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Minerva plc Annual Report and Accounts 1998



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Minerva is a property investment and development company whose principal strategy is to create shareholder wealth through investment in commercial property. Its policy is to invest in assets with strong cash flow, rental growth potential and where the opportunity exists to add significant value through active and entrepreneurial management. 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.

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**Financial highlights**

	1998	1997
Rental income (£m)	36.7	25.0
Profit before tax (pre-exceptional) (£m)	7.9	0.4
Dividends (pence per share)	2.5	1.5
Net assets (£m)	294.9	174.4
Net asset value (pence per share)	230.8	182.0

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I am pleased to report that the past year has been a successful one for Minerva and has seen us enhancing the asset base of the Group, whilst simultaneously strengthening its financial position

A pre-tax profit of £7.9 million was achieved, even after the deduction of £3.2 million which represented the termination costs incurred in respect of the loans repaid during the year (which in turn led to an annual debt service saving of £1.5 million per annum, which will be fully reflected during the current and future accounting periods). This profit compares with a pre-exceptional profit of £0.4 million for the same period last year. Rental income for the period under review was £36.7 million, representing a 47 per cent increase in relation to the comparative 11 month period last year.

More important, however, has been the increase in net asset value per share which has risen from 182 pence to 230.8 pence, an improvement of some 27 per cent. This increase comes as a result of a combination of factors including the well timed disposal of assets which we considered offered limited prospects for future growth, the acquisition of new properties where significant value could be added, the constant injection of our entrepreneurial management techniques to draw the maximum potential from each property and the continued strength of the London commercial property market, which undoubtedly benefits from the capital's position as, arguably, the world's foremost centre for commercial and cultural activity.

As a consequence of the above and by applying the proceeds from the post balance sheet sale of Quadrant House, Sutton to the position at 30 June 1998, the Group's gearing has now more than halved to 79 per cent compared with 164 per cent, which was reported to you at the financial year end to June 1997.

With the continued strengthening of our financial position, we have recommended an increase of 13 per cent in the final dividend to 1.7 pence per share, making a total for the year of 2.5 pence per share (1997: 1.5 pence). In order to eliminate the effects of ACT, the Board has resolved to defer the final dividend payment until 6 April 1999.

During the year, we have disposed of and acquired properties valued in aggregate in excess of £302 million. The most

notable sale was that of 250 Euston Road to the Prudential for £105 million. This sale provided the catalyst for the significant change, both within the Group's property portfolio and also its financial structure, to which we aspired when we brought Minerva to the market.

As part of the Prudential transaction, we acquired three buildings which have combined to add significantly to the Group's performance over the past year. A revised planning consent has now been obtained for the redevelopment of our properties on the corner of Wigmore Street and Welbeck Way, which gives much of what was sought in the revised planning application. In addition, we have now submitted a planning application for a new 43,000 sq. ft. headquarter office building at Chatham Place in mid-town. With the increases we have seen in rental and capital values in these particular locations, along with the much larger Sampson House, where the rent is to be reviewed next December, these assets are clearly well placed to make further contributions to the Group's performance.

At Ambassador House and St. Botolph's House, London EC3, we are, along with our professional team, spearheaded by Nicholas Grimshaw & Partners, finalising our proposals for submission to the City Corporation for planning consent. It is intended, following consultation with the Corporation and satisfying ourselves that the scheme generally meets with its approval, to submit a formal planning application.

The 1 for 3 rights issue announced in January, which raised £58.3 million net of expenses for the acquisition of St. Swithin's House and Walbrook House, London EC4, at a purchase price of £87.5 million, provided the Group with a prime City office investment, generating a strong underlying cash flow, let to Barclays Bank and Westpac Banking Corporation. In addition, we recognised that the overall site had significant redevelopment opportunities and appointed architects, Foster and Partners, to design a modern office facility appropriate for this prime location, opposite Cannon Street Station and within yards of the Bank of England, and which is capable of meeting the modern occupational requirements of large scale institutional or corporate occupiers.

## Chairman's statement

Since we last reported, we have progressed our plans for Croydon Town Centre. In addition to the preparation of our development proposals in consultation with Croydon Council and our professional team headed by RTKL, we have further extended our land holding by acquiring property formerly occupied by British Gas which is situated immediately adjacent to our existing ownership. All of this takes us closer to our objective of comprehensively redeveloping our interest here.

In accordance with our policy of divesting the Group of peripheral assets which offer limited opportunities to add further value, we have made two additional disposals. In April we concluded the sale of three Central London office buildings which were acquired in March of last year as part of a portfolio from Ladbroke Group Plc and which we had brought to maturity. The total sale consideration of £21.5 million, produced a net profit of £8.5 million representing a return on cost of over 70 per cent. Since the year end we have also completed the sale of Quadrant House, Sutton, for £50.8 million, which represents a disposal, at net asset value, of an investment with limited growth prospects. The proceeds from sale will, in part, be applied to reduce debt, with the balance being absorbed within the Group's treasury for future reinvestment in potentially profitable situations.

On the financing front we have again been particularly active, most notably having concluded a major refinancing of existing borrowings with a new 25 year, £125 million facility provided by the Bradford & Bingley Building Society. As a consequence of this, and other activities, our debt maturity has increased to around 13 years and our annual interest charges have been reduced to an average rate of 8 per cent. We continue to seek ways to improve our existing debt structure and I imagine that further changes will take place as the Group's profile continues to develop over the coming year.

We always emphasise to you, our shareholders, the Group's core philosophy of unlocking the latent potential inherent within our portfolio, whilst at the same time, maintaining a strong, long term cash flow, and continuing, when the market permits, to make new core acquisitions which must firstly fulfil this cash flow requirement and, in addition, offer further opportunities to add value.

Some might say that in a strong market such a philosophy is unduly conservative, perhaps over cautious, as it does not necessarily permit the immediate increase in value which, for example, a vacant site for redevelopment or a property with short term reversionary potential might provide. However, once again, and over the past few months, we have all seen how quickly markets can be thrown into turmoil and how optimism can be reversed whilst seemingly still in full flight. Our overriding corporate philosophy to which we have always subscribed, and which has driven and continues to drive both the asset and financial direction of the Group, provides a prudent framework within which entrepreneurial flair can thrive but only when the time is right, and without putting at risk or jeopardising what has been achieved.

Having personally witnessed and operated through four cycles in the UK property sector over more years than I care to admit, I believe that we are well placed to enhance shareholder value. By maintaining a strong cash flow and sound financial structure, we believe that we, rather than outside pressures and peripheral factors, can determine the appropriate moment for the Group to unlock value and to choose our time, as we have done in the past, rather than have it chosen for us.

Having yet further strengthened our management team, and in this regard we are fortunate to have recently been joined by Edward Moody, whose reputation at the City Corporation goes before him; assembled a first class portfolio which is littered with opportunities; significantly lengthened the Group's debt maturity; reduced annual interest charges, and now increased cash reserves to around £60 million; we can clearly maintain the level of flexibility which we consider is required to deliver further value to shareholders, irrespective of whether or not the property market continues in its upward momentum.

Again, and in conclusion, I must thank our tireless and very enthusiastic team here at Minerva, and the raft of loyal and supportive professional advisers who help us move forward.

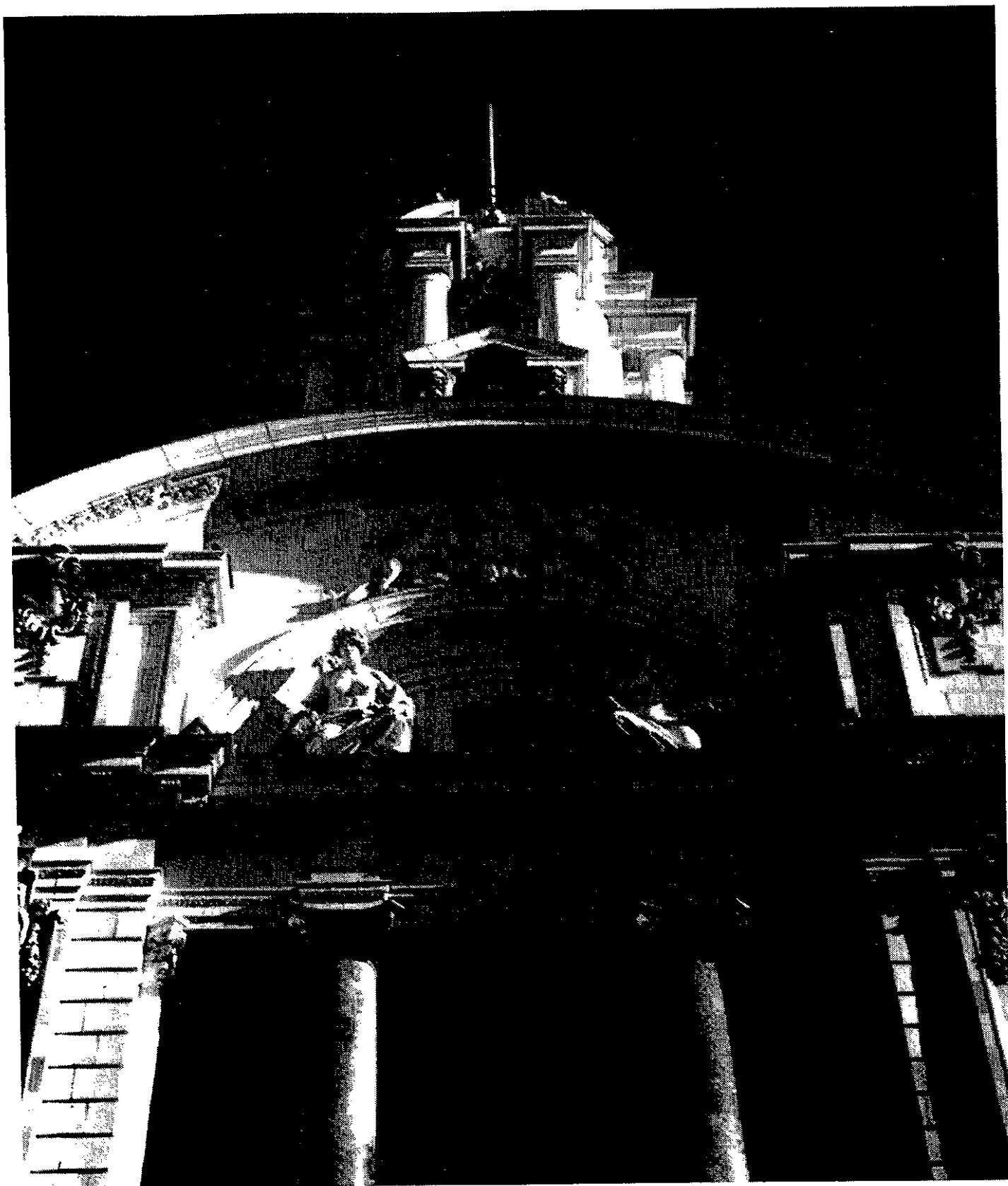
David Garrard Chairman

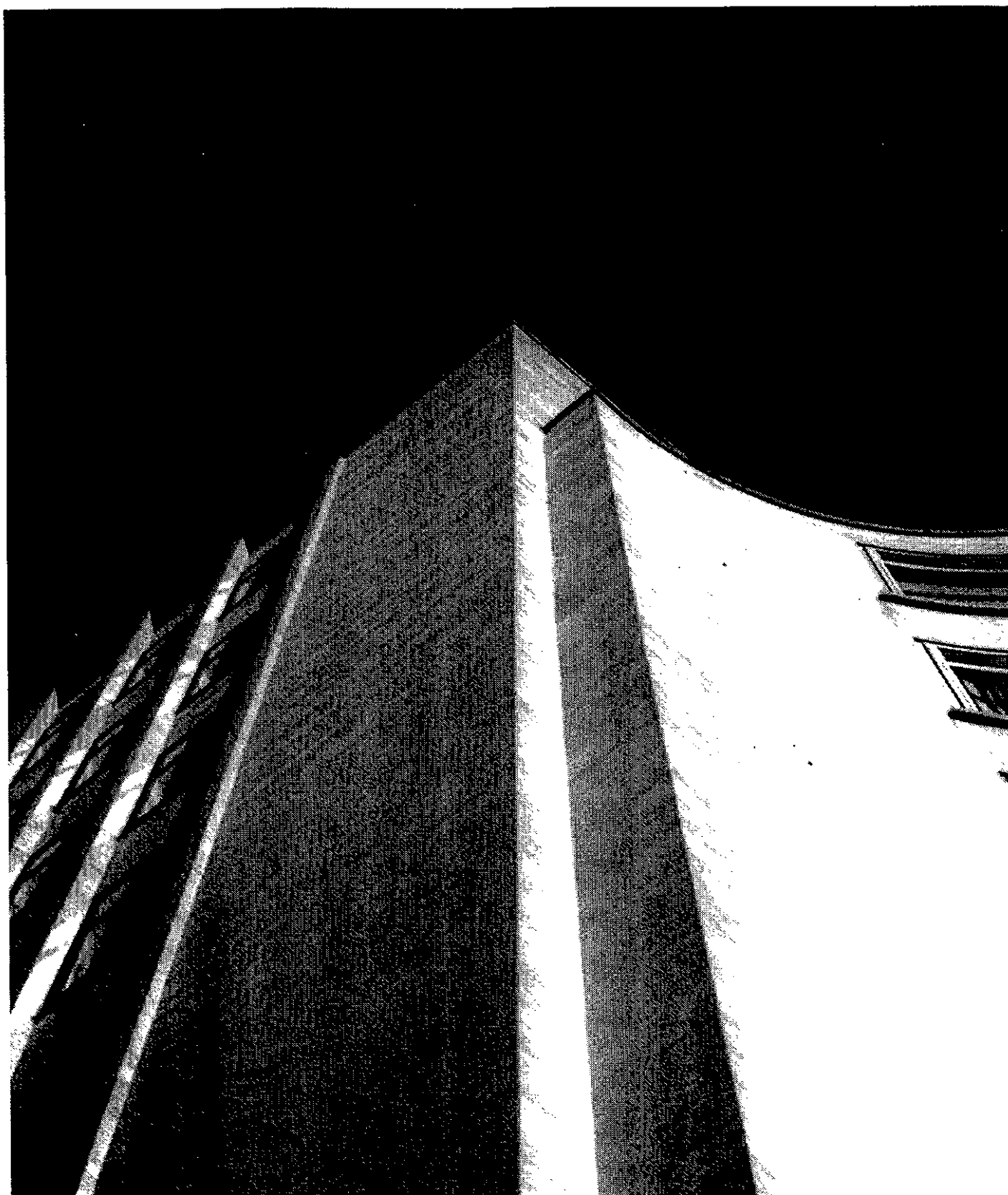
"... we can clearly maintain the level of flexibility which we consider is required to deliver further value to shareholders, irrespective of whether or not the property market continues in its upward momentum."

“Over the past 12 months we have been extremely busy expanding, improving and rationalising the asset base of the Group. In addition, we have focused very hard on our financial structure, extending our debt maturity and enhancing our financial flexibility in line with a reduction in gearing and cost of funds.”

Chief Executive's review of operations

27-27, Wigmore St, London, W1  
This programme has been produced by the  
Minerva Group Ltd, 27-27, Wigmore St, London, W1  
and is related to the programme.







Over the past 12 months we have been extremely busy expanding, improving and rationalising the asset base of the Group. In addition, we have focused very hard on our financial structure, extending our debt maturity and enhancing our financial flexibility in line with a reduction in gearing and cost of funds.

During the period under review, we have completed further acquisitions totalling £176 million and with the incorporation of post-balance sheet events, have sold assets totalling £177 million. In addition, we have concluded new financings totalling £208 million.

#### General property portfolio

At the year end, Minerva's property portfolio was independently valued by Weatherall, Green & Smith at £595.9 million, representing a significant increase in net asset value per share, which has increased from 182 pence to 230.8 pence over the 12 month period.

The principal reason for our enhanced performance has come as a result of our stated strategy of concentrating our portfolio on large, strategically located, principally London based, cash flow driven assets where opportunities exist to add future value. In addition, our portfolio is characterised by the abundance of long term leases to financial institutions and large companies. These particular assets have also performed well, and in part, have benefited from the continued strengthening in global bond markets.

Last year's Annual Report reflected a flurry of acquisition activity, which included the purchase of a number of key opportunities within Central London's core area. Since acquisition we have developed the strategy and put in place the process whereby the additional value can be unlocked from each of these assets, thereby establishing a pipeline through which future shareholder value can be supplied.

During the year we have focused our efforts on preparing plans for the redevelopment of our island site fronted by St. Botolph's Street and Houndsditch, London EC3, which was enhanced by the acquisition of Ambassador House for £17 million, thereby completing the site assembly in October 1997. With a limited number of sites capable of sustaining large scale comprehensive redevelopment, we believe our ownership here offers a rare opportunity to secure a major occupier within the City's core in contrast to other occupiers who have, in recent months, been obliged to satisfy their space requirements through relocation to competing yet peripheral areas. Our professional team headed by architects, Nicholas Grimshaw & Partners, has prepared detailed proposals for the construction of a landmark, headquarter office facility capable of meeting the demands of the modern occupier. We are shortly to commence a consultation process with the Corporation of London, and once we have secured an overall agreement as to the quality and nature of this development, we will proceed to submit a planning application. As is characteristic of many of our assets, we are in receipt of a strong income from the property and we do not propose to speculatively terminate this cash flow until we have secured a tenant and funding for the proposed development.

We have now submitted a planning application for the redevelopment of Chatham Place, East Harding Street, London EC4. Our plans propose the construction of a new headquarter office building totalling 43,000 sq. ft. on eight floors together with private car parking. During the past 12 months this area of mid-town has experienced increased tenant activity against the back-drop of a limited supply of modern office accommodation and as a consequence rental values have increased. We are currently in negotiation with a number of tenants who are interested in leasing the property.

#### Walbrook House, London EC4

This property is located on the corner of Walbrook and Cannon Street and forms part of the Group's overall holding which also includes St Swithin's House, EC4.

#### Portfolio income % by quality

Major corporations	46
Institutions	43
Other	7
Government	4

#### Portfolio value % by sector

Offices	83
Industrial	10
Retail	7

Turning to our proposed development bounded by Wigmore Street, Welbeck Street and Welbeck Way, London W1, which totals 42,000 sq. ft. of new offices in two buildings around a central courtyard, we have been able to obtain a revised planning consent, which amongst other alterations, enables us to reorientate the development so as to give both buildings a direct access from Wigmore Street as opposed to Welbeck Way, thus providing an extremely attractive setting for our new buildings. A technical condition has been attached to the planning consent which we are seeking to resolve with Westminster Council.

Over the past 12 months we have made further progress in relation to our redevelopment plans for Croydon. Our professional team, headed by RTKL, has been working closely with London Borough of Croydon, both at a planning and technical level, and we have also been in detailed discussion with those other parties who have a vested interest in our proposed project. In addition, we have secured Segas House from British Gas Plc. This property, which lies adjacent to our existing ownership, comprises a vacant office building of 50,130 sq. ft. with parking for 18 cars, along with land to the rear. Notwithstanding that technically we are now in a position to submit a planning application, we feel that it is prudent to further our arrangements with the parties referred to above, prior to such application being made.

Included within the Ladbroke portfolio, which was acquired in March 1997, was The Brooks Shopping Centre, Winchester, which is a modern covered shopping mall, developed in 1991, totalling 120,000 sq. ft. Following our acquisition, we implemented a strategy aimed at reconfiguring the Centre so as to attract major tenants into the property which had been largely vacant since it was developed. Part of our strategy was to seek consent from the local council for the partial refurbishment and extension of the existing scheme, along with an increase in the existing size of the individual shop units, thus providing the facilities required by modern retailers. Having obtained planning consent from Winchester City Council in January of this year, we have already concluded two important pre-lettings to Waterstones Plc and

Beales Plc and commenced building works. These lettings will significantly enhance the existing Centre and add to the current tenant list, which also includes, amongst others, British Home Stores.

In terms of the management of the existing portfolio, we continue to run a tight ship at head office, principally concentrating our efforts on asset management and value enhancement. Over the past two years, Minerva's activities have broadened significantly, and in July of this year, we appointed DTZ Debenham Thorpe as managing agents of our portfolio, which we believe will provide the Group with the additional opportunity to draw on a broad base of professional services.

#### Acquisitions

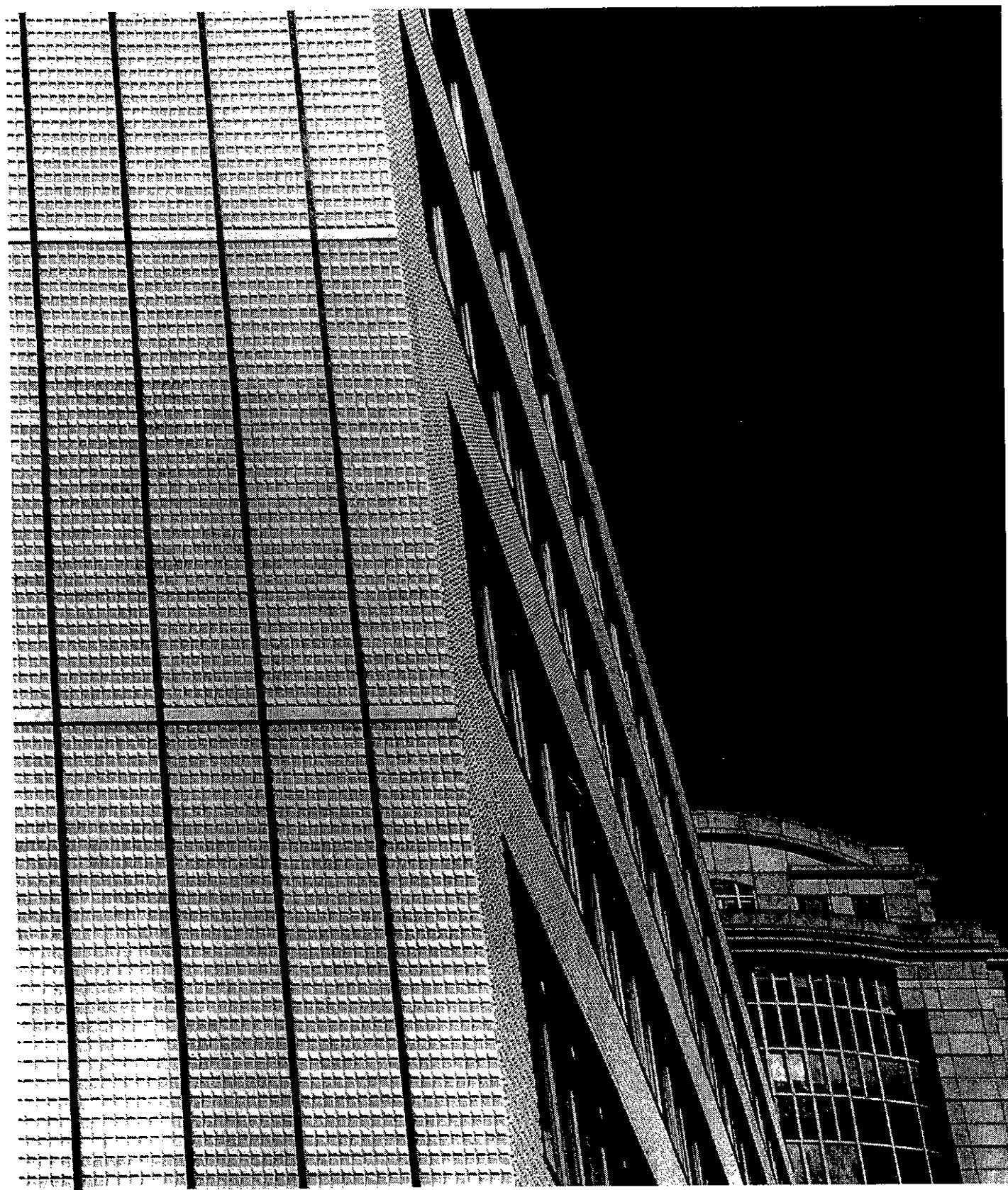
Our activity on the acquisition front has been well documented as we continue to seek interesting opportunities where value can be added.

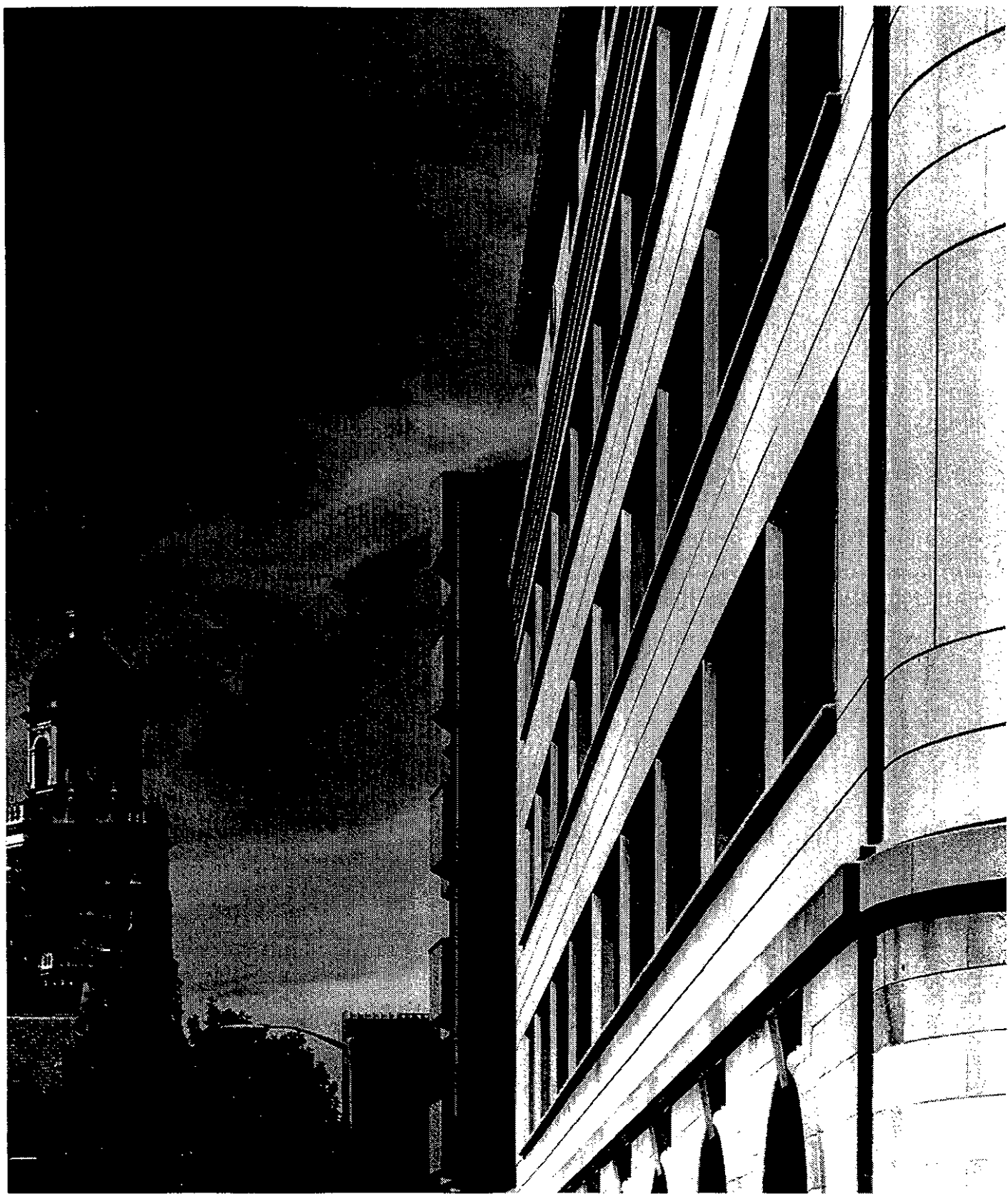
The acquisition of three Central London buildings as part of the Prudential transaction, which took place in August of last year, was reported as a post-balance sheet event and was thus incorporated in detail in our Annual Report and Accounts for 1997. Two of these buildings, Chatham Place and Wigmore Street, have already been referred to earlier in this report. The remaining and largest building, Sampson House, which is located adjacent to the new Tate Gallery on London's South Bank, comprises 386,288 sq. ft. of accommodation and is leased to Lloyds Bank at an annual rent of £4.1 million for a further term of 105 years with the rent to be reviewed in December of next year.

Towards the end of 1997 we commenced negotiations with the Trustees acting on behalf of the Palumbo family estate for the acquisition of two large freehold buildings, situated on a 1.4 acre site, in the heart of the City of London. These buildings, Walbrook House and St. Swithin's House, are positioned between the two important commuter stations at Cannon Street and Bank, and as such, can be regarded as being in one of the most prime locations within the City's core.

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**St. Botolph's House, London EC3**  
This property, which forms part of a major redevelopment opportunity, is leased to BT for a further 66 years.







The properties, which have a combined floor area of 240,000 sq. ft., are currently fully let to Barclays Bank Plc and Westpac Banking Corporation and produce a total annual net rental income of £7.75 million. The acquisition was finally completed in March of this year for £87.5 million, thus generating what we considered to be an exceptionally high yield of 8.5 per cent.

As referred to earlier in David Garrard's Statement, in January we raised £58.3 million net of expenses for the purchase of this property by way of a 1 for 3 rights issue which was substantially oversubscribed and has resulted in a much broader shareholder base.

Irrespective of the investment quality of these properties, we recognised that the site was significantly underdeveloped and offered an opportunity to construct a prominent headquarter office building which would have the additional benefit of possessing the large floor plate configuration which is a now a fundamental requirement of any large institutional or corporate occupier and which is largely unavailable in the City's core. Foster & Partners have been instructed to evaluate the extent and nature of the development potential of the site which is considerable. As with all of our acquisitions, where significant development potential exists, we will maintain our policy of protecting cash flow until the letting risk has been eliminated.

#### Disposals

We have continued to pursue our strategy of disposing of properties with limited growth prospects so as to concentrate management's time and effort on those assets which will provide significant future returns for shareholders. In this regard, we have concluded a series of sales at, or above, net asset value, and as a consequence, have continued to reshape the profile of the Group's remaining property portfolio.

The sale of 250 Euston Road in August of last year for £105 million, which has already been referred to, was the first of a sequence of sales aimed at implementing our strategy.

In April of this year we disposed of three Central London office buildings to Scottish Provident Institution for £21.5 million in cash. The three properties, Compass House, London W2, Angel Gate, London EC1 and Lincoln Place, London EC1, were acquired in March of last year from Ladbroke Group Plc for £11.7 million. Prior to this disposal, we had spent much of the year implementing an intensive estate management programme aimed at letting 20,317 sq. ft. of vacant accommodation at Angel Gate and reconfiguring leases and reletting accommodation at higher rental levels at Compass House. Having concluded these activities significantly ahead of schedule and budget, combined with the general improvement in the Central London office market, we concluded that this was an opportune moment to dispose of these properties. The profit of £8.5 million represented a 73 per cent return on cost.

Since the year end we have concluded the sale of Quadrant House, Sutton, to a private investor, and at our net asset value of £50.8 million. This property, which totals 193,500 sq. ft. and is leased to Reed International plc for a term of 22 years, offered the Group little opportunity for value enhancement, and as such, its disposal further concentrates our activities on the Group's core properties and releases around £13 million of additional cash available for reinvestment.

#### Other investments

As at the year end, and as a consequence of a transaction concluded in 1995 where property was sold for cash, loan notes and shares and where the loan note has been paid in full, the Group held 2,958,333 shares in Probus Estates Plc. The Board has decided to revalue this investment in line with its market value, and as a consequence, it has been written down by £1.1 million to £0.2 million representing the market value as at 30 June 1998.

Segas House, Croydon, Surrey  
Minerva's proposals for its town centre redevelopment have been further enhanced by the recent acquisition of Segas House, which extends the Group's ownership in Croydon's central area.

#### Security of income % of net rental income

0-10 years	14
10-15 years	36
15-20 years	9
20-30 years	27
30 years plus	14

#### Portfolio value % by region

City	33
West End and Central London	30
Greater London	23
Scotland	11
South	2
Midlands and North	1

## Financial

The period to June 1998 encompassed a range of activities which further strengthened the balance sheet, improved the average cost of borrowing and has provided greater flexibility for the Group as it moves forward.

This year's figures represent Minerva's first full year as a listed company. The Group's pre-tax profit, after the deduction of £3.2 million in respect of termination costs relating to loan refinancings carried out during the year, was £7.9 million compared with a pre-exceptional profit of £0.4 million for the period to June 1997.

Net asset value per share has increased to 230.8 pence, from 182 pence, an increase of 27 per cent over the past 12 months. In addition, rental income over the period has increased to £36.7 million from £25 million, an increase of 47 per cent compared to the 11 month period to June of last year.

Due to the enlarged asset base and the increased activity of the Group, annual property costs were running at £4.7 million. This figure includes head rent payments on properties where the Group owns long leasehold interests, service charges on vacant space, together with professional fees relating to rent reviews, lease renewals and lettings and other property related activities.

Total borrowings at the year end were £342.3 million and cash reserves were £55.7 million representing net gearing of 97 per cent. As a consequence of the post-balance sheet sale of Quadrant House, Sutton, net gearing on a pro forma basis has been reduced to 79 per cent. This level of gearing is consistent with, and is indeed lower than, our stated intention at flotation.

As stated earlier, in January, the Group announced a 1 for 3 rights issue for the acquisition of St. Swithin's House and Walbrook House, London EC4, at a purchase price of £87.5 million. The issue raised £58.3 million, net of expenses.

During the year refinancings totalling £138 million were concluded, the principal facility being a £125 million, 25 year mortgage from the Bradford & Bingley Building Society at an average rate of 7.65 per cent for the first seven years of the term. The remaining refinancing was concluded with Lloyds Bank Plc for a term of five years at an interest rate of 7.63 per cent.

To finance the acquisition of new property purchased during the year, the Group entered into new borrowings totalling £70 million.

As a consequence of the early repayment of certain loan facilities, the cost of breaking swap agreements was £3.2 million. However the consequential annual saving to the Group is £1.5 million. An important part of our strategy is to protect against interest rate fluctuations, and at the year end 88 per cent of our loan portfolio was hedged with the remaining element floating so as to provide the Group with the flexibility to dispose of assets without incurring unnecessary breakage costs.

Our activities during the year have resulted in a reduction in the average cost of borrowing from 8.7 per cent to 8 per cent with an increase in loan maturity to 13 years.

The effective tax rate on activities for the year is 2.4 per cent. This arises as a result of the benefits of capital allowances on plant and machinery, along with carried forward losses from previous years prior to flotation. We anticipate benefiting from a low rate of tax for the current year. The taxation charge arising during this financial year is represented by ACT in respect of the interim dividend. In order to avoid an unnecessary ACT charge, the Board has resolved to defer payment of the final dividend until 6 April 1999. This payment has been calculated to include notional interest which will fully compensate shareholders for the delay in receipt.

St. Swithin's House, London EC4  
The property, leased to Barclays Bank PLC for a further 14 years, has significant redevelopment potential.

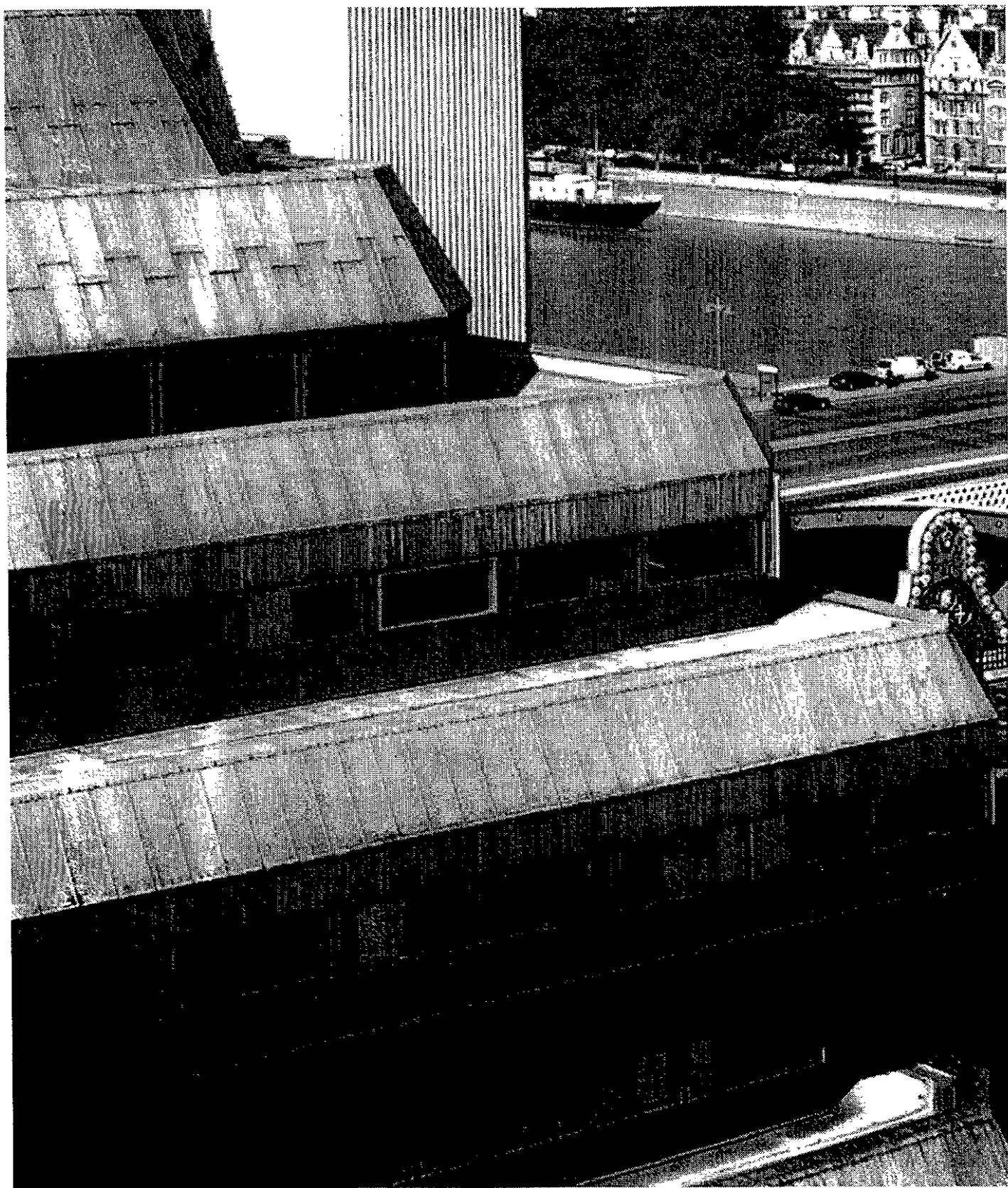
### Debt maturity %

Less than 1 year	2
2-5 years	7
5-10 years	54
20 years plus	37

### Debt hedging %

Fixed	88
Floating	12







#### The outlook for 1999

We have, once again, had a very busy year, and as we move forward, we will continue to concentrate on unlocking the value that sits within our portfolio. We will also concentrate on the further disposal of non-core assets in order to polarise the Group's focus on those assets which hold the potential to exploit and add value for shareholders.

In recent months, we have witnessed a series of unsettling financial and political events from around the world, principally driven by the Asian markets, but now permeating through into other economies. However, with a relatively low interest rate environment, and a general absence of oversupply of office accommodation, particularly in Central London, which is the Group's main area of focus, the commercial property market remains particularly resilient, with both investor and tenant demand remaining strong.

During the past year, the Group has benefited from a significant increase in net asset values, the disposal of non-core properties and a substantial reduction in pro forma gearing to 79 per cent. In addition, and as a consequence of our overall strategy, we have also been able to substantially increase our cash reserves, which on a pro-forma basis, now totals around £60 million.

As we move through the next year, we will be sensitive towards the economic forces that are impacting upon our domestic markets and we will endeavour to maintain a level of flexibility, both in terms of gearing and cash, that will enable us to move quickly as and when situations arise where we can acquire assets opportunistically and thereby deliver additional value to shareholders.

Andrew Rosenfeld Chief Executive

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“We have, once again, had a very busy year, and as we move forward, we will continue to concentrate on unlocking the value that sits within our portfolio.”

Sampson House, London SE1

This property is leased to Lloyds Bank Plc  
at an annual rent of £4.1 million for a further  
125 years

**David Garrard** *His Chairman*

Responsible for the overall strategy of the Group and involved in all major decisions relating to acquisitions, disposals and matters of corporate policy and direction. Over the past 35 years he has been responsible for a series of significant and successful property investment and development activities. Most notable in recent years was the acquisition and privatisation of Land Investors PLC in 1986 by BCPH Limited which culminated, in 1988, in the receipt of an offer to purchase the holding company for £185 million. In July 1988, he sold his and his family's interests in Land Investors PLC and became one of the co-founders of the Group in August 1988.

**Andrew Rosenfeld** *SEARIS Chief Executive*

Jointly responsible for the overall strategy of the Group and its implementation. He is responsible for the identification and negotiation of property acquisitions and disposals, and has overall responsibility for the corporate finance activities of the Group. He was a co-founder of the Group in 1988, prior to which he worked for merchant bankers, Schroders, in their property division, Benford Property Group, and alongside David Garrard at Land Investors PLC.

**Paul Coster** *Chief Property Director*

Responsible for various development activities in the Group. He joined the Group in November 1989 and was previously Managing Director of the publicly quoted Centrovindal 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.

**Clive Richards** *Former non-executive Director, Chairman of the Audit Committee and a member of the Remuneration Committee*  
Following six years with Peat Marwick Mitchell, he joined Wedd Dupacher Mordant, subsequently a major constituent part of Barclays de Zoete Wedd, in 1960, 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 Steel Burrell Jones Group plc and Intelligent Environments Group plc and a non-executive director of L Gardner Group PLC and Dalketh Inns PLC. Appointed to the Board of Minerva in November 1996.

**Christopher Sheridan** *non-executive Director, Chairman of the Remuneration Committee and a member of the Audit Committee*  
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 a non-executive director of Yorkshire Building Society, Prudential-Bache International Bank Limited and Hannover Acceptances Limited. He is also a member of the Lovell White Durrant Partnership board. Appointed to the Board of Minerva in November 1996.

**Board of Directors**

**Ivan Ezekiel** *AS-CAANT Group Finance and Accounting*  
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 in November 1997. His responsibilities include Group finance, accounting, tax and co-ordination of management and external reporting.

**Tim Gamham** *AS- Developments*  
Joined Minerva in January 1998 from the Trafalgar House Property Group where, as Deputy Managing Director, he was responsible for a number of major London developments. He is responsible for control of the Group's London development activities.

**John Higson** *AS-ARCS Property Acquisitions*  
Acted as a consultant to the Group since October 1993. He joined Minerva full time in November 1996 and has over 25 years' experience in the property industry having worked for surveyors Richard Ellis and was a Director of Beristford Property Group. He is responsible for co-ordinating the Group's property acquisitions and disposals.

**Edward Moody** *AS-ARCS Asset Management*  
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** *AS- Structured Finance*

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** *AS-ARCS Asset Management*

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** *AS-ARCS Asset Management and Property Acquisitions*

Joined Minerva in May 1989, having previously worked at Land Investors PLC. He is responsible for the management of specific properties within the portfolio and his role also includes the analysis and evaluation of property acquisitions and disposals.

All of the above, together with the executive Directors, sit on the Board of Minerva Property Holdings plc which reports to the Board.

Executive management team

## Remuneration Committee report

The Company's policy concerning corporate governance and remuneration is to comply with the provisions of Directors' Remuneration: Report of a Study Group chaired by Sir Richard Greenbury ("the Greenbury Report"). The London Stock Exchange has annexed the best practice provisions of this report to its Listing Rules in two sections, A and B.

This report has been prepared by the Committee in order to review and explain its policy and decisions during the year. In preparing the report and making its decisions the Committee has complied with Section A of the best practice provisions.

The Greenbury Committee recommended that remuneration committees should comprise only non-executive directors. The Remuneration Committee of the Company comprises the two non-executive Directors of the Company, Christopher Sheridan (Chairman of the Committee) and Clive Richards. The composition of the Committee has not altered during the year to 30 June 1998. None of the members of the Committee have any personal financial interest, other than as shareholders, in the outcome of any of the decisions taken by the Committee. In addition, they have no day-to-day involvement in running the Group's business.

### Remuneration policy for executive directors and senior management

The Board has confirmed that it is in the best interest of shareholders that employment, conditions of pay and benefits policy at an executive level should reflect best practice. In framing its remuneration policy, the Committee has given full consideration to Section B of the best practice provisions.

The Company's executive Directors and senior management possess the necessary business experience which is essential for the continuing growth of the Company as a substantial and well regarded company within the UK property sector. As a consequence the Company is required to have in place a policy which will motivate, reward and retain these individuals in a way which is consistent with their contribution to the success of the Company.

The Remuneration Committee's executive remuneration policy therefore seeks to:

- ensure that the remuneration packages for executives are sufficiently competitive to attract and retain executives of the highest calibre; and
- align individual rewards and incentives directly with the performance and growth of the Company, providing a direct link to the best interest of the shareholders.

The executive Directors have very significant holdings in shares. In addition, one executive Director also holds share options in the Company. The Remuneration Committee considers that these holdings are the most effective mechanism to align the interest of shareholders and the executive Directors.

### Base salary

Salaries for executive Directors are determined by the Committee, taking into account skills and experience, responsibilities and personal performance, and comparing these factors to the level of salaries prevailing among comparative property groups. The Committee periodically uses a range of data, including external professional advice, to determine benchmark levels of compensation and benefits for executives.

### Benefits in kind

The Group provides various benefits in kind to its executives: principally the provision of a fully expensed company car and membership of private medical insurance arrangements.

### Discretionary bonus scheme

In keeping with the Company's overall remuneration policy and the approach taken within the property sector as a whole, the Company operates a discretionary bonus scheme, administered by the Remuneration Committee, which provides the opportunity for executive Directors to earn an annual bonus.

Bonus awards are determined by reference to individual and Company performance measured against a range of internal and external factors determined by the Remuneration Committee, and are linked to the achievement of the Company's corporate objectives.



## Pensions

The Company does not make pension contributions on behalf of the Directors at the present time.

## Directors' remuneration

	Salary and fees		Discretionary bonus		Other benefits		Total emoluments	
	Year ended 30 June 1998 £000	11 months ended 30 June 1997 £000	Year ended 30 June 1998 £000	11 months ended 30 June 1997 £000	Year ended 30 June 1998 £000	11 months ended 30 June 1997 £000	Year ended 30 June 1998 £000	11 months ended 30 June 1997 £000
<b>Executives</b>								
David Garrard:	100	58	250	—	9	9	359	67
Andrew Rosenfeld	100	92	250	—	25	25	375	117
Paul Coster*	100	92	25	—	16	11	141	103
	300	242	525	—	50	45	875	287
<b>Non-executives</b>								
Clive Richards	25	17					25	17
Christopher Sheridan	25	17					25	17
	50	34					50	34
<b>Total</b>	<b>350</b>	<b>276</b>	<b>525</b>	<b>—</b>	<b>50</b>	<b>45</b>	<b>925</b>	<b>321</b>

\* David Garrard started to draw salary from 1 December 1996. The amount in respect of the period ended 30 June 1997, therefore, represents seven months of remuneration.

\* In addition, Paul Coster has the following share options in the Company:

	At 1 July 1997	Adjustment in year	At 30 June 1998	Exercise price	Exercise period
Paul Coster	266,666	9,600	276,266	144.8p	26 November 1999 – 25 November 2006

David Garrard and Andrew Rosenfeld do not have share options in the Company.

The mid market value of the Company's shares on the London Stock Exchange at 30 June 1998 was 244.5 pence per share. During the year the share price ranged from 158.25 pence to 245.5 pence.

## 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 1998	Ordinary shares of 25 pence each 30 June 1997
David Garrard	22,969,324	25,074,668
Andrew Rosenfeld	22,676,756	24,784,583
Paul Coster	2,081,075	2,063,440
Clive Richards	168,888	16,666
Christopher Sheridan	13,333	10,000

The interests of David Garrard and Andrew Rosenfeld have been reduced by the sale on 31 March 1998 of 2,300,000 ordinary shares held by Eagle Star Insurance Company Limited, in respect of which all voting rights were exercisable jointly by David Garrard and Andrew Rosenfeld.

Since 30 June 1998, Paul Coster sold 250,000 ordinary shares in the Company. Other than this, there has been no change in the beneficial and non-beneficial shareholdings of the Directors between 30 June 1998 and the date of this Report.

## Remuneration Committee report continued

### **Employee share option schemes**

The Employee Share Option Schemes are available to executive Directors and senior management. The Employee Share Option Schemes were adopted in November 1996 and comprise an Approved Scheme which was the subject of Inland Revenue clearance, and an Unapproved Scheme. The majority of options granted are in respect of the Unapproved Scheme. Options granted under the Approved Scheme are normally exercisable within the period commencing on the third anniversary and ending on the tenth anniversary of the day upon which they are granted. Those under the Unapproved Scheme are normally exercisable within the period commencing on the third anniversary and ending on the seventh anniversary of the date of grant.

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

There are no service agreements or contractual arrangements in existence for any Director with the Company or with the Group which exceed 12 months' notice.

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

### **Non-executive remuneration**

Non-executive Directors receive a basic fee. Their remuneration is decided by the executive Directors.

**Christopher Sheridan** Chairman of the Remuneration Committee  
29 September 1998

## Corporate governance

### Compliance

The Company has complied throughout the year with the Code of Best Practice incorporated in the Report of the Cadbury Committee on the Financial Aspects of Corporate Governance, with the exception that it has only two non-executive Directors. The Board considers this number to be sufficient given the size of the Company.

Under the Company's Articles of Association one-third of the Directors retire by rotation at each Annual General Meeting and the Company requires each of its Directors to retire once in every three year period and put themselves up for re-election.

### Board committees

The Audit Committee comprises Clive Richards, its Chairman, and Christopher Sheridan. It meets at least twice a year with the Group's auditors to consider the audit plan, the interim and annual results, as well as any matters raised by the auditors. Meetings are also attended, by invitation, by certain executive Directors.

The Remuneration Committee comprises Christopher Sheridan, its Chairman, and Clive Richards. It meets when required and at least once a year to consider all aspects of Directors' remuneration, performance and employment. The report of the Remuneration Committee is set out on pages 18 to 20.

### Internal financial control

The Directors acknowledge their responsibility for the Group's system of internal financial control. The Company has a framework of financial control which has been established in order to safeguard the assets of the Group, maintain proper accounting records and ensure that the Directors have reliable financial information to plan the business of the Group. The key elements of the system, which have been reviewed for the period covered by this report, are described as follows:

#### Financial reporting

A comprehensive annual budget is prepared based on the Group's current property portfolio and financing agreements. Operating results are compared at least quarterly against the budget by the Board, and revised forecasts for the year are prepared.

#### Operating controls

Financial and operating controls and procedures are in place throughout the organisation to cover all aspects of its business. The executive Directors monitor the operation of these controls and procedures.

#### Investment appraisal

The Company has clearly defined guidelines for capital investment with stated levels of authority, and amounts above such limits require the approval of the Board. The Company seeks independent valuations prior to completing material property acquisitions.

Any system of internal financial control can provide reasonable, but not absolute, assurance against material misstatement or loss. The Board places a strong emphasis on adherence to the Company's control framework and has reviewed the framework of internal financial control and considered its appropriateness and effectiveness in relation to the Criteria for Assessing Effectiveness described in Internal Control and Financial Reporting issued by the Cadbury Internal Control Working Group.

### Going concern

Having made due enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

### The Combined Code

The principles of Good Governance and Code of Best Practice ("the Combined Code") becomes effective for accounting periods ending on or after 31 December 1998. The Company is reviewing the Combined Code with a view to making a statement in the next Report and Accounts.

## Report of the auditors on corporate governance

### To the Directors of Minerva plc

In addition to our audit of the financial statements, we have reviewed the Directors' statement on page 21 concerning the Company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange, and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v).

### Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or its corporate governance procedures, nor on the ability of the Company and the Group to continue in operational existence.

### Opinion

With respect to the Directors' statements on internal financial control and going concern on page 21, in our opinion the Directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements. Based on enquiry of certain Directors and officers of the Company, and examination of relevant documents, in our opinion the Directors' statement on page 21 appropriately reflects the Company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

PricewaterhouseCoopers Chartered Accountants  
Embankment Place, London  
29 September 1998



## Report of the Directors

The Directors present their report and the audited financial statements of the Group for the year ended 30 June 1998.

### Principal activities and review of the business

The principal activity of the Group is that of property investment, development and management.

As at 30 June 1998 the Group's investment property portfolio was valued on an open market basis by Weatherall, Green & Smith, at £595.9 million. During the year the Group acquired seven properties and has sold four properties. Details of movements of fixed assets are shown in note 13. A detailed review of the business is included in the Chairman's Statement and the Chief Executive's Review.

### Results and dividends

The financial statements deal with the results of the Group for the year ended 30 June 1998 which are shown on page 28. The profit on ordinary activities before taxation amounted to £7.898 million (11 months to 30 June 1997: £8.996 million). The Directors recommend the payment of a final dividend of 1.7 pence in respect of the year ended 30 June 1998, which, subject to approval at the Annual General Meeting, will be payable on 6 April 1999 to shareholders listed on the Register of Members on 9 October 1998. This, together with an interim dividend of 0.8 pence per ordinary share, paid on 22 April 1998, makes a total dividend for the year of 2.5 pence per ordinary share.

### Directors

The Directors of the Company at the date of this report are shown on page 16. Paul Coster and Clive Richards retire by rotation in accordance with the Articles of Association. Both, being eligible, offer themselves for re-election at the next Annual General Meeting.

The interests of the Directors and their immediate families in the shares of the Company and in share options, as well as the contracts with Directors are as set out in the Remuneration Committee Report.

There has been no change in the beneficial and non-beneficial shareholdings of the Directors between 30 June 1998 and the date of this Report except as disclosed in the Remuneration Committee Report.

Richard Kleiner resigned as Company Secretary on 6 March 1998 and Ivan Ezekiel was appointed in his place.

### Substantial shareholdings

The Company has been notified of the following substantial interests in the share capital of the Company as at 21 September 1998:

	Shares	Per cent
Trustees of the Garrard Rosenfeld Settlement (i)	19,493,121	15.26
Trustees of the A I Rosenfeld Trust (ii)	19,134,559	14.98
FMR Corp., Fidelity International Limited and subsidiaries	14,038,398	10.99
Herling Limited	12,196,362	9.55
Hummel Investments Limited	11,683,006	9.15
HSBC Investment Bank plc	6,295,816	4.93
Trustees of the David Garrard 1989 Trust (iii)	5,461,425	4.28
CGU plc	4,816,666	3.77

- i. The Trustees of the Garrard Rosenfeld Settlement are deemed to be interested in the 11,683,006 ordinary shares in which Hummel Investments Limited are interested, which are therefore included in its total interests of 19,493,121 ordinary shares.
- ii. The Trustees of the A I Rosenfeld Trust are deemed to be interested in the 2,313,234 ordinary shares held by Hummel Investments Limited on its behalf, together with the 12,196,362 ordinary shares in which Herling Limited are interested, which are therefore included in its total interests of 19,134,559 ordinary shares.
- iii. The Trustees of the David Garrard 1989 Trust are deemed to be interested in 1,820,214 ordinary shares held by Hummel Investments Limited on its behalf, which are therefore included in its total interests of 5,461,425 ordinary shares.

## Report of the Directors continued

### Annual general meeting

The Annual General Meeting of the Company is proposed to be held on 27 November 1998.

### Declaration of final dividend

The Directors have resolved to defer payment of the final dividend until after the abolition of ACT in April 1999 in order to avoid an unnecessary ACT charge. This payment of 1.7 pence per share has been calculated to include notional interest to fully compensate shareholders for the delay in receipt. The Directors recommend shareholders to vote in favour of this resolution 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 6 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 of £10,645,729. This amounts to 42,582,916 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 7 is to give the Directors authority until the date of the next Annual General Meeting, first 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 amount of £1,596,859, 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 existing share option 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 Annual General Meeting.

### Alteration to company's articles of association

The Directors consider it appropriate and in the best interest of shareholders to amend the Company's Articles of Association to allow the Company to make payments to members of any money payable on or in respect of their shareholding by way of electronic transfer by the new Bankers Automated Clearing System (BACS) in addition to methods currently authorised by the Articles. The Directors recommend shareholders to vote in favour of this resolution as they unanimously intend to do so in respect of their own beneficial shareholdings.

### Suppliers

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

- settle 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 contract; and
- pay all suppliers in accordance with its contractual and other legal obligations.

At the year end the Company had an average of 20 days purchases outstanding.

**Environmental policy**

Minerva Group companies' activities do not pose serious environmental or ecological hazards and, where possible, the Group is committed to the proper conservation of natural resources and the preservation of the environment.

Minerva plc and its subsidiary companies will, where practicable, aim to exceed regulations applicable to its areas of business. It is committed to energy conservation. It also seeks to minimise pollution where applicable by recycling or through the use of modern equipment.

**Year 2000**

The Group, along with its managing agents, are implementing plans to ensure that its hardware, information systems and commercial infrastructure will be year 2000 compliant. The progress is being monitored by the Directors.

**Donations**

During the year the Group made charitable donations of £3,582. No donations were made to political parties.

**Auditors**

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July, following which Coopers & Lybrand resigned and the Directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution to reappoint PricewaterhouseCoopers as auditors to the Company will be proposed at the Annual General Meeting.

By order of the Board

Ivan Ezekiel Secretary  
29 September 1998



## Statement of Directors' responsibilities

The following statement should be read in conjunction with the Report of the auditors.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the accounts on the going concern basis, unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985. The Directors have general responsibility for taking such steps as are reasonably open to them to maintain adequate accounting records and to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The financial statements have been prepared on a going concern basis and all applicable accounting standards have been followed.

## Report of the auditors to the members of Minerva plc

We have audited the financial statements on pages 28 to 42 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 33 and 34.

### Respective responsibilities of directors and auditors

As described on page 26 the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and report our opinion to you.

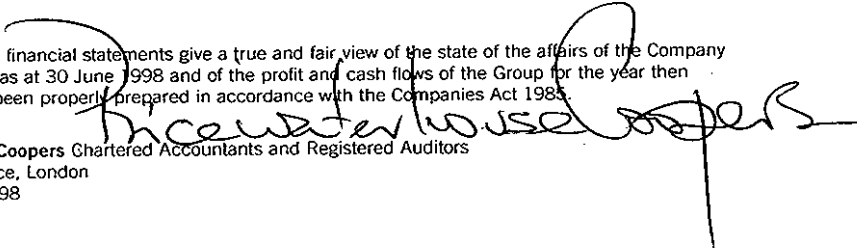
### Basis of opinion

We conducted our audit in accordance with the Auditing Standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in preparing the financial statements, and 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 the affairs of the Company and of the Group as at 30 June 1998 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
PricewaterhouseCoopers Chartered Accountants and Registered Auditors  
Embankment Place, London  
29 September 1998



## Consolidated profit and loss account

For the year ended 30 June 1998	Note	Year ended 30 June 1998 £000	11 months ended 30 June 1997* £000
Rental income	2	36,702	25,031
Net property outgoings	2	(4,672)	(2,765)
		32,030	22,266
Administrative expenses		(3,510)	(1,730)
Other income		318	86
Operating profit	3	28,838	20,622
Profit on sale of investment properties		8,212	611
Interest receivable	6	2,405	1,441
Write down of investment in quoted security	16	(1,124)	—
Exceptional item	7	—	8,550
Interest payable and similar charges	8	(30,433)	(22,228)
Profit on ordinary activities before taxation		7,898	8,996
Tax on profit on ordinary activities	9	(192)	(359)
Profit on ordinary activities after taxation		7,706	8,637
Dividends	11	(2,938)	(1,437)
Retained profit in the period		4,768	7,200
Earnings per share – basic	12	7.1p	8.5p
Earnings per share – pre-exceptional	12	7.1p	0.1p

\* Restated as described in note 2.

There have been no discontinued operations during the period. The results shown above for this period and the prior period, other than noted, relate to continuing operations.

## Consolidated balance sheet

As at 30 June 1998	Note	30 June 1998 £000	30 June 1997 £000
<b>Fixed assets</b>			
Tangible assets:			
Investment properties	13	595,900	465,950
Other fixed assets	14	605	185
Investments	16	207	3,106
		<b>596,712</b>	<b>469,241</b>
<b>Current assets</b>			
Debtors	17	6,985	7,688
Cash at bank and in hand	18	55,667	31,824
		<b>62,652</b>	<b>39,512</b>
Creditors: amounts falling due within one year	19	(31,992)	(19,616)
		<b>30,660</b>	<b>19,896</b>
<b>Net current assets</b>			
		<b>627,372</b>	<b>489,137</b>
<b>Total assets less current liabilities</b>			
Creditors: amounts falling due after more than one year	20	(332,484)	(314,762)
		<b>294,888</b>	<b>174,375</b>
<b>Capital and reserves</b>			
Called up share capital	22	31,937	23,953
Share premium account	23	133,585	83,207
Revaluation reserve	24	85,853	49,340
Other reserves	24	41,795	41,795
Profit and loss account	24	1,718	(23,920)
<b>Equity shareholders' funds</b>		<b>294,888</b>	<b>174,375</b>

Net assets per share 230.8p 182.0p

The financial statements were approved by the Board of Directors on 29 September 1998 and were signed on its behalf by:

D E Garrard Director  
A I Rosenfeld Director

# Parent company balance sheet

As at 30 June 1998	Note	30 June 1998 £000	30 June 1997 £000
<b>Fixed assets</b>			
Tangible assets:			
Investment properties	13	7,500	-
Investments:			
Subsidiary undertakings	15	40,324	118,015
		<b>47,824</b>	<b>118,015</b>
<b>Current assets</b>			
Debtors	17	134,586	106,678
Cash at bank and in hand		23,956	5,600
		<b>158,542</b>	<b>112,278</b>
Creditors: amounts falling due within one year	19	(14,260)	(15,205)
		<b>144,282</b>	<b>97,073</b>
<b>Net current assets</b>			
		<b>192,106</b>	<b>215,088</b>
<b>Total assets less current liabilities</b>			
Creditors: amounts falling due after more than one year	20	-	(77,098)
		<b>192,106</b>	<b>137,990</b>

<b>Capital and reserves</b>			
Called up share capital	22	31,937	23,953
Share premium account	23	133,585	83,207
Revaluation reserve	24	20	-
Other reserves	24	14,315	14,315
Profit and loss account	24	12,249	16,515
<b>Equity shareholders' funds</b>		<b>192,106</b>	<b>137,990</b>

The financial statements were approved by the Board of Directors on 29 September 1998 and were signed on its behalf by:

D E Garrard Director  
A I Rosenfeld Director

## Cash flow statement

For the year ended 30 June 1998	Note	Year ended 30 June 1998 £000	11 months ended 30 June 1997 £000
Net cash inflow from operating activities	29a	36,232	19,067
Returns on investments and servicing of finance		(24,556)	(20,118)
Interest received		2,422	1,420
Interest paid		(26,954)	(21,522)
Interest element of hire purchase rental payments		(24)	(16)
Taxation			
UK advance corporation tax		(359)	-
Net operating cash flow		11,317	(1,051)
Capital expenditure and financial investment		(62,324)	(92,489)
Additions to investment properties	29c	(117,363)	(94,621)
Additions to tangible fixed assets		(554)	(4)
Receipts from sale of investment properties	29c	53,808	2,129
Receipts from sale of tangible fixed assets		10	7
Receipts from repayment of loan investment		1,775	-
Acquisitions and disposals			
Net cash inflow from acquisition		-	19
Acquisition of subsidiary undertaking		-	(10,618)
Less cash acquired with subsidiary		-	10,637
Equity dividends paid		(2,204)	-
Cash outflow before use of liquid resources and financing		(53,211)	(93,521)
Movements in liquid resources		28,793	(29,950)
Financing		77,097	123,928
Issue of share capital		60,680	70,778
Expenses of share issue		(2,318)	(4,864)
New long term loans		208,000	92,430
Issue costs of long term loans		(2,028)	-
Other creditors		(2,000)	9,000
Repayment of long term loans		(182,516)	(43,357)
Cost of early loan repayments		(2,459)	-
Repayment of capital element of hire purchase rentals		(262)	(59)
Increase in cash	29b	52,679	457

## Note of historical cost profits and losses

For the year ended 30 June 1998	Year ended 30 June 1998 £000	11 months ended 30 June 1997 £000
Reported profit on ordinary activities before taxation	7,898	8,996
Realisation of revaluation surplus of previous years	20,870	332
Historical cost profit on ordinary activities before taxation	28,768	9,328
Historical cost profit for the period retained after taxation and dividends	25,638	7,532

## Statement of total recognised gains and losses

For the year ended 30 June 1998	Year ended 30 June 1998 £000	11 months ended 30 June 1997 £000
Retained profit for the financial period	4,768	7,200
Unrealised surplus on revaluation of properties	58,183	7,847
Provision for selling expenses on post balance sheet disposal	(800)	-
Total recognised gains and losses for the period	62,151	15,047

## Reconciliation of movements in shareholders' funds

For the year ended 30 June 1998	Year ended 30 June 1998 £000	11 months ended 30 June 1997 £000
Total recognised gains for the period	62,151	15,047
New share capital issued	60,680	79,651
Costs on issue of new share capital	(2,318)	(4,864)
Reserve arising on cancellation of deferred shares	-	14,315
Other movements	-	118
Net movement in shareholders' funds	120,513	104,267
Shareholders' funds at 30 June 1997	174,375	70,108
Shareholders' funds at 30 June 1998	294,888	174,375



## Notes to the financial statements

### 1. Accounting policies

#### 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.

#### Change in presentation of financial statements

A change of presentation has been adopted so that service charge income is excluded from the rental income category, and set-off against the relevant expenditure.

#### Consolidation

The audited financial statements of the Company and its subsidiary undertakings have been consolidated.

In accordance with Section 230 of the Companies Act 1985, a separate profit and loss account for the Company is not presented. The Group's operations are confined to property investment within the United Kingdom, therefore no additional segmental information is appropriate.

#### Acquisitions, disposals and goodwill

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 date of acquisition or disposal.

Goodwill arising on consolidation, representing the excess of purchase consideration over the fair value of the net assets acquired, was written off against reserves in the period of acquisition.

#### 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.

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.

#### 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, 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.

#### Rental income

Rental income represents rent receivable, exclusive of service charges receivable. Service charges receivable are credited against relevant expenditure.

## Notes to the financial statements continued

### 1. Accounting policies continued

#### Refurbishment costs

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

#### Depreciation and amortisation

The cost of other tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. Motor vehicles and fixtures and fittings are depreciated on a reducing balance method at 33 per cent and 20 per cent respectively. Short leasehold property is depreciated over the remaining life of the lease.

#### Deferred taxation

Deferred taxation is computed under the liability method on short term timing differences. Investment properties are held as long term investments. Therefore, no provision has been made for taxation which might become payable if the properties were sold at the amounts at which they are stated in the financial statements.

#### Leases and hire purchase commitments

Assets acquired under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged to the profit and loss account over the period of the lease on a straight-line basis.

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.

#### Loan issue costs

In accordance with FRS4 Capital Instruments, bank loans are included in the financial statements net of issue costs, which will be amortised over the life of the loan.

#### Capitalisation of interest

Interest on loans specifically used for the financing of investment properties was capitalised as part of the cost of the investment properties up to and including the year ended 31 December 1991. Since 1 January 1992 the accounting policy has been for all interest charges to be written off to the profit and loss account (see note 13).

### 2. Rental income

	Year ended 30 June 1998 £000	11 months ended 30 June 1997 £000
Rental and service charge income	39,665	26,284
Less service charges receivable	(2,963)	(1,253)
Rental income	36,702	25,031

From 1998, a revised presentation has been adopted to exclude service charges receivable from rental income, and set-off against the relevant expenditure. For comparison purposes, the 1997 figures for rental income and net property outgoings have been restated by £1,253,000 with no overall effect on the results for the period.

### 3. Operating profit

	Year ended 30 June 1998 £000	11 months ended 30 June 1997 £000
After charging/(crediting):		
Auditors' remuneration: for audit	66	50
Depreciation	205	74
Staff costs (note 4)	997	452
Directors' emoluments (note 5)	925	321
Leasing and hire of equipment	4	4
Loss/(profit) on sale of tangible fixed assets	1	(2)
The Group's auditors also charged the following amounts for provision of non-audit services:		
Fees in relation to the flotation and placing of shares	-	330
Fees in relation to the disposal of 250 Euston Road and related property acquisitions	55	-
Fees in relation to the rights issue	70	-
General taxation advice	24	-
Other	43	24

### 4. Staff costs

	Year ended 30 June 1998 £000	11 months ended 30 June 1997 £000
Average number of employees (including executive Directors) employed by the Group	21	16
Staff costs for the above persons (excluding executive Directors):		
Wages and salaries	711	399
Discretionary bonuses	178	8
Social security costs	91	41
Contributions to pension schemes	17	4
	997	452

### 5. Directors' remuneration

	Year ended 30 June 1998 £000	11 months ended 30 June 1997 £000
Aggregate emoluments	925	321
Emoluments of highest paid Director	375	117

More detailed information concerning Directors' remuneration, interests and options is shown in the Remuneration Committee report on pages 18 to 20.

## Notes to the financial statements continued

### 6. Interest receivable

	Year ended 30 June 1998 £000	11 months ended 30 June 1997 £000
Bank interest	2,262	1,394
Other interest	143	47
	<b>2,405</b>	<b>1,441</b>

### 7. Exceptional item

As part of the refinancing arrangements during the period ended 30 June 1997, Eagle Star Insurance Company agreed to accept ordinary shares to the value of £3,450,000 at the Placing price of 150 pence as settlement of £7,000,000 of amounts owing from the Group. In addition, during the period, the Group repaid to Chase Manhattan Bank ("Chase") £5,000,000 in cash of the £10,000,000 owed to it by the Group. Chase agreed to assign the balance of £5,000,000 to a non-Group company, which agreed to forgive this balance.

### 8. Interest payable and similar charges

	Year ended 30 June 1998 £000	11 months ended 30 June 1997 £000
Bank/building society interest	27,243	22,212
Other interest	24	16
	<b>27,267</b>	<b>22,228</b>
Charges relating to early loan repayments	3,166	-
	<b>30,433</b>	<b>22,228</b>

### 9. Taxation

The Group's tax charge relates entirely to ACT payable on the interim dividend, which it does not expect to be able to recover in its next accounting period.

No liability to mainstream UK Corporation Tax arises as the Group has losses brought forward and the benefit of capital allowances available.

If all the properties were disposed of at the current valuation, the taxation liability to the Group could amount to approximately £15,800,000 (1997: £10,000,000).

### 10. (Loss)/profit dealt with by parent company

	Year ended 30 June 1998 £000	11 months ended 30 June 1997 £000
The Group (loss)/profit is attributable to:		
Minerva plc	(1,328)	7,952
Subsidiary undertakings	9,034	685
	<b>7,706</b>	<b>8,637</b>

### 11. Dividends

	Year ended 30 June 1998 £000	11 months ended 30 June 1997 £000
Interim dividend of 0.8 pence per share (1997: nil)	766	-
Proposed final dividend of 1.7 pence per share (1997: 1.5 pence)	2,172	1,437
	<b>2,938</b>	<b>1,437</b>

Payment of the proposed final dividend will be deferred until 6 April 1999 when Advance Corporation Tax will have been abolished, and will be payable to shareholders on the register at close of business on 9 October 1998.

## 12. Earnings per share

Earnings per share has been calculated on a weighted average of 108,480,394 ordinary shares of 25 pence each in issue throughout the year (1997: 101,250,673 as adjusted to reflect the 1 for 3 rights issue during the year) and have been based on profits attributable to ordinary shareholders of £7,706,000 (1997: £8,637,000).

The Directors believe that earnings per share before exceptional items provide a more meaningful measure of the performance of the Group. Accordingly, earnings per share on this basis has also been disclosed.

## 13. Investment properties

	Group			Parent Company
	Total £000	Freehold £000	Long leasehold £000	Long leasehold £000
Valuation – 1 July 1997	465,950	252,130	213,820	–
Additions at cost	189,063	153,034	36,029	7,480
Disposals	(117,296)	(114,026)	(3,270)	–
Revaluation surplus	58,183	49,312	8,871	20
Valuation – 30 June 1998	595,900	340,450	255,450	7,500

The investment properties were valued on an open market value basis by Weatherall Green & Smith as at 30 June 1998 in accordance with the current edition of the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors.

Preparatory costs of development of £2,692,000 is included in Group additions at cost above.

The historical cost of properties at 30 June 1998 was £492,899,000 (1997: £400,237,000).

The total amount of interest capitalised as part of the cost of investment properties at 30 June 1998 was £18,095,849 (1997: £34,465,000).

## 14. Other fixed assets

The Group	Total £000	Short leasehold property £000	Fixtures and fittings £000	Motor vehicles £000
Cost				
At 1 July 1997	411	7	156	248
Additions	636	343	104	189
Disposals	(47)	–	(22)	(25)
At 30 June 1998	1,000	350	238	412
Depreciation				
At 1 July 1997	226	6	100	120
Charge for the year	205	68	28	109
Written back on disposals	(36)	–	(17)	(19)
At 30 June 1998	395	74	111	210
Net book value at 30 June 1998	605	276	127	202
Net book value at 30 June 1997	185	1	56	128



## Notes to the financial statements continued

### 15. Investment in subsidiary undertakings

	Total £000	Shares at cost £000	Loans £000
Parent Company			
At 1 July 1997	118,015	40,324	77,691
Decrease in the period	(77,691)	-	(77,691)
At 30 June 1998	40,324	40,324	-

The Company is the ultimate holding company of the Group and has the following subsidiary undertakings all of which are wholly owned and have as their principal activity the holding of properties and provision of property related services. These subsidiary undertakings are registered and operate in Great Britain.

Angelmist Limited	Minerva (Ambassador) Limited
Antares Properties Limited	Minerva (City) Limited
Bassman Limited	Minerva Corporation PLC
Croydon Plaza Limited	Minerva Property Holdings plc
Dalebrook Properties Limited	Minerva Property Investments Limited
Eagleprint Limited	Minerva Property Services Limited
Futurestate Limited	Minerva Property Trading Company Limited
Helios Property Investments Limited	Minerva Properties Limited
Jimtrack Limited	Minerva (Shopping Centres) Limited
Larchfield Investments Limited	Shroco Limited
M1 Limited	Sparrage Properties Limited
M6 Limited	Twin Tower Properties Limited
Minel Limited	Wavenley PLC

### 16. Investments

	Total £000	Listed £000	Unlisted £000
At 1 July 1997	3,106	1,331	1,775
Repayment	(1,775)	-	(1,775)
Revaluation	(1,124)	(1,124)	-
At 30 June 1998	207	207	-

The market value of the listed investment, which is in Probus Estates plc (formerly Premier Land Plc), was £207,000 at 30 June 1998. The unlisted investment, which was in the same company, represented a loan note due from the listed investment which was repaid in full during the year.

### 17. Debtors

	Group 30 June 1998 £000	Group 30 June 1997 £000	Parent Company 30 June 1998 £000	Parent Company 30 June 1997 £000
Amounts owed by subsidiary undertakings	-	-	134,365	106,660
Other debtors	5,618	5,567	174	12
Prepayments and accrued income	1,367	2,121	47	6
	6,985	7,688	134,586	106,678

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

Cash at bank includes £2,485,000 (1997: £2,751,000) retained in rent accounts and not readily available to the Group for day-to-day commercial purposes.

**19. Creditors: amounts falling due within one year**

	Group 30 June 1998 £000	Group 30 June 1997 £000	Parent Company 30 June 1998 £000	Parent Company 30 June 1997 £000
Bank overdrafts	—	43	—	—
Bank loans	4,866	1,269	—	—
Amounts owed to subsidiary undertakings	—	—	10,770	11,746
Dividend payable	2,172	1,437	2,172	1,437
ACT on dividend payable	192	359	192	359
Taxation and social security	336	309	—	—
Hire purchase creditors (note 21)	—	86	—	—
Other creditors	5,222	4,480	8	15
Accruals and deferred income	19,204	11,633	1,118	1,648
	<b>31,992</b>	<b>19,616</b>	<b>14,260</b>	<b>15,205</b>

**20. Creditors: amounts falling due after more than one year**

	Group 30 June 1998 £000	Group 30 June 1997 £000	Parent Company 30 June 1998 £000	Parent Company 30 June 1997 £000
Bank/building society loans	328,529	307,665	—	77,098
Hire purchase creditors (note 21)	—	97	—	—
Other creditors	3,955	7,000	—	—
	<b>332,484</b>	<b>314,762</b>	<b>—</b>	<b>77,098</b>

The bank and building society loans are secured upon the deeds of title of 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, service charges and VAT are paid. Interest on the loans is charged at rates that range from 7.3 per cent to 10.2 per cent.

The bank and building society loans are repayable as follows:

	Group 30 June 1998 £000	Group 30 June 1997 £000	Parent Company 30 June 1998 £000	Parent Company 30 June 1997 £000
Within one year or on demand	4,866	1,312	—	—
Between one and two years	533	—	—	—
Between two and five years	21,666	237,530	—	77,691
After five years	308,262	71,000	—	—
	<b>335,327</b>	<b>309,842</b>	<b>—</b>	<b>77,691</b>
Less: Unamortised issue costs	(1,932)	(865)	—	(593)
	<b>333,395</b>	<b>308,977</b>	<b>—</b>	<b>77,098</b>

## Notes to the financial statements continued

### 21. Obligations under leases and hire purchase contracts

	Year ended 30 June 1998 £000	11 months ended 30 June 1997 £000
Amounts payable:		
Within one year	—	86
Within two to five years	—	97
	—	183
Less: Finance charges allocated to future periods	—	(24)
	—	159
Analysis of changes in leases and hire purchase contracts during the period:		
At 1 July 1997	159	127
Inception of hire purchase contracts	67	93
Capital elements of leases and hire purchase payments	(226)	(61)
At 30 June 1998	—	159

### 22. Called up share capital

	30 June 1998 £000	30 June 1997 £000
Authorised		
200,000,000 (1997: 169,872,935) ordinary shares of 25 pence each	50,000	42,468
	50,000	42,468
Issued and fully paid		
127,748,748 (1997: 95,811,655) ordinary shares of 25 pence each	31,937	23,953
	31,937	23,953

On 9 February 1998, the authorised ordinary share capital increased by 30,127,065 to 200,000,000 ordinary shares.

The ordinary share capital issued during the year was issued for a total consideration of £60,680,000.

There have been no changes to the number of shares in issue since the 30 June 1998.

The options to subscribe for new ordinary shares of 25 pence each under the Employee Share Options Schemes which were outstanding at 30 June 1998 are as follows:

	30 June 1998 Number of shares <sup>1</sup>	30 June 1998 Subscription price <sup>1</sup>
Period within which options are exercisable*		
26 November 1999 to 25 November 2003	980,745	144.8p
26 November 1999 to 25 November 2006	124,320	144.8p
4 November 2000 to 3 November 2004	68,193	190.6p
4 November 2000 to 3 November 2007	15,736	190.6p
5 January 2001 to 4 January 2005	107,257	205.1p
5 January 2001 to 4 January 2008	14,117	205.1p

\* Exercisable if conditions relating to growth in share price are met.

<sup>1</sup> The exercise price and number of options have been adjusted for the rights issue in January 1998.

### 23. Share premium account

	30 June 1998 £000	30 June 1997 £000
At 1 July 1997	83,207	6,999
Premium on rights issue	52,696	-
Expenses of rights issue	(2,318)	-
Capitalisation into shares	-	(1,829)
Premium on Placing	-	62,500
Expenses of Placing of shares	-	(4,864)
Premium on issue of shares to Eagle Star Insurance Company Limited	-	2,875
Premium on issue of shares to Herling Limited	-	17,526
At 30 June 1998	133,585	83,207

### 24. Reserves

	Revaluation reserve £000	Other reserves £000	Profit and loss account £000
The Group			
At 1 July 1997	49,340	41,795	(23,920)
Amount realised on property disposals	(20,870)	-	20,870
Surplus on revaluation	58,183	-	-
Provision for selling expenses on post balance sheet disposal (note 31)	(800)	-	-
Retained profit for the financial period	-	-	4,768
At 30 June 1998	85,853	41,795	1,718
Parent Company			
At 1 July 1997	-	14,315	16,515
Surplus on revaluation	20	-	-
Retained loss for the financial period	-	-	(4,266)
At 30 June 1998	20	14,315	12,249

### 25. Net assets per share

Net assets per share have been calculated on 127,748,748 ordinary shares of 25 pence each in issue at 30 June 1998 (1997: 95,811,655) and have been based on net assets attributable to shareholders of £294,888,000 (1997: £174,375,000).

### 26. Capital commitments

Capital expenditure commitments contracted by the Board but not provided for at 30 June 1998 were £2,296,000.

### 27. 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 1998 £000	30 June 1997 £000
Under leases expiring in more than five years	2,790	2,695

### 28. Contingent liabilities

The Company has guaranteed the loan facilities of certain of its subsidiary undertakings, which at the balance sheet date amounted to £239,900,000.

## Notes to the financial statements continued

### 29. Cash flow statement

#### a. Reconciliation of operating profit to net cash movement from operating activities

	Year ended 30 June 1998 £000	11 months ended 30 June 1997 £000
Operating profit	28,838	20,622
Depreciation charges	205	74
Loss/(profit) on sale of tangible fixed assets	1	(2)
Movement in debtors	703	(4,893)
Movement in creditors	6,485	3,266
Net cash movement from operating activities	36,232	19,067

#### b. Analysis of changes in debt

	At 1 July 1997 £000	Cash flow £000	At 30 June 1998 £000
Net cash			
Cash at bank and in hand	31,824	23,843	55,667
Less: Liquid resources	(31,278)	28,793	(2,485)
	546	52,636	53,182
Bank overdrafts	(43)	43	-
	503	52,679	53,182
Liquid resources			
Deposits included in cash	28,527	(28,527)	-
Restricted cash	2,751	(266)	2,485
	31,278	(28,793)	2,485
Debt			
Debt due within one year	(1,269)	(3,597)	(4,866)
Debt due after one year	(307,665)	(20,864)	(328,529)
Finance leases	(183)	183	-
	(309,117)	(24,278)	(333,395)
Total	(277,336)	(392)	(277,728)

#### c. Significant non-cash transactions

During the year the freehold interest in 250 Euston Road was disposed for £105,000,000 in exchange for freehold and leasehold properties valued at £71,700,000 and £33,300,000 in cash.

### 30. Related party transactions

During the year, there were no material transactions or balances with related parties as defined by Financial Reporting Standard No. 8.

### 31. Post balance sheet event

On 24 September 1998, the Group sold Quadrant House, Sutton at valuation through a subsidiary company for £50,800,000. A post balance sheet provision of £800,000 has been made in respect of the expenses of the transaction.

## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that an ANNUAL GENERAL MEETING of the members of the Company will be held at the offices of Olswang, 90 Long Acre, London WC2E 9TT on 27 November 1998 at 11.00 am for the purposes of considering and, if thought fit, passing the following resolutions which will be proposed as Ordinary Resolutions and Special Resolutions as specified:

### Ordinary resolutions

1. To receive, consider and adopt the report of the Directors and annual accounts and the auditors' report thereon for the year ended 30 June 1998.
2. To declare a final dividend of 1.7 pence per ordinary share payable on 6 April 1999.
3. To reappoint Paul Coster as a Director of the Company.
4. To reappoint Clive Richards as a Director of the Company.
5. To reappoint PricewaterhouseCoopers as auditors and to authorise the Directors to determine their remuneration.
6. That the Directors be and they are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities within the meaning of Section 80 of the Companies Act 1985 ("the Act") up to aggregate nominal amount of £10,645,729 provided that this authority shall expire 15 months from the date of this resolution or at the conclusion of the Company's next AGM if earlier and so that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

### Special resolutions

7. That, subject to the passing of resolution 6 above, the directors be, and they are, hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) pursuant to the authority conferred by resolution 6 above for cash as if sub-Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment:
  - a. of equity securities in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and
  - b. (otherwise than pursuant to sub-paragraph a. above) of equity securities up to an aggregate nominal amount not exceeding £1,596,859;and shall expire at the conclusion of the next AGM of the Company to be held after the passing of this resolution or 15 months from the date of this resolution whichever is the earlier, so that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.



## Notice of Annual General Meeting continued

8. That Article 34.10 in the existing Articles of Association of the Company be deleted and the following new Article 34.10 be inserted in its place:

"Any dividend or other monies payable on or in respect of a share may be paid by cheque, warrant or similar financial instrument, or by other means, or sent direct to the registered address of the member or person entitled to the dividend or other such monies and, in the case of joint holders, to any one of such joint holders or, to such person and such address as the holder or joint holders may in writing direct. Such payment may be sent through the post or equivalent means of delivery or by such other means, including by electronic media, offered by the Company as the holder or joint holders may in writing agree. Every such cheque, warrant, financial instrument or other form of payment shall be made payable to the order of the person to whom it is sent or to such person as the holder, or joint holders, may in writing direct and payment of the cheque, warrant, instrument or other form of payment shall be a good discharge to the Company. Every such payment shall be sent at the risk of the person entitled to the monies and the Company shall have no responsibility for any sums lost or delayed in the course of any such electronic transfer."

By order of the Board

Ivan Ezekiel Secretary  
23 October 1998

### Notes

1. Proxies  
A member entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies (who need not be members) to attend and vote instead of him. A form of proxy is enclosed for the use of members. To be effective it must be completed and be deposited with the Company's registrars, IRG plc, Balfour House, 390-398 High Road, Ilford, Essex IG1 1NQ at least 48 hours before the time of the meeting.
2. Documents for inspection  
The following documents are available for inspection at the office of Oliswang, 90 Long Acre, London WC2E 9TT, during business hours on any weekday from the date of this notice until the conclusion of the meeting:  
3.1. A register of interests of Directors and their families in the shares of the Company.  
3.2. Copies of all contracts of service under which Directors are employed by the Company.
3. Authority to allot shares (resolutions 6 and 7)  
It is proposed that authority be granted for a period of 15 months or until the next AGM whichever is earlier. An ordinary resolution will be proposed to authorise the Board to allot the unissued share capital up to an aggregate nominal amount of £10,645,729 (a third of the present issued share capital). A special resolution will be proposed authorising the Board to allot shares in connection with a rights issue or for cash up to £1,596,859 being 5 per cent of the present issued ordinary share capital.
4. Amendment to articles (resolution 8)  
The special resolution would authorise the Company's Articles of Association to be amended to allow the Company to make payments to members of any money payable on or in respect of their shareholding by way of electronic transfer in addition to current payment methods of cheque, warrant or similar financial instrument, or other means as currently authorised by the Articles of Association.

Registered in England  
2649607

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