MINERVA PLC
INTERIM REPORT
FOR THE SIX MONTHS
TO 31 DECEMBER 2006

Group overview

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

Profit before tax of £15.4 million (2005: loss of £16.3 million)

Profit after tax of £14.1 million (2005: loss of £6.6 million)

Net asset value per share of 321.0 pence (June 2006: 311.5 pence)

Trading properties stated at cost. Surplus valuation of trading properties of £18.0 million

Cash reserves of £154.9 million (June 2006: £161.6 million)

Chairman's statement

This is my first Chairman's Statement for Minerva following my appointment in November and I am pleased to update you on the Company's progress.

Financial performance

The profit before taxation, incorporating property revaluation movements, was £15.4 million for the first six months of the financial year and reflects an improvement over the £16.3 million loss recognised for the same period in the previous year.

Shareholders' funds increased to £517.4 million, equivalent to 321.0 pence per share, from £501.8 million or 311.5 pence per share at 30 June 2006. The results exclude the revaluation of our trading properties which are stated at cost in line with the accounting policy of the Group.

Performance overview

The Group has a number of prime developments concentrated in London which we have advanced over the past six months. Further details on progress are set out in the Interim Review.

In addition, we have secured two new development opportunities in the last six months: Lancaster Gate and the Ram Brewery, which were acquired in July and August for £67 million and £69 million respectively. These schemes offer significant potential, both in terms of the financial rewards to shareholders and benefits to local stakeholders and the community.

In November, shareholders approved the conditional sale of 50 per cent of Park Place to Lend Lease. This agreement aligns our interests, whilst allowing the Group to maintain a significant investment in what is an important retail led regeneration project for Croydon and one of the few remaining shopping centre developments in Greater London. I am very pleased to report that within the last few weeks the Group has been successful in receiving an order from the Secretary of State confirming the compulsory purchase of the remaining interests necessary for the Park Place scheme. We are also continuing discussions with John Lewis Partnership for them to become the anchor tenant.

In line with our strategy, the Group has a significant portfolio of major developments which we are focused on delivering over the coming years. We will seek to supplement these with new investments as and when suitable opportunities come forward.

Management and the Board

We will continue to grow the management resource to suit the needs of our development programme and to strengthen the Board through further non-executive director appointments.

Outlook

After a period in which the UK Real Estate market has benefited significantly from property yield compression we are seeing occupier demand in the City of London continuing to improve with a noticeable upward shift in rental levels. Demand for high end residential is expected to remain strong in London for the foreseeable future. The Group is well placed to benefit from this improving occupier and investor demand.

I look forward to reporting to you on the Group's further progress when our full year results are published in September.

Oliver Whitehead

Chairman
26 March 2007

Interim review

Operational review

City of London Offices

Market overview

The past 12 months has seen an increase in leasing activity with City take-up amounting to 8.3 million sq ft in 2006, almost 40 per cent greater than the previous year and 34 per cent above the long-run market average. Encouragingly just 12 per cent of leasing activity last year was in pre-lets, therefore eroding the supply of built stock.

Availability now totals 8.7 million sq ft equivalent to a vacancy rate of 7.9 per cent. Particularly noteworthy is the fact that availability of Grade A space (new and refurbished) is at its lowest point in over five years at 2.1 million sq ft which compares with a long-run average take-up figure for the equivalent Grade A space of 3.7 million sq ft per annum. This indicates a current under supply of up-and-ready Grade A product across the City. We believe this will further encourage pre-letting activity and has the positive impact of supporting rental growth in response to competition for limited stock.

Commentators are forecasting a healthy outlook for the next two years with steady occupier demand supported by projected employment growth rates and the supply line generally under control. Of the current demand, 43 per cent arises from expansion led requirements with the dominant sector being the growing banking and financial business area where our City projects are located.

The Walbrook, London EC4

The Walbrook development is located in the heart of The City of London and has been designed by Foster and Partners.

Since terminating the lease with Barclays Bank, the Group commenced the demolition of the existing buildings in August 2006 and this work is scheduled to be completed on programme in the Spring of this year. We are currently in discussion with Skanska regarding finalising the building contract, which will enable construction of the new development to commence immediately after demolition with completion to be delivered to Category A specification in the final quarter of 2009. A £275 million senior loan facility to develop the building speculatively was arranged in January 2006.

Since June 2006, we have re-designed some aspects of the consented scheme. The completed building will have a net lettable floor area of around 445,000 sq ft and encompasses floor plates that have a wider appeal in terms of divisibility to single occupiers but also provide layouts for multi-occupation. This new design has now received planning approval and will broaden its appeal to a range of potential tenants, particularly in the financial and professional sectors.

This month we have commenced formal marketing of the scheme and presentations are ongoing to both potential occupiers and their agents.

St Botolphs, London EC3

This project involves the construction of around 550,000 sq ft of offices and retail, designed by Grimshaw. The existing buildings on the site, St Botolph's House and Ambassador House, are now being demolished and we expect this work to be completed in the Spring of this year. Significant progress has been made in the design of the building and detailed discussions are underway with a major contractor to undertake the construction of the new development. As a result of this work we have been able to increase the net lettable area of the building and have incorporated into the design the ability to offer flexible floor plates allowing as many as four tenancies per floor. In conjunction with this, the entrance hall arrangements and lifting strategy have been refined.

Since we last reported, we have concluded the £315 million loan financing to develop the property. This senior loan facility, which is underwritten by HSH Nordbank and LandesBank Berlin, is subject to achieving a pre-letting of around 25 per cent of the office accommodation prior to construction.

Marketing is under way and presentations have been made to both agents and potential occupiers.

Retail

Market overview

The investment market for shopping centres remains strong and this is especially the case for prime product where yields have hardened over the last year. There continues to be a scarcity of large scale shopping centres, particularly in the South East of England.

Park Place, Croydon

The key activities over the last six months have been to address issues arising from the compulsory purchase inquiry which was held from May to July last year, as well as completing our new arrangements with Lend Lease. Under the new arrangements, we have agreed to sell 50 per cent of our interest in Park Place to Lend Lease for £92.5 million, conditional upon a successful outcome of the compulsory purchase inquiry (which was achieved earlier this month) and securing heads of terms with an anchor department store tenant by the end of this calendar year.

The achievement of the compulsory purchase order is a significant milestone both in terms of the agreement above and in the progress of the Park Place development, which will bring regenerative benefits to Croydon Town Centre.

We are in discussion with the John Lewis Partnership regarding its potential occupation and we will report to you on progress in due course.

High end residential

Market overview

The high end residential market in London continues to represent one of the most valuable global residential markets. According to recent research from Savills, 2006 saw residential capital values in prime central London rise by 23.9 per cent and they are forecasting 15 per cent for 2007 and 7.9 per cent per annum over the next five years.

This sector of the London residential market is supported by the financial markets, with a large share of the bonus pool working its way into property. This is, however, only part of the equation as many of the buyers for high end residential are international and as such the London market's success is as much supported by global prosperity as by local demand. London is also seen as a safe international market in which to invest and a location where the very wealthy simply wish to own a home.

Odeon Kensington, London W8

We acquired this property, in partnership with residential developer Northacre, towards the end of 2005. The property is held freehold with a short term lease to Odeon Cinemas, which contains break provisions in favour of the Partnership. The location is a prime residential area on the south side of Kensington High Street, opposite the Commonwealth Institute and just south of Holland Park.

A scheme was submitted for planning approval in November 2006 after considerable public consultation and design input. This was for 82,500 sq ft of private residential accommodation, a basement car park, a multi screen cinema and on site affordable housing. Through the statutory consultation process, however, further discussions were held with the planning authorities and we decided to withdraw this application in February 2007 in order to address comments made. Accordingly, a revised application is being submitted for approximately 95,000 sq ft of private residential units, along with a multi screen cinema, basement car park and offsite affordable homes. A decision is expected by late Summer of this year and assuming a positive outcome it will allow construction to commence in late 2007/early 2008.

Lancaster Gate, London W2

The acquisition of this property was completed in July 2006, and work progressed rapidly culminating in the submission of a planning application in February 2007 for 181,000 sq ft of private residential accommodation, arranged over 81 apartments, along with underground car parking and affordable units. The private apartments are designed to cater for the most discerning international buyer, benefiting from the unique features afforded by this building. It will be a classic revival project which our partners, Northacre, have considerable experience in delivering.

We hope to achieve planning consent by late Spring 2007, which will enable construction to commence thereafter with the first phase completing during 2010. Considerable design development has been progressed with a construction team already familiar to us.

Mixed use

Ram Brewery, Wandsworth, London SW18

As reported to you in September, the payment of the agreed £69 million purchase price for this site is phased. When we exchanged contracts in August 2006 a £14 million deposit was paid. The first completion payment of £8.5 million is due this Summer, when vacant possession will be granted on Buckhold Road; the second and final payment of £46.5 million is due in January 2008, when Youngs vacate the main Brewery Site.

Over the last six months we have made considerable progress on this scheme. A full team of consultants has been engaged with our architects, EPR, having looked at a range of options for the redevelopment of this site. The plan is to create a high quality residential led mixed-use scheme, which will use as its signature the original Brewery Buildings.

The scheme will be designed to provide an exciting and vibrant environment making a welcome improvement to Wandsworth Town Centre. It is clear that large sections of the immediate population are not adequately catered for in terms of retail and restaurant offers. Consequently, it is our intention to remedy this within the new development, as well as providing public spaces and opening up the frontage to the River Wandle. Clearly, this will be a landmark scheme which is important not just for Wandsworth but the wider London area.

Whilst it is still relatively early days we are engaged in discussions with the local authority and other relevant stakeholders and depending on progress, the intention is to submit a planning application by the end of 2007.

Financial review

Review of results

Reported net asset value per share at 31 December 2006 is 321.0 pence (June 2006: 311.5 pence). This excludes the effect of the valuation of our trading properties which are stated at cost in the balance sheet, in accordance with the accounting policy of the Group. A current valuation of the trading properties is set out below.

Income statement

Profit before tax for the six months, including revaluation movements on investment properties, was £15.4 million (2005: loss of £16.3 million).

The reduction in net rental income from £8.3 million to £4.2 million is mainly a result of ceasing to receive income from The Walbrook properties now being developed; although part of the reduction is also due to the comparative period including rental income from investment properties sold during the six months ended 31 December 2005.

During the period, net financing costs reduced from £5.9 million to £3.7 million net of interest capitalisation of £4.0 million (2005: £nil) on some of our development projects.

Administrative expenses for the period reduced from £4.6 million to £3.2 million. This reflects the refocusing towards a more development orientated business and, where appropriate, costs directly attributable to these activities are included within the relevant project costs.

The revaluation surplus on investment properties for the period was £17.7 million (2005: £nil). The majority of this relates to the revaluation movement on The Walbrook development and our investment property in Wigmore Street, which together accounted for around £15.2 million of the total surplus. As stated above, this excludes revaluation surpluses on trading properties, which are stated in the balance sheet at cost.

The corporation tax charge for the period is £1.3 million (2005: credit of £9.7 million) and consists of deferred taxation arising on property revaluation movements in the period as well as on timing differences between the carrying amounts of the other assets and liabilities in the financial statements and their corresponding tax bases. The Group has no liability to corporation tax for the period (2005: £nil).

After incorporating the tax charge, the Group's profit for the period was £14.1 million (2005: loss of £6.6 million).

The dividend policy for the Group was outlined to shareholders last year and is designed to repatriate special dividends to shareholders when profits are delivered through our development activities. As expected, no dividend has been paid during this financial period.

Balance sheet

The Group's investment properties have been valued by CB Richard Ellis Ltd at £683.9 million at 31 December 2006 (June 2006: £579.2 million). The additions during the period consist of property acquisitions (principally the Ram Brewery) of £72.5 million, and development expenditure (mainly in relation to The Walbrook) totalling £14.6 million. There were no disposals during the period (2005: £225.7 million). The net revaluation surplus during the period amounted to £17.7 million (2005: £nil) and is recognised through the income statement.

The Group holds the Odeon Kensington and Lancaster Gate as trading properties. The assets are stated at a cost of £101.2 million in aggregate in the balance sheet, in line with the accounting policy of the Group. These properties have been valued by CB Richard Ellis Ltd at £119.2 million in total at 31 December 2006, but as stated above have not been reflected in our results.

Net debt at 31 December 2006 was £173.3 million (June 2006 was £100.4 million), comprising borrowings of £328.2 million (June 2006: £262.1 million) with cash and short term deposits of £154.9 million (June 2006: £161.6 million).
The increase in net debt during the period of around £73 million is principally in relation to the acquisition of Lancaster Gate, the deposit payment to secure the Ram Brewery acquisition as well as expenditure on our developments, partly offset by the Barclays surrender premium received in the period. If we were to also recognise the balance of the deferred consideration payable in respect of the Ram Brewery acquisition of £55 million, pro forma group net debt at 31 December 2006 would be £228.3 million.

The Group's investment in joint ventures represents the Group's net investment in Skypark, Glasgow and Orchard Brae House, Edinburgh, where we have an effective 25 per cent interest in each. A profit for the period of £0.3 million (2005: £0.1 million) has been recorded in the income statement reflecting the Group's net effective share of the results of the two joint ventures.

At 31 December 2006 the average interest cost of debt for the Group, excluding joint ventures, was 6.5 per cent (June 2006: 6.4 per cent). Net gearing, measured as Group net debt as a proportion of total equity, was 33 per cent at 31 December 2006 (June 2006: 20 per cent). Pro forma net gearing, measured in the same way as above but assuming the remaining consideration for the Ram Brewery acquisition was paid at 31 December 2006, would be 44 per cent.

Consolidated income statement

For the six months ended 31 December 2006	Note	(Unaudited) Six months to 31 December 2006 £000	(Unaudited) Six months to 31 December 2005 £000	(Audited) Year to 30 June 2006 £000
Continuing operations				
Revenue	2	6,521	11,526	20,216
Property outgoings		(2,352)	(3,183)	(5,110)
Net rental income	2	4,169	8,343	15,106
Administrative expenses		(3,155)	(4,605)	(8,761)
Other income		46	57	131
Movement on revaluation of investment properties	7	17,744	–	11,070
Loss on sale of investment properties		–	(2,411)	(827)
Operating profit		18,804	1,384	16,719
Interest payable and similar charges	3	(7,513)	(10,342)	(18,835)
Interest receivable and similar income	4	3,856	4,429	10,602
Income/(charges) relating to early loan repayments		36	(11,820)	(15,391)
Share of post tax profit of joint ventures	9	257	64	19
Profit/(loss) before taxation		15,440	(16,285)	(6,886)
Taxation (charge)/credit	5	(1,309)	9,659	8,569
Profit/(loss) for the period		14,131	(6,626)	1,683
Attributable to:				
Equity shareholders		14,131	(6,622)	1,705
Minority interest	18	–	(4)	(22)
Profit/(loss) for the period		14,131	(6,626)	1,683
Earnings/(loss) per share				
– Basic	6	8.8p	(4.1p)	1.1p
– Diluted	6	8.7p	(4.1p)	1.1p

All results derive from continuing operations

Consolidated balance sheet

As at 31 December 2006	Note	(Unaudited) As at 31 December 2006 £000	(Unaudited) As at 31 December 2005 £000	(Audited) As at 30 June 2006 £000
Assets				
Non-current assets				
Investment properties	7	684,993	608,867	580,150
Property, plant and equipment	8	9,025	528	9,108
Investment in joint ventures	9	6,320	3,683	3,923
Investments		276	276	276
Derivative financial instruments	13	3,880	918	3,887
		704,494	614,272	597,344
Current assets				
Trading properties	10	101,190	–	26,933
Trade and other receivables	11	12,352	10,253	44,122
Cash and cash equivalents		154,900	188,268	161,640
		268,442	198,521	232,695
Total assets		972,936	812,793	830,039
Liabilities				
Current liabilities				
Trade and other payables	12	(29,851)	(17,364)	(20,837)
Borrowings	13	(19,655)	(14,657)	(49,138)
		(49,506)	(32,021)	(69,975)
Non-current liabilities				
Other payables	14	(49,854)	–	–
Borrowings	13	(308,571)	(246,881)	(212,944)
Derivative financial instruments	13	(2,432)	(9,291)	(3,245)
Deferred tax	15	(43,291)	(37,672)	(41,550)
		(404,148)	(293,844)	(257,739)
Total liabilities		(453,654)	(325,865)	(327,714)
Net assets		519,282	486,928	502,325
Equity				
Called up share capital	16	40,289	40,276	40,278
Share premium account	17	198,391	198,321	198,329
Other reserves	17	42,384	41,795	37,978
Retained earnings	17	236,293	205,990	225,210
Total shareholders' equity		517,357	486,382	501,795
Minority interest	18	1,925	546	530
Total equity		519,282	486,928	502,325
Net asset value per share				
– Basic	19	321.0p	301.9p	311.5p
– Diluted	19	319.2p	301.9p	311.4p

Consolidated statement of changes in equity

For the six months ended 31 December 2006	Note	(Unaudited) Six months to 31 December 2006 £000	(Unaudited) Six months to 31 December 2005 £000	(Audited) Year to 30 June 2006 £000
Opening total equity		502,325	506,761	506,761
Impact of adopting IAS 39		–	(11,152)	(11,152)
		502,325	495,609	495,609
Movement in fair value of financial instruments	13	1,439	895	5,807
Deferred tax on movement in fair value of financial instruments	15	(432)	(268)	(1,742)
Realisation of financial instruments		–	–	4,380
Deferred tax on realisation of financial instruments		–	–	(1,314)
New share capital issued		73	269	279
Share-based payment	17	254	59	346
Share of joint venture movement in fair value of financial instruments (net of tax)	9	97	(81)	204
Movement in minority interest in the period	18	1,395	546	530
Profit/(loss) for the period attributable to equity shareholders		14,131	(6,622)	1,705
Dividends		–	(3,479)	(3,479)
Closing total equity		519,282	486,928	502,325

Consolidated cash flow statement

For the six months ended 31 December 2006	Note	(Unaudited) Six months to 31 December 2006 £000	(Unaudited) Six months to 31 December 2005 £000	(Audited) Year to 30 June 2006 £000
Cash outflow from operations	20	(39,953)	(4,828)	(7,552)
Interest received		3,652	3,563	9,390
Interest paid		(9,279)	(15,133)	(17,918)
UK corporation tax		–	–	–
Cash flows from operating activities		(45,580)	(16,398)	(16,080)
Investing activities				
Additions to investment properties		(25,489)	(31,509)	(52,553)
Additions to property, plant and equipment		(78)	(228)	(342)
Additions to investments		–	(119)	(129)
Receipts from sale of investment properties		–	372,889	374,537
Receipts from sale of derivative financial instruments		138	–	–
Receipts from sale of property, plant and equipment		40	20	55
Receipts from sale of investments		–	20	–
Investment in joint ventures		(2,043)	(3,700)	(3,700)
Cash flows from investing activities		(27,432)	337,373	317,868
Financing activities				
Issue of share capital		73	269	279
Equity dividends paid		–	(3,174)	(3,182)
New long-term loans		99,262	20,109	96,632
Issue costs of long-term loans		(1,036)	(292)	(1,665)
Equity contribution from minority interest		698	550	550
Repayment of long-term loans		(32,337)	(275,789)	(351,882)
Cost of early long-term loan repayments		(388)	(18,819)	(25,319)
Cash flows from financing activities		66,272	(277,146)	(284,587)
Net (decrease)/increase in cash and cash equivalents		(6,740)	43,829	17,201
Cash and cash equivalents at beginning of period		161,640	144,439	144,439
Cash and cash equivalents at end of period		154,900	188,268	161,640

Notes to the accounts

1. Basis of preparation

The financial information included in the Interim Report comprises the consolidated income statement and balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and summary notes.

The report has been prepared in accordance with the historical cost convention, as modified by the revaluation of investment properties and by the valuation of derivative financial instruments. The Directors have applied the accounting policies as set out in the Group's Annual Report and Accounts for the year ended 30 June 2006.

The comparative information shown for the year ended 30 June 2006 does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 and is based on the Group's statutory financial statements for the year then ended which have been delivered to the Registrar of Companies. The report of the auditors on these financial statements was unqualified and did not contain a statement under either Section 237(2) or Section 237(3) of the Companies Act 1985.

The financial information for the six months to 31 December 2006 has neither been audited nor reviewed by the Group's auditors.

2. Net rental income

	(Unaudited) Six months to 31 December 2006 £000	(Unaudited) Six months to 31 December 2005 £000	(Audited) Year to 30 June 2006 £000
Rental income	6,199	10,636	18,947
Recoverable property expenses	322	890	1,269
Revenue	6,521	11,526	20,216
Net property outgoings	(2,030)	(2,293)	(3,841)
Recoverable property expenses	(322)	(890)	(1,269)
Property outgoings	(2,352)	(3,183)	(5,110)
Revenue	6,521	11,526	20,216
Property outgoings	(2,352)	(3,183)	(5,110)
Net rental income	4,169	8,343	15,106

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

3. Interest payable and similar charges

	(Unaudited) Six months to 31 December 2006 £000	(Unaudited) Six months to 31 December 2005 £000	(Audited) Year to 30 June 2006 £000
Bank interest and charges	10,216	10,056	18,355
Amortisation of loan issue costs	304	116	329
Fair value loss on derivative financial instruments	364	95	–
Loss of sale of derivative financial instruments	555	–	–
Interest on obligations under finance leases	75	75	151
	11,514	10,342	18,835
Interest capitalised	(4,001)	–	–
	7,513	10,342	18,835

4. Interest receivable and similar income

	(Unaudited) Six months to 31 December 2006 £000	(Unaudited) Six months to 31 December 2005 £000	(Audited) Year to 30 June 2006 £000
Interest on short-term deposits	3,848	4,401	8,343
Other interest receivable	8	28	807
Fair value gain on derivative financial instruments	–	–	1,452
	3,856	4,429	10,602

5. Taxation

	(Unaudited) Six months to 31 December 2006 £000	(Unaudited) Six months to 31 December 2005 £000	(Audited) Year to 30 June 2006 £000
Corporation tax	–	–	–
Deferred tax charge/(credit)	1,309	(9,659)	(8,569)
	1,309	(9,659)	(8,569)

	(Unaudited) Six months to 31 December 2006 £000	(Unaudited) Six months to 31 December 2005 £000	(Audited) Year to 30 June 2006 £000
Profit/(loss) on ordinary activities before taxation	15,440	(16,285)	(6,886)
Tax on profit/(loss) on ordinary activities at 30 per cent	4,632	(4,885)	(2,066)
Expenses not deductible for tax purposes	137	130	183
Accelerated capital allowances	(20)	(4,609)	(5,333)
Differences arising from taxation of chargeable gains and property revaluations	(4,909)	(758)	(1,761)
Joint venture income recognised net of tax	(77)	(19)	(6)
Tax losses and other timing differences	1,546	482	414
Taxation charge/(credit) for the period	1,309	(9,659)	(8,569)

Notes to the accounts continued

6. Earnings/(loss) per share

Earnings/(loss) per share is calculated on a weighted average of 161,118,780 ordinary shares of 25 pence each in issue throughout the period (year to 30 June 2006: 161,051,411 ordinary shares; six months to 31 December 2005: 160,995,177 ordinary shares) and is based on profits attributable to ordinary shareholders of £14,131,000 (year to 30 June 2006: £1,705,000; six months to 31 December 2005: loss of £6,622,000).

Diluted earnings/(loss) per share is calculated after allowing for the exercise of employee share options and incentive awards and is based on 162,018,775 ordinary shares of 25 pence each (year to 30 June 2006 161,085,088 ordinary shares). There is no dilution effect in the six months to 31 December 2005 due to the loss in that period.

7. Investment properties

	Freehold £000	Long leasehold £000	Total £000
At 1 July 2006: At valuation	279,597	299,598	579,195
Recognition of finance lease obligations	–	2,136	2,136
Amounts included within prepayments and accrued income	(114)	(1,067)	(1,181)
At 1 July 2006: Net book value	279,483	300,667	580,150
Acquisitions	72,486	–	72,486
Additions	11,292	3,321	14,613
Revaluation movement	13,617	4,127	17,744
At 31 December 2006: Net book value	376,878	308,115	684,993
Recognition of finance lease obligations	–	(2,135)	(2,135)
Amounts included within prepayments and accrued income	34	1,018	1,052
At 31 December 2006: At valuation	376,912	306,998	683,910

The investment properties were valued on an open market value basis by CB Richard Ellis Ltd, independent external valuers, as at the period-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 31 December 2006 was £486,888,000 (30 June 2006: £399,789,000). The total amount of interest capitalised as part of the cost of investment properties was £9,163,000 (30 June 2006: £6,911,000).

8. Property, plant and equipment

	Owner occupied property £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost				
At 1 July 2006	8,622	1,678	701	11,001
Additions	–	4	74	78
Disposals	–	–	(93)	(93)
At 31 December 2006	8,622	1,682	682	10,986
Depreciation				
At 1 July 2006	38	1,476	379	1,893
Depreciation charge	38	37	72	147
Disposals	–	–	(79)	(79)
At 31 December 2006	76	1,513	372	1,961
Net book value at 31 December 2006	8,546	169	310	9,025
Net book value at 30 June 2006	8,584	202	322	9,108

9. Investment in joint ventures

	Skypark £000	Orchard Brae £000	Total £000
At 1 July 2006	3,923	–	3,923
Acquisitions	368	1,675	2,043
Profit/(loss) for the period before revaluation movement	(2)	4	2
Revaluation movement	255	–	255
Movement in fair value of financial instruments recognised in equity	97	–	97
At 31 December 2006	4,641	1,679	6,320

The Group’s 25 per cent share of the net assets of joint ventures at 31 December 2006 is as follows:

	Skypark £000	Orchard Brae £000	Total £000
Property assets	24,958	6,376	31,334
Current assets	1,101	128	1,229
Gross assets	26,059	6,504	32,563
Current liabilities	(1,651)	(136)	(1,787)
Borrowings	(19,767)	(4,689)	(24,456)
Gross liabilities	(21,418)	(4,825)	(26,243)
Group share of net assets	4,641	1,679	6,320

The Group’s effective 25 per cent interest in Kenmore Capital Skypark Limited (“Skypark”) is indirectly held through the Group’s 50 per cent investment in Moncrieffe Minerva (Glasgow) Limited and the Group’s investment in Orchard Brae is directly held through a 25 per cent interest in the Orchard Brae House LLP. All entities have as their main activity property investment or investment holding and operate and are registered in Great Britain.

With the exception of property assets acquired in the period, property assets were valued on an open market value basis by GVA Grimley LLP, independent external valuers, as at 31 December 2006 in accordance with the current edition of the Appraisal and Valuation Standards issued by the Royal Institution of Chartered Surveyors. Property assets acquired in the period are stated at cost, which the Directors consider to represent fair value.

Notes to the accounts continued

10. Trading properties

	(Unaudited) As at 31 December 2006 £000	(Unaudited) As at 31 December 2005 £000	(Audited) As at 30 June 2006 £000
Properties held for sale	101,190	–	26,933

Trading properties comprise the Odeon Kensington and Lancaster Gate, which have been stated at cost in the consolidated balance sheet, but have been valued by CB Richard Ellis Ltd at 31 December 2006 at £119,200,000 in aggregate. The total amount of interest capitalised as part of the cost of the properties was £1,749,000 (30 June 2006: £nil).

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

11. Trade and other receivables

	(Unaudited) As at 31 December 2006 £000	(Unaudited) As at 31 December 2005 £000	(Audited) As at 30 June 2006 £000
Other debtors	8,923	6,393	39,806
Prepayments and accrued income	3,429	3,860	4,316
	12,352	10,253	44,122

12. Trade and other payables

	(Unaudited) As at 31 December 2006 £000	(Unaudited) As at 31 December 2005 £000	(Audited) As at 30 June 2006 £000
Taxation and social security	3,064	295	4,723
Other creditors	4,210	3,254	2,653
Accruals and deferred income	22,577	13,815	13,461
	29,851	17,364	20,837

13. Borrowings and derivative financial instruments

	(Unaudited) As at 31 December 2006 £000	(Unaudited) As at 31 December 2005 £000	(Audited) As at 30 June 2006 £000
Borrowings			
Current liabilities			
Bank and other borrowings	19,653	14,655	49,136
Finance lease obligations	2	2	2
	19,655	14,657	49,138
Non-current liabilities			
Bank and other borrowings	306,438	244,746	210,810
Finance lease obligations	2,133	2,135	2,134
	308,571	246,881	212,944

The fair value of borrowings approximates to the carrying value.

Maturity of bank and other borrowings

	(Unaudited) As at 31 December 2006 £000	(Unaudited) As at 31 December 2005 £000	(Audited) As at 30 June 2006 £000
Less than one year	19,653	14,655	49,136
Between one and two years	30,737	47,759	2,441
Between two and five years	160,184	150,892	88,891
Over five years	115,517	46,095	119,478
	326,091	259,401	259,946

Undrawn facilities

	(Unaudited) As at 31 December 2006 £000	(Unaudited) As at 31 December 2005 £000	(Audited) As at 30 June 2006 £000
Less than one year	2,000	4,103	4,244
Between one and two years	234	4,297	509
Between two and five years	177,345	61,071	214,300
Over five years	200,400	–	200,000
	379,979	69,471	419,053

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

Notes to the accounts continued

13. Borrowings and derivative financial instruments continued

Derivative financial instruments

	Assets £000	Liabilities £000	Total £000
At 1 July 2006	3,887	(3,245)	642
Disposals	(693)	424	(269)
Movement in fair value recognised in equity	986	453	1,439
Movement in fair value recognised in income statement	(300)	(64)	(364)
At 31 December 2006	3,880	(2,432)	1,448

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

Fair values

All derivative financial instruments are carried at fair values following a valuation as at 31 December 2006 by J C Rathbone Associates Limited. Fair value is calculated on a replacement basis, of the Group's derivative financial instruments used to protect its current and future interest rate costs.

Gearing

Net gearing, measured as Group net debt to total equity was 33 per cent at 31 December 2006 (30 June 2006: 20 per cent; 31 December 2005: 15 per cent).

Currency risk

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

14. Other payables

	(Unaudited) As at 31 December 2006 £000	(Unaudited) As at 31 December 2005 £000	(Audited) As at 30 June 2006 £000
Other payables	49,854	–	–

Other payables comprises the final payment of the deferred consideration together with related acquisitions costs, due in January 2008, on the completion of the acquisition of the Ram Brewery, Wandsworth.

15. Deferred tax

	At 1 July 2006 £000	Income statement £000	Equity £000	At 31 December 2006 £000
Accelerated capital allowances	6,450	251	–	6,701
Tax losses	(4,685)	196	–	(4,489)
Short-term timing differences	1,681	(191)	–	1,490
Property revaluations	39,392	157	–	39,549
Derivative financial instruments	(1,288)	896	432	40
	41,550	1,309	432	43,291

16. Called up share capital

	(Unaudited) As at 31 December 2006 £000	(Unaudited) As at 31 December 2005 £000	(Audited) As at 30 June 2006 £000
Authorised			
Ordinary shares of 25 pence each	75,000	75,000	75,000
Issued and fully paid			
At beginning of the period	40,278	40,230	40,230
Issued on exercise of share options	11	46	48
At end of the period	40,289	40,276	40,278

17. Reserves

	Share premium account £000	Other reserves £000	Retained earnings £000
At 1 July 2006	198,329	37,978	225,210
Premium on exercise of share options	62	–	–
Movement in fair value of financial instruments	–	1,439	–
Deferred tax on movement in fair value of financial instruments	–	(432)	–
Transfer of hedge reserve	–	3,302	(3,302)
Share-based payment	–	–	254
Share of joint venture movement in fair value of financial instruments (net of tax)	–	97	–
Profit for the period	–	–	14,131
At 31 December 2006	198,391	42,384	236,293

18. Minority interest

	Total £000
At 1 July 2006	530
Equity contribution in the period	1,395
At 31 December 2006	1,925

Notes to the accounts continued

19. Net asset value per share

	(Unaudited) As at 31 December 2006	(Unaudited) As at 31 December 2005	(Audited) As at 30 June 2006
Basic net asset value (£000)	517,357	486,382	501,795
Share awards (£000)	167	–	180
Diluted net asset value (£000)	517,524	486,382	501,975
Basic number of shares (million)	161.2	161.1	161.1
Share awards (million)	0.9	–	0.1
Diluted number of shares (million)	162.1	161.1	161.2
Basic net assets per share (pence)	321.0	301.9	311.5
Share awards (pence)	(1.8)	–	(0.1)
Diluted net assets per share (pence)	319.2	301.9	311.4

20. Cash outflow from operations

	(Unaudited) Six months to 31 December 2006 £000	(Unaudited) Six months to 31 December 2005 £000	(Audited) Year to 30 June 2006 £000
Operating profit	18,804	1,384	16,719
Depreciation	147	164	317
Movement on revaluation of investment properties	(17,744)	–	(11,070)
Loss on sale of investment properties	–	2,411	827
Profit on sale of property, plant and equipment	(26)	(20)	(55)
Share-based payment	254	59	346
Expenditure on trading properties	(69,959)	–	–
Decrease/(increase) in trade and other receivables	32,286	(1,824)	(10,969)
Increase in trade and other payables	(3,769)	(6,971)	(3,686)
Amortisation of lease incentives, letting fees and other non-cash items	54	(31)	19
	(39,953)	(4,828)	(7,552)

Directors of the Company

Oliver Whitehead CBE
Chairman

Salmaan Hasan BA MBA
Chief Executive

Ivan Ezekiel BSC FCA ATII CF
Finance Director

Tim Garnham BSC
Development Director

Clive Richards OBE FCA FCMA FMIM
Non-executive Director

Christopher Sheridan FCIB MSI
Non-executive Director

Property portfolio

Development projects	Investments	Joint ventures
The Walbrook, London EC4	103 Cannon Street, London EC4	Skypark, Glasgow
St Botolphs, London EC3	111 Cannon Street, London EC4	Orchard Brae House, Edinburgh
Park Place, Croydon	13 St. Swithin's Lane, London EC4	
Odeon Kensington, London W8	15 St. Swithin's Lane, London EC4	
Lancaster Gate, London W2	17 St. Swithin's Lane, London EC4	
Ram Brewery, Wandsworth, London SW18	5 Welbeck Street, 42 Wigmore Street and 44–48 Wigmore Street, London W1	
	1 Harrow Place, London E1	
	2–12 Cambridge Heath Road, London E1	
	Westerhill Road, Bishopbriggs, Glasgow	

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