

**IT'S BEEN A  
PIVOTAL YEAR.  
WE IDENTIFIED  
SOME KEY  
OBJECTIVES  
TO MOVE US  
FORWARD,**

**AND MADE  
BIG STEPS TO  
DELIVER THEM.  
MINERVA PLC  
ANNUAL REPORT  
AND ACCOUNTS  
2005.**

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IMAGE DELETED



**WE'VE  
CONTINUED  
TO UNLOCK  
FUTURE VALUE  
FROM OUR  
DEVELOPMENT  
PORTFOLIO.**

IMAGE DELETED

**WE'VE MADE  
SELECTIVE  
DISPOSALS.**

IMAGE DELETED

**GENERATING  
CASH AND  
GIVING US  
FREEDOM  
TO MOVE  
IN NEW  
DIRECTIONS.**

IMAGE DELETED

**WE'VE ADDED  
BREADTH  
AND DEPTH  
TO OUR  
TEAM.**

IMAGE DELETED

IMAGE DELETED

#### Unlocking value

The Group owns three of London's most prestigious development sites; The Walbrook, Park Place and The Minerva Building. We plan to push ahead with the development of The Walbrook with a proposed start on site in 2006 and will seek to deliver this magnificent 452,000 sq.ft. landmark building within four years. Following our agreement with Lend Lease on Park Place and subject to completing the compulsory purchase order process, procurement of an anchor tenant and suitable project finance, we intend to start on site in 2007 and anticipate completion of this 900,000 sq.ft. project in 2011, creating one of the UK's foremost shopping malls.

We are engaged in a detailed analysis of the optimal leasing profile for The Minerva Building, the single largest consented office building in the City of London at 1 million sq.ft. Our intention is to find the most appropriate route to its development based upon determining the best funding arrangements.

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#### Selective acquisitions

New deals will be the lifeblood of the Group. With a substantial cash resource and a highly experienced team, we will seek to initiate a programme of new investment, either on our own or in joint venture. The philosophy of buying assets with the potential for value enhancement through redevelopment will continue. Our focus will be on smaller projects with a wider sectorial and geographical spread with a turnaround of up to five years complementing the timeline of our large projects. Each investment will be analysed based upon cost of capital criteria to maximise the internal rate of return.

IMAGE DELETED

**Adding breadth and depth to our team**  
As we move into a period of significant activity, both in terms of our existing projects and new business, we have enhanced the management team. The appointment of Salmaan Hasan as Chief Executive, the promotions of Ivan Ezekiel and Tim Garnham to the Board and the appointment of a further non-executive Director, Christopher Mackenzie, brings further experience and skills to the fore. We envisage adding to this skill base at senior management level as the business progresses, providing a platform to move forward with confidence.

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Minerva is a property investment and development company whose principal strategy is to create shareholder wealth through investment in property. A central part of this strategy is the maintenance of a broad based financial framework which is able to evolve alongside the changing profile of the Group.

Financial highlights	2005	2004
Net rental income	£50.8m	£52.5m
Profit before tax from core real estate business	£1.0m	£0.7m
Loss after taxation	£44.4m	£21.4m
Net asset value per share	344.2p	379.5p
Total dividend per share for the year	3.25p	3.20p
Cash reserves	£144.4m	£103.9m

## Operational highlights

## Significant appointments to the Board.

Over £633 million of property disposals, £405 million of which were entered into before 30 June 2005.

Agreement with Barclays Bank to secure vacant possession for the redevelopment of The Walbrook.

Arrangements with Lend Lease for the redevelopment of Park Place.

Chairman's statement

# ANDREW ROSENFELD

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## Introduction

When we announced our interim results in March of this year the Board resolved to make a major strategic repositioning of the Company and set out the milestones for a clear and positive future focused entirely on our core real estate activities.

We set out our main objectives for taking the Company forward which centred upon four key elements, namely, adding breadth and depth to the Board, unlocking value from our development assets, disposing of properties from our investment portfolio, and finally, addressing the issues of reporting and transparency.

We recognised that the Company needed to undergo a major reorientation in order to generate growth from our development portfolio and to re-energise our activities in what is quite clearly an increasingly vibrant domestic commercial property market.

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## **WE IDENTIFIED THE NEED TO ADAPT THE BUSINESS, AND HAVE ACTED QUICKLY.**

As is often the case with such a repositioning there has been a significant 'one-off' financial impact which now enables us to move forward with clarity and consistency having taken the full and final write down for our investment in Scarlett Retail and having included the costs incurred in disposing of £405 million of investment property at the year end.

## Final results

Before I address the progress that we have made in meeting our four objectives, I would like to turn to our financial results for the year ended 30 June 2005.



Profit before tax and exceptional items for the year was £1.0 million (2004: £0.7 million). Exceptional items of £50.2 million have been incurred during the year. Of this amount £21.9 million related to the write down of the Group's investment in, and loan to, Scarlett Retail which was included in our results for the half year ended 31 December 2004. The balance of £28.3 million is principally represented by fixed loan and swap break costs relating to the termination of loans secured on the investment properties that have now been sold and disposal expenses incurred. After incorporating these exceptional items, the loss after tax for the Group was £44.4 million (2004: £21.4 million). Primarily as a consequence of these exceptional items, the net asset value per share has fallen from 379.5 pence per share to 344.2 pence per share.

Your Board is nevertheless pleased to recommend a final dividend of 2.16 pence per share making a total dividend for the year of 3.25 pence per share, an increase of 1.6 per cent compared to last year. Subject to approval at the Annual General Meeting, the final dividend will be paid on 8 December 2005 to those shareholders on the register at the close of business on 30 September 2005.

I would now like to turn to the repositioning of the Company which I am pleased to report is taking place with increasing momentum.

#### Board changes

Pivotal to the activities of the Group has been the appointment in May of Salmaan Hasan as our new Chief Executive. Salmaan joined Minerva from Deutsche PostBank where he was Head of Property Finance having previously pursued an impressive career with Samuel Montagu, Industrial Bank of Japan and BHF Bank. He possesses a rare combination of strong financial and real estate experience and has a longstanding detailed knowledge of Minerva's business having been involved in financing a number of Minerva's core assets including our office developments,

The Walbrook and The Minerva Building and our shopping centre development, Park Place. These factors combined with his exceptional leadership qualities will ensure the successful future progress of Minerva.

In March we also announced the appointment of Ivan Ezekiel to the main Board as Finance Director. Ivan joined Minerva in 1997 and has been responsible for Minerva's finance activities. His financial skills and understanding of the real estate sector will continue to provide the Group with an important dimension as we embark upon what will be an increasingly active programme of development and investment in new assets.

In August the Company announced that Paul Coster would be retiring on 30 September 2005. Paul has been a valued member of the Board for nearly 16 years and has been deeply involved in all activities of the Group. He has worked tirelessly on Park Place as the driving force behind the creation of one of the UK's foremost shopping centre development projects. I would like to thank Paul for his commitment and loyalty to the Company and we all wish him well for the future.

It has become quite clear that a coordinated approach to our development programme is required and in order to achieve this we have appointed Tim Garnham to the Board as Development Director. Tim joined Minerva from Trafalgar House in 1998 and has been responsible for all of our development activities including our two City developments, The Walbrook and The Minerva Building. He has also worked closely with Paul Coster on the Park Place development and has been instrumental in the joint venture arrangements with Lend Lease. Tim brings to the Board a wealth of development experience and will be responsible for consolidating the Group's current and future development projects.

Turning now to the appointment of our new non-executive Director, I am pleased to report that Christopher Mackenzie has joined the Board. He has an extensive and broad range of experience working in the early part of his career at Swires, McKinsey and JPMorgan. In the late 1980's he joined Schroders where he was involved in the creation of its investment banking business in Japan. In 1994 he became President of GE Capital Europe joining the main Board of GE Capital in 1998, responsible for global business development. In 2000 he was appointed President and Chief Executive Officer of Canadian real estate group TrizecHahn where he was responsible for refocusing the company on its core real estate business, improving operating efficiency, streamlining overhead structure and creating a single operating platform culminating in the creation of a US quoted REIT, Trizec Properties. Having reorganised Trizec's operations he has since concentrated his activities in the private equity arena, including property. He holds a number of non-executive board appointments including the leading media/marketing group WPP.

I could not let this moment pass without making reference to Sir David Garrard who retired as Chairman in March. David made an enormous contribution to the Group and we wish him every happiness in his retirement.

**Unlocking value from our development assets**  
In June we announced the restructuring of our property interests with Barclays Bank at St. Swithin's House and Granite House which will enable Minerva to secure vacant possession for the redevelopment of a major 452,000 sq.ft. prime office development designed by Foster and Partners, to be known as The Walbrook. The agreement enables Minerva to require Barclays to surrender its lease at any time up to 31 December 2006. Upon exercise of the option, Barclays Bank will pay Minerva a significant reverse premium.

With the occupational market in the City showing clear signs of improvement, I am confident that this agreement will now enable us to unlock the considerable development potential that is inherent within this site. With this in mind we have announced our intention to commence this development during the course of 2006, if necessary on a speculative basis. In this regard we are in discussions for the financing of this development on a non-recourse basis which will limit Minerva's further equity investment.

In July we announced that subject to, and conditional upon shareholder approval, Minerva have entered into an agreement with Lend Lease for the development of Park Place, a major new 900,000 sq.ft. retail development situated in Croydon town centre. I am pleased to confirm that shareholder approval has now been obtained and this project is proceeding with Lend Lease as planned. Under the terms of the agreement Lend Lease will be responsible for the development and asset management of the project and will have the right, one year after practical completion of Park Place, to acquire 50 per cent of the units in the newly created Jersey unit trust which will hold the completed development. The agreement with Lend Lease is a major step forward for Minerva and is the culmination of many years hard work. I am confident that the reputation and experience of Lend Lease will have undoubted advantages for Minerva not only through the development process but also in maximising the project's future performance as an investment asset.

We are also now focusing closely on what is potentially our most exciting project, namely The Minerva Building. This headquarters office development designed by architects Grimshaw will have a world-class status and will offer a form and content hitherto not provided in the City of London. The team at Minerva is in the process of refining its plans for this project and as the occupational market continues to strengthen the prospect of significant asset enhancement through redevelopment moves ever closer.

### Disposal of investment assets

Since March we have embarked upon an active disposal programme which, including the post balance sheet sale of Sampson House and Ludgate House, has culminated in the sale of £634 million of investment property at an average net yield of 6 per cent. This represents a profit totalling around £150 million when measured against the Group's historical cost. The sale of these assets has been entirely driven by our desire to reshape the Company in order to drive growth from those remaining projects that have significant upside potential and to release cash for re-investment in new assets. In so doing we have been able to benefit from a robust investment market and virtually eliminate our net debt which now stands at the lowest level of any investment and development company in the FTSE 250 real estate index. With approximately £200 million of cash we are now in a strong position to actively seek new opportunities which we believe will create significant additional future returns for shareholders.

### Corporate transparency

When we reported to you in March we recognised the need for clearer reporting in order that the key elements of our business could be readily and easily grasped. In many senses this was more of an issue prior to the disposal of £634 million of investment property. With a smaller number of property assets, principally comprising three major London development projects, the ability to report in a clearer manner has to a significant degree been facilitated by our disposal process. Nevertheless we recognise that as each of our projects moves forward there will be the opportunity to report more fully and regularly on progress. With this in mind it is also our intention from June 2006 to move to semi-annual property valuations. We believe that this is a sensible and opportune moment to adjust our current policy of annual revaluation, having mind to the timing of our development projects.

### Shaped for growth

As is evident from all that I say above the team at Minerva has moved remarkably quickly in addressing the key objectives that were set by the Board earlier this year. Through a combination of wide ranging activities including fundamental changes to the Board and its structure; the crystallisation of agreements relating to two of our major development projects, The Walbrook and Park Place; the large scale disposal of investment assets and the pursuit of corporate transparency, I believe that Minerva is now well positioned to reap the rewards that it has worked so hard to achieve. Most importantly I believe that under the leadership of our Chief Executive, Salmaan Hasan, the future prospects for the Group are exceptionally good.

## **MINERVA IS NOW WELL POSITIONED TO REAP THE REWARDS THAT IT HAS WORKED SO HARD TO ACHIEVE.**

In closing can I take this opportunity to thank all of my colleagues at Minerva along with our advisers who, through the challenging circumstances of the past year, have worked incredibly hard to secure the position that we have now achieved and which will enable the Group to move forward with confidence and vigour.

Andrew Rosenfeld  
Chairman



Chief Executive's statement

# **SALMAAN HASAN**

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## Introduction

I have arrived at Minerva with what is essentially a clean canvas and a clear vision for the future course and direction for the Group.

I am fortunate to have worked closely with the Company for many years having financed a number of its key projects including The Walbrook, Park Place, The Minerva Building and 90 High Holborn. I therefore have a close knowledge of Minerva's asset base, corporate structure and management team.

Crucial to my approach is the need for independence and freedom to operate and, with the support of the Board, to make the key decisions that are essential to drive performance. I am pleased that the Board has unanimously agreed that such authority is forthcoming.

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## **WE HAVE DEFINED A CLEAR VISION FOR THE FUTURE COURSE AND DIRECTION OF THE GROUP.**

So, what is it that attracted me to take on the role of Chief Executive Officer and how do I propose to take the Company forward? It is by answering both of these questions that I hope to give you an insight into the essential qualities of the Group and my plans for its future.

### Attractions of Minerva

The Group owns three of London's most prestigious development opportunities. The potential upside that is inherent within The Walbrook, Park Place and The Minerva Building is significant particularly in light of the progress that has been made on each over the past year. I will refer in some detail to these developments later on in my report but the collective prospect of developing and extracting substantial future shareholder value from The Walbrook, one of the finest sites in the City of London; Park Place, one of the United Kingdom's last remaining regional shopping mall opportunities and The Minerva Building, one of London's tallest skyscrapers and largest single conserved building in the City, is a truly unique opportunity.

By virtue of the sales programme that has now been completed and which, taking into account post balance sheet sales totals £634 million, we have been able to virtually eliminate the Group's debt on a net basis and as a by product create a cash reserve extending to around £200 million. At the year end and prior to the sale of Sampson House and Ludgate House the Group's net gearing was 67 per cent.

After taking into account the sale of these two properties and the completion of property sales exchanged before the year end our net gearing, on a pro forma basis, has reduced to around 6 per cent. This puts Minerva in a very strong position to implement its development programme and to reinvest cash resources in new deals, which I believe will generate recurrent returns for shareholders. I will elaborate on my plans for future investment later in this report.

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## **THE STRENGTH OF OUR TEAM IS CRITICAL IN DELIVERING OUR PLANS FOR THE FUTURE.**

Coming as I have from a banking background I believe that the management team that will drive value from our assets is in many ways as important if not more important than the assets themselves. We at Minerva have a talented, highly experienced and dedicated group of professionals, each of whom have a proven track record and will provide an important ingredient in the process of unlocking value from the real estate that we own and which we hope to acquire as we expand our activities. My plans for the Company are already being implemented and the importance of the team that I have around me cannot be emphasised enough.

### The way forward

I have a very clear vision for the future growth of this business which will be centred around four pivotal elements. These are:

- Maximising the Group's position from our three major development projects.
- Embarking upon a programme of new investment.
- Engaging and expanding the management team in line with the growth of the business.
- Embracing the opportunity to communicate in more detail with shareholders, analysts and other stakeholders.

I would now like to address each of the above in more detail.

The three major developments:

*The Walbrook, London EC4*

We have today announced our intention to commence development of The Walbrook, London EC4. This project is in a prime location in the City of London being equidistant from Bank and Cannon Street Stations and is by any standards a rare commodity. The site is owned freehold, extends to 1.6 acres and spans three highly visible and well-known City streets – Walbrook, Cannon Street and St. Swithin's Lane. During the year we have been able to renew our planning consent for a headquarters office building totalling 452,000 sq.ft. of offices and shops designed by world renowned architects Foster and Partners.

Fundamental to the development of this site has been the agreement that was announced in June of this year, with our principal office tenant Barclays Bank, which has enabled us to secure vacant possession of the entire site. Under the terms of the agreement Minerva can require Barclays to surrender its lease at any time, having served three months' notice, prior to 31 December 2006. In exercising the option it has been agreed that Minerva will receive a substantial reverse premium from Barclays, which at its maximum would be £29.0 million reducing to £22.5 million by the final date at which the option can be exercised. There is therefore a significant financial advantage to Minerva in taking this project forward particularly in an improving City office market.

I have been fortunate to have been involved in a number of major office developments and I have therefore been able to bring my market experience to bear in evaluating the physical configuration of the building. The scheme as originally designed envisaged a likely occupier coming from the financial sector who, it was assumed, would require large trading floors.

## **WE ARE EXAMINING WAYS TO ENHANCE THE APPEAL TO A WIDER RANGE OF POTENTIAL TENANTS.**

Accordingly the plans incorporated two large trading floors each of 51,000 sq.ft. that would be served by a separate traders entrance on St. Swithin's Lane. It is quite clear to me that most of the large scale dealing requirements have now been satisfied and as a result we are re-examining the internal design with a view to creating a footprint that has a wider appeal in terms of its divisibility to a single occupier but moreover could also provide for a multiple occupier profile. This will also widen the range of potential tenants to include not only the financial sector but also the expanding professional sector.

I would now like to address the financing structure for this project. We have always made it clear that we would not embark upon development unless the Group secured a satisfactory non-recourse debt structure, which adequately facilitated the cost of development and the ability to hold the asset, if necessary, for the long term. In this regard I can confirm that we are in discussions which, if concluded, should enable the refinancing of our existing facilities on the site and provide for the development of the new building on a speculative basis and subsequent hold.

## Developments update **TIM GARNHAM**

IMAGE DELETED

### The Walbrook, London EC4

The redevelopment of The Walbrook represents an important 'milestone' for Minerva and demonstrates our strong commitment to The City of London and its property market. The building is admirably located in the heart of the square mile with all the transport infrastructure associated with such a prime area.

### Park Place, Croydon

The development arrangements that we have entered into with Lend Lease in respect of Park Place provides us with an excellent platform to take this project forward. They have an undoubted reputation in creating high quality assets and it is an excellent opportunity for us to work with one of the World's leading shopping centre developers.

### The Minerva Building, London EC3

The Minerva Building has iconic status and moving forward we will be refining the internal design of the building, considering leasing opportunities, together with the provision of high quality services. This will assist us in determining the most appropriate method of funding the development.

Tim Garnham  
Development Director

The City office market is clearly showing signs of improvement and this development is a rare combination of high quality product situated on a prime site. Therefore our commitment to develop speculatively whilst not precluding a pre-letting of the building will enable us to deliver in a timescale which we believe will fully optimise the rental and capital value of the completed investment.

### *Park Place, London Borough of Croydon*

In March we announced that we had entered into an in principle agreement with Lend Lease for the development of our major shopping centre, Park Place. This was followed in July by confirmation that, subject to and conditional upon shareholder consent, we had concluded this agreement. This transaction has now been formally approved by shareholders at an Extraordinary General Meeting held on 12 September 2005.

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**LEND LEASE  
WILL ADD THEIR  
PROVEN AREAS  
OF EXPERTISE  
TO THE PROJECT.**

Continued >>

Under the terms of the agreement Lend Lease will provide its development, construction and asset management expertise. It has also been granted a call option enabling it to acquire up to a 50 per cent interest in the Park Place development at the net asset value one year after practical completion.

The way is now clear for us to implement those plans that the team has worked so hard to achieve and to take this project forward working alongside one of the world's leading shopping centre developers. Lend Lease have an undoubted reputation for creating high quality assets which are innovatively managed to create significant asset value and future growth potential.

The development will comprise approximately 900,000 sq.ft. of retail accommodation located at the heart of Croydon town centre. It has been designed by leading international architects, RTKL, and will provide a range of large and medium sized shop units anchored by a 340,000 sq.ft. department store. This development will re-establish Croydon as a significant retail destination within the United Kingdom accessible by car, rail, tram and bus. It will significantly increase the town's total sales turnover, create new jobs and regenerate this important area of the town centre.

During the course of the next year the team at Minerva will, in association with Lend Lease, be actively engaged in progressing with the compulsory purchase process which will culminate in an inquiry scheduled to take place next year. In parallel with this activity we will be working with Lend Lease to finesse the design of the scheme, to implement our letting strategy which will be focused upon a range of key milestones and to work with key stakeholders so as to ensure a successful outcome.

Lend Lease will, through a subsidiary Bovis Lend Lease, undertake the construction of the development and preparatory work is already underway which will enable a seamless transition as we implement the construction process. It is our joint intention, subject to appropriate project financing, to commence on site in 2007 with completion during 2011.

#### *The Minerva Building, London EC3*

The Minerva Building represents the largest planning permission ever granted by the Corporation of London for a headquarters office building. The development, designed by British architects Grimshaw, will provide 1 million sq.ft. of accommodation on 50 storeys rising to a height of 217 metres. The building is widely considered to be of a world-class standard, at the cutting edge of architectural and occupational design capable of being let to a wide range of different tenants or a single occupier. An important part of the development is the creation of a major new City square which in itself will dramatically change this important location within the eastern sector of the City. Transport links to the development are excellent with Liverpool Street and Fenchurch Street Stations within 400 metres of the site.



## **THIS WORLD-CLASS, CUTTING EDGE BUILDING IS CAPABLE OF BEING LET TO A WIDE RANGE OF DIFFERENT TENANTS OR TO A SINGLE OCCUPIER.**

The Minerva Building design offers a range of opportunities for occupiers and we are currently engaged in a detailed analysis aimed at optimising the development's letting profile, which in turn will assist us in determining the most appropriate method of funding for development. Once this review has been completed we will be in a position to evaluate the viability of implementing the planned programme of demolition, excavation and construction of the substructure.

As I have already stated earlier, the City occupier market is showing distinct signs of improvement and this provides us with an increasing sense of optimism for the creation of significant shareholder value from this project.

Nonetheless, my experience leads me to conclude that we must be cognisant of our mid to long-term objectives and capital requirements along with a need to manage the 'concentration of risk'. As we move forward we will be focusing on our financing options which may in due course involve partial diversification through the funding process.

### **Programme of new investment**

With around £200 million of unutilised cash at our disposal and an experienced executive team well versed in real estate and banking, it is my intention to enhance the Company's performance through a new programme of investment in assets which we believe will provide enhanced returns for shareholders.

Although I wish to continue the overriding philosophy of buying assets with an underlying income stream which have the potential for value enhancement through redevelopment or refurbishment, we will also consider other scenarios that involve planning gain potential and where underlying income may be limited or in some cases not relevant. Our new investments will also focus on smaller projects with a wider sectoral and geographical spread. I am confident that we will invest in a range of opportunities, whether as principal or in joint venture, which meet our criteria and which will play to our management strengths.

## **WE INTEND TO BEGIN A NEW INVESTMENT PROGRAMME FUNDED BY SUBSTANTIAL CASH RESOURCES THAT WE HAVE AT OUR DISPOSAL.**

Our overall purpose will be to establish a diverse spread of risk with a logical theme and an average life for the investments of no more than five years, which provides for a shorter turnaround than our larger schemes. By adopting such an approach we will apply the rigours of cost of capital analysis in order to maximise the internal rate of return on our capital.

## **WE WILL FULLY UTILISE THE BROAD RANGE OF EXPERTISE THAT OUR TEAM HAVE TO OFFER.**

Engaging and expanding the management team As we move into a period of significant activity both in terms of our existing development programme but also new investment it is important to involve the entire management team at Minerva. This will create an atmosphere of inclusiveness, which will by its very nature combine the broad range of expertise that we as a team have to offer.

With this in mind I am pleased that we have, since March, made three key appointments to the Board.

Ivan Ezekiel has been with Minerva for eight years and has joined the main Board as Finance Director. As Minerva's activities expand and as our developments progress it is important that, in addition to putting in place appropriate financings, the financial discipline of this business is prioritised, particularly with a view to the imminent introduction of International Financial Reporting Standards. Ivan maintains a rigorous approach which will be of undoubted importance in our stated endeavour to achieve greater transparency.

Tim Garnham has been with Minerva for seven years and his appointment to the Board was fundamental to my philosophy of management and project integration. Tim's role as Development Director will, for the first time, combine responsibility at Board level for each of our developments and provide us with the opportunity to create a coordinated approach across the Group from which we will be able to manage risk and create opportunity.

The appointment of Christopher Mackenzie to the Board is significant. It is, in my view, important that as we move forward, that Board members contribute with a broad range of skills and expertise. In Christopher we have someone who possesses a level of experience both in terms of real estate and finance that will be invaluable as the Company grows. I am delighted that he has joined us and I am sure that along with Christopher Sheridan and Clive Richards we have non-executive Directors who are ready to meet the exciting challenges that lie ahead.

### Communication and transparency

As a former banker I have always understood the need to clearly communicate financial information, both corporate and transactional. It is my experience that the provision of clarity to key stakeholders is of undoubted long-term benefit to the Company. From a financial reporting perspective I believe that we as a Group provide an acceptable level of financial disclosure although I recognise that the method and regularity of communication needs to be enhanced. With this in mind I have taken the step of adjusting the Group's policy of annual property valuations to semi-annual valuations and this procedure will commence from 30 June 2006. Having mind to our redevelopment plans which will clearly gain momentum during the course of next year I feel that the timing of this new policy is appropriate. It is also my intention to engage shareholders on a regular basis and to provide an improved level of disclosure in respect of our property assets as we move forward.

### The next 12 months

This is an exciting time for the Group and my plans for the future represent a fundamental change in policy and approach. Against a stable economic backdrop with a relatively benign interest rate environment, the UK commercial property market is in my view well positioned for further growth. Our development projects provide us with an opportunity to unlock value for shareholders and our low gearing and substantial cash reserves place us in a strong position to invest in new opportunities as and when they arise.

I look forward to a period of positive activity for the Group.

Salmaan Hasan  
Chief Executive



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**OUR FUTURE  
PLANS ADOPT  
A FRESH POLICY  
AND APPROACH  
THAT REFLECT  
THIS EXCITING  
TIME FOR  
THE BUSINESS.**

Finance Director's review

# IVAN EZEKIEL

IMAGE DELETED

## Review of results

The period under review has been one during which the Group has taken action to reposition itself for the future and, in doing so, has incurred two exceptional charges.

Firstly, following the administration of Alders in January 2005, we recognised, in full, a write-down of the book value of our investment in Scarlett Retail of approximately £13.9 million. In addition, we recognised a loss of £8.0 million, being the non-recoverable amount of a £10.0 million loan advanced to Alders. These were fully reported to shareholders in the Interim Results in March of this year.

## **£404.5 MILLION WAS GENERATED FROM DISPOSALS.**

Secondly, against a backdrop of strong demand for well-leased investment properties, we took the opportunity to dispose of selective investments from our property portfolio and, in doing so, reshape the balance sheet for future growth. By 30 June 2005, properties totalling £404.5 million were sold or subject to binding sale commitments. In doing so, the Group has incurred an aggregated loss of £28.3 million after deducting disposal expenses and recognising the charges relating to the repayment of loans secured on the properties sold. The latter is a by-product of the disposals and incorporates fixed rate loan and interest rate swap breakage costs, together with unamortised loan issue costs, relating to the loans repaid, and reflects the low interest rate environment prevailing at the time of the disposals.

Before taking account of the exceptional charges (see note 3), the profit before tax for the year from the continuing real estate business was £1.0 million (2004: £0.7 million). After recognising the exceptional items referred to above and the taxation credit for the year of £4.8 million (2004: £1.5 million), the loss after tax for the year was £44.4 million (2004: £21.4 million).

Looking at the financial results in more detail.

**Net rental income and financing costs**  
Net rental income has reduced during the year by 3.2 per cent to £50.8 million (2004: £52.5 million). The decrease principally arises from the property disposals during the second half of the financial year, offset in part by the full-year affect of acquisitions made in the previous year.

#### Net rental income reconciliation

	2005 £m	2004 £m
Properties owned throughout 2004 and 2005	26.0	26.4
Acquisitions	2.3	0.7
Disposals	22.5	25.4
Net rental income	50.8	52.5

Similarly, net financing costs decreased from £42.4 million to £41.3 million. The reduction reflects the effect of loan repayments following property disposals, as well as the benefit of higher interest receivable on the Group's cash deposits. During the year no interest was capitalised (2004: £0.5 million).

## NET RENTAL INCOME FOR THE YEAR TOTALLED £50.8 MILLION.

At 30 June 2005, the average interest cost of borrowing for the Group was 6.9 per cent (2004: 7.0 per cent) with a weighted average debt maturity of circa seven years (2004: eight years).

Administrative expenses for the year increased from £9.7 million to £16.7 million, almost entirely accounted for by the irrecoverable £8.0 million element of a £10.0 million loan advanced to Alders.

#### Property disposals

As referred to above, the Company sold five investment properties during the second half of the financial year and has reported an overall loss, after taking account of disposal expenses, of circa £11.1 million. It should be noted that, based against the Group's historical cost, the disposals during the year realised a profit of circa £57.8 million.

In total, bank debt of £286.2 million at an average interest rate of circa 7.0 per cent has been repaid on the disposals recognised during the year (£117.5 million of which was repaid after the year end). The associated swap and fixed rate breakage costs relating to the loans repaid, including unamortised loan issue costs written off, totalled £17.2 million, and have been recognised in the profit and loss account for the year.

### Taxation

The Group tax credit for the year was £4.8 million (2004: £1.5 million) consisting of a reversal of deferred taxation which arose in prior years from capital allowances claimed and other timing differences which we are required to provide for in accordance with FRS 19 'Deferred tax'. The credit has arisen in most part from the above mentioned property disposals, where capital allowance elections have been agreed with purchasers at below the Group's tax written down value.

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At 30 June 2005, the Group has no liability to current UK corporation tax as there are losses brought forward and capital allowances available. Based on the property portfolio valuation at the year end, there is an estimated potential capital gains tax liability of approximately £51.7 million should the properties be sold and no capital allowances be retained by the Group in respect of these properties. If, as currently expected, capital allowances claimed to date are retained by the Group, the estimated potential capital gains tax liability reduces to around £43.3 million.

### Shareholders' funds,

net asset value and dividends

Equity shareholders' funds decreased to £553.8 million from £610.1 million, principally reflecting: the write-down of the loan to, and investment in, Scarlett Retail of £21.9 million reported at the interim period; the exceptional costs relating to the property disposals in the second half of the year which, aggregated with the associated fixed interest loan and interest rate swap break costs, totalled £28.3 million; the valuation deficit of £6.9 million; the profit before tax from the core real estate business of £1.0 million; the taxation credit of £4.8 million; and the paid and proposed dividends of £5.2 million.

Net asset value per share at 30 June 2005 was 344.2 pence per share (2004: 379.5 pence per share), a decrease of 9.3 per cent. Adjusted net asset value per share, which writes back the deferred tax provision, and, for comparison purposes, excludes the investment in Scarlett Retail joint venture, is 345.0 pence per share at 30 June 2005 (2004: 374.7 pence per share).

## **TOTAL DIVIDEND FOR THE YEAR WAS 3.25 PENCE PER SHARE – AN INCREASE OF 1.6 PER CENT.**

A final dividend of 2.16 pence per share is proposed. Together with the interim dividend of 1.09 pence per share (2004: 1.07 pence per share) already paid, this brings the total dividend for the year to 3.25 pence per share (2004: 3.20 pence per share), an increase of 1.6 per cent on last year.

### **Financing and structure**

The Group finances its activities through a mixture of cash and borrowings. The Group seeks to selectively gear property investments with secured bank debt, typically non-recourse, whilst holding a large amount of cash providing 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.

Total borrowings at 30 June 2005 were £515.3 million (2004: £690.7 million). Cash and short-term deposits were £144.4 million (2004: £103.9 million) and the Group had undrawn loan and overdraft facilities of £3.3 million (2004: £2.9 million). The decrease in net debt during the year of around £216 million largely reflects the net proceeds received from property disposals during the year, offset by costs incurred in relation to terminating fixed interest agreements and hedging instruments on loans repaid, and expenditure incurred on our three development projects.

In terms of interest rate management, the Group continues to use interest rate derivatives to manage its interest rate profile and at 30 June 2005, 92 per cent (2004: 97 per cent) of Group borrowings were hedged under fixed or swapped-fixed interest rate agreements.

The Group seeks to borrow on a medium to long-term basis on its leased investment assets. At 30 June 2005, of the loans outstanding in respect of properties not exchanged for sale, 43 per cent (2004: 67 per cent) of the Group's borrowings were due to mature in more than five years. This reflects the nature of the properties remaining which, in most part, form development site holdings which we are, subject to satisfactory commercial and market conditions, intending to redevelop in the short to medium-term.

Net gearing, measured as net debt as a proportion of equity shareholders' funds, was 67 per cent at 30 June 2005 (2004: 96 per cent).

At the year end, the fair value of the Group's debt and interest rate hedging derivatives, required to be disclosed under FRS 13 'Derivatives and other financial instruments', was £28.7 million (2004: £15.1 million) greater than the book value, equivalent, after a tax credit at 30 per cent, to 12.5 pence per share (2004: 6.6 pence per share). Further details are provided in note 22.

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#### Post balance sheet events

Since the year end, we have announced the disposal of Sampson House and Ludgate House, London SE1 for a gross consideration of £229 million, in excess of the combined valuation at 30 June 2005 of £226 million. The net proceeds arising from the disposals, after repaying bank debt of £152.6 million and related swap and fixed-rate breakage costs of £12.8 million, have been used to enhance the Group's cash reserves to be invested in our existing development projects as well as new real estate opportunities. It is worth noting that, when measured against the Group's historical cost for the properties, the profit arising on disposal is approximately £94 million.

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## **CASH RESERVES HAVE INCREASED TO AROUND £207 MILLION.**

At 31 August 2005, following the above disposals and after adjusting for property selling expenses, cash reserves have increased to around £207 million, bank debt has reduced to circa £242 million, and the average interest cost of debt has reduced to 6.5 per cent.

At 31 August 2005, following the redemption of the loans and the associated fixed loan and swap break costs relating to Sampson and Ludgate House, the fair value of the Group's debt and interest rate hedging derivatives was £13.9 million, equivalent, after a tax credit at 30 per cent, to 6.1 pence per share.



## **IFRS WILL NOT AFFECT THE VALUE OF THE BUSINESS NOR IMPACT ITS CASH FLOWS.**

International Financial Reporting Standards (IFRS) are obligatory for UK quoted groups with accounting periods commencing on or after 1 January 2005. The Group is continuing with preparatory work for conversion to IFRS and will be reporting in accordance with IFRS for the year ending 30 June 2006, and, prior to that for the six months ending 31 December 2005.

IFRS is likely to result in more volatility in the financial results of Minerva. Nevertheless it is important to note that the new accounting convention will not affect the economic value of the business nor impact its cash flows.

The principal differences between reporting under IFRS and UK accounting standards ('UK GAAP'), which affect Minerva, are as follows:

- Movements in the fair value of investment properties are recognised in the income statement, rather than the statement of recognised gains and losses.
- Deferred tax is provided in full on the revaluation movements of investment property. Currently, under UK GAAP, there is no requirement to provide for deferred tax on these movements.
- Derivative financial instruments are included at fair value in the balance sheet with the movement in the period taken to the income statement unless they qualify for hedge accounting.
- Leasehold properties are valued gross of the value for leasehold liabilities with the value of the latter also shown within liabilities, resulting in a grossing up of assets and liabilities.
- No provision is to be made for proposed dividends. Proposed dividends will be recognised in the period in which they are approved by shareholders.
- Lease incentives are spread over the life of the lease rather than the period to the first rent review.
- The fair value of shares and share options granted to employees are to be charged to the income statement.

The Group expects to publish a reconciliation of the audited results for the year ended 30 June 2005 and those based under IFRS prior to the announcement of the interim results for the period ending 31 December 2005.

Ivan Ezekiel  
Finance Director



## Board of Directors

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1

**Andrew Rosenfeld** BSC MRICS

Chairman

Aged 43

Responsible for ensuring the running of the Board and for setting the long-term strategy of the Group. He founded the Group in 1988, prior to which he worked for merchant bankers, Schrodgers, Berisford Property Group, and Land Investors plc.

2

**Salmaan Hasan** BA MBA

Chief Executive

Aged 40

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

3

**Ivan Ezekiel** BSC FCA ATII

Finance Director

Aged 39

Responsible for finance, accounting, tax and coordination 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 as Finance Director.

4

**Tim Garnham** BSC  
Development Director  
Aged 48

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.

5

**Paul Coster** MRICS  
Property Director  
Aged 53

Responsible principally for the Park Place development activities in Croydon. He joined the Group in November 1989 and was previously Managing Director of the publicly quoted Centrovincial Estates plc and, prior to joining Minerva, he was a main board director of Burford Holdings plc where he was responsible for the management of the investment portfolio.

6

**Clive Richards** OBE FCA FCMA FMIM  
Senior non-executive Director  
Chairman of the Audit Committee  
Member of the Remuneration Committee  
Aged 68

Following six years at Peat Marwick Mitchell in 1960 he joined Wedd Durlacher Mordant, subsequently a major constituent part of Barclays de Zoete Wedd 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 Corin Group PLC and Xpertise Group PLC. Appointed to the Board of Minerva in November 1996.

7

**Christopher Sheridan** FCIB MSI  
Non-executive Director  
Chairman of the Remuneration Committee  
Member of the Audit Committee  
Aged 62

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 and Standard Bank London Limited. He is also a member of the International Executive Committee of the law firm Lovells. Appointed to the Board of Minerva in November 1996.

8

**Christopher Mackenzie**  
Non-executive Director  
Member designate of the Audit and Remuneration Committees  
Aged 51

Adjunct Professor of corporate development at INSEAD, the European Business School. 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, Inc. He has since concentrated his activities in the private equity arena, including property and holds a number of non-executive board appointments including the leading media/marketing group WPP.

## Senior management team

From left to right:  
Mark Cherry  
Quentin Thompson  
Edward Moody  
Steven Yewman  
Arthur Rixon

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**Mark Cherry** BSC MRICS  
Development  
Aged 42

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.

**Edward Moody** BSC MRICS  
Asset Management  
Aged 44

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 54

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.

**Quentin Thompson** BSC MRICS  
Asset Management  
Aged 42

Joined Minerva from surveyors, Chesterton International plc, in February 1991. Prior to Chesterton International plc, he worked for Bernard Thorpe, now part of DTZ Debenham Thorpe, where he was involved in all aspects of property management. He is responsible for the management of specific properties within the portfolio.

**Steven Yewman** BSC MRICS  
Development  
Aged 35

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

## Corporate governance

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

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

A system for appraising the performance of the Board, and its members, will be introduced in the current year.

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

The Group had two independent non-executive Directors during the year. The Company has appointed a third independent non-executive Director since the year end and he is expected to become a member of the Audit Committee and Remuneration Committee in due course.

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

The Board is of the opinion that, given the nature of the Company and the experience and skills of the executive and non-executive Directors, the current balance is appropriate at the current time.

A Nominations Committee

Given the small size of the Board, it continues to be agreed that nominations are to remain a matter reserved for the Board. Appointments to the Board are made on merit and against criteria specifically set for the role.

Chairman promoted from Chief Executive

The Company recognises that the Combined Code states that the Chairman on appointment should be independent and that the Chief Executive should not become Chairman. Nevertheless, the Board, after careful consideration, was of the opinion that the Company and its shareholders would benefit, with Andrew Rosenfeld as Chairman, from his experience of the UK real estate industry and knowledge of the business. Discussions were subsequently held by management with a number of large shareholders.

Chairman and Chief Executive roles

During the period in which a new Chief Executive was being recruited, the Chairman performed the role of both Chairman and Chief Executive for just over three months.

Public Interest Disclosure Policy

The Combined Code provides that a procedure should be established so that the employees may, in confidence, raise concern about possible improprieties in matters of financial reporting or other matters. This policy was introduced after it was recommended by the Audit Committee and approved by the Board in April 2005.

### 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 prudent and 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 Board comprised three executive Directors, including the Chairman, and two independent non-executive Directors during the year under review. The Board operates within a structure in which the roles and responsibilities of the Chairman, Chief Executive and other Directors (including non-executive Directors) are clearly defined.

Chairman and Chief Executive

Up until Sir David Garrard's retirement as Chairman on 31 March 2005, and following Salmaan Hasan's arrival as Chief Executive on 4 July 2005, the roles of Chairman and Chief Executive have been, and continued to be, split. The Chairman was responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda. The Chief Executive had responsibility for the management of the Company's day-to-day operations.

For the period from 31 March 2005 until 4 July 2005 during which a Chief Executive was being recruited, Andrew Rosenfeld performed the role of both Chairman and Chief Executive.

Non-executive Directors

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 Director, Christopher Mackenzie who was appointed in September 2005, 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 Christopher Mackenzie as a non-executive Director.

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 meetings**

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

	Sir David Garrard	Andrew Rosenfeld	Paul Coster	Ivan Ezekiel	Christopher Sheridan	Clive Richards
Board	3	5	5	2†	5	5
Audit Committee	n/a	n/a	n/a	n/a	2	2
Remuneration Committee	n/a	n/a	n/a	n/a	2	2

†Attended all Board meetings since appointment to the Board on 31 March 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**

Sir David Garrard retired from the Board on 31 March 2005 and was replaced by Andrew Rosenfeld as Chairman of the Company on that date. Ivan Ezekiel was appointed to the Board as Finance Director on 31 March 2005. Since the year end, Salmaan Hasan, Tim Garnham, and Christopher Mackenzie have joined the Board as Chief Executive, Development Director and non-executive Director respectively, whilst Paul Coster will retire as Property Director on 30 September 2005.

**Board committees**

The Board has established two 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. Copies of these terms of reference are available on written request from the Company Secretary. These committees are:

**The Remuneration Committee**

The Remuneration Committee, comprising Christopher Sheridan (Chairman) and Clive Richards, met twice during the year ended 30 June 2005.

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 report on Directors' remuneration is set out on pages 27 to 31.

**The Audit Committee**

The Audit Committee, comprising Clive Richards (Chairman) and Christopher Sheridan, met twice during the year ended 30 June 2005.

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 32.

**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, total recognised gains and losses and cash flows of the Group for that period. The Directors confirm that in preparing the financial statements for the year ended 30 June 2005, suitable accounting policies, in accordance with United Kingdom accounting 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, 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 Remuneration Committee comprises the two non-executive Directors of the Company, Christopher Sheridan (Chairman of the Committee) and Clive Richards. The composition of the Committee, which consists exclusively of independent Directors, has not altered during the year. Members of the Committee have no personal financial interest, other than as shareholders, in the outcome of the decisions taken by the Committee. The Remuneration Committee met twice during the year. The Company Secretary has provided administrative support and information to the Remuneration Committee.

During the year, New Bridge Street Consultants LLP were appointed by the Committee to provide performance statistics required in relation to the Executive Share Option Scheme. They also provided the Committee with advice and information on salary levels and the proposed long-term incentive plan which will be subject to shareholder approval at the forthcoming Annual General Meeting.

### 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 Remuneration 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 Remuneration 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 were made in respect of one Director.

#### Performance-related bonus

Bonuses are awarded by the Remuneration Committee having regard to a number of factors, including the share price performance of the Company, the Group's performance relative to the All Property Capital Value Index published by the Investment Property Databank, and the individual's performance.

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

- preparation for and attainment of planning consent;
- delivery of development programmes;
- portfolio investment performance; and
- capital structure and funding.

#### Share options

Awards of share options are considered by the Remuneration Committee annually. The awards are based on the individual's performance, position and responsibilities. The vesting and exercise of the options are 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.

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

The Remuneration Committee considers it appropriate to move the executive Directors' equity incentives from share options to share awards. Details of the proposed 2005 Executive Incentive Plan that shareholders are being asked to approve at the Annual General Meeting are set out in Appendix 1 to the Notice of Annual General Meeting enclosed with the Annual Report and Accounts.



**Directors' remuneration**

	Salary and fees		Bonus		Other benefits		Profit on exercise of share options		Total	
	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
<b>Executives</b>										
Sir David Garrard*	202	270	–	400	31	23	–	–	233	693
Andrew Rosenfeld	270	270	200	400	59	57	–	–	529	727
Ivan Ezekiel†	44	–	75	–	3	–	–	–	122	–
Paul Coster	155	155	100	100	39	39	–	25	294	319
	671	695	375	900	132	119	–	25	1,178	1,739
<b>Non-executives</b>										
Clive Richards	35	35	–	–	–	–	–	–	35	35
Christopher Sheridan	35	35	–	–	–	–	–	–	35	35
	70	70	–	–	–	–	–	–	70	70
<b>Total</b>	<b>741</b>	<b>765</b>	<b>375</b>	<b>900</b>	<b>132</b>	<b>119</b>	<b>–</b>	<b>25</b>	<b>1,248</b>	<b>1,809</b>

\*Retired on 31 March 2005.

†Appointed on 31 March 2005.

In advance of the discretionary bonus award for 2005 by the Remuneration Committee, Andrew Rosenfeld requested that part of his award be waived in favour of charitable donations by the Company.

**Pensions**

With the exception of Ivan Ezekiel, for whom the Company made a pension contribution of £4,400 during the period, no pension contributions were made by the Company on behalf of the Directors.

**Directors' interests**

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

	Ordinary shares of 25 pence each 30 June 2005	Ordinary shares of 25 pence each 30 June 2004
Andrew Rosenfeld	17,343,098	23,476,941
Ivan Ezekiel†	–	–
Paul Coster	1,435,857	1,435,857
Clive Richards	211,110	211,110
Christopher Sheridan	16,666	16,666

†Appointed on 31 March 2005.

Sir David Garrard, who retired from the Board on 31 March 2005, was interested in 5,387,726 ordinary shares in the Company at that date (30 June 2004: 27,588,781 ordinary shares).

Ivan Ezekiel, who was appointed to the Board on 31 March 2005, was not interested in any ordinary shares in the Company at that date.

There has been no change in the beneficial and non-beneficial shareholdings of the Directors between 30 June 2005 and the date of this report.

**Employee Share Option Schemes**

The Group currently operates two types of share option plans: Executive Share Option Schemes and a Sharesave Scheme.

**Executive Share Option Schemes**

The Executive Share Option Schemes are available to 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 Inland Revenue 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 Remuneration 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 Inland Revenue approved part and an unapproved part. The Discretionary Scheme is 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

For performance between median and upper quartile the number of shares under option will become exercisable on a pro-rated basis. In respect of existing options, 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. However, the Remuneration Committee has determined that, in respect of future option grants, no retesting will occur and therefore, to the extent that the performance condition is not met after three years, the option will lapse. With the exception of the Sharesave Scheme, all share options granted under the Employee Share Option Schemes are granted at market value.

The Remuneration 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 able to be exercised in full in return for upper quartile total shareholder return performance.

Under the Scheme Rules, the performance conditions, including the comparable quoted companies in the FTSE Real Estate Sector, may be amended by the Remuneration 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 Remuneration 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.

During the year no share options were granted to Directors or senior management over shares in the Company or other Group entities. At 30 June 2005, the share options held by Directors in the Company were as follows:

**Sir David Garrard**

Scheme	At 1 July 2004	Granted during year	Exercised during year	Lapsed during year	At 31 March 2005*	Exercise price	Exercise period
A	9,351	–	–	–	9,351	320.8p	Apr 2004 to Apr 2011
B	302,370	–	–	–	302,370	320.8p	Apr 2004 to Apr 2008
C	274,363	–	–	(274,363)	–	227.8p	Dec 2004 to Dec 2011
C	310,650	–	–	(310,650)	–	169.0p	Sep 2005 to Sep 2012
C	283,464	–	–	(283,464)	–	190.5p	Oct 2006 to Oct 2013

**Andrew Rosenfeld**

Scheme	At 1 July 2004	Granted during year	Exercised during year	Lapsed during year	At 30 June 2005	Exercise price	Exercise period
A	9,351	–	–	–	9,351	320.8p	Apr 2004 to Apr 2011
B	302,370	–	–	–	302,370	320.8p	Apr 2004 to Apr 2008
C	274,363	–	–	–	274,363	227.8p	Dec 2004 to Dec 2011
C	310,650	–	–	–	310,650	169.0p	Sep 2005 to Sep 2012
C	283,464	–	–	–	283,464	190.5p	Oct 2006 to Oct 2013

**Ivan Ezekiel**

Scheme	At 31 March 2005†	Granted during year	Exercised during year	Lapsed during year	At 30 June 2005	Exercise price	Exercise period
A	16,161	–	–	–	16,161	185.6p	Nov 2000 to Nov 2007
B	112,218	–	–	–	112,218	320.8p	Apr 2004 to Apr 2008
C	149,802	–	–	–	149,802	227.8p	Dec 2004 to Dec 2011
C	177,692	–	–	–	177,692	169.0p	Sep 2005 to Sep 2012
C	162,729	–	–	–	162,729	190.5p	Oct 2006 to Oct 2013
D	7,695	–	–	–	7,695	122.8p	Dec 2005 to May 2006

**Paul Coster**

Scheme	At 1 July 2004	Granted during year	Exercised during year	Lapsed during year	At 30 June 2005	Exercise price	Exercise period
B	37,402	–	–	–	37,402	320.8p	Apr 2004 to Apr 2008
C	149,802	–	–	–	149,802	227.8p	Dec 2004 to Dec 2011
C	177,692	–	–	–	177,692	169.0p	Sep 2005 to Sep 2012
C	162,729	–	–	–	162,729	190.5p	Oct 2006 to Oct 2013

\*Date of retirement.

†Date of appointment.

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.

The 2001 Discretionary Share Option Scheme provides for an individual limit on options granted to any participant of three times that participant's annual basic salary (other than in exceptional circumstances when this may be increased to four times) in any financial year of the Company. No grants were made during the year.

None of the terms and conditions of the share options were varied during the year. No payment was made for the grant of any share options. All options were granted in respect of qualifying services.

**All Employee Sharesave Scheme**

The Company has operated an Inland Revenue 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 under the Sharesave Scheme are not subject to performance conditions. The Sharesave Scheme is an Inland Revenue approved all-employee Scheme, the terms of approval for which do not allow the imposition of performance conditions on the exercise of options.

The mid-market price of the Company's shares on the London Stock Exchange at 30 June 2005 was 270 pence per share. During the year the share price ranged from 240.25 pence to 323.5 pence.

**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:

IMAGE DELETED

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

**Non-executive remuneration**

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 in September 1999. The non-executive Directors do not receive any pension or other benefits from the Company, nor do they participate in any bonus or employee share option schemes.

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

The service contracts of Andrew Rosenfeld and Ivan Ezekiel (whose appointment commenced on 31 March 2005) are dated 24 August 2005. Mr Rosenfeld's service contract replaced his previous service contract dated 21 November 1996. The contracts have no fixed term and are terminable by the Company on 12 months' notice and by Mr Rosenfeld and Mr Ezekiel on six months' notice. The service contract of Paul Coster is dated 21 November 1996. The contract has no fixed term and is terminable by the Company on 364 days' notice and by Mr Coster on six months' notice. Mr Coster will be retiring with effect from 30 September 2005 when his service contract will terminate.

The service contract of Sir David Garrard was dated 21 November 1996. This contract terminated on 31 March 2005 on Sir David's retirement.

The Remuneration Committee reviews the service contracts periodically.

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, and Clive Richards is engaged under an agreement with Tarrakarn Limited (trading as Clive Richards & Co) dated 11 September 2003. The agreements have no fixed term and are terminable by either party on three 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. No Director has contracted rights for compensation on early termination beyond payment of the contractual notice period.

Other than set out above, there were no other persons who served as a Director of the Company during the year ended 30 June 2005.

Apart from share options 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**

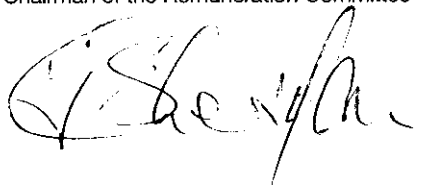
The Remuneration report consists of non-auditable information with the exception of the sections entitled Directors' remuneration, Pensions, and the details of share options held by Directors set out on page 30.

**Approval**

At the Annual General Meeting to be held on 25 November 2005, an ordinary resolution will be proposed approving this report.

For and on behalf of the Board

**Christopher Sheridan** Chairman of the Remuneration Committee  
20 September 2005



## 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 comprises 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 twice during the year ended 30 June 2005. 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;
- 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
- Monitoring developments in accounting and reporting requirements and in particular the Company's implementation of changes arising from the adoption of International Financial Reporting Standards.

The review of management's reports to the Board on risk management and internal controls and the Company's public statements on these matters are currently dealt with by the Board.

For and on behalf of the Board

**Clive Richards** Chairman of the Audit Committee  
20 September 2005



## Report of the Directors

The Directors present their report and the audited financial statements of the Group for the year ended 30 June 2005.

### 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, the Chief Executive's statement and the Finance Director's review.

### Results and dividends

The financial statements deal with the results of the Group for the year ended 30 June 2005 which are shown on page 36. The Directors recommend the payment of a final dividend of 2.16 pence per share in respect of the year ended 30 June 2005, which, subject to approval at the Annual General Meeting, will be payable on 8 December 2005 to shareholders listed on the Register of Members on 30 September 2005. This, together with an interim dividend of 1.09 pence per ordinary share, paid on 14 April 2005, makes a total dividend for the year of 3.25 pence per ordinary share.

### Directors

The Directors of the Company who served during the year ended 30 June 2005 are as follows: Sir David Garrard (who retired on 31 March 2005), Andrew Rosenfeld, Paul Coster (who will retire on 30 September 2005), Ivan Ezekiel (whose appointment was effective from 31 March 2005), Clive Richards and Christopher Sheridan.

Since the year ended 30 June 2005, Salmaan Hasan was appointed to the Board effective from 4 July 2005, Tim Garnham was appointed to the Board effective from 30 August 2005 and Christopher Mackenzie was appointed to the Board effective from 1 September 2005.

Ivan Ezekiel, Salmaan Hasan, Tim Garnham and Christopher Mackenzie, having been appointed by the Board as Directors since the 2004 Annual General Meeting, will retire and, being eligible, will offer themselves for election and reappointment at the next Annual General Meeting in accordance with the Articles of Association. Andrew Rosenfeld 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 nine 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 to 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 2005 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 2005 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 20 September 2005:

	Shares	Per cent
Fidelity International Limited and FMR Corp	19,266,690	11.97
Trustees of the A I Rosenfeld Trust*	11,095,514	6.90
Aberdeen Asset Management plc	10,785,600	6.70
Newton Investment Management Ltd	7,913,776	4.92
Herling Limited	6,185,654	3.84
Deutsche Bank AG	6,110,890	3.80
Legal & General Investment Management Limited	5,775,727	3.59
Gartmore Investment Management plc	5,593,199	3.48
Stichting Pensioenfonds ABP	5,503,075	3.42
SG Asset Management Ltd	5,025,742	3.12
Threadneedle Asset Management Limited	5,002,160	3.11

\*The Trustees of the A I Rosenfeld Trust are deemed to be interested in 6,185,654 ordinary shares in which Herling Limited are interested, which are therefore included in its total interests of 11,095,514 ordinary shares.

### Annual General Meeting

The Annual General Meeting of the Company will be held on 25 November 2005. A notice of the Annual General Meeting, together with an explanation of the resolutions to be proposed at the meeting, is enclosed with the Annual Report and Accounts.

### Declaration of final dividend

The Directors have recommended the payment of a final dividend of 2.16 pence per share. The Directors recommend shareholders to vote in favour of this resolution at the Annual General Meeting as they unanimously intend to do so in respect of their own beneficial shareholdings.

**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 12 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 to a maximum nominal amount of £13,409,886. This amounts to 53,639,546 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 14, 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 £2,011,483, 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.

**Purchase of own shares**

At the 2004 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 2005 Annual General Meeting to be held on 25 November 2005. Under resolution 15, 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 24,121,704 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 25 November 2005 and resolution 10 is drafted accordingly.

**Combined Code**

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

**Corporate social responsibility**

An important part of the Group's overall business strategy is its environmental and social responsibilities. A key ingredient to the corporate ethos is a commitment to carry out our business activities demonstrating good corporate practice.

One of the key initiatives during the past year has been the formulation and introduction of our Sustainability Checklist for design and construction which is now being applied to our new developments. This will assist in engaging our consultants and suppliers in managing sustainability issues. We are proactive in community engagement through all stages of our development activities including design, planning, construction and occupation.

**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 (2004: 21 days) purchases outstanding.

**Donations**

During the year the Group made charitable donations of £79,000 (2004: £96,000). No political donations were made during the year.

**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  
20 September 2005



## Independent auditors' report to the members of Minerva plc

We have audited the financial statements which comprise the Consolidated profit and loss account, the Consolidated and Parent Company balance sheets, the Consolidated cash flow statement, the Statement of total recognised gains and losses, the Note of historical cost profits and losses, the Reconciliation of movements in equity shareholders' funds and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Remuneration report ("the auditable part").

### Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' responsibilities. The Directors are also responsible for preparing the Directors' Remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the Remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. 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 auditable part of the Remuneration report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Chairman's statement, the Chief Executive's statement, the Finance Director's review, the Board of Directors and Senior management team, the Report of the Directors, the unaudited part of the Remuneration report and the Principal property investments and the Corporate governance statement.

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 to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

### Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 auditable part of the Remuneration report. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

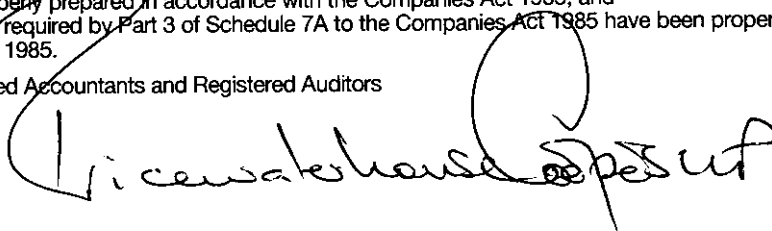
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

### Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 June 2005 and of the loss and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

**PricewaterhouseCoopers LLP** Chartered Accountants and Registered Auditors  
London  
20 September 2005





## Consolidated profit and loss account

For the year ended 30 June 2005	Note	Year ended 30 June 2005 Total £000	Year ended 30 June 2004 Total £000
Group and share of joint venture turnover	2, 3, 4	194,917	300,324
Less: Share of joint venture turnover	4	(134,484)	(238,887)
<b>Group turnover</b>	4	60,433	61,437
Property outgoings	4	(9,604)	(8,945)
<b>Net rental income</b>		50,829	52,492
Administrative expenses	3	(16,745)	(9,721)
Other income		257	289
<b>Group operating profit</b>	5	34,341	43,060
Loss arising on joint venture	17	(9,476)	(16,144)
<b>Total operating profit</b>		24,865	26,916
(Loss)/profit on sale of investment property	3	(11,119)	518
Income from investments		7	7
Group net financing costs		(58,498)	(42,359)
Net financing costs	8	(41,318)	(42,359)
Charges relating to early loan repayments	3	(17,180)	-
Share of joint venture net financing costs	17	(4,453)	(7,951)
<b>Loss on ordinary activities before taxation</b>		(49,198)	(22,869)
Taxation	9	4,804	1,507
<b>Loss on ordinary activities after taxation</b>		(44,394)	(21,362)
Dividends	11	(5,230)	(5,144)
<b>Loss for the year</b>		(49,624)	(26,506)
<b>Loss per share</b>	12	(27.6p)	(13.3p)

The results for the year and prior year relate to continuing operations with the exception of the joint venture which was discontinued during the year.

## Consolidated balance sheet

As at 30 June 2005	Note	30 June 2005 £000	30 June 2004 £000
<b>Fixed assets</b>			
Investment properties	13	803,007	1,202,847
Tangible fixed assets	14	461	808
Investments	16	5,082	5,082
Investment in joint venture:	17	–	13,929
Share of gross assets		–	113,529
Share of gross liabilities		–	(114,272)
Goodwill		–	14,672
		808,550	1,222,666
<b>Current assets</b>			
Debtors	18	161,183	16,513
Cash at bank and in hand	19	144,439	103,898
		305,622	120,411
<b>Creditors: Amounts falling due within one year</b>	20	(176,160)	(48,831)
<b>Net current assets</b>		129,462	71,580
<b>Total assets less current liabilities</b>		938,012	1,294,246
<b>Creditors: Amounts falling due after more than one year</b>	21	(382,857)	(678,077)
<b>Provisions for liabilities and charges</b>	23	(1,312)	(6,116)
<b>Net assets</b>		553,843	610,053
<b>Capital and reserves</b>			
Called up share capital	24	40,230	40,185
Share premium account	25	198,098	197,793
Revaluation reserve	25	262,526	370,905
Other reserves	25	41,795	41,795
Profit and loss account	25	11,194	(40,625)
<b>Equity shareholders' funds</b>		553,843	610,053
<b>Net asset value per share</b>	26	344.2p	379.5p
<b>Adjusted net asset value per share</b>	26	345.0p	374.7p

The financial statements were approved by the Board of Directors on 20 September 2005 and were signed on its behalf by:

**S Hasan** Director

**I H Ezekiel** Director



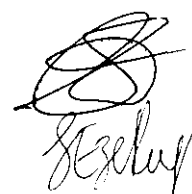
## Parent Company balance sheet

As at 30 June 2005	Note	30 June 2005 £000	30 June 2004 £000
<b>Fixed assets</b>			
Investment in subsidiary undertakings	15	48,179	48,179
Investment in joint venture		–	10,435
		48,179	58,614
<b>Current assets</b>			
Debtors	18	249,779	224,739
Cash at bank and in hand		5,552	5,310
		255,331	230,049
<b>Creditors: Amounts falling due within one year</b>	20	(4,718)	(3,954)
<b>Net current assets</b>		250,613	226,095
<b>Total assets less current liabilities</b>		298,792	284,709
<b>Creditors: Amounts falling due after more than one year</b>	21	–	–
<b>Net assets</b>		298,792	284,709
<b>Capital and reserves</b>			
Called up share capital	24	40,230	40,185
Share premium account	25	198,098	197,793
Revaluation reserve	25	–	–
Other reserves	25	14,315	14,315
Profit and loss account	25	46,149	32,416
<b>Equity shareholders' funds</b>		298,792	284,709

The financial statements were approved by the Board of Directors on 20 September 2005 and were signed on its behalf by:

**S Hasan** Director

**I H Ezekiel** Director



## Consolidated cash flow statement

For the year ended 30 June 2005	Note	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
<b>Net cash inflow from operating activities</b>	30a	39,588	44,029
<b>Dividend received from joint venture</b>		–	1,750
<b>Returns on investments and servicing of finance</b>		(50,025)	(40,504)
Interest received		4,729	4,546
Interest paid		(44,930)	(44,663)
Income received from investments		7	7
Issue costs of long-term loans		(88)	(394)
Cost of early long-term loan repayments		(9,743)	–
<b>Taxation</b>		–	–
UK corporation tax		(10,437)	5,275
<b>Capital expenditure and financial investment</b>		233,393	(56,803)
Additions to investment properties		(12,061)	(58,980)
Additions to tangible fixed assets		(286)	(184)
Additions to investments		–	(5,024)
Receipts from sale of investment properties		248,156	12,798
Receipts from sale of tangible fixed assets		84	38
Receipts from sale of investments		–	49
Net loan to joint venture		(2,500)	(5,500)
<b>Acquisitions</b>		–	(107)
Acquisition of subsidiary undertakings		–	(107)
<b>Equity dividends paid</b>		(5,173)	(5,121)
<b>Cash inflow/(outflow) before use of liquid resources and financing</b>		217,783	(56,756)
<b>Movement in liquid resources</b>	30b/c	(49,786)	48,342
<b>Financing</b>		(177,242)	19,486
Issue of share capital		350	829
New long-term loans		–	41,500
Repayment of long-term loans		(177,592)	(22,843)
<b>(Decrease)/increase in cash</b>	30b/c	(9,245)	11,072

## Statement of total recognised gains and losses

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
For the year ended 30 June 2005		
Loss on ordinary activities after taxation	(44,394)	(21,362)
Unrealised (deficit)/surplus on revaluation of investment properties	(6,936)	95,086
Share of joint venture unrealised revaluation surplus	–	26,116
Unrealised share of joint venture gain	–	6,439
<b>Total recognised gains and losses for the year</b>	<b>(51,330)</b>	<b>106,279</b>

## Note of historical cost profits and losses

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
For the year ended 30 June 2005		
Loss on ordinary activities before taxation	(49,198)	(22,869)
Realisation of revaluation surplus/(deficit) of previous years	68,888	(1,851)
Realisation of share of joint venture revaluation surplus	32,555	–
<b>Historical cost profit/(loss) on ordinary activities before taxation</b>	<b>52,245</b>	<b>(24,720)</b>
<b>Historical cost profit/(loss) for the year retained after taxation and dividends</b>	<b>51,819</b>	<b>(28,357)</b>

## Reconciliation of movements in equity shareholders' funds

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
For the year ended 30 June 2005		
Loss on ordinary activities after taxation	(44,394)	(21,362)
Dividends	(5,230)	(5,144)
	(49,624)	(26,506)
Unrealised (deficit)/surplus on revaluation of investment properties	(6,936)	95,086
Share of joint venture unrealised revaluation surplus	–	26,116
Unrealised share of joint venture gain	–	6,439
New share capital issued	350	829
<b>Net movement in equity shareholders' funds</b>	<b>(56,210)</b>	<b>101,964</b>
Opening equity shareholders' funds	610,053	508,089
<b>Closing equity shareholders' funds</b>	<b>553,843</b>	<b>610,053</b>

## Notes to the financial statements

### 1. Accounting policies

The Group's accounting policies are as follows:

#### Accounting convention

The financial statements have been prepared in accordance with the historical cost convention, as modified by the inclusion of investment properties at valuation, and in accordance with accounting standards currently applicable in the United Kingdom. The principal accounting policies which have been applied consistently for the periods covered by these financial statements, are set out below.

#### Consolidation

The audited financial statements of the Company and all of its subsidiary undertakings have been consolidated, with the exception that where, in the opinion of the Directors, severe long-term restrictions exist over the control of a subsidiary, that subsidiary is accounted for as a joint venture under the gross equity method of accounting prescribed by FRS 9 'Associates and joint ventures'.

In accordance with Section 230 of the Companies Act 1985, a separate profit and loss account for the Company is not presented.

#### Goodwill

Goodwill represents the excess of cost over the fair value of net assets acquired. In accordance with FRS 10 'Goodwill and intangible assets', goodwill arising on acquisitions is capitalised as an intangible asset and amortised through the profit and loss account on a straight-line basis over an appropriate period not exceeding 20 years.

#### Acquisitions and disposals

Where subsidiary and associated undertakings are acquired or disposed of during a period, the Group profit and loss account includes their results from or to the date of acquisition or disposal.

#### Investment property

Investment properties are included in the financial statements at valuation. The aggregate surplus from original cost is transferred to a revaluation reserve. Any aggregate unrealised deficit from original cost is charged to the profit and loss account.

On realisation any gain or loss is calculated by reference to the carrying value at the last balance sheet date and is included in the profit and loss account. Any balance in the revaluation reserve is transferred to the profit and loss account reserve.

In accordance with SSAP 19 (Revised) 'Accounting for investment properties', investment properties are revalued annually. No provision is made for depreciation or amortisation of properties held for investment purposes. The Companies Act 1985 requires all properties to be depreciated, but that requirement conflicts with the generally accepted principle set out in SSAP 19 (Revised). The Directors consider that, as the properties are held for long-term investment, a true and fair view is given following SSAP 19 (Revised). Depreciation is only one of the many factors reflected in the annual valuation of properties and the amount of depreciation or amortisation which might otherwise have been charged cannot be separately identified or quantified in a meaningful way.

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.

#### Property transactions

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

#### Fixed asset investments

Fixed asset investments are included at cost. Where the value of these investments is below cost and is considered to be a permanent diminution, the deficit is written off to the profit and loss account. If the diminution in value is not considered to be permanent, no such write off is made.

#### Turnover

Group turnover comprises rental income, service charge income and other amounts receivable from tenants. Rental income is recognised after treating lease incentives that do not enhance the property as a revenue reduction and spread evenly over the period to the earlier of the first rent review or the lease term.

#### Refurbishment costs

Refurbishment expenditure in respect of major works is capitalised. Renovation and refurbishment expenditure of a revenue nature is written off as incurred.

**1. Accounting policies continued****Depreciation and amortisation**

The cost of other fixed assets is their purchase cost, together with any incidental expenses of acquisition. The cost of leasehold improvements is depreciated over the remaining life of the lease. Motor vehicles and fixtures and fittings are depreciated over their expected lives of between three and five years.

**Deferred taxation**

Deferred tax is provided in respect of all timing differences that have originated, but not reversed, at the balance sheet date that may give rise to an obligation to pay more or less tax in future. A deferred tax asset is recognised when its recoverability is considered to be reasonably certain. Deferred tax is measured on a non-discounted basis at the tax rates which apply at the balance sheet date. No provision is made for tax liabilities on unrealised revaluation gains at the balance sheet date.

**Operating leases**

Rentals payable under operating leases are charged to the profit and loss account over the lease term on a straight-line basis.

**Pension costs**

Employer contributions to personal pension schemes of employees are charged to the profit and loss account as they are incurred.

**Financial instruments**

Interest payable and receivable is accounted for on an accruals basis. Interest differentials on derivative instruments are recognised by adjusting the relevant interest amount. Bank loans are included in the financial statements net of issue costs which are amortised over the life of the loan.

Significant accounting policies in respect of the Scarlett Retail Group Limited ("Scarlett Retail") joint venture are:

**Turnover**

Turnover consists of sales of merchandise and services to third parties net of VAT, discounts and estimated returns and includes the profit contribution earned on agency sales (including concession departments). Sales are recognised at point of sale, or later delivery date as appropriate.

**Tangible fixed assets**

Where properties are carried at valuation they are held at their current value on an 'existing use basis' as at the balance sheet date. Their current value is determined by having an independent qualified valuer perform a full, detailed valuation at least once every five years and an interim external valuation in year three. In years one, two and four, a review is performed and if it indicates that it is likely that there has been a material change in value, then an interim valuation will be performed by a qualified external valuer.

**Stocks**

Goods held for resale are stated at the lower of cost and net realisable value.

**Operating leases**

Property lease rentals are accounted for on a straight-line basis to each rent review. Lease incentives and rent free periods are recognised in the profit and loss account on a straight-line basis over the term of the lease.

**Pension costs**

Defined benefit liabilities are funded by payments to schemes controlled by independent trustees on the advice of external actuaries. Pension costs are accounted for on the basis of charging the expected costs of providing pensions over the period during which the Company benefits from employee services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

**2. Segmental information**

The Group's continuing operations are confined to property investment and development within the United Kingdom.

**3. Financial information**

	Year ended 30 June 2005				
	Core real estate business £000	Discontinued joint venture £000	Irrecoverable loan to joint venture £000	Property disposals £000	Total £000
Group and share of joint venture turnover	60,433	134,484	–	–	194,917
Less: Share of joint venture turnover	–	(134,484)	–	–	(134,484)
<b>Group turnover</b>	60,433	–	–	–	60,433
Property outgoings	(9,604)	–	–	–	(9,604)
<b>Net rental income</b>	50,829	–	–	–	50,829
Administrative expenses	(8,745)	–	(8,000)	–	(16,745)
Other income	257	–	–	–	257
<b>Group operating profit/(loss)</b>	42,341	–	(8,000)	–	34,341
Loss arising on joint venture	–	(9,476)	–	–	(9,476)
<b>Total operating profit/(loss)</b>	42,341	(9,476)	(8,000)	–	24,865
Loss on sale of investment properties	–	–	–	(11,119)	(11,119)
Income from investments	7	–	–	–	7
Group net financing costs	(41,318)	–	–	–	(41,318)
Charges relating to early loan repayments	–	–	–	(17,180)	(17,180)
Share of joint venture net financing costs	–	(4,453)	–	–	(4,453)
<b>Profit/(loss) on ordinary activities before taxation for the year ended 30 June 2005</b>	1,030	(13,929)	(8,000)	(28,299)	(49,198)
Profit/(loss) on ordinary activities before taxation for the year ended 30 June 2004	708	(24,095)	–	518	(22,869)

Discontinued joint venture relates to the Group's share in Scarlett Retail Group Limited ("Scarlett Retail"), which was placed into administration in January 2005. The overall charge to the profit and loss account comprises the loss arising on joint venture, share of joint venture net financing costs and taxation, and is equivalent to the Group's net investment in joint venture included in the consolidated balance sheet of the Group as at 30 June 2004.

Irrecoverable loan to joint venture represents the irrecoverable part of a £10,000,000 loan made by the Group to Alders Department Stores Limited, a subsidiary of Scarlett Retail.

Property disposals represent the loss of £11,119,000 arising on the sale of investment properties during the year, together with £17,180,000 of fixed rate loan and interest rate swap breakage costs and unamortised loan issue costs, relating to loans repaid secured on the properties sold.



**4. Net rental income**

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Rental income	56,126	57,008
Recoverable property expenses	4,307	4,429
Share of joint venture turnover	134,484	238,887
<b>Group and share of joint venture turnover</b>	<b>194,917</b>	<b>300,324</b>
Rental income	56,126	57,008
Recoverable property expenses	4,307	4,429
<b>Group turnover</b>	<b>60,433</b>	<b>61,437</b>
Net property outgoings	(5,297)	(4,516)
Recoverable property expenses	(4,307)	(4,429)
<b>Property outgoings</b>	<b>(9,604)</b>	<b>(8,945)</b>
Group turnover	60,433	61,437
Property outgoings	(9,604)	(8,945)
<b>Net rental income</b>	<b>50,829</b>	<b>52,492</b>

**5. Group operating profit**

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Operating profit is stated after charging/(crediting):		
Auditors' remuneration for audit (Company: 2005: £20,000, 2004: £19,000)	100	100
Depreciation charge	576	616
Operating lease rentals – land and buildings	2,172	2,113
Profit on sale of tangible fixed assets	(39)	(12)
The Group's auditors also charged the following:		
Provision of advisory services	119	65
Taxation services	95	–

**6. Staff costs**

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Average number of employees (including executive Directors) employed by the Group	33	33
	£000	£000
Staff costs for the above persons (including executive Directors):		
Wages and salaries	2,401	2,430
Discretionary bonuses	750	1,410
Social security costs	429	499
Other pension costs	41	35
	<b>3,621</b>	<b>4,374</b>

**7. Directors' remuneration**

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Aggregate emoluments	1,248	1,784
Emoluments of highest paid Director	529	727

Details of Directors' emoluments are set out in the tables in the Remuneration report on pages 27 to 31.

**8. Net financing costs**

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Bank interest and charges	45,595	46,620
Amortisation of loan issue costs	473	752
Capitalised during the year	–	(513)
	46,068	46,859
Interest receivable	(4,750)	(4,500)
	41,318	42,359

**9. Taxation**

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Corporation tax	–	–
Deferred tax (credit)/charge – current year	(4,804)	1,487
Deferred tax (credit) – prior years	–	(594)
Group corporation tax (credit)/charge	(4,804)	893
Share of tax credit of joint venture	–	(2,400)
Total taxation credit	(4,804)	(1,507)

No liability to UK corporation tax arises as the Group has losses brought forward and the benefit of capital allowances available.

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Total loss on ordinary activities before taxation	(49,198)	(22,869)
Adjustment for share of joint venture loss before taxation	13,929	24,095
Group (loss)/profit on ordinary activities before taxation	(35,269)	1,226
Tax on (loss)/profit on ordinary activities at 30 per cent	(10,581)	368
Income not taxable	–	(155)
Expenditure not deductible for tax purposes	2,832	862
Capital allowances	(3,288)	(4,181)
Tax losses and other timing differences	11,037	3,106
Corporation tax charge on Group profits	–	–

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

As permitted by Section 230 of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements. Of the profit on ordinary activities after taxation, a profit of £18,963,000 (2004: £8,057,000) is dealt with in the financial statements of the Company.

**11. Dividends**

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Interim dividend paid of 1.09 pence per share (2004: 1.07 pence)	1,754	1,720
Proposed final dividend of 2.16 pence per share (2004: 2.13 pence)	3,476	3,424
	5,230	5,144

**12. Loss per share**

Loss per share is calculated on a weighted average of 160,846,284 ordinary shares of 25 pence each in issue throughout the year (2004: 160,536,342 ordinary shares) and is based on losses attributable to ordinary shareholders of £44,394,000 (2004: £21,362,000).

Due to the loss in the year, the share options do not have a dilutive effect.

**13. Investment properties**

Group	Freehold £000	Long leasehold £000	Total £000
At 1 July 2004: At valuation	795,396	410,104	1,205,500
Amount included within prepayments and accrued income	(1,857)	(796)	(2,653)
At 1 July 2004: Net book value	793,539	409,308	1,202,847
Additions	11,411	1,853	13,264
Disposals	(294,168)	(112,000)	(406,168)
Revaluation deficit	(4,608)	(2,328)	(6,936)
At 30 June 2005: Net book value	506,174	296,833	803,007
Amount included within prepayments and accrued income	–	568	568
At 30 June 2005: At valuation	506,174	297,401	803,575

The investment properties were valued on an open market value basis by Atisreal 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 properties at 30 June 2005 was £527,828,000 (2004: £836,264,000). The total amount of interest capitalised as part of the cost of investment properties at 30 June 2005 was £6,911,000 (2004: £25,826,000).

**14. Tangible fixed assets**

Group	Leasehold improvements £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
<b>Cost</b>				
At 1 July 2004	32	1,680	612	2,324
Additions	10	12	252	274
Disposals	–	(217)	(179)	(396)
At 30 June 2005	42	1,475	685	2,202
<b>Depreciation</b>				
At 1 July 2004	2	1,106	408	1,516
Charge for the year	2	437	137	576
Written back on disposals	–	(197)	(154)	(351)
At 30 June 2005	4	1,346	391	1,741
Net book value at 30 June 2005	38	129	294	461
Net book value at 30 June 2004	30	574	204	808

**15. Investment in subsidiary undertakings**

	Total £000
Parent Company	
At 1 July 2004	48,179
Movement in the year	-
<b>At 30 June 2005</b>	<b>48,179</b>

The Company is the ultimate holding company of the Group and has the following principal subsidiary undertakings all of which are wholly-owned and have as their main activity the holding of properties, investments or the provision of property related services. With the exception of 90 High Holborn Limited Partnership all subsidiary undertakings are registered and operate in Great Britain. The 90 High Holborn Limited Partnership is established according to Jersey law and operates in Great Britain.

Angelmist Limited	Minerva (City) Limited
Angelmist Properties Limited	Minerva Corporation plc
Antares Properties Limited	Minerva (Croydon) Limited
Castlereport Limited	Minerva (Finance) Limited
Chainbill Limited	Minerva Property Holdings plc
Croydon Leisure Limited	Minerva Property Investments Limited
Croydon Plaza Limited	Minerva Property Services Limited
Dalebrook Properties Limited	Minerva Property Services (Wigmore Street) Limited
Eagleprint Limited	Minerva (Stores) Limited
Futurestate Limited	OMD Holdings Limited
Goldrock Developments Limited	OMD Holborn Limited
Gradegilt Limited	OMD Property (Holborn) Limited
Helios Property Investments Limited	OMD Property Limited
Hutch Investments Limited	Sparrage Properties Limited
Jimtrack Limited	Tipace Limited
Larchfield Investments Limited	Twin Tower Properties Limited
M1 Limited	245 Blackfriars Road Limited
M6 Limited	245 Blackfriars Road Investments Limited
Minel Limited	245 Blackfriars Road Property Investments Limited
Minerva (Ambassador) Limited	90 High Holborn Limited Partnership

**16. Investments**

	Total £000
Group	
At 1 July 2004	5,082
Additions	-
Disposals	-
<b>At 30 June 2005</b>	<b>5,082</b>

Included in the above are interest rate swaptions at a historical cost of £4,935,000 at 30 June 2005 (2004: £4,935,000). See note 22 for further details.

**17. Joint venture**

The Group had an investment in Scarlett Retail, a joint venture with Lehman Brothers and Scarlett Retail's management team. The investment was held through a 60 per cent interest in the ordinary share capital and a 73 per cent interest in the preference share capital of Scarlett Retail. Scarlett Retail was incorporated in England and Wales and was the holding company of Alders, a UK department store and homeware retailer. The Group ceased to include the results and assets and liabilities of Scarlett Retail in its financial statements following Scarlett Retail being put into administration in January 2005.

Due to the administration of Scarlett Retail, detailed profit and loss information for the seven months to January 2005 is not available. Had this information been available, there would have been no overall affect on the loss on ordinary activities after taxation of the Group. A reconciliation of the Group's investment in joint venture is set out below:

**Investment**

	Year to 30 June 2005 £000	Year to 30 June 2004 £000
At 1 July 2004	13,929	3,069
Loss arising on joint venture	(9,476)	(16,144)
Share of joint venture net financing costs	(4,453)	(7,951)
Share of joint venture taxation	-	2,400
Share of unrealised revaluation gain	-	26,116
Unrealised share of joint venture gain	-	6,439
<b>At 30 June 2005</b>	<b>-</b>	<b>13,929</b>

The Group's goodwill, share of gross assets and share of gross liabilities in Scarlett Retail at 30 June 2005 were £nil respectively (2004: £14,672,000, £113,529,000 and £114,272,000 respectively).

**18. Debtors**

	Group 30 June 2005 £000	Group 30 June 2004 £000	Parent Company 30 June 2005 £000	Parent Company 30 June 2004 £000
Loan due from joint venture	-	5,500	-	-
Amounts owed by subsidiary undertakings	-	-	249,513	224,616
Other debtors	3,480	5,829	80	6
Prepayments and accrued income	3,953	5,184	186	117
Amounts due from property disposals	153,750	-	-	-
	<b>161,183</b>	<b>16,513</b>	<b>249,779</b>	<b>224,739</b>

**19. Cash at bank and in hand**

Cash at bank includes £1,963,000 (2004: £2,684,000) retained in rent accounts and not readily available to the Group for day-to-day commercial purposes.

**20. Creditors: Amounts falling due within one year**

	Group 30 June 2005 £000	Group 30 June 2004 £000	Parent Company 30 June 2005 £000	Parent Company 30 June 2004 £000
Bank/building society loans	130,428	8,809	-	-
Taxation and social security	1,025	1,607	-	2
Other creditors	2,318	6,076	-	-
Accruals and deferred income	38,908	28,913	1,237	527
Dividend payable	3,481	3,426	3,481	3,425
	<b>176,160</b>	<b>48,831</b>	<b>4,718</b>	<b>3,954</b>

**21. Creditors: Amounts falling due after more than one year**

	Group 30 June 2005 £000	Group 30 June 2004 £000	Parent Company 30 June 2005 £000	Parent Company 30 June 2004 £000
Bank/building society loans	382,857	678,077	–	–

The bank and building society loans are secured upon certain of the investment properties held by the subsidiary undertakings, by a floating charge over the remaining assets of the subsidiary undertakings, and in some cases by a fixed charge over bank deposit accounts into which rent is paid.

**22. Financial instruments**

The Group has taken advantage of the exemption under FRS 13 'Derivatives and other financial instruments' to exclude short-term debtors and creditors from the following disclosures.

**Financial assets**

The Group's financial assets comprise investments (note 16) and cash at bank and in hand (note 19). The cash at bank and in hand, consists mainly of short-term deposits with maturity periods of less than one year and earns interest at the rate prevailing at the time of the deposit for the term of the deposit.

**Maturity of financial liabilities**

The debt maturity profile of the Group's bank and building society borrowings at 30 June 2005 is as follows:

	30 June 2005 £000	30 June 2004 £000
Less than one year	130,428	8,809
Between one and two years	86,012	17,291
Between two and five years	126,428	198,976
Over five years	172,387	465,668
	515,255	690,744
Unamortised loan issue costs	(1,970)	(3,858)
	513,285	686,886

Included within borrowings due within one year, is £117,459,000 in respect of loans secured on properties committed for sale at 30 June 2005.

**Undrawn facilities**

At 30 June 2005 the Group had undrawn loan and overdraft facilities maturing as follows:

	30 June 2005 £000	30 June 2004 £000
Less than one year	3,300	2,000
Between one and two years	–	888
	3,300	2,888

**Interest rate risk profile of financial liabilities**

Fixed and floating rate liabilities of the Group as at 30 June 2005 are analysed as follows:

	30 June 2005		30 June 2004	
	Total £000	Weighted average interest rate %	Total £000	Weighted average interest rate %
Fixed and swapped-fixed rate debt	476,305	7.0	671,381	7.0
Floating rate debt	38,950	5.8	19,363	5.6
Total debt	515,255		690,744	

**22. Financial instruments continued**

The Group's debt at 30 June 2005 is hedged under fixed or swapped-fixed interest rate agreements as follows:

	30 June 2005		30 June 2004	
	Total £000	Weighted average period Years	Total £000	Weighted average period Years
Fixed rates	216,165	7.9	290,920	8.2
Swapped-fixed rates	260,172	5.1	380,582	5.9
<b>Total</b>	<b>476,337</b>		<b>671,502</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 7.0 per cent (2004: 7.0 per cent) and includes loan margins ranging from 0.8 per cent to 1.6 per cent with all inclusive interest rates ranging from 5.5 per cent to 8.1 per cent (2004: 5.5 per cent to 8.1 per cent).

Floating rate debt incurs interest at margins between 0.9 per cent and 1.6 per cent over LIBOR (2004: 0.9 per cent and 1.6 per cent).

In addition, as part of a strategy to hedge the interest rate exposure on the refinancing of existing loans as they mature in the medium-term, the Group has 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 and a total acquisition cost of £4,935,000.

**Fair values**

A valuation was carried out as at 30 June 2005 by J C Rathbone Associates Limited, to calculate the fair value, on a replacement basis, of the Group's financial instruments used to protect its current and future interest rate costs. The valuation excludes fixed rate loans of £117,459,000 secured on properties subject to binding sale commitments at 30 June 2005, for which the related loan break costs have been included within charges relating to early loan repayments in the profit and loss account for the current year.

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

	30 June 2005			30 June 2004		
	Book value £000	Fair value £000	Fair value difference £000	Book value £000	Fair value £000	Fair value difference £000
Fixed rate loans	98,706	111,458	(12,752)	290,920	303,473	(12,553)
Derivative instruments:						
Interest rate swaps	–	12,365	(12,365)	–	3,511	(3,511)
Interest rate swaptions	(4,935)	(1,367)	(3,568)	(4,935)	(5,860)	925
	93,771	122,456	(28,685)	285,985	301,124	(15,139)

The fair value at 30 June 2005 was £28,685,000 (2004: £15,139,000) greater than the book value, equivalent, after a tax credit at 30 per cent, to £20,080,000 or 12.5 pence per share.

**22. Financial instruments continued****Hedges**

The table below shows the extent to which the Group has unrecognised gains and losses in respect of financial instruments used as hedges at the beginning and end of the year, separately identifying those gains and losses which have been included in the profit and loss account for this year and those gains and losses which are expected to be included in the profit and loss account of subsequent periods:

	30 June 2005 £000	30 June 2004 £000
Unrecognised net losses on hedges at beginning of year	(2,586)	(28,693)
Net losses in previous years that were recognised during the year	2,967	6,961
Net gains/(losses) arising on hedges in existence as at previous year end and not recognised during current year	381	(21,732)
Net (losses)/gains arising this year that were not recognised in current year	(16,314)	19,146
Unrecognised net losses on hedges at end of year	(15,933)	(2,586)
of which:		
Net (losses) expected to be recognised within one year	(3,144)	(2,679)
Net (losses)/gains expected to be recognised beyond one year	(12,789)	93
	(15,933)	(2,586)

The losses arising during the year reflect the effect of lower medium/long-term interest rates when measured against those prevailing at 30 June 2004.

**Gearing**

Net gearing, measured as Group net debt (before offsetting unamortised loan issue costs) to equity shareholders' funds, was 67 per cent at 30 June 2005 (2004: 96 per cent).

**Currency risk**

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

Further details are set out in the Finance Director's review on pages 14 to 19.

**23. Provisions for liabilities and charges**

	Group 30 June 2005 £000	Group 30 June 2004 £000
At 1 July 2004	6,116	5,223
(Credit)/charge for the year	(4,804)	893
At 30 June 2005	1,312	6,116
The provision which is entirely for deferred tax, comprises:		
	Group 30 June 2005 £000	Group 30 June 2004 £000
Accelerated capital allowances and other timing differences	10,216	18,303
Losses available to offset	(8,904)	(12,187)
	1,312	6,116

On the basis that capital allowances claimed to date will not be retained by the Group, the potential amount of further taxation, for which no provision has been made and which could arise if the properties held as investments were sold at the values at which they appear in the balance sheet, has been estimated at £51.7 million. Tax losses of approximately £90.1 million have not been recognised in the balance sheet, of which approximately £60.4 million have been used to reduce the contingent tax.

If account is taken of the likelihood that capital allowances claimed to date will be retained by the Group, then the potential tax liability which could arise if the properties were sold at the values at which they appear in the balance sheet has been estimated to be £43.3 million. This is calculated on the same basis as above except that additional tax losses of £28.1 million would be available to reduce the contingent tax.



**24. Called up share capital**

	30 June 2005 £000	30 June 2004 £000	30 June 2005 Number	30 June 2004 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 2004	40,185	40,048	160,738,453	160,193,213
Issued on exercise of share options	45	137	180,187	545,240
<b>At 30 June 2005</b>	<b>40,230</b>	<b>40,185</b>	<b>160,918,640</b>	<b>160,738,453</b>

The Company received consideration of £350,000 in respect of share options exercised in the year.

There have been no changes to the number of shares in issue between 30 June 2005 and the date of this report.

At 30 June 2005 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 2005 Number of shares	Subscription price 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
September 2001 to September 2005	108,106	157.3
September 2001 to September 2008	19,077	157.3
April 2004 to April 2008	1,103,457	320.8
April 2004 to April 2011	18,702	320.8
December 2004 to December 2011	1,162,227	227.8
September 2005 to September 2012	1,327,629	169.0
October 2006 to October 2013	1,133,498	190.5

At 30 June 2005 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 2005 Number of shares	Subscription price Pence
December 2005	56,327	122.8
December 2006	8,450	152.8
June 2007	3,122	212.0
December 2007	13,375	122.8

**25. Reserves**

Group	Share premium account £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000
At 1 July 2004	197,793	370,905	41,795	(40,625)
Premium on exercise of share options	305	–	–	–
Deficit on revaluation of investment properties	–	(6,936)	–	–
Realisation of share of joint venture revaluation surplus	–	(32,555)	–	32,555
Amount realised on property disposals	–	(68,888)	–	68,888
Loss for the year	–	–	–	(49,624)
<b>At 30 June 2005</b>	<b>198,098</b>	<b>262,526</b>	<b>41,795</b>	<b>11,194</b>
<b>Parent Company</b>				
At 1 July 2004	197,793	–	14,315	32,416
Premium on exercise of share options	305	–	–	–
Profit for the year	–	–	–	13,733
<b>At 30 June 2005</b>	<b>198,098</b>	<b>–</b>	<b>14,315</b>	<b>46,149</b>

**26. Net asset value per share**

Net asset value per share is calculated on 160,918,640 ordinary shares of 25 pence each in issue at 30 June 2005 (2004: 160,738,453) and is based on net assets attributable to shareholders of £553,843,000 (2004: £610,053,000).

Adjusted net asset value per share writes back the deferred tax provision and, to reflect the core real estate business, excludes the investment in joint venture. The adjusted net assets are shown below:

	30 June 2005 Net asset value per share Pence	30 June 2004 Net asset value per share Pence	30 June 2005 Net assets £000	30 June 2004 Net assets £000
Net assets	344.2	379.5	553,843	610,053
Add: Deferred tax provision	0.8	3.8	1,312	6,116
Less: Investment in joint venture	–	(8.6)	–	(13,929)
<b>Adjusted net assets</b>	<b>345.0</b>	<b>374.7</b>	<b>555,155</b>	<b>602,240</b>

**27. Capital commitments**

Capital expenditure commitments contracted, but not provided for, at 30 June 2005 were £1,600,000 (2004: £793,000).

**28. Commitments under operating leases**

The amounts due in respect of operating leases on buildings falling due within the next 12 months are as follows:

	30 June 2005 £000	30 June 2004 £000
Under leases expiring:		
within one year	123	–
between two and five years	10	–
in greater than five years	838	2,055
	<b>971</b>	<b>2,055</b>

**29. Contingent liabilities**

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

**30. Notes to the consolidated cash flow statement****a. Reconciliation of operating profit to net cash movement from operating activities**

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Group operating profit	34,341	43,060
Depreciation charge	576	616
Irrecoverable part of loan to joint venture	8,000	–
Profit on sale of tangible fixed assets	(39)	(12)
Movement in debtors	4,307	(2,724)
Movement in creditors	(7,597)	3,089
<b>Net cash inflow from operating activities</b>	<b>39,588</b>	<b>44,029</b>

**b. Reconciliation of net cash flow to movements in net debt**

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
(Decrease)/increase in cash during the year	(9,245)	11,072
Cash outflow/(inflow) from movement in liquid resources	49,786	(48,342)
Cash outflow/(inflow) from movement in debt financing	177,680	(18,263)
Other movements	(4,079)	(2,646)
<b>Movement in net debt during the year</b>	<b>214,142</b>	<b>(58,179)</b>
Opening net debt	(582,988)	(524,809)
<b>Closing net debt</b>	<b>(368,846)</b>	<b>(582,988)</b>

**c. Analysis of changes in net debt**

	At 1 July 2004 £000	Cash flow £000	Other non-cash movements £000	At 30 June 2005 £000
<b>Net cash:</b>				
Cash at bank and in hand	103,898	40,541	–	144,439
Less: Liquid resources	(85,079)	(49,786)	–	(134,865)
	18,819	(9,245)	–	9,574
<b>Liquid resources:</b>				
Deposits included in cash	82,395	50,507	–	132,902
Restricted cash	2,684	(721)	–	1,963
	85,079	49,786	–	134,865
<b>Bank and building society debt:</b>				
Debt due within one year	(8,809)	8,809	(130,428)	(130,428)
Debt due after one year	(678,077)	168,871	126,349	(382,857)
	(686,886)	177,680	(4,079)	(513,285)
<b>Total</b>	<b>(582,988)</b>	<b>218,221</b>	<b>(4,079)</b>	<b>(368,846)</b>

**31. Post balance sheet event**

On 3 August 2005, the Group sold Sampson House and Ludgate House, London SE1 ("Bankside Estate") for a combined gross consideration of £229 million. The total book value of these properties at 30 June 2005 was £226 million. As part of the sales, and in addition to the disposal expenses, the Group has incurred charges relating to the early repayment of loans of £0.8 million and fixed interest loan and swap break costs totalling £12.8 million. No corporation tax is expected to be payable on these disposals.

## Principal property investments

**Ambassador House, London E1**

This property, together with St. Botolph's House, forms the redevelopment site for The Minerva Building.

**Alders department store, Croydon**

This property, comprising a large department store in the centre of Croydon, forms a significant land holding within the Park Place development.

**Granite House, 97-101 Cannon Street, London EC4**

This property is located on Cannon Street adjacent to Walbrook House and forms part of The Walbrook Estate.

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

This property, together with Ambassador House, forms the redevelopment site for The Minerva Building.

**St. Swithin's House, London EC4**

The property, leased to Barclays Bank PLC until 2012, has significant redevelopment potential and forms part of The Walbrook Estate. The Group has an agreement with Barclays Bank to secure vacant possession of the building for the redevelopment of The Walbrook.

**The Croydon Centre, Croydon**

Minerva's proposals for its town centre redevelopment include its ownership of this 1960's shopping scheme and office complex.

**Walbrook House, London EC4**

This property is located on the corner of Walbrook and Cannon Street and forms part of The Walbrook Estate which also includes St. Swithin's House and Granite House.

**Westerhill Road, Bishopbriggs, Glasgow**

This warehouse, distribution and office property is leased to Harper Collins for a further 21 years at a current annual rent of £5.13 million.

**42-48 Wigmore Street, London W1**

This property comprises two new office buildings and retail totalling 44,000 sq.ft., of which 29,000 sq.ft. has been let to the Secretary of State for Transport, Local Government and the Regions.

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