Salary and fees                       |                                       | Bonus                                 |                                       | Other benefits                        |                                       | Total                                 |                                       | Pension                               |                                       |
|------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
|                                    | Year ended<br>30 June<br>2006<br>£000 | Year ended<br>30 June<br>2005<br>£000 | Year ended<br>30 June<br>2006<br>£000 | Year ended<br>30 June<br>2005<br>£000 | Year ended<br>30 June<br>2006<br>£000 | Year ended<br>30 June<br>2005<br>£000 | Year ended<br>30 June<br>2006<br>£000 | Year ended<br>30 June<br>2005<br>£000 | Year ended<br>30 June<br>2006<br>£000 | Year ended<br>30 June<br>2005<br>£000 |
| <b>Executives</b>                  |                                       |                                       |                                       |                                       |                                       |                                       |                                       |                                       |                                       |                                       |
| Andrew Rosenfeld <sup>1</sup>      | 200                                   | 270                                   | –                                     | 200                                   | 26                                    | 59                                    | 226                                   | 529                                   | 20                                    | –                                     |
| Salmaan Hasan <sup>2</sup>         | 397                                   | –                                     | 300                                   | –                                     | 36                                    | –                                     | 733                                   | –                                     | 40                                    | –                                     |
| Ivan Ezekiel <sup>3</sup>          | 240                                   | 44                                    | 175                                   | 75                                    | 10                                    | 3                                     | 425                                   | 122                                   | 48                                    | 4                                     |
| Tim Garnham <sup>4</sup>           | 205                                   | –                                     | 207                                   | –                                     | 35                                    | –                                     | 447                                   | –                                     | 20                                    | –                                     |
| Paul Coster <sup>5</sup>           | 39                                    | 155                                   | –                                     | 100                                   | 10                                    | 39                                    | 49                                    | 294                                   | –                                     | –                                     |
| Sir David Garrard <sup>6</sup>     | –                                     | 202                                   | –                                     | –                                     | –                                     | 31                                    | –                                     | 233                                   | –                                     | –                                     |
|                                    | 1,081                                 | 671                                   | 682                                   | 375                                   | 117                                   | 132                                   | 1,880                                 | 1,178                                 | 128                                   | 4                                     |
| <b>Non-executives</b>              |                                       |                                       |                                       |                                       |                                       |                                       |                                       |                                       |                                       |                                       |
| Andrew Rosenfeld <sup>1</sup>      | 50                                    | –                                     | –                                     | –                                     | 12                                    | –                                     | 62                                    | –                                     | –                                     | –                                     |
| Clive Richards                     | 48                                    | 35                                    | –                                     | –                                     | –                                     | –                                     | 48                                    | 35                                    | –                                     | –                                     |
| Christopher Sheridan               | 48                                    | 35                                    | –                                     | –                                     | –                                     | –                                     | 48                                    | 35                                    | –                                     | –                                     |
| Christopher Mackenzie <sup>7</sup> | 42                                    | –                                     | –                                     | –                                     | –                                     | –                                     | 42                                    | –                                     | –                                     | –                                     |
| Total                              | 188                                   | 70                                    | –                                     | –                                     | 12                                    | –                                     | 200                                   | 70                                    | –                                     | –                                     |

<sup>1</sup> Executive Director from 1 July 2005 to 31 December 2005 and non-executive Director from 1 January 2006.

<sup>2</sup> Appointed on 4 July 2005.

<sup>3</sup> Appointed on 31 March 2005.

<sup>4</sup> Appointed on 30 August 2005.

<sup>5</sup> Retired on 30 September 2005.

<sup>6</sup> Retired on 31 March 2005.

<sup>7</sup> Appointed on 1 September 2005.

Oliver Whitehead joined the Board as non-executive Director and Chairman designate on 19 July 2006. On appointment as a Director of the Company on 30 August 2005, Tim Garnham had an outstanding loan balance to the Group of £260,000 which was repaid on 10 February 2006.

**Directors' interests**

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

|                                    | Ordinary<br>shares of<br>25 pence each<br>30 June 2006 | Ordinary<br>shares of<br>25 pence each<br>30 June 2005 |
|------------------------------------|--|--|
| Andrew Rosenfeld                   | –  | 17,343,098   |
| Salmaan Hasan <sup>1</sup>         | 100,000  | –  |
| Ivan Ezekiel                       | 7,695  | –  |
| Tim Garnham <sup>2</sup>           | –  | –  |
| Clive Richards                     | 211,110  | 211,110  |
| Christopher Sheridan               | 16,666   | 16,666   |
| Christopher Mackenzie <sup>3</sup> | 35,000   | –  |

<sup>1</sup> Appointed on 4 July 2005.

<sup>2</sup> Appointed on 30 August 2005.

<sup>3</sup> Appointed 1 September 2005.

Paul Coster, who retired from the Board on 30 September 2006, was interested in 1,435,857 ordinary shares in the Company on 30 June 2005. At the date of his retirement, Paul Coster was not interested in any ordinary shares in the Company.

Salmaan Hasan was not interested in any ordinary shares in the Company on the date of his appointment.

Tim Garnham was interested in 110,153 ordinary shares in the Company on the date of his appointment.

There has been no change in the beneficial and non-beneficial shareholdings of the Directors between 30 June 2006 and the date of this report.

### Employee share incentives

The Group currently operates 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.

The Company will not make any further grants of options 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 on 25 November 2005 and is comprised of 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 Shares" over a number of shares in the Company linked to the number of shares purchased by the participant from his 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 Shares or conditional rights to acquire shares will be subject to a three year condition which will compare the Company's total shareholder return ("TSR") performance with the TSR of the companies in the comparator group as follows:

| Ranking of the Company within the Comparator Group      | Proportion of Matching Shares which vest               |
|---|--|
| Within the top 20% of companies                         | 100%   |
| Between the median company and the top 20% of companies | Pro-rata on a straight line basis between 25% and 100% |
| Median company  | 25%  |
| Below the median company                                | Nil  |

The TSR measure was chosen as it is 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 (initially to comprise companies in the FTSE All Share Estate Index at the date of grant, excluding agents). The Company considers that this index is the Company's closest and most appropriate comparator group.

The Committee will decide how to treat any companies that leave the Comparator Group 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.

Until November 2001, executive Directors and senior management were granted share options under the Company's 1996 Share Option Schemes. The 1996 Share Option Schemes were adopted in November 1996 and comprise an Approved Scheme which was the subject of H.M. Revenue and Customs approval, and an Unapproved Scheme. The performance criterion required under the 1996 Approved Scheme is that the increase in the share price of the Company is greater than or equal to the increase in the Retail Price Index at any time following the third anniversary of the grant of the option. The performance criterion required under the 1996 Unapproved Scheme is that the growth in the share price of the Company at any time following the third anniversary of the grant of the option places the Company in the top quartile of a peer group of quoted property companies. When these share price based performance conditions were set in 1996 the Committee believed that they best aligned the Company's business strategy at that time with shareholders' interests.

The 2001 Discretionary Share Option Scheme, which was approved by shareholders in November 2001, has two parts, an H.M. Revenue and Customs approved part and an unapproved part. Options under the Discretionary Scheme are subject to a performance condition which ranks the Company's total shareholder return (share price growth and reinvested dividends) over a period of three years against a periodically reviewed peer group of quoted property companies and the following targets apply:

| Ranking in peer group | Proportion of options exercisable |
|-----------------------|-----------------------------------|
| Upper quartile        | All                               |
| Median                | One third                         |
| Below median          | Nil                               |

Remuneration report continued

For performance between median and upper quartile the number of shares under option will become exercisable on a pro-rated basis. If the performance condition is not met in full after three years, it will be retested at the end of the fourth and fifth years and to the extent the condition has not been met by the end of the fifth year, the relevant options will lapse. With the exception of the Sharesave Scheme, all share options are granted with an exercise price set at the prevailing market value.

The Committee believes that this performance condition is appropriate and demanding, as the measure is considered an effective way of aligning the interests of management and shareholders, with share options only being exercisable in full following upper quartile total shareholder return performance.

Under the rules, the performance conditions, including the comparable quoted companies in the FTSE Real Estate Sector, may be amended by the Committee to ensure they remain appropriate. Since the peer group in respect of the 1996 Unapproved Scheme was established, a number of companies in the group have ceased to be quoted and have therefore been removed. In respect of the original peer group for options granted under the 2001 Discretionary Share Option Scheme, Grantchester Holdings PLC, Benchmark Group PLC, Chelsfield PLC and Pillar Property PLC have been acquired and are no longer quoted companies. To ensure that the peer group continues to comprise an appropriate number of comparable companies, the Committee has set up a reserve list of companies which can be substituted for companies in the original Group that are taken over and/or cease to be quoted during the performance period.

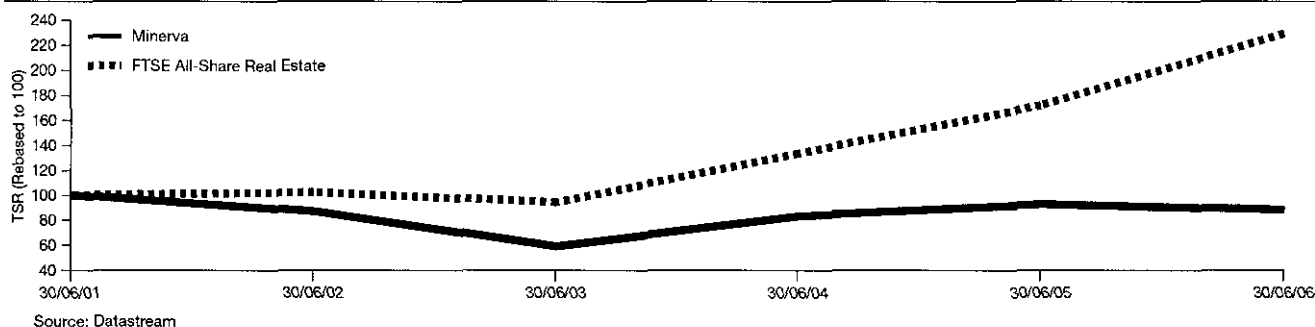
The peer groups, including the reserve list referred to above, between them, currently contain the following quoted companies: Brixton plc, Capital and Regional plc, Derwent Valley Holdings plc, Development Securities PLC, Great Portland Estates plc, Hammerson PLC, Helical Bar plc, Land Securities Group PLC, Liberty International PLC, London Merchant Securities plc, Quintain Estates and Development PLC, Shaftesbury PLC, Slough Estates plc, St Modwen Properties PLC and The British Land Company PLC.

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 to executive Directors (and others) under the Sharesave Scheme are not subject to performance conditions.

**Total shareholder return performance**

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



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

At 30 June 2006, the share options and share awards held by Directors in the Company were as follows:

**Andrew Rosenfeld**

| Scheme | At<br>1 July<br>2005 | Granted<br>during year | Exercised<br>during year | Lapsed<br>during year | At<br>30 June<br>2006 | Exercise<br>price/market<br>value on<br>date of award | Exercise period/<br>date of vesting |
|--------|----------------------|------------------------|--------------------------|-----------------------|-----------------------|---|-------------------------------------|
| A      | 9,351                | –                      | –                        | (9,351)               | –                     | 320.8p  | April 2004 –<br>April 2011          |
| B      | 302,370              | –                      | –                        | (302,370)             | –                     | 320.8p  | April 2004 –<br>April 2008          |
| C      | 274,363              | –                      | –                        | –                     | 274,363               | 227.8p  | Dec 2004 –<br>Dec 2011              |
| C      | 310,650              | –                      | –                        | –                     | 310,650               | 169.0p  | Sept 2005 –<br>Sept 2012            |
| C      | 283,464              | –                      | –                        | –                     | 283,464               | 190.5p  | Oct 2006 –<br>Oct 2013              |

**Salmaan Hasan**

| Scheme | At<br>4 July<br>2005 <sup>1</sup> | Granted<br>during year | Exercised<br>during year | Lapsed<br>during year | At<br>30 June<br>2006 | Exercise<br>price/market<br>value on<br>date of award | Exercise period/<br>date of vesting |
|--------|-----------------------------------|------------------------|--------------------------|-----------------------|-----------------------|---|-------------------------------------|
| E      | –                                 | 310,077                | –                        | –                     | 310,077               | 258.0p  | Dec 2008                            |

**Ivan Ezekiel**

| Scheme | At<br>1 July<br>2005 | Granted<br>during year | Exercised<br>during year | Lapsed<br>during year | At<br>30 June<br>2006 | Exercise<br>price/market<br>value on<br>date of award | Exercise period/<br>date of vesting |
|--------|----------------------|------------------------|--------------------------|-----------------------|-----------------------|---|-------------------------------------|
| A      | 16,161               | –                      | –                        | –                     | 16,161                | 185.6p  | Nov 2000 –<br>Nov 2007              |
| B      | 112,218              | –                      | –                        | –                     | 112,218               | 320.8p  | April 2004 –<br>April 2008          |
| C      | 149,802              | –                      | –                        | –                     | 149,802               | 227.8p  | Dec 2004 –<br>Dec 2011              |
| C      | 177,692              | –                      | –                        | –                     | 177,692               | 169.0p  | Sept 2005 –<br>Sept 2012            |
| C      | 162,729              | –                      | –                        | –                     | 162,729               | 190.5p  | Oct 2006 –<br>Oct 2013              |
| D      | 7,695                | –                      | (7,695)                  | –                     | –                     | 122.8p  | Dec 2005 –<br>May 2006              |
| D      | –                    | 4,547                  | –                        | –                     | 4,547                 | 205.6p  | Dec 2008 –<br>May 2009              |
| E      | –                    | 186,046                | –                        | –                     | 186,046               | 258.0p  | Dec 2008                            |

Remuneration report continued

**Paul Coster**

| Scheme | At<br>1 July<br>2005 <sup>1</sup> | Granted<br>during year | Exercised<br>during year | Lapsed<br>during year | At<br>30 September<br>2005 <sup>2</sup> | Exercise<br>price/market<br>value on<br>date of award | Exercise period/<br>date of vesting |
|--------|-----------------------------------|------------------------|--------------------------|-----------------------|---|---|-------------------------------------|
| B      | 37,402                            | –                      | –                        | (37,402)              | –                                       | 320.8p  | April 2004 –<br>April 2008          |
| C      | 149,802                           | –                      | –                        | (149,802)             | –                                       | 227.8p  | Dec 2004 –<br>Dec 2011              |
| C      | 177,692                           | –                      | –                        | (177,692)             | –                                       | 169.0p  | Sept 2005 –<br>Sept 2012            |
| C      | 162,729                           | –                      | –                        | (162,729)             | –                                       | 190.5p  | Oct 2006 –<br>Oct 2013              |

**Tim Garnham**

| Scheme | At<br>30 August<br>2005 <sup>1</sup> | Granted<br>during year | Exercised<br>during year | Lapsed<br>during year | At<br>30 June<br>2006 | Exercise<br>price/market<br>value on<br>date of award | Exercise period/<br>date of vesting |
|--------|--------------------------------------|------------------------|--------------------------|-----------------------|-----------------------|---|-------------------------------------|
| A      | 15,020                               | –                      | –                        | –                     | 15,020                | 199.7p  | Jan 2001 –<br>Jan 2008              |
| B      | 121,568                              | –                      | –                        | –                     | 121,568               | 320.8p  | Apr 2004 –<br>Apr 2008              |
| C      | 184,372                              | –                      | –                        | –                     | 184,372               | 227.8p  | Dec 2004 –<br>Dec 2011              |
| C      | 218,698                              | –                      | –                        | –                     | 218,698               | 169.0p  | Sept 2005 –<br>Sept 2012            |
| C      | 200,052                              | –                      | –                        | –                     | 200,052               | 190.5p  | Oct 2006 –<br>Oct 2013              |
| D      | 4,617                                | –                      | (4,617)                  | –                     | –                     | 122.8p  | Dec 2005 –<br>May 2006              |
| D      | 2,414                                | –                      | –                        | –                     | 2,414                 | 152.8p  | Dec 2006 –<br>May 2007              |
| E      | –                                    | 186,046                | –                        | –                     | 186,046               | 258.0p  | Dec 2008                            |

1 Date of appointment.

2 Date of retirement.

Scheme A: Approved 1996 Share Option Scheme.

Scheme B: Unapproved 1996 Share Option Scheme.

Scheme C: 2001 Discretionary Share Option Scheme.

Scheme D: 2001 Sharesave Scheme.

Scheme E: 2005 Executive Incentive Plan.

The market value of a share in the Company on the date of the exercise of options by Ivan Ezekiel and Tim Garnham, as shown in the tables above, was 258 pence.

Awards under the EIP were granted on 1 December 2005.

The mid-market price of the Company's shares on the London Stock Exchange at 30 June 2006 was 255 pence per share.

During the year the share price ranged from 218.25 pence to 343 pence.

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

#### **Non-executive remuneration**

The non-executive Directors do not have service contracts. Their appointments are subject to the provisions of the Articles of Association and the Combined Code dealing with appointment and retirement by rotation. Christopher Sheridan is engaged under an agreement dated 11 September 2003, Clive Richards is engaged under an agreement with Tarrakarn Limited (trading as Clive Richards & Co) dated 11 September 2003, Christopher Mackenzie is engaged under an agreement dated 30 August 2005 and Andrew Rosenfeld is engaged under an agreement dated 22 February 2006. Andrew Rosenfeld ceased to be an executive Director of the Company and was appointed a non-executive Director of the Company on 31 December 2005. Andrew Rosenfeld will be retiring at the Company's 2006 AGM. The agreements with the non-executive Directors have no fixed term and are terminable by either party on 3 months' notice.

Non-executive Directors receive a fee for their services to the Company, including in connection with Board and Board Committee meetings. The current level of fees was approved by the Board during the year. The non-executive Directors do not receive any pension or other benefits from the Company (such as bonuses, options or awards under any share incentive arrangements), save that Andrew Rosenfeld receives a Company car, office services and secretarial staff (such car and secretarial staff being available to other Directors when not being used by Mr Rosenfeld).

#### **Service contracts, contracts of significance and notice periods**

Andrew Rosenfeld's service contract as an executive Director of the Company was dated 24 August 2005. The contract had no fixed term and was terminable by the Company on 12 months' notice and by Mr Rosenfeld on six months' notice.

Paul Coster retired with effect from 30 September 2005 when his service contract terminated. The service contract of Mr Coster was dated 21 November 1996. The contract had no fixed term and was terminable by the Company on 364 days' notice and by Mr Coster on six months' notice.

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

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

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

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

The Remuneration Committee reviews the service contracts periodically.

Other than set out above, there were no other persons who served as a Director of the Company during the year ended 30 June 2006.

Oliver Whitehead joined the Board as non-executive Director and Chairman designate on 19 July 2006.

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.

#### **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 on pages 28, 31 and 32.

#### **Approval**

At the Annual General Meeting to be held on 21 November 2006, an ordinary resolution will be proposed approving this report.

For and on behalf of the Board

**Christopher Sheridan** Chairman of the Remuneration Committee  
25 September 2006



## Nominations Committee report

The Nominations Committee (the "Committee") is established under the terms of reference approved by the Board.

### Principal responsibilities

The principal responsibilities of the Committee, set out in the terms of reference, are as follows:

- To evaluate the skills, knowledge and experience on the Board before making appointments;
- To identify and nominate, for approval of the Board, new candidates;
- To give full consideration to succession planning; and
- To review the leadership needs of the organisation, both executive and non-executive.

### Membership

The Committee is comprised solely of independent non-executive Directors. Clive Richards has chaired the Committee since its formation during the year and Christopher Sheridan and Christopher Mackenzie have also served on the Committee during the year.

### Meetings

The Committee met four times during the year ended 30 June 2006. The Chief Executive has been invited to attend some of the meetings. The Committee is able to consider items of business without any other parties being present.

### Main activities of the Committee

Andrew Rosenfeld, who was the former Chief Executive of the Company and is the current Chairman of the Company, will be retiring at the forthcoming 2006 Annual General Meeting scheduled for November 2006. After undergoing a selection process using executive search specialists, Hanson Green, and in consultation with Salmaan Hasan as Chief Executive, Oliver Whitehead CBE was appointed as non-executive Director and Chairman designate on 19 July 2006. Oliver Whitehead is currently Chairman of Alfred McAlpine plc which he has been since 2003 and prior to that was Chief Executive from 1993. 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.

For and on behalf of the Board

**Clive Richards** Chairman of the Nominations Committee  
25 September 2006



## Audit Committee report

The Audit Committee (the "Committee") is established under terms of reference approved by the Board.

### Principal responsibilities

The principal responsibilities of the Committee, set out in its terms of reference, are as follows:

- To consider the appointment and independence of the external auditors and make appropriate recommendations to the Board;
- To consider and recommend the audit fee to the Board and approve non-audit services provided by the external auditors;
- To discuss with the external auditors their approach to risk and the nature and scope of their audit;
- To review, where applicable, the management letter presented by the auditors at the completion of the audit and consider management's response;
- To consider whether there is a need to establish an internal audit function and make a recommendation to the Board;
- To review the reports on risk management and the effectiveness of the system of internal financial control;
- To monitor, review and report to the Board on any financial information to be published by the Company; and
- To review arrangements by which staff of the Company, in confidence, raise concerns about possible improprieties in matters of financial reporting or otherwise.

The Committee's terms of reference were reviewed and updated by the Board in January 2004.

### Membership

The Committee is comprised solely of independent non-executive Directors. Clive Richards has chaired the Committee throughout the year and Christopher Sheridan has also served on the Committee throughout the year.

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

### Meetings

The Committee met five times during the year ended 30 June 2006. The Finance Director, other executives and representatives of the external auditors have been invited to attend each meeting. The Committee is able to consider items of business without any other parties being present.

### Main activities of the Committee

In the year under review, 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;
- Detailed review of the IFRS transition report issued during the year, including the consideration of the appropriateness of accounting policies to be adopted;
- A meeting with the auditors, in advance of the annual audit, to consider and discuss the nature and scope of the audit;
- A review of the performance and independence of the external auditors;
- A meeting with the auditors without any executives being present;
- Monitoring non-audit assignments awarded to the external auditors in light of the Committee's policy that such assignments will not be awarded to the audit firm if there is a risk of a conflict arising with the firm's independence and objectivity;
- A review of the need to establish an internal audit function; and
- The review of the Company's report on internal control and risk management systems.

For and on behalf of the Board

**Clive Richards** Chairman of the Audit Committee  
25 September 2006



## Report of the Directors

The Directors present their report and the audited financial statements of the Group for the year ended 30 June 2006.

### Principal activities and review of the business

The principal activities of the Group are that of property investment, development and management. A detailed review of the business of the Group, including the position at the year end and future prospects, is included in the Chairman's statement and the Business Review.

### Results and dividends

The financial statements deal with the results of the Group for the year ended 30 June 2006 which are shown on page 41.

In line with the dividend policy outlined in the interim results for the six months ended 31 December 2005, no dividend is declared in respect of the year ended 30 June 2006 (2005: 3.25 pence per ordinary share).

### Directors

The Directors of the Company who served during the year ended 30 June 2006 are as follows:

Andrew Rosenfeld  
Salmaan Hasan (appointed 4 July 2005)  
Paul Coster (retired 30 September 2005)  
Ivan Ezekiel  
Tim Garnham (appointed 30 August 2005)  
Clive Richards  
Christopher Sheridan  
Christopher Mackenzie (appointed 1 September 2005)

Since the year ended 30 June 2006, Oliver Whitehead CBE was appointed to the Board on 19 July 2006.

Oliver Whitehead, having been appointed by the Board of Directors since the 2005 Annual General Meeting, will retire and, being eligible, will offer himself for reappointment at the next Annual General Meeting in accordance with the Articles of Association. Andrew Rosenfeld will retire at the next Annual General Meeting and will not be standing for re-election at the Annual General Meeting. Ivan Ezekiel will also retire by rotation in accordance with the Articles of Association and, being eligible, will offer himself for re-election at the next Annual General Meeting. Christopher Sheridan and Clive Richards, who will have served as non-executive Directors of the Company for 10 years, are subject to re-election at the next Annual General Meeting in accordance with the Combined Code on Corporate Governance. Notwithstanding that Clive Richards and Christopher Sheridan have served as non-executive Directors since October 1996, the Directors consider that each of them remains independent and consider their performance to be effective, demonstrating commitment to the role of a non-executive Director of the Company.

Biographical details of all of the Directors of the Company as at the date of this report are set out on pages 20 and 21.

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 2006 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 2006 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 2006:

|   | Shares     | Per cent |
|---|------------|----------|
| Aberdeen Asset Management plc             | 19,372,286 | 12.02    |
| Henderson Global Investors                | 11,624,275 | 7.22     |
| M&G Investment Management                 | 10,852,907 | 6.74     |
| Newton Investment Management Ltd          | 7,401,430  | 4.59     |
| Morgan Stanley Investment Management      | 7,199,054  | 4.47     |
| HSBC Securities                           | 6,846,072  | 4.25     |
| SG Asset Management Ltd                   | 6,637,831  | 4.12     |
| Legal & General Investment Management Ltd | 6,402,694  | 3.97     |
| Gartmore Investment Management plc        | 6,271,654  | 3.89     |

### Annual General Meeting

The Annual General Meeting of the Company will be held on 21 November 2006. A notice of the Annual General Meeting is enclosed with the Annual Report and Accounts.

#### Authority to allot shares

Under Section 80 of the Companies Act 1985 ("the Act"), the Directors are not allowed to allot shares unless they are authorised to do so by shareholders. Resolution 8 set out in the Notice of Annual General Meeting gives the Directors authority, until the date of the next Annual General Meeting, to allot authorised but unissued share capital of the Company up to a maximum nominal amount of £13,425,862. This amounts to 53,703,447 ordinary shares representing one-third of the issued share capital of the Company at the date of this report. The Directors consider the authority necessary to preserve maximum flexibility for the future.

Section 89 of the Act gives all shareholders the right to participate on a pro rata basis in all issues of equity shares for cash, unless they agree that this right should be excluded. The effect of Resolution 9, which is proposed as a special resolution, is to give the Directors authority until the date of the next Annual General Meeting, firstly, to carry out a rights issue without having to comply with the detailed requirements of Section 89 and Section 90 of the Act and, secondly, to allot equity shares for cash otherwise than by an issue pro rata to existing shareholders, up to an aggregate nominal amount of £2,013,879, which represents 5 per cent of the issued share capital of the Company at the date of this report.

The Directors consider that it is appropriate for these authorities to be granted and recommend shareholders to vote in favour of these resolutions as they unanimously intend to do so in respect of their own beneficial shareholdings. Except in relation to the Company's employee share option or share incentive schemes, the Directors have no present intention of issuing any ordinary shares, whether for cash or otherwise. No issue will be made which would effectively alter the control of the Company without the prior approval of shareholders in general meeting. It is proposed to renew both powers each year at the Company's Annual General Meeting.

Report of the Directors continued

#### Purchase of own shares

At the 2005 Annual General Meeting, the shareholders passed a resolution granting to the Company authority to make market purchases of the Company's ordinary shares subject to certain specified limits. No shares have been purchased pursuant to this authority, which expires at the conclusion of the 2006 Annual General Meeting to be held on 21 November 2006. Under resolution 10, which is proposed as a special resolution, the Directors are seeking to renew such authority to make market purchases (if they deem it appropriate from time to time) of up to 24,150,440 ordinary shares of 25 pence each in the Company, which represents 14.99 per cent of the issued share capital of the Company at the date of this report, at no more than 105 per cent of the average of the closing mid market price for the ordinary shares of the Company for the five business days prior to the date of purchase, nor at less than 25 pence each.

The Directors will only exercise the power to make market purchases of ordinary shares if they believe that as a result there will be an increase in net assets per ordinary share for the remaining shareholders and that such purchases would be in the best interests of the shareholders generally.

#### Remuneration policy

The Company's shareholders will be asked to approve the Remuneration report contained in the Annual Report and Accounts at the Annual General Meeting to be held on 21 November 2006 and resolution 6 is drafted accordingly.

#### Combined Code

A statement on corporate governance is set out on pages 24 to 26.

#### 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.

#### 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 17 days (2005: 17 days) purchases outstanding.

#### Donations

During the year the Group made charitable donations of £16,000 (2005: £79,000). No political donations were made during the year.

#### 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  
25 September 2006



## Corporate Responsibility

Corporate responsibility is of growing importance. Our Environment and Social Report reflects our approach and outlines our future plans, new initiatives and targets, along with the progress made in addressing environmental and social performance of our property investments and developments.

Over the past year, we have continued to review and manage significant environmental and social impacts of our business and identify areas for improvement. The key initiatives during the past year have focused on a sustainability appraisal of The Walbrook development, a preliminary BREEAM assessment of The Walbrook development, a waste management strategy and an initial energy audit at a number of our properties.

### **Sustainability appraisal**

As part of fulfilling our Environmental and Social Policy, a sustainability appraisal of The Walbrook development was undertaken using Arup's Sustainable Project Appraisal Routine (SPeAR®) tool. SPeAR® is based on a four-quadrant model that structures the issues of sustainability into a framework with a focus on the key elements of environmental protection, social equity, economic viability and efficient use of natural resources.

The sustainability appraisal provided a snapshot of The Walbrook's sustainability performance. Relevant policy and guidance documents were reviewed to demonstrate how the proposed design has responded to the Government's objectives for sustainable development. The appraisal shows that the scheme performs well overall. In particular, it demonstrates strong sustainability performance with regard to transport, access, social benefits and economic viability.

### **BREEAM assessment**

In addition to the sustainability appraisal, the Building Research Establishment Environmental Assessment Method (BREEAM) was used to assess the environmental performance of The Walbrook. BREEAM is a recognised method of benchmarking the environmental performance of buildings. Prior to the formal BREEAM Offices assessment, a predicted assessment of The Walbrook was undertaken to allow an evaluation of the rating that could be achieved under a formal assessment. The current design and construction of The Walbrook is likely to achieve a BREEAM rating of "very good"; however we are currently reviewing the design with the aim of seeking to achieve a rating of "excellent" in the formal assessment.

### **Waste management**

We are aware that our developments have the potential to generate significant quantities of waste unless waste minimisation is considered at the investment stage, and carried through to design, construction and asset management. Therefore, we are in the process of developing a waste management strategy to assist in improving waste performance throughout the property life cycle. The strategy will provide guidance on waste management and how it can be incorporated into Minerva's and its contractors' business practices.

### **Initial energy audit**

An initial energy audit was completed for a number of our properties this year. The aim of this audit was to gain a better understanding of properties in terms of floor area over which we have influence, use and energy demands. Each property was benchmarked in terms of energy performance, which will assist us to prepare for the forthcoming Energy Performance in Buildings Directive. Recommendations made from this audit will help us to improve reporting of resource usage as well as identify opportunities to decrease resource consumption so that year on year improvements can be made.

Minerva is committed to achieving continual improvement in terms of sustainability performance and to demonstrate this, we aim to implement recommendations from this year's initiatives.

## 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 2006 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statements, the Consolidated and Parent Company Statement 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, as regards the Group financial statements, Article 4 of the IAS Regulation. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's statement and the Business Review section of the Directors' Report. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's statement, the Business Review, the Corporate Governance report and the unaudited part of the Remuneration 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 judgments 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

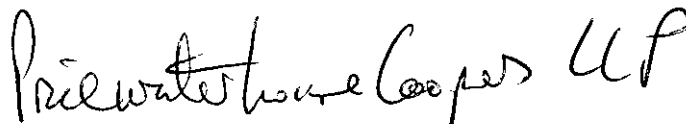
In our opinion:

- 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 2006 and of its profit and cash flows for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 June 2006 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.

### Emphasis of matter

In forming our opinion, which is not qualified, we have considered the disclosures relating to the IFRS adjustments. As explained in note 1, the IFRS adjustments made in respect of the discontinued joint venture in the prior year are based on the directors' estimates, using the limited information available to them.

PricewaterhouseCoopers LLP Chartered Accountants and Registered Auditors  
London  
25 September 2006



## Consolidated income statement

| For the year ended 30 June 2006                                | Note | Year to<br>30 June 2006<br>£000 | Year to<br>30 June 2005<br>£000 |
|--|------|---------------------------------|---------------------------------|
| <b>Continuing operations</b>                                   |      |                                 |                                 |
| Revenue  | 3    | 20,216                          | 61,389                          |
| Property outgoings   |      | (5,110)                         | (9,228)                         |
| <b>Net rental income</b>                                       | 3    | 15,106                          | 52,161                          |
| Administrative expenses  |      | (8,761)                         | (16,847)                        |
| Other income   |      | 131                             | 264                             |
| Movement on revaluation of investment properties               | 12   | 11,070                          | (6,258)                         |
| Loss on sale of investment properties                          |      | (827)                           | (12,490)                        |
| <b>Operating profit</b>  | 4    | 16,719                          | 16,830                          |
| Interest payable and similar charges                           | 7    | (18,835)                        | (46,734)                        |
| Interest receivable and similar income                         | 8    | 10,602                          | 4,750                           |
| Charges relating to early loan repayments                      |      | (15,391)                        | (17,180)                        |
| Share of post tax profit of joint venture                      | 16   | 19                              | -                               |
| <b>Loss before taxation</b>                                    | 2    | (6,886)                         | (42,334)                        |
| Taxation credit  | 9    | 8,569                           | 26,361                          |
| <b>Profit/(loss) after taxation from continuing operations</b> |      | 1,683                           | (15,973)                        |
| <b>Discontinued operation</b>                                  |      |                                 |                                 |
| Loss from discontinued operation                               |      | -                               | (4,429)                         |
| <b>Profit/(loss) for the year</b>                              |      | 1,683                           | (20,402)                        |
| <b>Attributable to:</b>  |      |                                 |                                 |
| Equity shareholders  |      | 1,705                           | (20,402)                        |
| Minority interest  | 25   | (22)                            | -                               |
| <b>Profit/(loss) for the year</b>                              |      | 1,683                           | (20,402)                        |
| <b>Earnings/(loss) per share</b>                               |      |                                 |                                 |
| - Basic  | 11   | 1.1p                            | (12.7p)                         |
| - Diluted  | 11   | 1.1p                            | (12.7p)                         |

The comparative results for the year ended 30 June 2005 have been restated under International Financial Reporting Standards.

## Consolidated balance sheet

| As at 30 June 2006                | Note | As at<br>30 June 2006<br>£000 | As at<br>30 June 2005<br>£000 |
|-----------------------------------|------|-------------------------------|-------------------------------|
| <b>Assets</b>                     |      |                               |                               |
| <b>Non-current assets</b>         |      |                               |                               |
| Investment properties             | 12   | 580,150                       | 804,099                       |
| Property, plant and equipment     | 13   | 9,108                         | 461                           |
| Investments                       | 15   | 276                           | 5,082                         |
| Investment in joint venture       | 16   | 3,923                         | –                             |
| Derivative financial instruments  | 21   | 3,887                         | –                             |
|                                   |      | 597,344                       | 809,642                       |
| <b>Current assets</b>             |      |                               |                               |
| Trading properties                | 17   | 26,933                        | –                             |
| Trade and other receivables       | 18   | 44,122                        | 162,202                       |
| Cash and cash equivalents         | 19   | 161,640                       | 144,439                       |
|                                   |      | 232,695                       | 306,641                       |
| <b>Total assets</b>               |      | <b>830,039</b>                | <b>1,116,283</b>              |
| <b>Liabilities</b>                |      |                               |                               |
| <b>Current liabilities</b>        |      |                               |                               |
| Trade and other payables          | 20   | (20,837)                      | (42,256)                      |
| Borrowings                        | 21   | (49,138)                      | (130,430)                     |
|                                   |      | (69,975)                      | (172,686)                     |
| <b>Non-current liabilities</b>    |      |                               |                               |
| Borrowings                        | 21   | (212,944)                     | (384,993)                     |
| Derivative financial instruments  | 21   | (3,245)                       | –                             |
| Deferred tax                      | 22   | (41,550)                      | (51,843)                      |
|                                   |      | (257,739)                     | (436,836)                     |
| <b>Total liabilities</b>          |      | <b>(327,714)</b>              | <b>(609,522)</b>              |
| <b>Net assets</b>                 |      | <b>502,325</b>                | <b>506,761</b>                |
| <b>Equity</b>                     |      |                               |                               |
| Called up share capital           | 23   | 40,278                        | 40,230                        |
| Share premium account             | 24   | 198,329                       | 198,098                       |
| Other reserves                    | 24   | 37,978                        | 41,795                        |
| Retained earnings                 | 24   | 225,210                       | 226,638                       |
| <b>Total shareholders' equity</b> |      | <b>501,795</b>                | <b>506,761</b>                |
| <b>Minority interest</b>          | 25   | 530                           | –                             |
| <b>Total equity</b>               |      | <b>502,325</b>                | <b>506,761</b>                |
| <b>Net asset value per share</b>  |      |                               |                               |
| – Basic                           | 26   | 311.5p                        | 314.9p                        |
| – Diluted                         | 26   | 311.4p                        | 314.7p                        |

The comparative balance sheet as at 30 June 2005 has been restated under International Financial Reporting Standards.  
The financial statements were approved by the Board of Directors on 25 September 2006 and were signed on its behalf by:

S Hasan Director  
I H Ezekiel Director



## Parent Company balance sheet

| As at 30 June 2006                    | Note | As at<br>30 June 2006<br>£000 | As at<br>30 June 2005<br>£000 |
|---------------------------------------|------|-------------------------------|-------------------------------|
| <b>Assets</b>                         |      |                               |                               |
| <b>Non-current assets</b>             |      |                               |                               |
| Investment in subsidiary undertakings | 14   | 48,627                        | 48,281                        |
|                                       |      | 48,627                        | 48,281                        |
| <b>Current assets</b>                 |      |                               |                               |
| Trade and other receivables           | 18   | 239,859                       | 249,779                       |
| Cash and cash equivalents             |      | 6,221                         | 5,552                         |
|                                       |      | 246,080                       | 255,331                       |
| <b>Total assets</b>                   |      | 294,707                       | 303,612                       |
| <b>Liabilities</b>                    |      |                               |                               |
| <b>Current liabilities</b>            |      |                               |                               |
| Trade and other payables              | 20   | (559)                         | (1,242)                       |
| <b>Total liabilities</b>              |      | (559)                         | (1,242)                       |
| <b>Net assets</b>                     |      | 294,148                       | 302,370                       |
| <b>Equity</b>                         |      |                               |                               |
| Called up share capital               | 23   | 40,278                        | 40,230                        |
| Share premium account                 | 24   | 198,329                       | 198,098                       |
| Other reserves                        | 24   | 14,763                        | 14,417                        |
| Retained earnings                     | 24   | 40,778                        | 49,625                        |
| <b>Total equity</b>                   |      | 294,148                       | 302,370                       |

The comparative balance sheet as at 30 June 2005 has been restated under International Financial Reporting Standards.  
The financial statements were approved by the Board of Directors on 25 September 2006 and were signed on its behalf by:

S Hasan Director  
I H Ezekiel Director



## Statements of changes in equity

### Group

| For the year ended 30 June 2006   | Note | Year to<br>30 June 2006<br>£000 | Year to<br>30 June 2005<br>£000 |
|---|------|---------------------------------|---------------------------------|
| <b>Opening total equity as restated under IFRS</b>                                  |      | 506,761                         | 531,889                         |
| Impact of adopting IAS 39   | 1    | (11,152)                        | –                               |
|   |      | 495,609                         | 531,889                         |
| Movement in fair value of financial instruments                                     | 24   | 5,807                           | –                               |
| Deferred tax on movement in fair value of financial instruments                     |      | (1,742)                         | –                               |
| Realisation of financial instruments  | 24   | 4,380                           | –                               |
| Deferred tax on realisation of financial instruments                                |      | (1,314)                         | –                               |
| New share capital issued  | 23   | 279                             | 350                             |
| Share-based payment   |      | 346                             | 102                             |
| Share of joint venture movement in fair value of financial instruments (net of tax) | 16   | 204                             | –                               |
| Movement in minority interest in the year   | 25   | 530                             | –                               |
| Profit/(loss) for the year attributable to equity shareholders                      |      | 1,705                           | (20,402)                        |
| Dividends   | 27   | (3,479)                         | (5,178)                         |
| <b>Closing total equity</b>   |      | 502,325                         | 506,761                         |

### Parent company

| For the year ended 30 June 2006                                | Note | Year to<br>30 June 2006<br>£000 | Year to<br>30 June 2005<br>£000 |
|--|------|---------------------------------|---------------------------------|
| <b>Opening total equity as restated under IFRS</b>             |      | 302,370                         | 288,133                         |
| New share capital issued                                       | 23   | 279                             | 350                             |
| Share-based payment  |      | 346                             | 102                             |
| Dividends  | 27   | (3,479)                         | (5,178)                         |
| (Loss)/profit for the year attributable to equity shareholders |      | (5,368)                         | 18,963                          |
| <b>Closing total equity</b>                                    |      | 294,148                         | 302,370                         |

## Consolidated cash flow statement

| For the year ended 30 June 2006                     | Note | Year to<br>30 June 2006<br>£000 | Year to<br>30 June 2005<br>£000 |
|---|------|---------------------------------|---------------------------------|
| <b>Cash (outflow)/inflow from operations</b>        | 31   | (7,552)                         | 40,261                          |
| Interest received                                   |      | 9,390                           | 4,729                           |
| Interest paid                                       |      | (17,918)                        | (45,596)                        |
| UK corporation tax                                  |      | -                               | -                               |
| <b>Cash flows from operating activities</b>         |      | (16,080)                        | (606)                           |
| <b>Investing activities</b>                         |      |                                 |                                 |
| Additions to investment properties                  |      | (52,553)                        | (12,061)                        |
| Additions to property, plant and equipment          |      | (342)                           | (286)                           |
| Additions to investments                            |      | (129)                           | -                               |
| Receipts from sale of investment properties         |      | 374,537                         | 248,156                         |
| Receipts from sale of property, plant and equipment |      | 55                              | 84                              |
| Investment in joint venture                         |      | (3,700)                         | -                               |
| Loan to joint venture                               |      | -                               | (2,500)                         |
| <b>Cash flows from investing activities</b>         |      | 317,868                         | 233,393                         |
| <b>Financing activities</b>                         |      |                                 |                                 |
| Issue of share capital                              |      | 279                             | 350                             |
| Equity dividends paid                               |      | (3,182)                         | (5,173)                         |
| New long-term loans                                 |      | 96,632                          | -                               |
| Issue costs of long-term loans                      |      | (1,665)                         | (88)                            |
| Equity contribution from minority interest          |      | 550                             | -                               |
| Repayment of long-term loans                        |      | (351,882)                       | (177,592)                       |
| Cost of early long-term loan repayments             |      | (25,319)                        | (9,743)                         |
| <b>Cash flows from financing activities</b>         |      | (284,587)                       | (192,246)                       |
| <b>Net increase in cash and cash equivalents</b>    |      | 17,201                          | 40,541                          |
| Cash and cash equivalents at beginning of year      |      | 144,439                         | 103,898                         |
| <b>Cash and cash equivalents at end of year</b>     |      | 161,640                         | 144,439                         |

## Parent Company cash flow statement

| For the year ended 30 June 2006                        | Note | Year to<br>30 June 2006<br>£000 | Year to<br>30 June 2005<br>£000 |
|--|------|---------------------------------|---------------------------------|
| <b>Cash inflow from operations</b>                     | 31   | 3,268                           | 4,828                           |
| Interest received                                      |      | 304                             | 237                             |
| <b>Cash flows from operating activities</b>            |      | 3,572                           | 5,065                           |
| <b>Financing activities</b>                            |      |                                 |                                 |
| Issue of share capital                                 |      | 279                             | 350                             |
| Equity dividends paid                                  |      | (3,182)                         | (5,173)                         |
| <b>Cash flows from financing activities</b>            |      | (2,903)                         | (4,823)                         |
| <b>Net increase in cash and cash equivalents</b>       |      | 669                             | 242                             |
| Cash and cash equivalents brought forward              |      | 5,552                           | 5,310                           |
| <b>Cash and cash equivalents at balance sheet date</b> |      | 6,221                           | 5,552                           |

## Notes to the financial statements

### 1. Accounting policies

#### Basis of preparation

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

The Group financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The parent company has elected to prepare its company financial statements in accordance with International Financial Reporting Standards.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in the financial statements and in preparing an opening IFRS balance sheet at the transition date of 1 July 2004. However, advantage has been taken of certain exemptions afforded by IFRS 1, 'First-time adoption of International Financial Reporting Standards' as follows:

- The Group has applied IFRS 2, 'Share-based payment', retrospectively only to awards made after 7 November 2002 that had not vested at 1 January 2005.
- The Group has postponed adoption of IAS 39, 'Financial instruments: Recognition and measurement' until its accounting period commencing 1 July 2005. On adoption of IAS 39 both interest rate swaps and swaptions were stated at fair value. The resulting £15,932,000 increase in liability, together with a corresponding deferred tax credit of £4,780,000 reduced total net equity at 1 July 2005 by £11,152,000.

#### Transition to IFRS

The Group has prepared its financial statements in accordance with IFRS for the first time and consequently has applied IFRS 1 as noted above. An explanation and note regarding the transition to IFRS is set out in note 32 as well as in the IFRS Transition Report which is on the Company's website [www.minervapl.co.uk](http://www.minervapl.co.uk).

#### Measurement convention

The Group has prepared its financial statements in accordance with the historical cost convention, as modified by the inclusion of investment properties and financial instruments at fair value in accordance with IFRS.

The measurement of fair value constitutes an area of judgement exercised by the Board in respect of the financial results of the Group. In relation to the Group's investment properties, 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. In respect of financial instruments, the Board has relied upon the valuation carried out by JC Rathbone Associates Limited, financial risk consultants. Other areas of judgement, risk and uncertainty which are relevant to an understanding of the financial results and position of the Group are referred to in the Business Review.

#### Basis of consolidation

The consolidated financial statements of the Group includes the financial results of the Company and its subsidiaries. Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

A joint venture is an undertaking in which the Group has a long-term interest and over which it exercises joint control, whereas an associate is an entity in which the Group has significant influence but not control over financial and operating policies. In accordance with IAS 31, the Group equity accounts for its share of net profit 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 assets acquired. Goodwill is recognised as an asset and reviewed for impairment. Any impairment is recognised immediately in the income statement. Negative goodwill arising on acquisition is recognised directly in the income statement.

#### Revenue

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

Notes to the financial statements continued

## 1. Accounting policies continued

### Property expenses

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

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

### Investment properties

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

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

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

### Trading properties

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

### Property transactions

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

### Property, plant and equipment

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

### Leases – the Group as a lessee

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

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

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

### Cash and cash equivalents

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

### Borrowings

Bank loans are included in the financial statements, initially at cost, being the fair value of consideration received less attributable transaction costs, which are amortised over the life of the loan. Interest payable is accounted for on an accruals basis.

### Derivative financial instruments

Interest rate derivatives are recognised initially at cost and subsequent to initial recognition are stated at fair value. Amounts payable and receivable on interest rate derivatives are recognised in the period to which they relate.

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

The Group has taken advantage of the transitional arrangements of IFRS 1 not to restate corresponding amounts in accordance with IAS 32 and IAS 39. The corresponding amounts for the year ended 30 June 2005 are presented and disclosed in accordance with the requirement of the Companies Act 1985 and FRS 4, 'Capital Instruments'.

## 1. Accounting policies continued

### Income tax

The charge for current taxation is based on the results for the year as adjusted for items which are non-taxable or disallowed having taking 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 substantially 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 cost less provision for impairment where it is established there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms of the receivable. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The provision is recorded in the income statement.

### Trade and other payables

Trade and other payables are stated at cost.

### Share-based payment

The Group provides share-based payment in the form of share options and share awards under the Executive Incentive Plan.

These plans are discussed in greater detail in the Remuneration Report on pages 27 to 33.

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 stochastic 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.

### 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.

### Discontinued operation

The discontinued operation in the prior year relates to the Group's previous investment in a joint venture which went into administration in January 2005. The prior year IFRS adjustments made in respect of the discontinued joint venture are based on Director estimates, which they consider to be reasonable, using the limited information available to them.

Notes to the financial statements continued

**2. Financial information**

|  | Underlying<br>results<br>£000 | Exceptional<br>items<br>£000 | Total<br>£000  |
|--|-------------------------------|------------------------------|----------------|
| Revenue  | 20,216                        | –                            | 20,216         |
| Property outgoings   | (5,110)                       | –                            | (5,110)        |
| <b>Net rental income</b>   | <b>15,106</b>                 | <b>–</b>                     | <b>15,106</b>  |
| Administrative expenses  | (8,761)                       | –                            | (8,761)        |
| Other income   | 131                           | –                            | 131            |
| Movement on revaluation of investment properties                     | 11,070                        | –                            | 11,070         |
| Loss on sale of investment properties                                | –                             | (827)                        | (827)          |
| <b>Operating profit/(loss)</b>                                       | <b>17,546</b>                 | <b>(827)</b>                 | <b>16,719</b>  |
| Interest payable and similar charges                                 | (18,835)                      | –                            | (18,835)       |
| Interest receivable and similar income                               | 10,602                        | –                            | 10,602         |
| Charges relating to early loan repayments                            | –                             | (15,391)                     | (15,391)       |
| Share of post tax profit of joint venture                            | 19                            | –                            | 19             |
| <b>Profit/(loss) before taxation for the year ended 30 June 2006</b> | <b>9,332</b>                  | <b>(16,218)</b>              | <b>(6,886)</b> |
| Loss before taxation for the year ended 30 June 2005                 | (4,664)                       | (37,670)                     | (42,334)       |

Exceptional items in the current year represent the £827,000 loss arising on the sale of investment properties during the year, together with £15,391,000 of fixed rate loan and swap breakage costs and unamortised loan issue costs, relating to loans repaid secured on the properties sold and the refinancing of borrowings.

In the prior year, exceptional items related to losses and expenses arising on the sale of investment properties totalling £29,670,000 and an irrecoverable part of loan to joint venture of £8,000,000.

**3. Net rental income**

|                               | Year ended<br>30 June 2006<br>£000 | Year ended<br>30 June 2005<br>£000 |
|-------------------------------|------------------------------------|------------------------------------|
| Rental income                 | 18,947                             | 57,082                             |
| Recoverable property expenses | 1,269                              | 4,307                              |
| <b>Revenue</b>                | <b>20,216</b>                      | <b>61,389</b>                      |
| Net property outgoings        | (3,841)                            | (4,921)                            |
| Recoverable property expenses | (1,269)                            | (4,307)                            |
| <b>Property outgoings</b>     | <b>(5,110)</b>                     | <b>(9,228)</b>                     |
| Group turnover                | 20,216                             | 61,389                             |
| Property outgoings            | (5,110)                            | (9,228)                            |
| <b>Net rental income</b>      | <b>15,106</b>                      | <b>52,161</b>                      |

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

#### 4. Group operating profit

|  | Year ended<br>30 June 2006<br>£000 | Year ended<br>30 June 2005<br>£000 |
|--|------------------------------------|------------------------------------|
| Operating profit is stated after charging/(crediting):                   |                                    |                                    |
| Auditors' remuneration for audit (Company: 2006: £21,000, 2005: £20,000) | 123                                | 100                                |
| Depreciation charge  | 317                                | 576                                |
| Operating lease rentals – land and buildings                             | 38                                 | 28                                 |
| Profit on sale of tangible fixed assets                                  | (55)                               | (39)                               |
| The Group's auditors also charged the following:                         |                                    |                                    |
| Provision of advisory services   | 172                                | 119                                |
| Taxation services  | –                                  | 95                                 |

#### 5. Staff costs

|   | Year ended<br>30 June 2006<br>£000 | Year ended<br>30 June 2005<br>£000 |
|---|------------------------------------|------------------------------------|
| Average number of employees (including executive Directors) employed by the Group | 31                                 | 33                                 |
|   | £000                               | £000                               |
| Staff costs for the above persons (including executive Directors):                |                                    |                                    |
| Wages and salaries  | 2,669                              | 2,401                              |
| Discretionary bonuses   | 1,081                              | 750                                |
| Share-based payment   | 346                                | 102                                |
| Social security costs   | 505                                | 429                                |
| Other pension costs   | 139                                | 41                                 |
|   | 4,740                              | 3,723                              |

#### 6. Directors' remuneration (including pension costs)

|                                     | Year ended<br>30 June 2006<br>£000 | Year ended<br>30 June 2005<br>£000 |
|-------------------------------------|------------------------------------|------------------------------------|
| Aggregate emoluments                | 2,208                              | 1,252                              |
| Emoluments of highest paid Director | 773                                | 529                                |

Details of Directors' emoluments are set out in the tables in the Remuneration report on pages 27 to 33.

Notes to the financial statements continued

## 7. Interest payable and similar charges

|  | Year ended<br>30 June 2006<br>£000 | Year ended<br>30 June 2005<br>£000 |
|--|------------------------------------|------------------------------------|
| Bank interest and charges                    | 18,355                             | 45,595                             |
| Amortisation of loan issue costs             | 329                                | 473                                |
| Interest on obligations under finance leases | 151                                | 666                                |
|  | 18,835                             | 46,734                             |

In addition charges relating to early loan repayments of £15,391,000 (2005: £17,180,000) were incurred.

## 8. Interest receivable and similar income

|  | Note | Year ended<br>30 June 2006<br>£000 | Year ended<br>30 June 2005<br>£000 |
|--|------|------------------------------------|------------------------------------|
| Interest on short-term deposits          |      | 8,343                              | 4,367                              |
| Other interest receivable                |      | 807                                | 383                                |
| Fair value gain on financial instruments | 21   | 1,452                              | -                                  |
|  |      | 10,602                             | 4,750                              |

## 9. Taxation

|   | Year ended<br>30 June 2006<br>£000 | Year ended<br>30 June 2005<br>£000 |
|---|------------------------------------|------------------------------------|
| Corporation tax   | -                                  | -                                  |
| Deferred tax credit   | (8,569)                            | (26,361)                           |
|   | (8,569)                            | (26,361)                           |
|   |                                    |                                    |
|   | Year ended<br>30 June 2006<br>£000 | Year ended<br>30 June 2005<br>£000 |
| Total loss on ordinary activities before taxation                               | (6,886)                            | (42,334)                           |
| Tax on loss on ordinary activities at 30 per cent                               | (2,066)                            | (12,700)                           |
| Expenses not deductible for tax purposes  | 183                                | 2,862                              |
| Accelerated capital allowances  | (5,333)                            | (11,375)                           |
| Differences arising from taxation of chargeable gains and property revaluations | (1,761)                            | (16,560)                           |
| Tax losses and other timing differences   | 408                                | 11,412                             |
| Taxation credit for the year  | (8,569)                            | (26,361)                           |

**10. Loss dealt with by Parent Company**

As permitted by Section 230 of the Companies Act 1985, the Company's income statement has not been included in these financial statements. Of the profit after taxation from continuing operations, a loss of £5,368,000 (2005: profit of £18,963,000) is dealt with in the financial statements of the Company.

**11. Earnings/(loss) per share**

Earnings/(loss) per share is calculated on a weighted average of 161,051,411 ordinary shares of 25 pence each in issue throughout the year (year to 30 June 2005: 160,846,284 ordinary shares) and is based on profits attributable to ordinary shareholders of £1,705,000 (year to 30 June 2005: loss of £20,402,000).

Diluted earnings/(loss) per share is calculated after allowing for the exercise of share options and is based on 161,085,088 ordinary shares of 25 pence each (year to 30 June 2005 160,962,614 ordinary shares). There is no dilution effect in the prior year due to the loss in that year.

**12. Investment properties**

| Group  | Freehold<br>£000 | Long<br>leasehold<br>£000 | Total<br>£000    |
|--|------------------|---------------------------|------------------|
| At 1 July 2004: At valuation                           | 795,400          | 410,100                   | 1,205,500        |
| Recognition of finance lease obligations               | –                | 9,059                     | 9,059            |
| Amounts included within prepayments and accrued income | (3,110)          | (1,266)                   | (4,376)          |
| <b>At 1 July 2004: Net book value</b>                  | <b>792,290</b>   | <b>417,893</b>            | <b>1,210,183</b> |
| Additions  | 11,411           | 1,853                     | 13,264           |
| Disposals  | (294,167)        | (118,923)                 | (413,090)        |
| Revaluation movement                                   | (3,804)          | (2,454)                   | (6,258)          |
| <b>At 1 July 2005: Net book value</b>                  | <b>505,730</b>   | <b>298,369</b>            | <b>804,099</b>   |
| Acquisitions   | 39,954           | –                         | 39,954           |
| Additions  | 11,170           | 1,281                     | 12,451           |
| Disposals  | (225,736)        | –                         | (225,736)        |
| Transfer to property, plant and equipment              | –                | (8,622)                   | (8,622)          |
| Transfer to trading properties                         | (26,933)         | –                         | (26,933)         |
| Amounts receivable on surrender of lease               | (26,133)         | –                         | (26,133)         |
| Revaluation movement                                   | 1,431            | 9,639                     | 11,070           |
| <b>At 30 June 2006: Net book value</b>                 | <b>279,483</b>   | <b>300,667</b>            | <b>580,150</b>   |
| Recognition of finance lease obligations               | –                | (2,136)                   | (2,136)          |
| Amounts included within prepayments and accrued income | 114              | 1,067                     | 1,181            |
| <b>At 30 June 2006: At valuation</b>                   | <b>279,597</b>   | <b>299,598</b>            | <b>579,195</b>   |

The investment properties were valued on an open market value basis by CB Richard Ellis Ltd, 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 historical cost of the properties at 30 June 2006 was £399,789,000 (2005: £527,828,000). The total amount of interest capitalised as part of the cost of investment properties was £6,911,000 (2005: £6,911,000).

Notes to the financial statements continued

### 13. Property, plant and equipment

| Group                                 | Owner<br>occupied<br>property<br>£000 | Fixtures<br>and fittings<br>£000 | Motor<br>vehicles<br>£000 | Total<br>£000 |
|---------------------------------------|---------------------------------------|----------------------------------|---------------------------|---------------|
| <b>Cost</b>                           |                                       |                                  |                           |               |
| <b>At 1 July 2004</b>                 | –                                     | 1,712                            | 612                       | 2,324         |
| Additions                             | –                                     | 22                               | 252                       | 274           |
| Disposals                             | –                                     | (217)                            | (179)                     | (396)         |
| <b>At 1 July 2005</b>                 | –                                     | 1,517                            | 685                       | 2,202         |
| Additions                             | –                                     | 163                              | 179                       | 342           |
| Transfer from investment properties   | 8,622                                 | –                                | –                         | 8,622         |
| Disposals                             | –                                     | (2)                              | (163)                     | (165)         |
| <b>At 30 June 2006</b>                | 8,622                                 | 1,678                            | 701                       | 11,001        |
| <b>Depreciation</b>                   |                                       |                                  |                           |               |
| <b>At 1 July 2004</b>                 | –                                     | 1,108                            | 408                       | 1,516         |
| Depreciation charge                   | –                                     | 439                              | 137                       | 576           |
| Disposals                             | –                                     | (197)                            | (154)                     | (351)         |
| <b>At 1 July 2005</b>                 | –                                     | 1,350                            | 391                       | 1,741         |
| Depreciation charge                   | 38                                    | 128                              | 151                       | 317           |
| Disposals                             | –                                     | (2)                              | (163)                     | (165)         |
| <b>At 30 June 2006</b>                | 38                                    | 1,476                            | 379                       | 1,893         |
| <b>Net book value at 30 June 2006</b> | 8,584                                 | 202                              | 322                       | 9,108         |
| Net book value at 30 June 2005        | –                                     | 167                              | 294                       | 461           |

**14. Investment in subsidiary undertakings**

|                        | Total<br>£000 |
|------------------------|---------------|
| Parent Company         |               |
| At 1 July 2005         | 48,281        |
| Additions              | 346           |
| <b>At 30 June 2006</b> | <b>48,627</b> |

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

\*Established according to Jersey Law and operates in Great Britain.

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

Notes to the financial statements continued

# 15. Investments

| Group                     | 30 June 2006<br>£000 | 30 June 2005<br>£000 |
|---------------------------|----------------------|----------------------|
| At 1 July                 | 5,082                | 5,082                |
| Impact of adopting IAS 39 | (4,935)              | -                    |
| Additions                 | 129                  | -                    |
| At 30 June                | 276                  | 5,082                |

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

# 16. Investment in joint venture

| Group  | Total<br>£000 |
|--|---------------|
| At 1 July 2005   | -             |
| Acquisitions   | 3,700         |
| Retained profit for the year   | 19            |
| Movement in fair value of financial instruments recognised in equity | 204           |
| <b>At 30 June 2006</b>   | <b>3,923</b>  |

In December 2005 the Group entered into a joint venture with Kenmore, Paradigm and Bank of Scotland for the acquisition of the investment property, Skypark, in Glasgow. The Group's 25 per cent share of the net assets of the Skypark joint venture at 30 June 2006 is as follows:

|                                  | 30 June 2006<br>£000 |
|----------------------------------|----------------------|
| Property assets                  | 22,563               |
| Current assets                   | 1,080                |
| <b>Gross assets</b>              | <b>23,643</b>        |
| Current liabilities              | (942)                |
| Borrowings                       | (18,778)             |
| <b>Gross liabilities</b>         | <b>(19,720)</b>      |
| <b>Group share of net assets</b> | <b>3,923</b>         |

The gross property assets are stated at cost which the Directors consider to represent fair value.

The Group's effective 25 per cent interest in Kenmore Capital Skypark Limited is indirectly held through the Group's 50 per cent investment in Moncrieffe Minerva (Glasgow) Limited. Both companies have as their main activity property investment or investment holding and both operate and are registered in Great Britain.

### 17. Trading properties

|                          | 30 June 2006<br>£000 | 30 June 2005<br>£000 |
|--------------------------|----------------------|----------------------|
| Group                    |                      |                      |
| Properties held for sale | 26,933               | –                    |

### 18. Trade and other receivables

|   | Group<br>30 June 2006<br>£000 | Group<br>30 June 2005<br>£000 | Parent<br>Company<br>30 June 2006<br>£000 | Parent<br>Company<br>30 June 2005<br>£000 |
|---|-------------------------------|-------------------------------|---|---|
| Other debtors                           | 39,806                        | 3,480                         | 33  | 80  |
| Amounts owed by subsidiary undertakings | –                             | –                             | 239,712                                   | 249,513                                   |
| Prepayments and accrued income          | 4,316                         | 4,972                         | 114                                       | 186                                       |
| Amounts due from property disposals     | –                             | 153,750                       | –   | –   |
|   | 44,122                        | 162,202                       | 239,859                                   | 249,779                                   |

Included within other debtors are amounts receivable on surrender of a lease of £26,133,000.

### 19. Cash and cash equivalents

Cash at bank includes £4,299,000 (2005: £1,963,000) retained in rent and restricted accounts and not readily available to the Group for day-to-day commercial purposes.

### 20. Trade and other payables

|                              | Group<br>30 June 2006<br>£000 | Group<br>30 June 2005<br>£000 | Parent<br>Company<br>30 June 2006<br>£000 | Parent<br>Company<br>30 June 2005<br>£000 |
|------------------------------|-------------------------------|-------------------------------|---|---|
| Taxation and social security | 4,723                         | 1,025                         | –   | –   |
| Other creditors              | 2,653                         | 2,323                         | 311                                       | 5   |
| Accruals and deferred income | 13,461                        | 38,908                        | 248                                       | 1,237                                     |
|                              | 20,837                        | 42,256                        | 559                                       | 1,242                                     |

Notes to the financial statements continued

## 21. Borrowings and derivative financial instruments

| Group                          | 30 June 2006<br>£000 | 30 June 2005<br>£000 |
|--------------------------------|----------------------|----------------------|
| <b>Borrowings</b>              |                      |                      |
| <b>Current liabilities</b>     |                      |                      |
| Bank and other borrowings      | 49,136               | 130,428              |
| Finance lease obligations      | 2                    | 2                    |
|                                | 49,138               | 130,430              |
| <b>Non-current liabilities</b> |                      |                      |
| Bank and other borrowings      | 210,810              | 382,857              |
| Finance lease obligations      | 2,134                | 2,136                |
|                                | 212,944              | 384,993              |

The fair value of borrowings approximates to the carrying value.

### Maturity of borrowings

|                            | Bank and other borrowings |                      | Finance lease obligations |                      |
|----------------------------|---------------------------|----------------------|---------------------------|----------------------|
|                            | 30 June 2006<br>£000      | 30 June 2005<br>£000 | 30 June 2006<br>£000      | 30 June 2005<br>£000 |
| Less than one year         | 49,136                    | 130,428              | 2                         | 2                    |
| Between one and two years  | 2,441                     | 85,720               | 2                         | 2                    |
| Between two and five years | 88,891                    | 125,863              | 8                         | 8                    |
| Over five years            | 119,478                   | 171,274              | 2,124                     | 2,126                |
|                            | 259,946                   | 513,285              | 2,136                     | 2,138                |

### Undrawn facilities

At 30 June 2006 the Group had undrawn loan and overdraft facilities maturing as follows:

|                            | 30 June 2006<br>£000 | 30 June 2005<br>£000 |
|----------------------------|----------------------|----------------------|
| Less than one year         | 4,244                | 3,300                |
| Between one and two years  | 509                  | –                    |
| Between two and five years | 214,300              | –                    |
| Over five years            | 200,000              | –                    |
|                            | 419,053              | 3,300                |

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

**21. Borrowings and derivative financial instruments continued****Interest rate risk profile of borrowings**

Fixed and floating rate borrowings of the Group as at 30 June 2006 are analysed as follows:

|   | 30 June 2006   |   | 30 June 2005   |   |
|---|----------------|---|----------------|---|
|   | Total<br>£000  | Weighted<br>average<br>interest rate<br>% | Total<br>£000  | Weighted<br>average<br>interest rate<br>% |
| Fixed and swapped-fixed rate borrowings | 216,069        | 6.4                                       | 475,132        | 7.0                                       |
| Floating rate borrowings                | 43,877         | 6.0                                       | 38,153         | 5.8                                       |
| <b>Total borrowings</b>                 | <b>259,946</b> |   | <b>513,285</b> |   |

The Group's debt at 30 June 2006 is hedged as follows:

|                     | 30 June 2006   |  | 30 June 2005   |  |
|---------------------|----------------|--|----------------|--|
|                     | Total<br>£000  | Weighted<br>average<br>period<br>Years | Total<br>£000  | Weighted<br>average<br>period<br>Years |
| Fixed rates         | –              | –                                      | 216,165        | 7.9                                    |
| Swapped-fixed rates | 216,069        | 5.6                                    | 258,967        | 5.1                                    |
| <b>Total</b>        | <b>216,069</b> |  | <b>475,132</b> |  |

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 6.4 per cent (2005: 7.0 per cent) and includes loan margins ranging from 1.0 per cent to 1.6 per cent with all inclusive interest rates ranging from 5.5 per cent to 8.1 per cent (2005: 5.5 per cent to 8.1 per cent).

Floating rate debt incurs interest at margins between 1.0 per cent and 2.0 per cent over LIBOR (2005: 0.9 per cent and 1.6 per cent).

The Group holds interest rate swaptions to hedge loan amounts totalling £175,000,000. The swaptions, which may be exercised on specific dates in 2007 and 2008, have an exercise interest rate of 5.25 per cent.

**Derivative financial instruments**

|  | Assets<br>£000 | Liabilities<br>£000 | Total<br>£000 |
|--|----------------|---------------------|---------------|
| <b>At 1 July 2005</b>                                  | –              | –                   | –             |
| Transfer from investments                              | 4,935          | –                   | 4,935         |
| Movement in fair value                                 | (3,569)        | (12,363)            | (15,932)      |
| Impact of adopting IAS 39                              | 1,366          | (12,363)            | (10,997)      |
| Movement in fair value recognised in equity            | 1,881          | 3,926               | 5,807         |
| Movement in fair value recognised in income statement  | 640            | 812                 | 1,452         |
| Realisation of deficit previously recognised in equity | –              | 4,380               | 4,380         |
| <b>At 30 June 2006</b>                                 | <b>3,887</b>   | <b>(3,245)</b>      | <b>642</b>    |

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

**Fair values**

All financial instruments are carried at fair values following a valuation as at 30 June 2006 by J C Rathbone Associates Limited.

Fair value is calculated on a replacement basis, of the Group's financial instruments used to protect its current and future interest rate costs.

**Gearing**

Net gearing, measured as Group net debt to total equity was 20 per cent at 30 June 2006 (2005: 73 per cent).

**Currency risk**

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

Notes to the financial statements continued

**21. Borrowings and derivative financial instruments continued**

The Group postponed the adoption of IAS 39 until the accounting period commencing 1 July 2005 and as such comparative information is provided in accordance with FRS 13.

**Fair values**

The valuation at 30 June 2005 of the fixed rate loans and interest rate swaps referred to above was as follows:

|                         | 30 June 2005       |                    |                                  |
|-------------------------|--------------------|--------------------|----------------------------------|
|                         | Book value<br>£000 | Fair value<br>£000 | Fair value<br>difference<br>£000 |
| Fixed rate loans        | 98,706             | 111,458            | (12,752)                         |
| Derivative instruments: |                    |                    |                                  |
| Interest rate swaps     | –                  | 12,365             | (12,365)                         |
| Interest rate swaptions | (4,935)            | (1,367)            | (3,568)                          |
|                         | 93,771             | 122,456            | (28,685)                         |

The fair value at 30 June 2005 was £28,685,000 greater than the book value, equivalent, after a tax credit at 30 per cent, to £20,080,000 or 12.5 pence per share at that date.

**Hedges**

The table below shows the extent to which the Group had unrecognised gains and losses in respect of financial instruments used as hedges at the beginning and end of the financial year ended 30 June 2005, separately identifying those gains and losses which had been included in the profit and loss account for that year and those gains and losses which were expected to be included in the profit and loss account of subsequent periods:

|   | 30 June 2005<br>£000 |
|---|----------------------|
| Unrecognised net losses on hedges at beginning of year  | (2,586)              |
| Net losses in previous years that were recognised during the year                                       | 2,967                |
| Net gains arising on hedges in existence as at previous year end and not recognised during current year | 381                  |
| Net losses arising this year that were not recognised in current year                                   | (16,314)             |
| Unrecognised net losses on hedges at end of year  | (15,933)             |
| of which:   |                      |
| Net losses expected to be recognised within one year  | (3,144)              |
| Net losses expected to be recognised beyond one year  | (12,789)             |
|   | (15,933)             |

The losses arising during the year reflected the effect of lower medium/long-term interest rates when measured against those prevailing at 30 June 2005.

**22. Deferred tax**

| Group                          | At 1 July 2005<br>£000 | Income<br>statement<br>£000 | Equity<br>£000 | At 30 June 2006<br>£000 |
|--------------------------------|------------------------|-----------------------------|----------------|-------------------------|
| Accelerated capital allowances | 9,321                  | (2,871)                     | –              | 6,450                   |
| Tax losses                     | (28,024)               | 23,339                      | –              | (4,685)                 |
| Short-term timing differences  | 887                    | 794                         | –              | 1,681                   |
| Property revaluations          | 69,659                 | (30,267)                    | –              | 39,392                  |
| Financial instruments          | –                      | 436                         | 3,056          | 3,492                   |
| Impact of adopting IAS 39      | –                      | –                           | (4,780)        | (4,780)                 |
|                                | 51,843                 | (8,569)                     | (1,724)        | 41,550                  |

### 23. Called up share capital

| Group and Parent Company            | 30 June 2006<br>£000 | 30 June 2005<br>£000 | 30 June 2006<br>Number | 30 June 2005<br>Number |
|-------------------------------------|----------------------|----------------------|------------------------|------------------------|
| <b>Authorised</b>                   |                      |                      |                        |                        |
| Ordinary shares of 25 pence each    | 75,000               | 75,000               | 300,000,000            | 300,000,000            |
| <b>Issued and fully paid</b>        |                      |                      |                        |                        |
| At 1 July 2005                      | 40,230               | 40,185               | 160,918,640            | 160,738,453            |
| Issued on exercise of share options | 48                   | 45                   | 191,701                | 180,187                |
| <b>At 30 June 2006</b>              | <b>40,278</b>        | <b>40,230</b>        | <b>161,110,341</b>     | <b>160,918,640</b>     |

The Company received consideration of £279,000 in respect of share options exercised in the year.

There have been no changes to the number of shares in issue between 30 June 2006 and the date of this report.

At 30 June 2006 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 2006<br>Number<br>of shares | Subscription<br>price<br>Pence |
|---|-------------------------------------|--------------------------------|
| November 1999 to November 2006              | 21,279                              | 141.0                          |
| November 2000 to November 2007              | 16,161                              | 185.6                          |
| January 2001 to January 2008                | 15,020                              | 199.7                          |
| April 2004 to April 2008                    | 439,497                             | 320.8                          |
| December 2004 to December 2011              | 965,756                             | 227.8                          |
| September 2005 to September 2012            | 1,105,855                           | 169.0                          |
| October 2006 to October 2013                | 930,444                             | 190.5                          |

At 30 June 2006 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 2006<br>Number<br>of shares | Subscription<br>price<br>Pence |
|------------------------|-------------------------------------|--------------------------------|
| December 2006          | 8,450                               | 152.8                          |
| December 2007          | 3,122                               | 122.8                          |
| December 2008          | 27,917                              | 205.6                          |
| December 2010          | 7,830                               | 205.6                          |

The following awards of conditional shares have been granted under the 2005 Executive Incentive Plan and remain outstanding at 30 June 2006:

| Vesting date  | 30 June 2006<br>Number<br>of shares | Subscription<br>price<br>Pence |
|---------------|-------------------------------------|--------------------------------|
| December 2008 | 1,205,130                           | nil                            |

Notes to the financial statements continued

## 24. Reserves

| Group   | Share premium account<br>£000 | Other reserves<br>£000 | Retained earnings<br>£000 |
|---|-------------------------------|------------------------|---------------------------|
| At 1 July 2005  | 198,098                       | 41,795                 | 226,638                   |
| Premium on exercise of share options  | 231                           | –                      | –                         |
| Impact of adopting IAS 39   | –                             | (11,152)               | –                         |
| Movement in fair value of financial instruments                                     | –                             | 5,807                  | –                         |
| Deferred tax on movement in fair value of financial instruments                     | –                             | (1,742)                | –                         |
| Dividends to shareholders   | –                             | –                      | (3,479)                   |
| Realisation of financial instruments  | –                             | 4,380                  | –                         |
| Deferred tax on realisation of financial instruments                                | –                             | (1,314)                | –                         |
| Share-based payment   | –                             | –                      | 346                       |
| Share of joint venture movement in fair value of financial instruments (net of tax) | –                             | 204                    | –                         |
| Profit for the year   | –                             | –                      | 1,705                     |
| <b>At 30 June 2006</b>  | <b>198,329</b>                | <b>37,978</b>          | <b>225,210</b>            |

| Parent Company                       | Share premium account<br>£000 | Other reserves<br>£000 | Retained earnings<br>£000 |
|--------------------------------------|-------------------------------|------------------------|---------------------------|
| At 1 July 2005                       | 198,098                       | 14,417                 | 49,625                    |
| Premium on exercise of share options | 231                           | –                      | –                         |
| Dividends to shareholders            | –                             | –                      | (3,479)                   |
| Share-based payment                  | –                             | 346                    | –                         |
| Loss for the year                    | –                             | –                      | (5,368)                   |
| <b>At 30 June 2006</b>               | <b>198,329</b>                | <b>14,763</b>          | <b>40,778</b>             |

## 25. Minority interest

|                                 | Total<br>£000 |
|---------------------------------|---------------|
| At 1 July 2005                  | –             |
| Equity contribution in the year | 552           |
| Loss for the year               | (22)          |
| <b>At 30 June 2006</b>          | <b>530</b>    |

## 26. Net asset value per share

|                                   | 30 June 2006       |                                |                                  | 30 June 2005       |                                |                                  |
|-----------------------------------|--------------------|--------------------------------|----------------------------------|--------------------|--------------------------------|----------------------------------|
|                                   | Net assets<br>£000 | Number<br>of shares<br>Million | Net assets<br>per share<br>Pence | Net assets<br>£000 | Number<br>of shares<br>Million | Net assets<br>per share<br>Pence |
| Basic net asset value per share   | 501,795            | 161.1                          | 311.5                            | 506,761            | 160.9                          | 314.9                            |
| Share options                     | 180                | 0.1                            | (0.1)                            | 395                | 0.3                            | (0.2)                            |
| Diluted net asset value per share | 501,975            | 161.2                          | 311.4                            | 507,156            | 161.2                          | 314.7                            |

## 27. Dividends

No final dividend or interim was proposed or paid in respect of the year ended 30 June 2006. The 2005 final dividend was approved in the current financial year and is included within the Group's consolidated statement of changes in equity.

## 28. Capital commitments

Capital commitments contracted, but not provided for, at 30 June 2006 were £500,000 (2005: £1,600,000). All capital commitments relate to expenditure on the development of investment properties.

## 29. Commitments under operating leases

Commitments under non-cancellable operating leases:

|                            | 30 June 2006<br>£000 | 30 June 2005<br>£000 |
|----------------------------|----------------------|----------------------|
| Less than one year         | 36                   | 38                   |
| Between one and five years | 108                  | 117                  |
| Over five years            | 161                  | 188                  |
|                            | 305                  | 343                  |

## 30. Contingent liabilities

The Company has guaranteed external borrowings of some of its subsidiary undertakings, which at the balance sheet date amounted to £35,250,000 (2005: £175,450,000).

## 31. Cash (outflow)/inflow from operations

| Group   | Year to<br>30 June 2006<br>£000 | Year to<br>30 June 2005<br>£000 |
|---|---------------------------------|---------------------------------|
| Operating profit  | 16,719                          | 16,830                          |
| Depreciation  | 317                             | 576                             |
| Irrecoverable part of loan to joint venture                             | –                               | 8,000                           |
| Movement on revaluation of investment properties                        | (11,070)                        | 6,258                           |
| Loss on sale of investment properties                                   | 827                             | 11,146                          |
| Profit on sale of property, plant and equipment                         | (55)                            | (39)                            |
| Amortisation of lease incentives, letting fees and other non-cash items | 19                              | 678                             |
| Share-based payment   | 346                             | 102                             |
| Movement in trade and other receivables                                 | (10,969)                        | 4,307                           |
| Movement in trade and other payables                                    | (3,686)                         | (7,597)                         |
|   | (7,552)                         | 40,261                          |
|   |                                 |                                 |
| Parent Company  | Year to<br>30 June 2006<br>£000 | Year to<br>30 June 2005<br>£000 |
| Operating (loss)/profit   | (5,627)                         | 29,139                          |
| Inter company dividend  | –                               | (36,000)                        |
| Movement in trade and other receivables                                 | 9,875                           | 10,981                          |
| Movement in trade and other payables                                    | (980)                           | 708                             |
|   | 3,268                           | 4,828                           |

Notes to the financial statements continued

### 32. Reconciliation between IFRS and previous UK GAAP

Loss for the period

|   | Year to<br>30 June 2005<br>£000 |
|---|---------------------------------|
| <b>Loss for the period under previous UK GAAP</b> | <b>(44,394)</b>                 |
| Movement in deferred tax                          | 21,557                          |
| Movement on revaluation of investment properties  | (6,936)                         |
| Amortisation of lease incentives                  | (27)                            |
| Share-based payment                               | (102)                           |
| Adjustment to investment in joint venture         | 9,500                           |
| <b>Loss for the period under IFRS</b>             | <b>(20,402)</b>                 |

Total shareholders' equity

|  | As at<br>30 June 2005<br>£000 | As at<br>30 June 2004<br>£000 |
|--|-------------------------------|-------------------------------|
| <b>Total shareholders' equity under previous UK GAAP</b> | <b>553,843</b>                | <b>610,053</b>                |
| Deferred tax   | (50,531)                      | (72,088)                      |
| Exclusion of provision for proposed dividend             | 3,476                         | 3,424                         |
| Amortisation of lease incentives                         | (27)                          | -                             |
| Adjustment to investment in joint venture                | -                             | (9,500)                       |
| <b>Total shareholders' equity under IFRS</b>             | <b>506,761</b>                | <b>531,889</b>                |

The adjustments referred to above are explained in detail in the Group's IFRS Transition Report issued on 23 March 2006, which can be found on the Group's website.

### 33. Post balance sheet events

In July 2006 the Group entered into a joint venture with Paradigm, Bank of Scotland and The Irvine Group, for the £24 million property acquisition of Orchard Brae House, Edinburgh. The Group has a 25 per cent interest in the joint venture and has made an initial investment of £1.7 million.

In July 2006 the Group acquired, in partnership with Northacre plc, 75-89 Lancaster Gate, London for £67.2 million.

Northacre plc hold 5 per cent of the equity and are entitled to an enhanced return based on reaching predetermined financial targets.

In August 2006 contracts were exchanged for the £69 million acquisition of Ram Brewery and 20-30 Buckhold Road, Wandsworth, London. The Group made an initial payment of £14 million on exchange, and will pay the balance of the consideration in two stages: £8.5 million in June 2007 on completion of the acquisition of 20-30 Buckhold Road and £46.5 million in January 2008 on completion of the acquisition of Ram Brewery.

## Property portfolio

### Development projects

|   |
|---|
| The Walbrook,<br>London EC4                               |
| St. Botolph's House,<br>London EC3                        |
| Park Place Shopping Centre,<br>Croydon                    |
| The Odeon Cinema,<br>High Street, Kensington<br>London W8 |
| 75-89 Lancaster Gate,<br>London W2                        |
| Ram Brewery Site, Wandsworth<br>London SW18               |

### Investments

|  |
|--|
| 103 Cannon Street,<br>London EC4   |
| 111 Cannon Street,<br>London EC4   |
| 13 St. Swithin's Lane,<br>London EC4   |
| 15 St. Swithin's Lane,<br>London EC4   |
| 17 St Swithin's Lane,<br>London EC4  |
| 5 Welbeck Street,<br>42 Wigmore Street and<br>44-48 Wigmore Street,<br>London W1 |
| 1 Harrow Place,<br>London E1   |
| 2-12 Cambridge Heath Road,<br>London E1  |
| Westerhill Road, Bishopbriggs,<br>Glasgow  |

### Joint ventures

|                                  |
|----------------------------------|
| Skypark, Glasgow                 |
| Orchard Brae House,<br>Edinburgh |

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