

# SEPARATOR SHEET



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MINERVA PLC

2649607



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COMPANIES HOUSE 22/11/96

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A copy of this document, which comprises listing particulars relating to Minerva plc prepared in accordance with the listing rules made under section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with section 149 of that Act.

The Directors of the Company, whose names appear on page 5, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Persons receiving this document should note that, in connection with the Placing, HSBC Samuel Montagu, a division of HSBC Investment Bank plc which is regulated by The Securities and Futures Authority Limited, is advising Minerva and no-one else and will not be responsible to anyone other than Minerva for providing the protections afforded to customers of HSBC Samuel Montagu, nor for providing advice in relation to the Placing.

No person is authorised in connection with any offer made hereby to give any information or make any representation other than as contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised by the Company or HSBC Samuel Montagu. This document does not constitute an offer to sell, or the solicitation of an offer to buy, ordinary shares in any jurisdiction in which such an offer or solicitation is unlawful. The ordinary shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "US Securities Act"), or under the securities laws of Canada, Australia or Japan and may not be offered or sold within the United States of America or to, or for the account or benefit of, a US person (as defined in Regulation S under the US Securities Act), (except to qualified institutional buyers in reliance on Rule 144A under that Act), Canada, Australia or Japan or to any national, resident or citizen of Canada, Australia or Japan. Offers and sales of ordinary shares outside the United States of America to non-US persons will be made in reliance on Regulation S.

Application has been made to the London Stock Exchange for the whole of the ordinary share capital of the Company, issued and to be issued pursuant to the Placing, to be admitted to the Official List. It is expected that Admission to the Official List will become effective and that dealings in the ordinary shares will commence on 28 November 1996.

## Minerva plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 2649607)

Placing by

**HSBC Samuel Montagu**

*Member HSBC Group*

of 50,000,000 ordinary shares of 25p each at a price of 150p per ordinary share

### Share capital immediately following the Placing

<i>Authorised</i>		<i>Issued and fully paid</i>	
<i>Number of shares</i>	<i>Amount</i>	<i>Number of shares</i>	<i>Amount</i>
169,872,935	£42,468,233.75	ordinary shares of 25p each	95,811,655
			£23,952,913.75

The ordinary shares which are the subject of the Placing will, on Admission, rank in full for all dividends or other distributions thereafter declared, paid or made in respect of the ordinary share capital of the Company and will rank *pari passu* in all respects with the ordinary shares then in issue.

### Indebtedness

At the close of business on 22 October 1996, the enlarged Group had outstanding borrowings of £278,753,266, consisting of secured outstanding bank overdrafts of £623,972, secured bank loans of £256,795,367, secured loan notes of £17,000,000, hire purchase liabilities of £133,927 and deferred consideration of £4,200,000. In addition, the enlarged Group had contingent liabilities amounting to £8,095,392 consisting of a contingent liability under a deed of undertaking of £7,525,862 and a guarantee on a letter of credit issued on behalf of the Group of £569,530.

Save as aforesaid and apart from intra-group liabilities and guarantees, no member of the enlarged Group had at the close of business on that date any loan capital (including term loans) outstanding or created but unissued or any mortgages, charges, debentures or any other borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments or finance lease obligations, guarantees or other contingent liabilities that are material to the enlarged Group.

At the close of business on 22 October 1996, the enlarged Group had cash balances of £12,611,096, of which £1,608,074 were retained for the payment of interest and were not readily available for Group purposes.

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## DEFINITIONS

<b><i>“Act”</i></b>	the Companies Act 1985, as amended
<b><i>“Admission”</i></b>	the admission of the whole of the ordinary share capital of the Company, issued and to be issued pursuant to the Placing, to the Official List becoming effective in accordance with the Listing Rules
<b><i>“Antares”</i></b>	Antares Properties Limited, a wholly owned subsidiary undertaking of Herling, or, where the context requires, Futurestate
<b><i>“Antares acquisition”</i></b>	the acquisition from Herling, conditional on Admission, of the entire issued share capital of Antares as described in paragraph 9 of Part VII of this document
<b><i>“Bankers Trust”</i></b>	Bankers Trustee Company Limited
<b><i>“BCPH”</i></b>	BCPH Limited
<b><i>“BHF”</i></b>	BHF-BANK AG
<b><i>“Chase”</i></b>	The Chase Manhattan Bank
<b><i>“Chase Loan Note”</i></b>	the £10,000,000 secured subordinated zero coupon loan note 2001 issued by the Company to Chase on 19 July 1996
<b><i>the “Company”</i></b>	Minerva plc
<b><i>“CREST”</i></b>	the system for paperless settlement of trades and the holding of uncertificated shares administered by CRESTCo. Limited
<b><i>the “Directors” or the “Board”</i></b>	the directors of the Company (whose names appear on page 5 of this document)
<b><i>“Eagle Star”</i></b>	Eagle Star Insurance Company Limited
<b><i>“Eagle Star Loan Note”</i></b>	the £7,000,000 secured subordinated zero coupon loan note 2001 issued by the Company to Eagle Star on 19 July 1996
<b><i>“enlarged Group”</i></b>	the Group as enlarged by the Antares acquisition and the Wigmore Street acquisition
<b><i>“executive Directors”</i></b>	the executive directors of the Company
<b><i>“existing Portfolio”</i></b>	the Portfolio excluding the Wigmore Street acquisition
<b><i>“Futurestate”</i></b>	Futurestate Limited, a wholly owned subsidiary undertaking of Antares
<b><i>“Herling”</i></b>	Herling Limited, a limited company wholly-owned by D E Garrard and A I Rosenfeld and trusts of which they are settlors
<b><i>“HSBC Investment Bank”</i></b>	HSBC Investment Bank plc
<b><i>“HSBC James Capel”</i></b>	a division of HSBC Investment Bank
<b><i>“HSBC Samuel Montagu”</i></b>	a division of HSBC Investment Bank

<b><i>“IPD Office Index”</i></b>	The All Offices Capital Growth Index published by the Investment Properties Databank Limited which comprises 586 properties in 53 portfolios, with a total capital value in excess of £1.3 billion
<b><i>“Land Investors”</i></b>	Land Investors PLC
<b><i>“Listing Rules”</i></b>	the listing rules of the London Stock Exchange
<b><i>“London Stock Exchange”</i></b>	London Stock Exchange Limited
<b><i>“Minerva Corporation”</i></b>	Minerva Corporation Plc, a wholly owned subsidiary undertaking of Minerva
<b><i>“Minerva” or the “Group”</i></b>	the Company and its subsidiary undertakings
<b><i>“Official List”</i></b>	the Official List of the London Stock Exchange
<b><i>“ordinary shares”</i></b>	ordinary shares of 25p each in the capital of the Company
<b><i>“Placing”</i></b>	the placing by HSBC Samuel Montagu of 50,000,000 ordinary shares
<b><i>“Placing Agreement”</i></b>	the placing agreement dated 22 November 1996, as described in paragraph 8 of Part VII of this document
<b><i>“Placing price”</i></b>	150p per ordinary share
<b><i>“Portfolio”</i></b>	the properties held by the enlarged Group
<b><i>“Refinancing”</i></b>	the arrangements entered into by the Group in July 1996 as set out in paragraph 3 of Part VII of this document
<b><i>“shareholders”</i></b>	holders of ordinary shares in the Company
<b><i>“West End”</i></b>	West End of London
<b><i>“Wigmore Street acquisition”</i></b>	the acquisition from New Angel Court Limited, a subsidiary undertaking of Ladbroke Group, conditional on Admission, of the property known as 27-37 Wigmore Street, London, W1 and adjoining airspace

A list of the full names of the tenants, guarantors and related companies referred to in their abbreviated form in this document is set out in paragraph 15 of Part VII of this document.

## DIRECTORS, SECRETARY AND ADVISERS

DIRECTORS     David Eardley Garrard, *Chairman*  
                  Andrew Ian Rosenfeld, *Chief Executive*  
                  Paul Antony Coster, *Property Director*  
                  William Samuel Clive Richards, *(non-executive Director)*  
                  Christopher Julian Sheridan, *(non-executive Director)*

HEAD OFFICE     all of 10 Gloucester Place, London W1H 3AX

COMPANY SECRETARY     Richard Howard Kleiner

SPONSOR AND FINANCIAL ADVISER     **HSBC Samuel Montagu**  
   Vintner's Place, 68 Upper Thames Street,  
   London EC4V 3BJ

STOCKBROKER     **HSBC James Capel**  
   Thames Exchange, 10 Queen Street Place,  
   London EC4R 1BL

AUDITORS AND REPORTING     **Coopers & Lybrand**  
ACCOUNTANTS     1 Embankment Place, London WC2N 6NN

REPORTING PROPERTY VALUERS     **Weatherall Green & Smith**  
   22 Chancery Lane, London WC2A 1LT

SOLICITORS TO THE COMPANY     **Olswang**  
   90 Long Acre, London WC2E 9TT

SOLICITORS TO THE ISSUE     **Norton Rose**  
   Kempson House, Camomile Street,  
   London EC3A 7AN

PRINCIPAL BANKERS     **BHF-BANK AG**  
   BHF-BANK House,  
   61 Queen Street,  
   London EC4R 1AE  
  
   **Deutsche Pfandbrief-und Hypothekenbank AG**  
   Paulinenstrasse 15,  
   D-65189 Wiesbaden,  
   Germany

REGISTRARS     **Independent Registrars Group**  
   Balfour House  
   390/398 High Road  
   Ilford  
   Essex IG1 1NQ

## PLACING STATISTICS

### Placing

Placing price	150p
Number of ordinary shares in issue immediately following the Placing	95,811,655
Market capitalisation at the Placing price	£143.7 million
Number of ordinary shares being placed on behalf of the Company (note 1)	50,000,000
Proportion of enlarged issued ordinary share capital being placed	52.2 per cent.
Value of the Placing	£75.0 million
Estimated net proceeds of the Placing receivable by the Company	£70.6 million

### Net asset value

Pro forma net assets immediately following the Placing (note 2)	£168.5 million
Net asset value per ordinary share at 31 July 1996 (notes 3, 4)	202p
Pro forma net asset value per ordinary share pre-Placing (notes 3, 4)	214p
Pro forma net asset value per ordinary share immediately following the Placing (note 3)	176p
Pro forma gearing immediately following the Placing	138 per cent.

### Dividend

Notional net dividend per ordinary share for the annualised period ended 31 July 1996 (note 5)	2.2p
Notional gross dividend yield at the Placing price for the annualised period ended 31 July 1996 (note 5)	1.8 per cent.

#### Notes:

1. HSBC Investment Bank intends to subscribe for approximately 10.7 million ordinary shares. Herling will subscribe for 3.3 million ordinary shares.
2. Pro forma net assets immediately following the Placing is set out in Part IV of this document.
3. As at 31 July 1996, net assets amounted to approximately £70.1 million. Pro forma net asset value per ordinary share pre-Placing is set out in Part IV of this document under the heading "Enlarged Group pre-Placing". Pro forma net assets pre-Placing takes account of post balance sheet events on the bases set out in Part IV of this document. Pro forma net asset value per ordinary share immediately following the Placing takes into account the estimated net proceeds of the Placing.
4. In order to provide a meaningful comparison, the number of ordinary shares used in the calculations has been determined by taking account of the relevant changes in share capital as set out in paragraph 2 of Part VII of this document. The numbers of ordinary shares used in the calculations are set out in Part IV of this document.
5. The notional net dividend per ordinary share for the annualised period ended 31 July 1996 is described on page 12 of this document. The notional gross dividend yield has been calculated assuming a related tax credit of 0.55p per ordinary share at 20 per cent.

## EXPECTED TIMETABLE

	1996
Settlement through CREST	28 November
Commencement of dealings	28 November
Despatch of share certificates to placees requesting ordinary shares in certificated form	2 December

## **PART I**

### **INFORMATION ON MINERVA**

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#### **BUSINESS OF THE GROUP**

Minerva is a commercial property investment and development company which was formed in August 1988 by David Garrard and Andrew Rosenfeld. During a period which included a severe recession in the property market the existing Portfolio has significantly outperformed the market, with aggregate gross asset values increasing by approximately 53 per cent. over their initial purchase price. This is reflected in pro forma net assets (before taking account of the proceeds of the Placing) of approximately £98 million, as set out in Part IV of this document.

The Directors' objective is to deliver above average returns to shareholders. They propose to continue to achieve this objective through adding value to the Group's assets and maintaining a strategic balance between investment and development appropriate to prevailing market conditions. Their principal strategy is focused on the acquisition of properties let to tenants with good financial standing, but capable of above average capital growth through active management and, where appropriate, development. Their development strategy is based on seeking opportunities to make significant further gains without taking undue risks.

The Portfolio consists predominantly of high quality properties in the office sector. The Portfolio was valued by Weatherall Green & Smith at £402 million as at 22 November 1996. The Portfolio currently has an aggregate net annual rental income of £27.7 million. Two of these properties, one located in central Croydon and the other in the West End, have significant development potential. As at Admission, approximately 45 per cent. of the enlarged Group's portfolio by value will be based in the West End.

Minerva has agreed to acquire Antares from Herling, a company wholly-owned by David Garrard and Andrew Rosenfeld and trusts of which they are settlors, conditional on Admission. Antares owns a property at Westerhill Road, Bishopbriggs, Glasgow. As at 22 November 1996 the property was valued at £57.5 million by Weatherall Green & Smith as set out in Part VI of this document and the net assets as at 31 July 1996 of Antares were £30.2 million as set out in Part V of this document. Further details of the acquisition are set out in paragraph 9 of Part VII of this document. No proceeds of the Placing will be used to fund the acquisition. This acquisition consolidates within Minerva the principal property holdings of the executive Directors.

In addition, Minerva has agreed, conditional only on Admission, to acquire a property at 27-37 Wigmore Street, which is adjacent to its existing property interests in Wimpole Street.

#### **KEY STRENGTHS**

##### **Management**

- Minerva has a small, entrepreneurial management team, experienced in the investment, restructuring, refurbishment and development of commercial property and the negotiation of finance.
- The executive Directors have a long record of anticipating and successfully exploiting movements in the property cycles and identifying, assessing and executing profitable opportunities in investment and development.
- The executive Directors have a significant equity interest in the Company and are not selling any shares in the Placing.

##### **Portfolio**

- The Portfolio is generally of the highest quality in terms of location, condition and financial standing of tenants.
- 45 per cent. of the Portfolio by value is based in the West End.
- 87 per cent. of lease income is for terms of 10 years or more and 53 per cent. is for terms of 20 years or more.



**Development opportunities**

- Minerva owns an investment property in central Croydon with potential for a large redevelopment comprising high quality offices and shops.
- The property in Wigmore Street, together with adjacent existing property interests in Wimpole Street, form a major office and retail redevelopment opportunity in the West End.

**MANAGEMENT APPROACH****Pre-flotation strategy**

Minerva was formed in August 1988 with the aim of establishing a portfolio of institutional quality properties whose capital value was capable of being enhanced through the expertise of Minerva's management team. This strategy was supported by the executive Directors' significant shareholding in Minerva. Accordingly, this meant that generating profits to pay salaries, at the expense of longer term capital growth, was never a priority.

As a private company, the Group employed a high level of debt finance together with other financial instruments in the acquisition of properties.

Active management by the executive Directors has enabled the Group, including for this purpose Antares, to increase aggregate net income receivable on the existing Portfolio by 95 per cent., and increase the value of the existing Portfolio by approximately 53 per cent. over its initial purchase price. In consequence, pro forma net assets had increased to approximately £98 million before the Placing as referred to in Part IV of this document.

**Portfolio management**

Central to the executive Directors' strategy has been the active management of the existing Portfolio to create value in a number of ways including:

- Restructuring of intermediary interests and leases.
- Acquiring superior leasehold and/or freehold interests.
- New lettings.
- Strengthening lease covenants given by tenants.
- Restructuring of long term leases, including underpinning of future cash flows and varying of occupational lease terms.
- Comprehensive refurbishment of existing accommodation.
- Evaluating and progressing the development potential of particular properties in the Portfolio.
- Redefining land holdings to enable piecemeal disposals.

Examples of the use of these techniques are set out in Part III of this document, which contains further details of each of the properties in the Portfolio.

**Post-flotation strategy**

The Directors intend to build on the successful pre-flotation strategy once Minerva is a listed company by continuing with their active approach to managing the Portfolio and seeking and executing property purchases where opportunities exist to enhance capital value. Whilst recognising that Minerva's historic levels of gearing are not appropriate to a listed company, the Directors intend to continue to use their financial skills and Minerva's status as a listed company, to achieve better terms for its debt finance. The overriding intention of the Group is to achieve well above average growth in net asset value per share. Minerva also intends to exploit the significant development opportunities within the Portfolio, further information on which is set out below in this Part I.

The experience of the executive Directors has led them to conclude that as much time and effort has to be expended on small property holdings as on large ones. Therefore, the Directors intend to continue to concentrate on a limited number of large properties, where they believe that the time and effort to be devoted to each property will maximise return and added value. Accordingly, the Directors are exploring the possibility of realising value from the smaller properties in the Portfolio.

## PORTFOLIO PROFILE

The Group has successfully assembled a portfolio of commercial properties located in prime sites, principally in the West End and Greater London. The Portfolio was valued by Weatherall Green & Smith at £402 million as at 22 November 1996 and currently has net annual rental income of £27.7 million.

A key feature of the Portfolio is the quality of its rental income. In the thirteen months ended 31 July 1996, approximately 94 per cent. of the Group's rental income was derived from substantial, high quality tenants, including Prudential, British Telecom and Reed Elsevier, predominately on long leases. A list of all significant tenants is set out in paragraph 15 of Part VII of this document.

The Directors believe that the quality of the Portfolio and its underlying leases means that the enlarged Group is strongly placed to participate in the recovery in the property market.

The Portfolio has been valued by Weatherall Green & Smith on an open market basis as at 22 November 1996, as follows:

<i>Value by sector</i>	<i>£'m</i>	<i>%</i>
Office	321.6	80
Retail	22.9	6
Industrial/warehouse	57.5	14
	<u>402.0</u>	<u>100</u>
 <i>Value by region</i>	 <i>£'m</i>	 <i>%</i>
West End	180.0	45
Greater London	140.1	35
Scotland	62.5	15
Other	19.4	5
	<u>402.0</u>	<u>100</u>

The following tables analyse the Portfolio by lease expiry, spread of rent reviews and tenure.

The spread of lease expiries of the Portfolio is as follows:

<i>Lease profile</i>	<i>Proportion of total net rent</i>
<i>Period of lease outstanding</i>	<i>%</i>
0-10 years	13
10-15 years	32
15-20 years	2
20-30 years	29
30-100 years	1
Over 100 years	23
Total	<u>100</u>

Almost all leases are subject to regular five yearly upwards only rent reviews. The proportion of the net annual rental income which falls due for review in each year is:

<i>Next rent review Year</i>	<i>Proportion of total net rent %</i>
1997	2
1998	10
1999	6
2000	31
2001	51
Total	<u>100</u>

The properties are held on the following tenures:

<i>Tenure</i>	<i>Proportion of aggregate valuation %</i>
Freehold/long leasehold (greater than 200 years unexpired)	84
Long leasehold (greater than 100 years unexpired)	14
Part freehold/part leasehold	2
Total	<u>100</u>

### Performance

Since 1988, the enlarged Group has acquired a substantial, high quality investment property portfolio which has increased significantly in value since acquisition. Over this period, which included a severe recession in the commercial property market, the existing Portfolio has outperformed the market to the extent described below:

Existing Portfolio <sup>(1)</sup>	<b>Increase of 53 per cent.</b>
IPD Office Index <sup>(2)</sup>	<b>Decrease of 28 per cent.</b>

**Notes**

- (1) The bases for calculations of capital growth of the existing Portfolio are set out in paragraph 16 of Part VII of this document. No account has been taken of the cost of capital.
- (2) Capital decrease in the period from 1 January 1989 to 30 September 1996 adjusted to take account of the purchase of the Portfolio as described in paragraph 16.10 of Part VII of this document.

**Wigmore Street acquisition**

Minerva has agreed, conditional only on Admission, to acquire the freehold of 27-37 Wigmore Street and adjoining leasehold airspace from the Ladbroke Group for a consideration of £37 million. The property is adjacent to Minerva's holding along the south-west side of Wimpole Street, 90-95 Wimpole Street and 25 Wigmore Street, and is let principally to Paribas on a lease having approximately 15 years unexpired producing net annual rental income of £2.6 million. Together these properties comprise the entire south frontage of Wigmore Street between Wimpole Street and Welbeck Street, and virtually the entire south-west side of Wimpole Street between Wigmore Street and Henrietta Place and form a major and comprehensive redevelopment opportunity in the West End.

The acquisition gives, as a consequence of common ownership, the opportunity to redevelop the Group's adjacent properties at 25 Wigmore Street and 90-95 Wimpole Street.

The principal office tenant, Paribas, is moving its headquarters to a new building in Marylebone in 1997. The Directors believe that an opportunity therefore exists for the Group to restructure the Paribas lease in a manner which will reduce the holding cost of the property, and facilitate comprehensive redevelopment of the site.

Irrespective of the intention to redevelop, the Directors regard this acquisition as a high quality investment property in its own right.

**Croydon Centre development**

Minerva owns the freehold of a large retail and office site in central Croydon which is currently let to a number of tenants and which the Directors believe constitutes an ideal site for redevelopment. Architects, Skidmore Owings & Merrill have produced a master plan for a major town centre development of high quality offices and shops located adjacent to the prime shopping area of North End and George Street and directly opposite the Town Hall. The Directors believe that planning permission for this development is likely to take at least 18 months and the local planning authority has been consulted on a preliminary basis. Discussions are taking place for the pre-sale of a section of the contemplated development. The Directors believe that the scheme is potentially highly profitable for the Group.

The central area of Croydon has suffered from a lack of comprehensive development. In the office sector, a small amount of piecemeal development has occurred, although no new major headquarter buildings have been developed for five years. As a consequence, the Directors believe that Croydon has lost ground to competing centres to the South of London and around the M25, as it has not provided the quality of new office accommodation required to move rents to higher levels.

The Directors believe that the plans for the Croydon Centre, if approved, will transform the southern end of the town and create a new focal point. In addition, this development will redress the imbalance that has arisen with competing towns. Plans are at an advanced stage for the comprehensive redevelopment of Grants Department Store, which is located immediately opposite Croydon Centre, for a large entertainment centre, including a multiplex cinema, restaurants and shopping, which the Directors believe will add to the growth prospects for this location.

## PROSPECTS

The Directors believe the future prospects of the enlarged Group are promising due to the following:

- Continued capital growth in the property market in general and the office sector in particular, based on continued economic recovery. The Directors expect that such growth will be particularly strong in the West End where 45 per cent. by value of the Portfolio is located.
- Opportunities exist, through intensive estate management, including, refurbishment and/or development of selected properties, to increase current rental income of the Portfolio and thereby create additional value.
- The two redevelopments provide opportunities to enhance significantly the net asset value of the Group.
- The property sector is likely to offer attractive investment and development opportunities.

## DIVIDEND POLICY

The ordinary shares which are the subject of the Placing will, on Admission, rank in full for all future dividends or other distributions hereafter declared, paid or made in respect of the ordinary share capital of the Company.

The main objective of the Group is to achieve capital growth for shareholders. Nevertheless, the Directors intend to pursue a progressive dividend policy.

Dividends are expected to be paid in May (interim) and November (final) of each year. It is expected that the first dividend payable following Admission will be a final dividend in respect of the period ending 30 June 1997, payable in November 1997. The final dividend will normally represent approximately two-thirds of the total annual dividend.

If the ordinary shares in issue following the Placing had been listed on the London Stock Exchange throughout the thirteen month period ended 31 July 1996, the Refinancing, which was completed in July 1996, had taken place at the beginning of that financial year, and the Portfolio had been owned throughout that period, the Directors would have expected to recommend a net dividend which, on an annualised basis, would have totalled 2.2p per ordinary share (2.75p gross) in respect of that financial period. At the Placing price, such a dividend would represent a gross yield of 1.8 per cent. per annum.

## REASONS FOR THE PLACING AND USE OF PROCEEDS

The Placing will raise approximately £70.6 million (net of expenses). The Company will use £17.0 million to fund part of the purchase of the Wigmore Street acquisition and £28.6 million to repay, in part, the Group's current indebtedness and other obligations thereby strengthening the balance sheet. The cash balance of £25.0 million is intended to be utilised in funding the Group's future selective acquisitions, to contribute towards improvements to existing property interests and to provide for the professional and preliminary costs preparatory to the development of Croydon Centre and Wigmore Street/Wimpole Street.

In addition, the Directors consider that the listing of Minerva's ordinary shares will support the Group in obtaining banking terms and conditions more appropriate to a publicly listed company.

## **PLACING ARRANGEMENTS**

The Placing has been fully underwritten by HSBC Investment Bank.

The market capitalisation on Admission of the Company at the Placing price will be £143.7 million.

All of the ordinary shares which are the subject of the Placing are being placed with institutions and others at the Placing price. As part of the Placing, HSBC Investment Bank intends to take a participation of approximately 10.7 million ordinary shares.

Following Admission, the executive Directors and related family trusts and companies will be interested in 49,144,988 ordinary shares, representing approximately 51.3 per cent. of the Company's issued ordinary share capital, including 3,333,333 ordinary shares for which Herling will subscribe as part of the Placing.

The executive Directors and their related family trusts and companies have undertaken that, subject to certain limited exceptions, they will not sell any ordinary shares without the prior consent of HSBC Samuel Montagu for 12 months following the Placing. In the six months thereafter share sales will be restricted to five per cent. of each holders' respective shareholding. Details of these undertakings are contained in paragraph 8 of Part VII of this document.

**PART II****FURTHER INFORMATION ON MINERVA**

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**HISTORY AND BACKGROUND***Formation*

Minerva was formed in August 1988 under the direction of two of the current executive Directors: David Garrard and Andrew Rosenfeld. The Group was established primarily as a property investment and development group with the aim of acquiring properties which, at the time of purchase, had strong covenants, being let to high quality tenants, but which, nevertheless, as a primary requirement were capable of being enhanced in terms of value through the expertise of Minerva's management team and which, when market conditions made such activities both prudent and highly profitable, had potential for profitable development and redevelopment.

*Management's background*

The executive Directors of Minerva have extensive experience of, and a network of contacts in, the UK property market.

Prior to the formation of the Group, David Garrard in addition to being the senior partner of Garrard Smith and Partners, an estate agency, which at its peak had approximately 70 employees, pursued, on his own account and through joint ventures, during the 1960's and early 1970's, a series of investment and development activities which produced substantial profits. In the late 1970's and 1980's, he re-commenced investment and refurbishment activities both on his own account and in joint venture. Two of the more noteworthy investment acquisitions were the entire south side of Percy Street (excluding the White Tower restaurant) and the commercial section of Orchard Court, Portman Square. Both of these ventures were highly successful and generated proceeds several times the costs of acquisition.

In 1986, David Garrard arranged the acquisition of Land Investors (by BCPH a newly formed company with £1,000 of issued share capital) for approximately £76 million financed entirely by debt and mezzanine finance. Following the acquisition, David Garrard engineered, in his role as managing director, two years' intensive property management, including lease restructuring, property development and trading, which significantly enhanced asset values and rental income and during which time Andrew Rosenfeld joined him and worked closely with him. During this period the team also engaged in two significant headquarters office developments, one in the City and one in the West End. By the summer of 1988, the entire amount of the original debt and mezzanine finance provided to acquire Land Investors had been repaid in full. In 1988, anticipating the end of the current property cycle, David Garrard sought and received an offer for the entire share capital of BCPH of £185 million. David Garrard's co-shareholders, not wishing to sell at the time, elected instead to purchase his and his family's interests on a proportionate basis. Since the time of the original acquisition, there had been no further issues of shares in, or capital injection into, BCPH. Further information on management is set out on pages 15 and 16.

*Acquisition of Portfolio*

Minerva's first significant acquisition was in early 1989 with the purchase of a leasehold interest in an office property in Euston Road, London NW1. This property met the Group's investment criteria, being located in a prime site and let under a strong covenant, to the Prudential, for an effective unexpired term, at the time of purchase, of in excess of 114 years. The Group went on to assemble a portfolio of high quality investment and development properties which at the time of purchase were perceived to have the potential for additional significant value creation. The Portfolio will comprise seven major properties in addition to a regional portfolio of smaller properties. Further information concerning the properties in the Portfolio is set out in Part III of this document.

*Refinancing prior to flotation*

In July 1996, the Group completed a refinancing of its debt portfolio. The arrangements involved the refinancing of a large proportion of the Group's portfolio at much lower loan to value ratios than originally provided by Manufacturers Hanover Trust Company (subsequently Chemical Bank which subsequently merged with The Chase Manhattan Bank), which had withdrawn from the UK property lending market. Accordingly, towards the end of 1995, discussions were commenced with Chemical Bank whereby Chemical Bank agreed to accept conversion of part of its debt due into one-third of the issued share capital of the Group and the Chase Loan Note.

A company controlled by the executive Directors and their family interests has exercised a right, granted as part of the arrangements with Chase referred to above, to acquire the entire shareholding of Chase in the Company for £10 million. On Admission, the Company will repay 50 per cent. of the Chase Loan Note in an amount equal to £5 million and following this Chase will assign the balance of the loan note to Herling, or its nominee, which has agreed with the Company to forgive the balance of the Chase Loan Note.

Eagle Star, who had provided credit insurance to Manufacturers Hanover Trust Company on all of the portfolio being refinanced, agreed with Chemical Bank that, in return for being released from any ongoing exposure in respect of indemnity policies granted in relation to those properties, it would subscribe £7 million for 1,000 deferred shares of £1 each in the capital of the Company, provide £7 million by way of the Eagle Star Loan Note and subscribe £4.2 million for redeemable preference shares of £1 each in the capital of the Company (which it sold to Antares for a deferred consideration of £4.2 million). Minerva has come to an arrangement with Eagle Star whereby on Admission the Eagle Star Loan Note and the deferred consideration due from Antares referred to above will be discharged by a combination of cash and ordinary shares issued at the Placing price. Messrs Garrard and Rosenfeld have also agreed with Eagle Star that they will have the benefit of a call option to acquire the shares issued to Eagle Star within twelve months of Admission at a price equal to 115 per cent. of the Placing price and certain other arrangements.

Further details of these arrangements are set out in paragraph 3 of Part VII of this document.

## **DIRECTORS, MANAGEMENT AND EMPLOYEES**

The Group operates on a tightly controlled basis, employing few, but highly skilled, experienced and motivated employees to concentrate on the value related aspects of property ownership. The Group instructs external professional advisers to carry out its property management, planning and architectural advice. The Directors believe that their practice of using specialists in these areas ensures maximum efficiency and flexibility.

The Board comprises three executive and two non-executive Directors.

### **David Garrard FFS—Chairman (aged 57)**

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 in 1986 by BCPH 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 and became one of the co-founders of the Group in August 1988.

### **Andrew Rosenfeld ARICS—Chief Executive (aged 34)**

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 August 1988, prior to which he worked for merchant bankers, Schrodgers, in their property division, Berisford Property Group and alongside David Garrard at Land Investors.

### **Paul Coster ARICS—Property Director (aged 44)**

Responsible for all of the property management activities of the Group and the control and management of the Group's rental income stream. In addition, he is responsible for reporting to the Board in respect of the accounting functions of the Group. He joined the Group in November 1989. He was previously Managing Director of the publicly quoted Centrovincial Estates PLC and, prior to joining Minerva, he was a main board director of Burford Holdings plc where he was responsible for the management of the investment portfolio.

### **Clive Richards FCA, FCMA, FBIM—non-executive Director (aged 59)**

Following six years with Peat Marwick Mitchell, Clive Richards joined Wedd Durlacher 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 Burrill Jones Group plc and Telephone Information Services plc and a non-executive director of Dalkeith Holdings plc and Tetra Holdings Ltd. Appointed to the Board of Minerva in October 1996.

**Christopher Sheridan**—*non-executive Director (aged 53)*

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 Hanover Acceptances Limited. He is also a board member of the Lovell White Durrant-partnership board. Appointed to the Board of Minerva in October 1996.

The executive Directors, including the Chairman, all have service contracts which can be terminated by less than one year's notice.

The executive Directors have, as part of the Placing, given undertakings that, for so long as they remain Directors of Minerva, they will conduct all future property activities through Minerva and have undertaken that for a period of 12 months following termination of their employment with Minerva they will not compete with the enlarged Group. Further details of these arrangements are set out in paragraph 8 of Part VII of this document.

**Senior management**

**Rodney Blee ACA** (aged 49)

Responsible for the accounting and financial systems of the Group including the preparation of management accounts, Group budgets and forecasts and the statutory accounts. He joined the Group in March 1990, having previously worked both in private practice and commerce.

**Steven Yewman** (aged 26)

Responsible for the management of specific properties within the Portfolio. His role also includes the analysis and evaluation of property acquisitions and disposals. He joined the Group in May 1989, having previously been employed by David Garrard at Land Investors.

**Quentin Thompson ASVA** (aged 33)

Responsible for the management of specific properties within the Portfolio. He joined the Group from surveyors, Chesterton International plc, in February 1991. Prior to Chesterton International plc, he worked at Bernard Thorpe and Partners, now part of DTZ Debenham Thorpe, where he was involved in all aspects of property management.

**John Higson FRICS** (aged 46)

Has acted as a consultant to the Group since October 1993. He joined the Group full-time in November 1996 with responsibility for property investment acquisitions and disposals. He will also be responsible for identifying future development opportunities. He has over 25 years experience in the property industry and has worked for surveyors Richard Ellis and was a director of Berisford Property Group.

**Arthur Rixon** (aged 45)

Since April 1994 he has acted as a consultant to the Group on a number of projects. He joined the Group full-time in November 1996 with responsibility for general property and structured finance. He has spent twenty years in banking, with Bankers Trust where he rose to become a senior Vice President and advised a number of companies in respect of property finance. During the last five years at Bankers Trust he was responsible for structured financing and in the five years prior to that arranged mortgage banking facilities in Bankers Trust's New York office where he was based.

All of the above, together with the executive Directors, will sit on the Board of Minerva Corporation, the operational company of the Group, which will report to the Board.

## Corporate governance

As a listed company, Minerva intends to comply with the provisions of the Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance (The Cadbury Report) and with the provisions of Directors' Remuneration: Report of a Study Group chaired by Sir Richard Greenbury (The Greenbury Report).

The Board has established a remuneration committee which currently comprises the two non-executive Directors. The remuneration committee will keep under review the total remuneration packages (including the grant of any share options) of the executive Directors and other senior managers.

The Board has established an audit committee which also comprises both the non-executive Directors. The audit committee will receive and review reports from management and from the auditors relating to the interim and annual accounts and will monitor the Company's compliance with requirements for financial reporting.

## Employees

The average number of persons (including executive Directors) employed by the Group over the past three accounting periods has been as follows:

	<i>18 months ended 30 June 1994</i>	<i>Year ended 30 June 1995</i>	<i>13 months ended 31 July 1996</i>
Property	9	6	7
Finance	3	3	3
Administration	7	7	6
Total	<u>19</u>	<u>16</u>	<u>16</u>

## Employee incentive schemes

The Directors believe that the dedication and motivation of the Group's employees is critical to the future success of the Group. Accordingly, the Group intends to adopt a policy of paying discretionary bonuses on an annual basis.

## Option Schemes

Minerva appreciates the importance of high quality staff and, in recognition of the benefit of providing appropriate incentives for them, it has created the Minerva plc 1996 Approved Share Option Scheme and the Minerva plc 1996 Unapproved Share Option Scheme, details of which are set out in paragraph 6 of Part VII of this document.

Conditional on Admission, options will be granted to Paul Coster and the senior management of the Company in respect of 120,000 ordinary shares under the Minerva plc 1996 Approved Share Option Scheme (representing 0.13 per cent. of the enlarged share capital of the Company) and 813,333 ordinary shares under the Minerva plc 1996 Unapproved Share Option Scheme (representing 0.85 per cent. of the enlarged share capital of the Company).

The total number of shares in respect of which options may be granted to subscribe for shares under the option schemes and any other share option or profit sharing scheme of the Company may not exceed five per cent. of the issued share capital of the Company from time to time. The grant of options, in accordance with the scheme rules, is at the discretion of the remuneration committee.

In view of the substantial interests in the Group which will be retained by the Chairman, the Chief Executive and their respective family interests, neither of them consider it is appropriate at this time to be granted options by the Company.

**FINANCIAL INFORMATION**

The following financial information in respect of the Company and Antares for the period from 1 January 1993 to 31 July 1996 has been extracted from the accountants' reports set out in Part V of this document and the pro forma statement of net assets set out in Part IV of this document.

**Balance sheets**

	<i>At 30 June</i>		<i>At 31 July</i>
	<i>1994</i>	<i>1995</i>	<i>1996</i>
<i>Minerva</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Investment properties	336,350	337,465	307,500
Other fixed assets	109	149	3,274
Trading properties	570	570	–
Cash	2,725	2,734	1,504
Other net current assets/(liabilities)	(1,856)	(3,211)	(7,071)
Debt and other long term liabilities	(286,443)	(295,525)	(235,099)
<b>Net assets</b>	<u>51,455</u>	<u>42,182</u>	<u>70,108</u>

  

	<i>At 31 December</i>			<i>At 31 July</i>
	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>
<i>Antares</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Investment properties	51,250	51,000	57,000	57,500
Fixed asset investments	–	–	–	4,200
Cash	716	10,301	9,763	9,227
Net current assets/(liabilities)	(1,210)	(301)	431	1,283
Debt and other long term liabilities	(24,948)	(37,500)	(37,784)	(41,994)
<b>Net assets</b>	<u>25,808</u>	<u>23,500</u>	<u>29,410</u>	<u>30,216</u>

The decrease in the value of Minerva's investment property portfolio in the period to 31 July 1996 reflects the sale of properties, with a valuation of £18.1 million, in September 1995, as well as a provision of £14.2 million on the valuation of the remaining properties offset by capitalised refurbishment costs of £2.4 million. Debt and other long term liabilities increased in 1995 principally due to the roll-up of interest on certain facilities. Debt and other long term liabilities fell in 1996 following the sale of the properties referred to above and the Refinancing, further details of which are set out in paragraph 3 of Part VII of this document.

Antares' net assets have increased as the result of the revaluation of the property at Westerhill Road, Glasgow in 1995 and 1996. The increases in cash and debt and other long term liabilities in 1994 reflect the remortgaging of the property at Westerhill Road. The further increase in debt and other long term liabilities in 1996 arises as a result of the deferred consideration owed to Eagle Star as referred to in paragraph 3 of Part VII of this document.

**Profit & loss accounts**

	<i>18 months</i>	<i>12 months</i>	<i>13 months</i>
	<i>ended</i>	<i>ended</i>	<i>ended</i>
	<i>30 June</i>	<i>30 June</i>	<i>31 July</i>
<i>Minerva</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Net revenue from properties	<u>33,701</u>	<u>22,266</u>	<u>23,348</u>
Operating profit	30,126	19,207	20,229
Gains/(loss) on disposal of investment property	50	–	(569)
Net interest payable	(49,338)	(29,418)	(23,887)
Exceptional items	<u>34,319</u>	<u>–</u>	<u>(473)</u>
Profit/(loss) before taxation	<u>15,157</u>	<u>(10,211)</u>	<u>(4,700)</u>

	<i>Year ended 31 December</i>			<i>Seven months ended 31 July</i>
<i>Antares</i>	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Net revenue from property	<u>2,823</u>	<u>2,865</u>	<u>3,291</u>	<u>2,237</u>
Operating profit	2,787	1,475	3,153	2,189
Net interest payable	<u>(3,439)</u>	<u>(3,480)</u>	<u>(3,243)</u>	<u>(1,883)</u>
(Loss)/profit before taxation	<u>(652)</u>	<u>(2,005)</u>	<u>(90)</u>	<u>306</u>

Net interest payable for Minerva decreased in 1995 following a refinancing of the debt facilities. The exceptional item in 1994 relates to the net gain on disposal of subsidiaries, bank loans written off and the write back of a provision for diminution in the carrying value of two of the Group's investment properties. Net interest payable fell in the period ended 31 July 1996 due to the forgiveness of interest amounting to £5.2 million by certain lenders, being shareholder and shareholder family trusts.

The net revenue from property for Antares increased (on a pro-rata basis) in the period ended 31 July 1996 due to the increase in rental income from the rent review in August 1995.

Minerva's reporting period ended 30 June 1994 was an 18 month period in order to incorporate the conclusion of various mortgage refinancings. Minerva's period ended 31 July 1996 was a 13 month period to reflect in the accounts the Refinancing. The current financial year will be for an 11 month period to 30 June 1997 and after that the Group will remain with the year ending 30 June. Neither changes of the Group's year end were of significance to the Company.

The seven month period ended 31 July 1996 for Antares brings that company's accounting reference date into line with Minerva.

### **Current trading**

Since 31 July 1996, trading is in line with the Directors expectations and valuations have not changed. The Group has agreed, conditional only on Admission, to acquire a property at 27-37 Wigmore Street.

### **Net asset value**

Following the Placing, the enlarged Group will have pro forma net assets of £168.5 million, representing pro forma net asset value per ordinary share of 176p as set out in the pro forma statement of net assets in Part IV of this document.

### **Debt**

The pro forma statement of net assets of the enlarged Group following the Placing shows pro forma net debt at 31 July 1996 of £232.0 million. Based on the pro forma net assets of £168.5 million referred to above, pro forma gearing will be some 138 per cent. The Group undertakes an appropriate hedging strategy to limit its exposure to movements in financial markets.

The following table shows the maturity profile of the enlarged Group's bank facilities following Admission:

<i>Length of time to maturity</i>	<i>Percentage of debt following Admission</i>
Less than 1 year	10
3 years to 5 years	70
Greater than 5 years	<u>20</u>
	<u>100</u>

### PART III

## PORTFOLIO PROFILE

The enlarged Group benefits from a portfolio of properties predominantly located in prime sites.

Key features of the Portfolio include the quality and longevity of its rental income, its low vacancy rate and the existence of opportunities to enhance significantly future value.

Approximately 94 per cent. of the enlarged Group's rental income for the 13 month period ended 31 July 1996 was derived from tenants with good financial standing, including Prudential, British Telecom and Reed Elsevier. In addition, these leases provide for upward only rent reviews and, generally, on a basis where property repairs and refurbishments are fully recoverable from the tenant.

The Directors believe that the quality and nature of the Portfolio means that the Group is well placed to participate in the recovery in the UK property market in terms of rental and capital growth.

The Portfolio consists of 15 separate properties.

<i>Property</i>	<i>Principal usage</i>	<i>Principal tenants/ occupiers</i>	<i>Expiry of lease</i>	<i>Open market value (Note 1)  (£m)</i>
250 Euston Road, London, NW1	Office	Prudential	2104	105.0
Delta Point, Croydon	Office	British Telecom	2011	50.0
Quadrant House, Sutton	Office	Reed Elsevier	2020	n/a
90-95 Wimpole Street and 25 Wigmore Street, London, W1	Office	MI Property Management Company Limited (a subsidiary of Allianz (UK))	2008	38.0
	Bank	Midland Bank	2004	
	Retail	Various	1998-2009	
The Croydon Centre, Croydon	Office and retail	Nestlé, Secretary of State for the Environment	various (1996-1999 with some retail leases expiring thereafter)	n/a
Westerhill Road, Bishopbriggs, Glasgow	Warehouse and industrial	William Collins (guaranteed by Harper Collins, News Corporation and News International)	2025	57.5
Regional portfolio				n/a
				365.0
27-37 Wigmore Street, London, W1	Office and retail	Paribas (guaranteed by Banque Paribas)	various (2011-2012 with one lease expiring thereafter)	37.0
				402.0

#### Notes

- The values are extracted from the valuation report by Weatherall Green & Smith at Part VI of this document.
- The individual valuations of certain properties have been excluded because of reasons of commercial sensitivity as set out on pages 21 to 23 of this document.

Set out below are details of the enlarged Group's seven principal investment properties, together with an outline of the regional portfolio.

### ***250 Euston Road, London NW1***

This prime freehold property is let to Prudential with an effective unexpired term of 107 years. It comprises approximately 150,000 square feet of offices, together with additional recreational and leisure facilities. It was built in 1981 and in 1989 Minerva purchased a superior interest, below that of Greycoat Properties Plc, (the head lessee and developer of the property) and the London Borough of Camden, the freeholder. Over a three year period, the executive Directors negotiated the acquisition of the interests of the London Borough of Camden and subsequently Greycoat Properties Plc, leaving Minerva as the freeholder thereby significantly enhancing the investment value of the property.

Prior to Minerva's purchase in 1989, Prudential had contracted to take an assignment of the previous lessee's long occupational lease with 114 years unexpired, thereby ensuring a tenant with good financial standing. Between exchange and completion of the acquisition of the property, and after consideration of the lease terms, the executive Directors, with a view to underpinning the future cash flow from the property, successfully negotiated a guaranteed minimum annual rent of £6.25 million for the office element only, or the open market rental value if higher, to take effect at the next rent review in 1991. In addition, the Prudential agreed that all of the extensive refurbishment works undertaken by it would enure for the Group's benefit in respect of the forthcoming and all future rent reviews. Further, certain specific terms of the occupational lease were simultaneously varied with Prudential in order to enhance the overall occupational lease quality and the investment value.

This example highlights the executive Directors' understanding of changing cycles in the property market and its ability to capitalise upon opportunities that exist in relation to all aspects of property ownership.

The current net annual rent is £6.475 million made up of £6.25 million for the offices and £0.225 million per annum for the recreational and leisure facilities. The lease is drawn on full repairing and insuring terms and provides for five yearly upward only rent reviews, with the next review due in 2001. The rent is to be reviewed to a prime office building in Central London of a comparable size and quality. In addition, Minerva, at specific predetermined dates, has the right in certain instances to change the frequency of the rent review pattern to less than five years. Further, Prudential has an obligation to rebuild the building whenever necessary.

The Directors believe that the lease terms offer an opportunity to restructure the current occupational lease with Prudential, on terms which will create substantial additional value for the Group. Alternatively, the Directors believe that the property and its current income stream is suitable for a bond issue or securitisation.

### ***The Croydon Centre, Croydon, Surrey***

This property, which was built in 1965, is situated in the centre of Croydon, adjacent to the prime shopping areas of North End and George Street and is opposite the Town Hall. The property is let on 79 tenancies, on leases of varying lengths, with tenants including Nestlé, Department of the Environment and Lloyds TSB. The property comprises a complex of 164,000 sq. ft. of offices, together with 70 retail units totalling 69,000 sq. ft.

At the time of the purchase, a sizeable proportion of the property was unlet, there were a number of rent reviews outstanding in respect of the office and retail accommodation, and the property was in need of substantial refurbishment. Following the purchase, the executive Directors, who had undertaken a detailed evaluation of the local market, completed the letting of the majority of the available office accommodation to Nestlé and NMB-Heller at rents which were consistent with the executive Directors' estimation and which were considerably in excess of those used in determining the purchase price. In addition, new rental levels were established for the retail element of the property as a result of new lettings. This activity established a benchmark for future rent reviews at The Croydon Centre, with the effect that Minerva duly doubled the net annual rent from the property.

The current aggregate net annual rent is £2.315 million.

The redevelopment prospects for this property are discussed in Part I of this document. Discussions are taking place for the pre-sale of a section of the contemplated development.

***Delta Point, Croydon***

This long leasehold property, located in Croydon Town Centre, is let to British Telecom with an unexpired term of approximately 15 years. The freehold is owned by Croydon Land Limited, and Minerva's lease has an unexpired term of approximately 114 years. The property which comprises approximately 250,000 sq. ft. of office space was built in 1984.

The property was purchased in 1990. The basis of acquisition assumed rental levels only marginally higher than those achieved at The Croydon Centre which was a lower quality building. The September 1991 rent review was settled at arbitration in 1992 and the rental level awarded was materially higher than the previous level of rent payable by British Telecom and was consistent with the executive Directors' estimation.

The current net annual rent is £3.604 million. The lease provides for five yearly upward only rent reviews with the next review due in 2001.

The opportunity still exists to enhance the value of this property by merging the Group's existing long leasehold interest with the freehold. The Directors believe that such a merger would create substantial additional value.

***90-95 Wimpole Street and 25 Wigmore Street, London W1***

This freehold property comprising virtually the entire south-west side of Wimpole Street, with a frontage on to Wigmore Street, is let on eight tenancies on leases of varying lengths, with tenants including Midland Bank, Debenhams and MI Property Management, a subsidiary of Allianz (UK). The property, comprising 48,000 sq. ft. of office space, 10,000 sq. ft. of retail space and 16,000 sq. ft. of ancillary space, was built between 1870 and 1930 and comprehensively refurbished in 1984 and 1994/5.

Prior to Minerva's acquisition of the freehold, the executive Directors simultaneously renegotiated the terms of the occupational lease with the office tenant, MI Property Management, who contractually committed to enter into a new lease at an increased rental level conditional only upon Minerva's acquisition of the freehold. As a consequence, Minerva was successful in significantly increasing the initial running yield and capital value of the property.

The current net annual rental is £2.739 million.

This property, together with the adjacent property at 27-37 Wigmore Street, has significant development potential, which is described in Part I of this document. The current tenant, MI Property Management, is not in occupation and the majority of the offices are underlet to Paribas, who occupy the adjoining property which the Group is acquiring upon flotation. The building is presently three storeys lower than the adjoining property and is therefore substantially underdeveloped, in its own right, and irrespective of the Group's intentions in connection with its purchase of 27-37 Wigmore Street. Discussions have taken place with existing tenants and adjoining land owners to further the development plan for the island site.

***Wigmore Street acquisition***

Minerva has agreed to acquire 27-37 Wigmore Street and the adjoining air space from the Ladbroke Group for a consideration of £37 million, conditional only on Admission. The property is adjacent to an existing asset of Minerva, 90-95 Wimpole Street and 25 Wigmore Street, and is let to Paribas on a lease with an unexpired term of approximately 15 years. The current net annual rent is £2.615 million.

The development potential of this property and the adjacent property at 90-95 Wimpole Street and 25 Wigmore Street is described in Part I of this document.

***Quadrant House, Sutton***

This long leasehold property is let to Reed Elsevier as a divisional UK headquarters, with an unexpired term of approximately 23 years. The freehold is owned by British Railways Board, and Minerva's lease has an unexpired term of 230 years. The property, comprising approximately 194,000 sq. ft. of office space was built in 1976.

At the time of Minerva's acquisition of the long leasehold interest, there was a rent review outstanding with Reed Elsevier which was making a sale difficult. Minerva negotiated with Reed Elsevier in advance of its acquisition, an agreement whereby Reed Elsevier's existing lease was surrendered, and a new full repairing and insuring 30 years

lease was granted at a considerably improved commencing rental, thereby eliminating the uncertainty in respect of the outstanding rent review. In addition, Minerva agreed with Reed Elsevier that the annual rent would rise at the first rent review in 1995 to the higher of the then open market rental value, or £4.215 million thus guaranteeing a minimum increase in rental income for the Group.

The current net annual rent is £4.215 million. The lease provides for five yearly upward only rent reviews, with the next review being in June 2000.

An approach has been received with regard to this property which the Directors are considering whether or not to pursue.

#### ***Westerhill Road, Bishopbriggs, Glasgow***

This long leasehold property, with an option to purchase the feuhold for £1, currently owned by Antares, which was acquired as a result of a sale and leaseback is fully let to William Collins, with an unexpired term of approximately 29 years. The rent is guaranteed on a joint and several basis, by Harper Collins, News International and News Corporation. The property, comprising approximately 525,000 sq. ft. of warehouse and industrial space, approximately 234,000 sq. ft. of distribution facilities and a purpose built multi-storey office building of approximately 114,000 sq. ft., was built in the mid 1970's.

The current net annual rent is £3.835 million, rising to a guaranteed minimum of £5.132 million in August 2000 or the open market rental value, whichever is the higher. The lease provides for five yearly upward only rent reviews, with the rent review formula being linked to the performance of smaller industrial warehouse and office buildings around the prime areas of Glasgow.

In addition, the Group has the ability, as a result of an option agreement entered into with the tenant in 1992, to subdivide the estate into separate legal interests, thereby facilitating a possible future phased disposal of the property.

#### ***Regional Portfolio***

The Group owns a portfolio of eight buildings located around the country, principally in the North of England, Scotland and the Midlands, producing net annual rent of £1.95 million. The properties are mainly let to government departments and are intensively managed through a continuing programme of refurbishment, lease renewal, rent review and lease restructuring. The Directors are exploring the possibility of realising value from the properties in the regional portfolio and an approach has been received with regard to these properties which the Directors are considering whether or not to pursue.



## PART IV

## PRO FORMA STATEMENT OF NET ASSETS

The pro forma statement of consolidated net assets set out below is provided for illustrative purposes only and, because of its nature, cannot give a complete picture of the financial position of Minerva. It is derived from the audited consolidated balance sheet of Minerva as at 31 July 1996 and the audited consolidated balance sheet of Antares as at 31 July 1996, which are set out in the accountants' reports in Part V of this document. The statement should be read in conjunction with the description of the adjustments set out in the notes on page 25 of this document.

	Minerva 31 July 1996 Audited £m	Antares 31 July 1996 Audited £m	Enlarged Group pre-Placing and Wigmores Street acquisition £m	Adjustment 1 £m (Note 1)	Adjustment 2 £m (Note 2)	Enlarged Group pre- Placing £m	Adjustment 3 £m (Note 3)	Pro forma £m
<b>Fixed assets</b>								
Tangible assets:								
Investment properties	307.5	57.5	365.0	—	37.0	402.0	—	402.0
Other fixed assets	0.2	—	0.2	—	—	0.2	—	0.2
Other investments	3.1	4.2	3.1	(4.2)	—	3.1	—	3.1
	<u>310.8</u>	<u>61.7</u>	<u>368.3</u>	<u>(4.2)</u>	<u>37.0</u>	<u>405.3</u>	<u>—</u>	<u>405.3</u>
<b>Current assets</b>								
Debtors	1.8	1.9	3.7	—	—	3.7	—	3.7
Cash at bank and in hand	1.5	9.2	(8.7)	(19.4)	(17.0)	(25.7)	50.9	25.2
	<u>3.3</u>	<u>11.1</u>	<u>(5.0)</u>	<u>(19.4)</u>	<u>(17.0)</u>	<u>(22.0)</u>	<u>50.9</u>	<u>28.9</u>
<b>Creditors: amounts falling due within one year:</b>								
Bank debt	(27.0)	—	(27.0)	—	—	(27.0)	3.0	(24.0)
Other	(8.9)	(0.6)	(9.5)	—	—	(9.5)	1.0	(8.5)
	<u>(32.6)</u>	<u>10.5</u>	<u>(41.5)</u>	<u>(19.4)</u>	<u>(17.0)</u>	<u>(58.5)</u>	<u>54.9</u>	<u>(3.6)</u>
<b>Net current (liabilities)/assets</b>	<u>278.2</u>	<u>72.2</u>	<u>326.8</u>	<u>(23.6)</u>	<u>20.0</u>	<u>346.8</u>	<u>54.9</u>	<u>401.7</u>
<b>Total assets less current liabilities</b>								
<b>Creditors: amounts falling due after more than one year</b>								
Interest bearing debt	(191.1)	(37.8)	(228.9)	—	(20.0)	(248.9)	15.7	(233.2)
Other creditors	(17.0)	(4.2)	—	21.2	—	—	—	—
	<u>70.1</u>	<u>30.2</u>	<u>97.9</u>	<u>(2.4)</u>	<u>—</u>	<u>97.9</u>	<u>70.6</u>	<u>168.5</u>
<b>Net assets</b>	<u>202p</u>	<u>—</u>	<u>214p</u>	<u>—</u>	<u>—</u>	<u>214p</u>	<u>—</u>	<u>176p</u>
<b>Net assets per share</b>								
Effective number of ordinary shares (m) (Note 5)	34.8					45.8		95.8
<b>Net debt (£m) (Note 6)</b>								232.0
<b>Gearing (Note 7)</b>								138%

## Notes:

1. Adjustment 1 comprises adjustments for the following:
  - (i) As part of the arrangements set out in paragraph 3 of Part VII of this document, Eagle Star has agreed to accept a total of £7.34 million (made up as to ordinary shares to the value of £3.45 million at the Placing price and £3.89 million in cash), as settlement of £11.2 million of amounts owing from within Minerva and Antares.
  - (ii) As part of the arrangements set out in paragraph 3 of Part VII of this document, Minerva will on Admission repay to Chase £5 million in cash of the £10 million owed by the Group to it. Chase has agreed to assign the balance of £5 million to a non-Group company, which has agreed to forgive this balance.
  - (iii) The redemption of the £4.2 million of preference shares in Minerva held as an investment by Antares, as set out in paragraph 3 of Part VII of this document.
  - (iv) As part of the arrangements set out in paragraph 9 of Part VII of this document, Minerva has agreed to acquire Antares for £10.5 million in cash and the issue of 8.8 million ordinary shares. The cash element of the acquisition is approximately equivalent to the cash at bank of Antares at the time of acquisition.
2. Adjustment 2 comprises the adjustments for the acquisition of the property in Wigmore Street for £37 million. It is assumed that a first mortgage of £20 million is secured on the property, with the remainder of the purchase price totalling £17 million being funded out of the proceeds of the Placing. No account has been taken of the expenses of the acquisition of 27-37 Wigmore Street.
3. Adjustment 3 reflects the application of the estimated net proceeds of the Placing of £70.6 million, as set out in "Reasons for the Placing and use of proceeds" on page 12 of this document, as follows:
  - (i) The cash movement of £50.9 million comprises the cash element of the settlement of debt of £8.89 million as set out in 1(i) and 1(ii) above, the £17.0 million part-funding of the Wigmore Street acquisition and £25.0 million to be retained initially as a cash balance.
  - (ii) The £28.6 million to be used to repay, in part, indebtedness, referred to in "Reasons for the Placing and use of proceeds", includes £8.89 million referred to in 3(i) above, £3.0 million to repay short term bank borrowings, £1.0 million to pay Bankers Trust as referred to in paragraph 3.2 (a) of Part VII of this document and the remaining £15.7 million to repay long term bank borrowings.
4. No adjustment has been made to reflect trading in both Minerva and Antares since 31 July 1996.
5. In order to provide a meaningful comparison, the number of ordinary shares used in the calculations has been determined by taking account of the relevant changes in share capital as set out in paragraph 2 of part VII of this document.
6. Pro forma net debt is calculated as debt less cash at bank and in hand including the estimated net proceeds of the Placing of £70.6 million.
7. Gearing represents net debt divided by net assets.

**PART V**

**ACCOUNTANTS' REPORTS**

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**1. MINERVA**

The following is the text of a report from Coopers & Lybrand, Chartered Accountants:

**Coopers  
& Lybrand**

1 Embankment Place  
London WC2N 6NN

The Directors  
Minerva plc  
10 Gloucester Place,  
London W1H 3AX

The Directors  
HSBC Investment Bank plc  
Vintner's Place,  
68 Upper Thames Street,  
London EC4V 3BJ

22 November 1996

Dear Sirs

We report in connection with the listing particulars dated 22 November 1996 of Minerva plc ("the Company") ("the listing particulars").

*Incorporation and changes in structure and definition of terms*

Minerva Corporation plc was incorporated on 12 October 1987. The Company was incorporated as 146th Legibus plc on 27 September 1991 and changed its name to Minerva plc on 3 December 1991. On 5 December 1991 the Company acquired the whole of the share capital of Minerva Corporation plc by way of a share for share exchange. The Company and its subsidiary undertakings are referred to in this report as "the Group".

The subsidiary undertakings of Minerva plc are listed in paragraph 11 of Part VII of the listing particulars.

*Financial statements examined*

We have examined the audited financial statements of the Group for the 18 months ended 30 June 1994, 12 months ended 30 June 1995 and 13 months ended 31 July 1996. Audited financial statements of the Group have not been made up for any period subsequent to 31 July 1996.

*Auditors and their reports*

The financial statements of the Group for the period covered by this report were audited by Gerald Edelman, Chartered Accountants and Registered Auditors, who gave unqualified reports thereon.

*Basis of financial information, and adjustments*

The financial information set out in this report is based on the audited financial statements of the Group after making such adjustments as we consider necessary.

*Auditing guideline*

Our work has been carried out in accordance with the Auditing Guideline: 'Prospectuses and the reporting accountant'.

*Opinion*

In our opinion, the financial information set out below gives, for the purpose of the said listing particulars, a true and fair view of the state of affairs of the Group as at 30 June 1994 and 1995, and 31 July 1996 and of its consolidated profit/loss, total recognised gains/losses and cash flows for the 18 months ended 30 June 1994, 12 months ended 30 June 1995 and 13 months ended 31 July 1996.

**PRINCIPAL ACCOUNTING POLICIES**

The financial information contained in this report has been prepared in accordance with Accounting Standards currently applicable in the United Kingdom. The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties. The principal accounting policies, which have been applied consistently for all the periods covered by this report, are set out below.

**Consolidation**

The audited financial statements of the Company and its subsidiary undertakings have been consolidated. The consolidated financial statements include the Group's interest in the results of associated undertakings by reference to their latest available financial statements.

**Acquisitions, disposals and goodwill**

Where subsidiary and associated undertakings are acquired or disposed of during a financial 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, is written off against reserves in the period of acquisition.

**Investment property**

In accordance with Statement of Standard Accounting Practice No 19.

- (i) properties held for investment are periodically revalued. Where the revaluation is adopted in the financial statements any net surpluses are transferred to revaluation reserve.
- (ii) no provision is made for depreciation or amortisation of properties held for investment purposes. The directors consider that this accounting policy (which represents a departure from the accounting requirements of the Companies Act 1985) is necessary for the financial statements to show a true and fair view.

**Property transactions**

Acquisitions and disposals are accounted for at the date of legal completion.

**Fixed asset investments**

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

**Trading properties**

Properties which are held for development or trading are included at the lower of cost and net realisable value.

**Gross rental income**

Gross rental income represents rents receivable and service charges recharged gross of any property outgoings.

**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 the reducing balance method at 33 per cent. and 20 per cent. respectively.

**Deferred taxation**

Deferred taxation is computed under the liability method on short-term timing differences.

**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**

The group operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they are incurred.

**Loan issue costs**

In accordance with Financial Reporting Standard 4 "Capital Instruments", bank loans are included in the financial statements net of issue costs, which are amortised over the life of the loan.

**Capitalisation of interest**

Interest on loans specifically used for the financing of investment properties were 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.

## CONSOLIDATED PROFIT AND LOSS ACCOUNTS

		<i>18 months ended 30 June 1994 £'000</i>	<i>12 months ended 30 June 1995 £'000</i>	<i>13 months ended 31 July 1996 £'000</i>
	<i>Notes</i>			
Gross rental income	1	40,492	25,433	26,652
Net property outgoings		<u>(6,791)</u>	<u>(3,167)</u>	<u>(3,304)</u>
<b>Net revenue from properties</b>		<b>33,701</b>	<b>22,266</b>	<b>23,348</b>
Sales of trading properties		<u>—</u>	<u>254</u>	<u>—</u>
<b>Gross profit</b>		<b>33,701</b>	<b>22,520</b>	<b>23,348</b>
Administrative expenses		<u>(3,820)</u>	<u>(3,558)</u>	<u>(3,264)</u>
		29,881	18,962	20,084
Other operating income		<u>245</u>	<u>245</u>	<u>145</u>
<b>Operating profit</b>	2	<b>30,126</b>	<b>19,207</b>	<b>20,229</b>
Exceptional items	5	34,319	—	(473)
Gain/(loss) on disposal of investment properties		50	—	(569)
Interest receivable	6	357	101	154
Interest payable and similar charges	7	<u>(49,695)</u>	<u>(29,519)</u>	<u>(24,041)</u>
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>15,157</b>	<b>(10,211)</b>	<b>(4,700)</b>
Taxation	8	<u>37</u>	<u>—</u>	<u>—</u>
<b>Profit/(loss) on ordinary activities after taxation</b>		<b>15,194</b>	<b>(10,211)</b>	<b>(4,700)</b>
Minority interests		<u>(3,628)</u>	<u>—</u>	<u>—</u>
<b>Retained profit/(net loss) for the financial period</b>	24	<b><u>11,566</u></b>	<b><u>(10,211)</u></b>	<b><u>(4,700)</u></b>
<b>Earnings/(loss) per share – for the period</b>	10	<b><u>33.3p</u></b>	<b><u>(29.4p)</u></b>	<b><u>(13.5p)</u></b>

**NOTE OF HISTORICAL COST PROFITS AND LOSSES**

	<i>18 months ended 30 June 1994 £'000</i>	<i>12 months ended 30 June 1995 £'000</i>	<i>13 months ended 31 July 1996 £'000</i>
Reported profit/(loss) on ordinary activities before taxation	15,157	(10,211)	(4,700)
Realisation of revaluation surplus of previous years on properties sold in the period	<u>1,282</u>	<u>—</u>	<u>4,466</u>
Historical cost profit/(loss) on ordinary activities before taxation	<u>16,439</u>	<u>(10,211)</u>	<u>(234)</u>
Historical cost retained profit/(net loss) for the period	<u>12,848</u>	<u>(10,211)</u>	<u>(234)</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	<i>18 months ended 30 June 1994 £'000</i>	<i>12 months ended 30 June 1995 £'000</i>	<i>13 months ended 31 July 1996 £'000</i>
Profit/(loss) for the financial period	11,566	(10,211)	(4,700)
Unrealised surplus/(deficit) on revaluation of properties	<u>30,007</u>	<u>938</u>	<u>(14,202)</u>
Total recognised gains and losses for the period	<u>41,573</u>	<u>(9,273)</u>	<u>(18,902)</u>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<i>18 months ended 30 June 1994 £'000</i>	<i>12 months ended 30 June 1995 £'000</i>	<i>13 months ended 31 July 1996 £'000</i>
Total recognised gains and losses for the period	41,573	(9,273)	(18,902)
Reserve arising on shares issued by subsidiary undertakings	—	—	24,395
Reserve arising on acquisition of minority interests in subsidiary undertakings	2,960	—	—
New share capital issued	<u>—</u>	<u>—</u>	<u>22,433</u>
Net addition to shareholders' funds	44,533	(9,273)	27,926
Opening shareholders' funds	<u>6,922</u>	<u>51,455</u>	<u>42,182</u>
Closing shareholders' funds	<u>51,455</u>	<u>42,182</u>	<u>70,108</u>

**CONSOLIDATED BALANCE SHEETS**

	<i>Notes</i>	<i>30 June 1994 £'000</i>	<i>30 June 1995 £'000</i>	<i>31 July 1996 £'000</i>
<b>Fixed assets</b>				
Tangible assets:				
Investment properties	11	336,350	337,465	307,500
Other fixed assets	12	108	148	167
Investments:				
Associated undertakings	13	1	1	1
Other investments	14	—	—	3,106
		<u>336,459</u>	<u>337,614</u>	<u>310,774</u>
<b>Current assets</b>				
Trading properties		570	570	—
Debtors	15	7,583	6,284	1,841
Cash at bank and in hand	16	<u>2,725</u>	<u>2,734</u>	<u>1,504</u>
		10,878	9,588	3,345
<b>Creditors: amounts falling due within one year</b>	17	<u>(14,587)</u>	<u>(60,043)</u>	<u>(35,922)</u>
<b>Net current liabilities</b>		<u>(3,709)</u>	<u>(50,455)</u>	<u>(32,577)</u>
<b>Total assets less current liabilities</b>		332,750	287,159	278,197
<b>Creditors: amounts falling due after more than one year</b>	18, 19	<u>(281,295)</u>	<u>(244,977)</u>	<u>(208,089)</u>
		<u>51,455</u>	<u>42,182</u>	<u>70,108</u>
<b>Capital and reserves</b>				
Called up share capital	20	9,940	9,940	25,374
Share premium account	21	—	—	6,999
Revaluation reserve	22	59,562	60,500	41,832
Other reserves	23	2,960	2,960	27,355
Profit and loss account	24	<u>(21,007)</u>	<u>(31,218)</u>	<u>(31,452)</u>
<b>Total shareholders' funds</b>		<u>51,455</u>	<u>42,182</u>	<u>70,108</u>
Equity shareholders' funds		51,455	42,182	65,907
Non-equity shareholders' funds		<u>—</u>	<u>—</u>	<u>4,201</u>
		<u>51,455</u>	<u>42,182</u>	<u>70,108</u>



## CONSOLIDATED CASH FLOW STATEMENTS

		<i>18 months ended 30 June 1994 £'000</i>	<i>12 months ended 30 June 1995 £'000</i>	<i>13 months ended 31 July 1996 £'000</i>
	<i>Notes</i>			
Net cash inflow from operating activities	29(a)	34,630	20,431	12,927
<b>Returns on investments and servicing of finance</b>				
Interest received		543	106	150
Interest paid		(49,187)	(28,496)	(24,562)
Interest paid on finance leases		(1)	(5)	(13)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(48,645)</u>	<u>(28,395)</u>	<u>(24,425)</u>
<b>Taxation</b>				
Consortium relief receipt		37	—	—
<b>Tax repayment received</b>		<u>37</u>	<u>—</u>	<u>—</u>
<b>Investing activities</b>				
Acquisition of subsidiary undertakings	30	(33,493)	—	—
Acquisition of investment properties		(898)	(177)	(1,810)
Acquisition of tangible fixed assets		(20)	(45)	(31)
Sale of subsidiary undertakings	31	77,672	—	—
Sale of investment properties		—	—	14,460
Sale of tangible fixed assets		15	21	35
<b>Net cash inflow/(outflow) from investing activities</b>		<u>43,276</u>	<u>(201)</u>	<u>12,654</u>
<b>Net cash inflow/(outflow) before financing</b>		<u>29,298</u>	<u>(8,165)</u>	<u>1,156</u>
<b>Financing</b>				
Decrease/(increase) in bank loans	29(c)	28,691	(8,191)	153,074
Issue of share capital		—	—	(22,433)
New long term loans	29(c)	—	—	(130,158)
Issue costs of new long term loans	29(c)	—	—	1,970
Repayment of capital elements of hire purchase rental		2	17	63
<b>Net cash inflow/(outflow) from financing</b>		<u>28,693</u>	<u>(8,174)</u>	<u>2,516</u>
<b>Increase/(decrease) in cash and cash equivalents</b>	29(b)	<u>605</u>	<u>9</u>	<u>(1,360)</u>
		<u>29,298</u>	<u>(8,165)</u>	<u>1,156</u>

## NOTES TO THE FINANCIAL INFORMATION

## 1. Gross rental income

	<i>18 Months ended 30 June 1994 £'000</i>	<i>12 months ended 30 June 1995 £'000</i>	<i>13 months ended 30 July 1996 £'000</i>
Rental income	38,688	24,013	25,200
Recoverable service charges	1,804	1,420	1,452
	<u>40,492</u>	<u>25,433</u>	<u>26,652</u>

## 2. Operating profit

	<i>18 Months ended 30 June 1994 £'000</i>	<i>12 months ended 30 June 1995 £'000</i>	<i>13 months ended 31 July 1996 £'000</i>
<b>This is arrived at after charging/(crediting):</b>			
Amortisation/(write back) of bank loan charges	417	1,688	(2,105)
Depreciation	38	60	80
Directors' emoluments (note 3)	584	300	244
Staff costs (note 4)	570	369	422
Leasing and hire charges	50	10	5
Operating lease rentals — buildings	1,800	1,199	1,322
Auditors' remuneration for audit	35	39	49
Loss/(profit) on sale of tangible fixed assets	3	(10)	(9)

## 3. Directors' emoluments

	<i>18 Months ended 30 June 1994 £'000</i>	<i>12 months ended 30 June 1995 £'000</i>	<i>13 months ended 31 July 1996 £'000</i>
Salary payments	584	300	244
	<u>584</u>	<u>300</u>	<u>244</u>

Directors' emoluments include amounts paid in respect of:

The chairman	—	—	—
The highest paid director	236	100	108

The number of directors (excluding the chairman and the highest-paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

£nil to £5,000	2	—	—
£20,001 to £25,000	—	—	1
£95,001 to £100,000	—	2	—
£105,001 to £110,000	—	—	1
£145,001 to £150,000	1	—	—
£195,001 to £200,000	1	—	—

One director (the chairman) did not receive any emoluments in respect of all the periods under review.

**4. Staff costs**

	<i>18 Months ended 30 June 1994</i>	<i>12 months ended 30 June 1995</i>	<i>13 months ended 31 July 1996</i>
Average number of persons (including executive directors) employed by the Group	19	16	16
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Staff costs for the above persons (excluding executive directors)			
Wages and salaries	449	292	351
Social security costs	115	69	65
Contributions to pension schemes	6	8	6
	<u>570</u>	<u>369</u>	<u>422</u>

**5. Exceptional items**

	<i>18 Months ended 30 June 1994 £'000</i>	<i>12 months ended 30 June 1995 £'000</i>	<i>13 months ended 31 July 1996 £'000</i>
Liability under a deed of undertaking (a)	—	—	(1,000)
Loan written off (b)	—	—	527
Net gain on disposal of subsidiary undertakings (c(i))	11,619	—	—
Amounts due from former subsidiary undertakings written off (c(ii))	(2,299)	—	—
Cost of option over minority interest (c(iii))	(876)	—	—
Bank loans written off on acquisition of minority interest	12,015	—	—
Write back of provision for diminution in value of investment properties (d)	<u>13,860</u>	<u>—</u>	<u>—</u>
	<u>34,319</u>	<u>—</u>	<u>(473)</u>

(a) In September 1996 Minerva Corporation plc came to an arrangement with Bankers Trustee Company Limited to pay £1,000,000 in full and final settlement of a deed of undertaking entered into in the period ended 30 June 1994 and amended in July 1996. This is more fully described in note 28(b).

(b) During the period ended 31 July 1996 a third party loan was assigned to a shareholder family trust which subsequently waived it. Mr D E Garrard, the Company Chairman, is settlor to the trust.

(c) During the period ended 30 June 1994, the Group disposed of its interest in three subsidiary undertakings and acquired the minority interest in three subsidiary undertakings as well as the remaining interest in an associated undertaking.

(i) The net gain on disposal of subsidiary undertakings consisted of:

	<i>£'000</i>
Sales proceeds	500
Net liabilities disposed of	11,119
	<u>11,619</u>

(ii) Amounts owed by these subsidiary undertakings to Minerva amounting to £2,299,000 were written off as part of the sale agreement.

- (iii) During the period ended 30 June 1994 the Company paid £876,000 to secure an option to acquire the minority interest in certain subsidiary undertakings. As part of these arrangements the minority interest holder assigned loan notes issued by these subsidiary undertakings to another of the Group's lenders who in turn forgave £12,015,000 of debt owed by the Group.
- (d) During 1992 two properties were valued below cost and the resulting deficit of £13,860,000 was charged to the profit and loss account. On revaluation at a value in excess of historical cost as at 30 June 1994, the write down in 1992 was reversed.

**6. Interest receivable**

	<i>18 Months ended 30 June 1994 £'000</i>	<i>12 months ended 30 June 1995 £'000</i>	<i>13 months ended 31 July 1996 £'000</i>
Bank interest	256	78	116
Other interest	101	23	38
	<u>357</u>	<u>101</u>	<u>154</u>

**7. Interest payable and similar charges**

	<i>18 Months ended 30 June 1994 £'000</i>	<i>12 months ended 30 June 1995 £'000</i>	<i>13 months ended 31 July 1996 £'000</i>
Interest on bank loans repayable within five years	47,971	28,544	29,255
Interest on other creditors repayable within five years	1,324	968	—
Other interest payable	400	7	13
	<u>49,695</u>	<u>29,519</u>	<u>29,268</u>
Interest on other creditors written back	—	—	(5,227)
	<u>49,695</u>	<u>29,519</u>	<u>24,041</u>

During the period ended 31 July 1996, interest of £5,227,000 due to Mr D E Garrard and family trusts of which he is the settlor was waived.

**8. Taxation**

	<i>18 Months ended 30 June 1994 £'000</i>	<i>12 months ended 30 June 1995 £'000</i>	<i>13 months ended 31 July 1996 £'000</i>
Consortium relief receipt	37	—	—

No liability to UK corporation tax arises as, subject to Inland Revenue agreement, the Group has losses available.

Investment properties are held as long term investments. 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. If all the properties were disposed of, the taxation liability to the Group could amount to approximately £1.3 million, (1995 — £8.3 million 1994 — £10.8 million).

**9. Profit/(loss) dealt with by parent company**

	<i>18 Months ended 30 June 1994 £'000</i>	<i>12 months ended 30 June 1995 £'000</i>	<i>13 months ended 31 July 1996 £'000</i>
The Group profit/(loss) is attributable to:			
Minerva plc	10,874	(1,188)	318
Subsidiary undertakings	<u>4,320</u>	<u>(9,023)</u>	<u>(5,018)</u>
	<u>15,194</u>	<u>(10,211)</u>	<u>(4,700)</u>

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

The earnings/(losses) per share have been calculated throughout the period under review on 34,751,985 new ordinary shares of 25p each (taking account of the changes in share capital of the Company described in paragraphs 2.7(a), 2.7(c) and 2.7(d) of Part VII of the listing particulars) being the effective number of new ordinary shares attributable on Admission to Minerva shareholders before taking account of the effective number of shares to be issued in respect of the acquisition of Antares and the new ordinary shares to be issued to Eagle Star as described in paragraphs 2.7(i) and 2.7(f)(ii) respectively of Part VII of the listing particulars.

**11. Investment properties**

	<i>Total £'000</i>	<i>Freehold £'000</i>	<i>Long leasehold £'000</i>
Professional valuation — 1 January 1993	332,180	163,700	168,480
Additions, at cost	898	323	575
Additions, on acquisition of subsidiary (note 30)	31,588	31,588	—
Disposals — at valuation	(76,930)	(32,678)	(44,252)
Revaluation surplus	<u>48,614</u>	<u>47,967</u>	<u>647</u>
Professional valuation — 1 July 1994	336,350	210,900	125,450
Additions at cost	177	51	126
Revaluation surplus	<u>938</u>	<u>884</u>	<u>54</u>
Directors' valuation — 30 June 1995	337,465	211,835	125,630
Additions at cost	2,372	2,372	—
Disposals — at valuation	(18,135)	(13,685)	(4,450)
Reclassification	—	4,500	(4,500)
Revaluation deficit	<u>(14,202)</u>	<u>(4,372)</u>	<u>(9,830)</u>
Directors' valuation — 31 July 1996	<u>307,500</u>	<u>200,650</u>	<u>106,850</u>

The investment properties were valued on an open market basis by Chestertons as at 30 June 1994 in accordance with the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institution of Chartered Surveyors and on an open market basis by the directors as at 30 June 1995 and 31 July 1996.

The historical cost of properties at 31 July 1996 was £249,320,000 (June 1995 — £249,248,000; 1994 — £260,441,000). The total amount of interest capitalised as part of the cost of investment properties at 31 July 1996 was £34,464,707 (June 1995 — £34,464,707; 1994 — £35,749,028).

As described in the accounting policies adopted by the Group, investment properties are accounted for in accordance with SSAP19, which is a departure from the requirements of the Companies Act 1985. If this departure

had not been made, the profit for the year would have been reduced by depreciation on the revalued properties. The calculation of this depreciation charge and the equivalent charge if the historical cost accounting had been used are set out below.

		<i>18 months ended 30 June 1994 £'000</i>	<i>12 months ended 30 June 1995 £'000</i>	<i>13 months ended 31 July 1996 £'000</i>
<i>Depreciation rate</i>				
Revaluation basis				
Freehold	1% per annum	2,109	1,982	1,870
Leasehold	1% per annum	<u>1,254</u>	<u>1,256</u>	<u>1,205</u>
		<u>3,363</u>	<u>3,238</u>	<u>3,075</u>
Historical cost basis				
Freehold	1% per annum	1,686	1,576	1,517
Leasehold	1% per annum	<u>918</u>	<u>916</u>	<u>976</u>
		<u>2,604</u>	<u>2,492</u>	<u>2,493</u>

## 12. Other fixed assets

	<i>Total £'000</i>	<i>Short leasehold property £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Motor vehicles £'000</i>
<b>The Group</b>				
<b>Cost</b>				
At 1 January 1993	277	7	53	217
Additions	69	–	10	59
Disposals	<u>(88)</u>	<u>–</u>	<u>–</u>	<u>(88)</u>
At 30 June 1994	258	7	63	188
Additions	111	–	33	78
Disposals	<u>(61)</u>	<u>–</u>	<u>(7)</u>	<u>(54)</u>
At 30 June 1995	308	7	89	212
Additions	125	–	72	53
Disposals	<u>(78)</u>	<u>–</u>	<u>–</u>	<u>(78)</u>
At 31 July 1996	<u>355</u>	<u>7</u>	<u>161</u>	<u>187</u>
<b>Depreciation</b>				
At 1 January 1993	181	2	27	152
Charge for the period	39	1	10	28
Eliminated in respect of disposals	<u>(70)</u>	<u>–</u>	<u>–</u>	<u>(70)</u>
At 30 June 1994	150	3	37	110
Charge for the year	60	–	11	49
Eliminated in respect of disposals	<u>(50)</u>	<u>–</u>	<u>(4)</u>	<u>(46)</u>
At 30 June 1995	160	3	44	113
Charge for the year	80	1	45	34
Eliminated in respect of disposals	<u>(52)</u>	<u>–</u>	<u>–</u>	<u>(52)</u>
At 31 July 1996	<u>188</u>	<u>4</u>	<u>89</u>	<u>95</u>
<b>Net book value at 30 June 1994</b>	<u>108</u>	<u>4</u>	<u>26</u>	<u>78</u>
<b>Net book value at 30 June 1995</b>	<u>148</u>	<u>4</u>	<u>45</u>	<u>99</u>
<b>Net book value at 31 July 1996</b>	<u>167</u>	<u>3</u>	<u>72</u>	<u>92</u>

**13. Investment in associated undertakings**

	<i>30 June</i>	<i>30 June</i>	<i>31 July</i>
	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Shares at cost	<u>1</u>	<u>1</u>	<u>1</u>

The Group owns 50 per cent of the ordinary shares capital of Moscow Minerva Limited which is incorporated in Great Britain and registered in England and Wales. This company has remained inactive during the period under review. The cost of the Group's investment in this company is £500.

**14. Other investments**

	<i>Total</i>	<i>Listed</i>	<i>Unlisted</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost			
At 1 July 1995	<u>-</u>	<u>-</u>	<u>-</u>
Additions	<u>3,106</u>	<u>1,331</u>	<u>1,775</u>
At 31 July 1996	<u>3,106</u>	<u>1,331</u>	<u>1,775</u>

The market value of the listed investment, which is in Premier Land plc, was £814,000 at 31 July 1996. The unlisted investment, which is in the same company, represents a loan note which is either convertible into shares or due for repayment by 6 September 1997.

**15. Debtors**

	<i>30 June</i>	<i>30 June</i>	<i>31 July</i>
	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Other debtors	7,134	2,726	1,359
Prepayments and accrued income	<u>449</u>	<u>3,558</u>	<u>482</u>
	<u>7,583</u>	<u>6,284</u>	<u>1,841</u>
Amounts falling due after one year included above:			
Prepayments and accrued income	<u>7</u>	<u>9</u>	<u>10</u>

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

Cash at bank includes £1,328,459 (1995—£2,511,816; 1994—£1,873,994) retained in rent accounts and not readily available to the Group for day to day commercial purposes.

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

	<i>30 June</i>	<i>30 June</i>	<i>31 July</i>
	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank loans and overdrafts (note 18)	5,148	50,548	27,010
Taxation and social security	195	210	175
Hire purchase creditors	14	52	59
Other creditors	1,015	820	2,554
Accruals and deferred income	<u>8,215</u>	<u>8,413</u>	<u>6,124</u>
	<u>14,587</u>	<u>60,043</u>	<u>35,922</u>

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

	<i>30 June</i>	<i>30 June</i>	<i>31 July</i>
	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank loans	267,139	229,930	190,999
Loan notes	—	—	17,000
Hire purchase creditors	40	62	90
Other creditors	9,852	9,759	—
Accruals and deferred income	4,264	5,226	—
	<u>281,295</u>	<u>244,977</u>	<u>208,089</u>

The bank loans are secured upon the deeds of title of properties held by certain of the subsidiary undertakings and by a floating charge over the remaining assets of certain of the subsidiary undertakings. The bank loans are also secured by a fixed charge over the Company's shareholding in Minerva Corporation plc, and a floating charge over the assets of Minerva Corporation plc.

The bank loans are repayable as follows:

	<i>30 June</i>	<i>30 June</i>	<i>31 July</i>
	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Within one year	5,148	50,548	27,010
Between one and two years	—	229,930	—
Between two and five years	<u>267,139</u>	<u>—</u>	<u>192,011</u>
	272,287	280,478	219,021
Less: unamortised issue costs	<u>—</u>	<u>—</u>	<u>(1,012)</u>
	<u>272,287</u>	<u>280,478</u>	<u>218,009</u>

The other loans of £17 million at 31 July 1996 are repayable by July 2001 and are secured by a fixed charge over the listed and unlisted investments (note 14) and a floating charge over the Company's shareholding in Minerva Corporation plc. The loans were issued at a zero coupon. Upon a listing, 50 per cent. of the loans are repayable and on the balance interest will accrue at 1 per cent. over the then prevailing redemption yield rate for 7 per cent. Treasury Gilt 2001.

**19. Obligations under leases and hire purchases contracts**

	<i>30 June</i>	<i>30 June</i>	<i>31 July</i>
	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Amounts payable:			
Within one year	14	52	59
Within two to five years	<u>40</u>	<u>62</u>	<u>90</u>
	54	114	149
Less: Finance charges allocated to future periods	<u>(7)</u>	<u>(18)</u>	<u>(22)</u>
	<u>47</u>	<u>96</u>	<u>127</u>
Analysis of changes in leases and hire purchases contracts during the period			
At beginning of period	—	47	96
Capital elements of leases and hire purchase payments	(2)	(17)	(63)
Inception of hire purchase contracts	<u>49</u>	<u>66</u>	<u>94</u>
At end of period	<u>47</u>	<u>96</u>	<u>127</u>



**20. Called up share capital**

	30 June 1994 £'000	30 June 1995 £'000	31 July 1996 £'000
<b>Authorised</b>			
14,910,750 (1995/4 — 10,000,000) ordinary shares of £1 each	10,000	10,000	14,911
6,262,515 (1995/4 — nil) preference shares of £1 each	—	—	6,262
4,200,000 (1995/4 — nil) redeemable preference shares of £1 each	—	—	4,200
1,000 (1995/4 — nil) deferred shares of £1 each	—	—	1
	<u>10,000</u>	<u>10,000</u>	<u>25,374</u>
<b>Issued and fully paid</b>			
14,910,750 (1995/4 — 9,940,500) ordinary shares of £1 each	9,940	9,940	14,911
6,262,515 (1995/4 — nil) preference shares of £1 each	—	—	6,262
4,200,000 (1995/4 — nil) redeemable preference shares of £1 each	—	—	4,200
1,000 deferred shares of £1 each	—	—	1
	<u>9,940</u>	<u>9,940</u>	<u>25,374</u>

- (a) On 3 June 1996, the Company increased its authorised share capital by £4,175,010 to £14,175,010 by the creation of 4,175,010 preference shares of £1 each. On the same day, these shares were issued at par for cash.
- (b) On 18 July 1996, the Company increased its authorised share capital by £11,199,255 to £25,374,265 by the creation of 4,910,750 new ordinary shares of £1 each, 2,087,505 new preference shares of £1 each, 4,200,000 redeemable preference shares of £1 each and 1,000 deferred shares of £1 each.

On 19 July 1996, the following shares were issued:

4,970,250 Ordinary shares of £1 each at par and  
2,087,505 Preference shares of £1 each at par

The ordinary shares and preference shares were allotted in consideration of the release by one of the Group's lenders of £7,057,755 of debt due.

4,200,000 Redeemable preference shares of £1 each at par for cash  
1,000 Deferred shares of £1 each at £7,000 per share, for cash

**Preference share rights**

The preference shares entitle the holder to 25 votes for every £1 nominal amount of share capital. The preference shares rank *pari passu* with the ordinary shares to a dividend of £25 for every £1 of dividend payable on an ordinary share or in such proportions in respect of dividends for less amounts. On a winding up of the Company, the preference shareholders, in priority to any return of capital on any other class of shares, other than redeemable preference shares, are entitled to receive the capital paid up thereon together with £24 in respect of each preference share held, together with any further amount equal to 25 times the distribution payable to the ordinary shareholder in excess of the amount paid up.

**Redeemable preference share rights**

The redeemable preference shares carry no rights to a dividend unless either the Company or one of its subsidiary undertakings is listed. At that time, the redeemable preference shares become entitled to a fixed cumulative preferential dividend of 1 per cent. over the redemption yield for 7 per cent. Treasury Gilt 2001, payable half yearly in arrears on 30 June and 31 December. The redeemable preference shares carry no votes at meetings. The shares may be redeemable at par by the Company at any time and at the latest by 18 July 2001. On a listing, the Company will redeem 50 per cent. of the redeemable preference shares in issue at that date at par. On a winding up of the Company, the redeemable preference shareholders have a right to receive, in preference to payments to any other shareholders, £1 per share plus accrued dividend.

**Deferred share rights**

The deferred shares carry no votes at a meeting nor are they entitled to receive a dividend. On a winding up, the deferred shareholder is only entitled to the repayment of the amount paid up on the deferred share after payment in respect of each ordinary share, each preference share and each redeemable preference share of the capital paid up on it and in respect of each preference share the further sum of £1,000,000 and in respect of each ordinary share the further sum of £40,000.

**Analysis of changes in share capital during the period**

	<i>30 June</i> <i>1994</i> <i>£'000</i>	<i>30 June</i> <i>1995</i> <i>£'000</i>	<i>31 July</i> <i>1996</i> <i>£'000</i>
At beginning of period	9,940	9,940	9,940
Net cash inflow from financing	—	—	15,434
At end of period	<u>9,940</u>	<u>9,940</u>	<u>25,374</u>

**Changes in share capital since 31 July 1996**

Changes in the share capital of the Company since 31 July 1996 are set out in paragraph 2.6 of Part VII of the listing particulars.

**21. Share premium account**

	<i>30 June</i> <i>1994</i> <i>£'000</i>	<i>30 June</i> <i>1995</i> <i>£'000</i>	<i>31 July</i> <i>1996</i> <i>£'000</i>
At beginning of period	—	—	—
On shares issued in period	—	—	6,999
At end of period	<u>—</u>	<u>—</u>	<u>6,999</u>

**22. Revaluation reserve**

	<i>30 June</i> <i>1994</i> <i>£'000</i>	<i>30 June</i> <i>1995</i> <i>£'000</i>	<i>31 July</i> <i>1996</i> <i>£'000</i>
Opening balance	30,837	59,562	60,500
Net increase/(decrease) on revaluation of investment properties	30,007	938	(14,202)
Realisation of revaluation surplus of previous years on properties sold in the period	(1,282)	—	(4,466)
Closing balance	<u>59,562</u>	<u>60,500</u>	<u>41,832</u>

**23. Other reserves**

	<i>30 June</i> <i>1994</i> <i>£'000</i>	<i>30 June</i> <i>1995</i> <i>£'000</i>	<i>31 July</i> <i>1996</i> <i>£'000</i>
<b>The Group</b>			
At beginning of period	—	2,960	2,960
On shares issued by subsidiary undertakings in period	—	—	24,395
On acquisition of minority interests in subsidiary undertakings	2,960	—	—
At end of period	<u>2,960</u>	<u>2,960</u>	<u>27,355</u>

**24. Profit and loss account**

	<i>30 June</i>	<i>30 June</i>	<i>31 July</i>
	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Opening balance	(33,855)	(21,007)	(31,218)
Realisation of revaluation surplus of previous years on properties sold in the period	1,282	—	4,466
Retained profit/(net loss) for the year	<u>11,566</u>	<u>(10,211)</u>	<u>(4,700)</u>
Closing balance	<u>(21,007)</u>	<u>(31,218)</u>	<u>(31,452)</u>

**25. Directors' interests**

- (a) During the 1996 period, the balance due to Mr D Garrard of £785,832 included in creditors falling due after more than one year as at 30 June 1995 was paid in full. At the time of repayment, total interest accrued but unpaid of £995,625 (1994: £817,231) was waived. Interest charged to the profit and loss account for the period was £nil (1995 — £178,393; 1994 — £227,854).
- (b) Included in the financial statements of the Group is a net amount of £359,420 (1995 — £101,157; 1994 — £3,288) due to Antares Properties Limited, a company in which two of the Directors jointly have a material interest.

**26. Capital commitments**

There was no material capital expenditure approved by the Board and contracted for at 31 July 1996.

**27. Commitments under operating leases**

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

	<i>30 June</i>	<i>30 June</i>	<i>31 July</i>
	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Under leases expiring in more than five years	<u>1,163</u>	<u>1,263</u>	<u>1,129</u>

**28. Contingent liabilities**

- (a) The Company has provided its bank with a counter indemnity in respect of a standby letter of credit issued by the bank for the amount of £961,234 on behalf of the Company.
- (b) On the disposal of two subsidiary undertakings in 1994, the Group entered into a deed of undertaking under which it would pay to Bankers Trustee Company Limited, the purchaser, a maximum amount of £6,250,000 plus interest at 7 per cent. per annum, three years from the date of disposal, in the event that Bankers Trustee Company Limited suffer a loss on disposal of the property portfolio owned by the two companies against the debt outstanding. The Group also had participation in any profit achieved.

On 30 September 1996, the Group came to an arrangement with Bankers Trustee Company Limited to pay the amount of £1,000,000 in full and final settlement of this deed of undertaking. If this amount is not paid by 31 March 1997, the liability increases to £1,300,000 and after 30 June 1997 the original agreement will remain in place if the increased amount is still outstanding. £1 million has been provided in the financial statements of the Group at 31 July 1996.

**29. Cash flow statement**

	<i>18 months ended 30 June 1994 £'000</i>	<i>12 months ended 30 June 1995 £'000</i>	<i>13 months ended 31 July 1996 £'000</i>
<b>(a) Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating profit	30,126	19,207	20,229
Depreciation charges	39	60	80
Loss/(profit) on sale of tangible fixed assets	3	(10)	(9)
Exceptional items	21,791	—	—
(Increase)/Decrease in debtors	(702)	1,065	4,459
(Decrease)/Increase in creditors	(3,726)	109	(11,832)
Profit on sale of subsidiary undertakings	(12,901)	—	—
<b>Net cash inflow from operating activities</b>	<u>34,630</u>	<u>20,431</u>	<u>12,927</u>
<b>(b) Analysis of changes in cash and cash equivalents during the period</b>			
Opening balances	2,120	2,725	2,734
Net cash increase/(decrease)	605	9	(1,360)
Closing balance	<u>2,725</u>	<u>2,734</u>	<u>1,374</u>
<b>Comprising:</b>			
Cash at bank and in hand	2,725	2,734	1,504
Bank overdraft	—	—	(130)
	<u>2,725</u>	<u>2,734</u>	<u>1,374</u>
<b>(c) Analysis of changes in financing during the period</b>			
Opening balance			
Share capital	9,940	9,940	9,940
Bank and other loans	<u>300,978</u>	<u>272,287</u>	<u>280,478</u>
	310,918	282,227	290,418
Loans converted into share capital	—	—	(21,671)
Issue of shares	—	—	22,433
(Decrease)/increase in bank loans	(28,691)	8,191	(153,074)
New long term loans	—	—	130,158
Issue costs of new long term loans	—	—	(1,970)
Amortisation of loan issue costs	—	—	958
Closing balance	<u>282,227</u>	<u>290,418</u>	<u>267,252</u>
Share capital	9,940	9,940	25,374
Share premium account	—	—	6,999
Bank and other loans	<u>272,287</u>	<u>280,478</u>	<u>234,879</u>
	<u>282,227</u>	<u>290,418</u>	<u>267,252</u>

**30. Acquisitions of subsidiary undertakings**

During 1994 the Group acquired the remaining shares held by minority interests of the following companies, making them all 100% subsidiary undertakings:

	<i>(Goodwill)/ Reserve arising £'000</i>
Croydon Plaza Limited	2,948
Minel Limited	3,518
Sparrage Properties Limited	(2,830)
Twin Tower Properties Limited	(676)
	<u>2,960</u>

The following table analyses the fair value of net assets acquired during the period:

	<i>£'000</i>
Investment properties	31,588
Debtors	754
Cash at bank and in hand	5
Bank loans	(33,028)
Short term creditors	(1,679)
Minority interest	5,790
	<u>3,430</u>
Consideration paid	(470)
Reserve arising on acquisition of minority interests	<u>2,960</u>

The analysis of the net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings was as follows:

	<i>£'000</i>
Cash consideration	470
Cash at bank and in hand acquired	(5)
Bank loans and overdrafts acquired with subsidiary undertakings	33,028
	<u>33,493</u>

**31. Disposals of subsidiary undertakings**

During 1994 the Group disposed of all its investments in three subsidiary undertakings. The following table analyses the net assets disposed of during the period:

	<i>£'000</i>
Investment properties	75,649
Debtors	1,663
Short term creditors	(12,541)
	<u>64,771</u>
Net gain on disposal	11,619
Realisation of revaluation surplus of previous years	1,282
	<u>77,672</u>
Bank loans disposed of	79,193
Cash	(1,521)
	<u>77,672</u>

**32. Company balance sheets**

	<i>30 June</i>	<i>30 June</i>	<i>31 July</i>
	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Fixed assets</b>			
Investments:			
Subsidiary undertakings	9,940	9,940	88,690
<b>Current assets</b>			
Debtors	30,081	31,254	50,958
<b>Creditors: amounts falling due within one year</b>	<u>(82)</u>	<u>(5,642)</u>	<u>(963)</u>
<b>Net current assets</b>	<u>29,999</u>	<u>25,612</u>	<u>49,995</u>
<b>Total assets less current liabilities</b>	39,939	35,552	138,685
<b>Creditors: amounts falling due after more than one year</b>	<u>(19,129)</u>	<u>(15,930)</u>	<u>(96,312)</u>
	<u>20,810</u>	<u>19,622</u>	<u>42,373</u>
<b>Capital and reserves</b>			
Called up share capital	9,940	9,940	25,374
Share premium account	—	—	6,999
Profit and loss account	<u>10,870</u>	<u>9,682</u>	<u>10,000</u>
<b>Total shareholders' funds</b>	<u>20,810</u>	<u>19,622</u>	<u>42,373</u>
Equity shareholders' funds	20,810	19,622	38,172
Non-equity shareholders' funds	<u>—</u>	<u>—</u>	<u>4,201</u>
	<u>20,810</u>	<u>19,622</u>	<u>42,373</u>

Yours faithfully

Coopers & Lybrand  
Chartered Accountants

## 2. ANTARES

The following is the text of a report from Coopers & Lybrand, Chartered Accountants:

**Coopers  
& Lybrand**

1 Embankment Place  
London WC2N 6NN

The Directors  
Minerva plc  
10 Gloucester Place,  
London W1H 3AX

The Directors  
HSBC Investment Bank plc  
Vintner's Place,  
68 Upper Thames Street,  
London EC4V 3BJ

22 November 1996

Dear Sirs

We report on Antares Properties Limited ("Antares") in connection with the listing particulars dated 22 November 1996 of Minerva plc ("the listing particulars").

*Incorporation and changes in structure, and definition of terms*

Antares was incorporated as Legibus 1558 Limited on 23 July 1990 and changed its name to Antares Properties Limited on 19 September 1990.

On 14 November 1994 Futurestate Limited was incorporated as a wholly owned subsidiary undertaking of Antares. Antares and its subsidiary undertaking are referred to in this report as "the Antares Group".

*Financial statements examined*

Audited financial statements of Antares were prepared for the years ended 31 December 1993 and 1994. Audited financial statements of the Antares Group were prepared for the year ended 31 December 1995 and the 7 months ended 31 July 1996. The 1995 Antares Group financial statements included 1994 comparatives on a consolidated basis.

We have examined the financial statements as described above.

*Auditors and their reports*

The financial statements for the period covered by this report were audited by Gerald Edelman, Chartered Accountants and Registered Auditors, who gave unqualified reports thereon.

*Basis of financial information*

The financial information set out in this report is based on the audited financial statements of the Antares Group.

*Auditing guideline*

Our work has been carried out in accordance with the Auditing Guideline: "Prospectuses and the reporting accountant".

*Opinion*

In our opinion, the financial information set out below gives, for the purpose of the listing particulars of Minerva plc dated 22 November 1996, a true and fair view of the state of affairs of the Antares Group as at 31 December 1993, 1994, 1995 and 31 July 1996 and of its consolidated profit/loss, total recognised gains/losses and cash flows for the years ended 31 December 1993, 1994 and 1995 and the 7 month period ended 31 July 1996.

**PRINCIPAL ACCOUNTING POLICIES**

The financial information contained in this report has been prepared in accordance with Accounting Standards currently applicable in the United Kingdom. The financial statements have been prepared under the historical cost convention, as modified by the inclusion of the investment property at valuation. The principal accounting policies, which have been applied consistently for all the periods covered by this report, are set out below.

**Consolidation**

The audited financial statements of Antares and its subsidiary undertaking have been consolidated.

**Acquisitions, disposal and goodwill**

Where a subsidiary or associated undertaking is acquired or disposed of during the year, the consolidated 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 asset acquired, is written off against reserves in the period of acquisition.

**Investment properties**

In accordance with Statement of Standard Accounting Practice No. 19:

- (i) properties held for investment are periodically revalued. Where the revaluation is adopted in the financial statements any net surplus is transferred to revaluation reserve.
- (ii) no provision is made for depreciation or amortisation of properties held for investment purposes. The directors consider that this accounting policy (which represents a departure from the accounting requirements of the Companies Act 1985) is necessary for the financial statements to show a true and fair view.

**Deferred taxation**

Deferred taxation is computed under the liability method on short-term timing differences.

**Capitalised interest**

Interest on loans specifically used for the financing of investment properties were capitalised as part of the cost of the investment properties up to and including the period 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.



**CONSOLIDATED PROFIT AND LOSS ACCOUNTS**

	Notes	Years ended 31 December			7 months ended 31 July
		1993	1994	1995	1996
		£'000	£'000	£'000	£'000
Gross rental income	1	2,918	2,866	3,332	2,237
Net property outgoings		(95)	(1)	(41)	—
<b>Net revenue from property</b>		<b>2,823</b>	<b>2,865</b>	<b>3,291</b>	<b>2,237</b>
Administrative expenses		(36)	(1,390)	(138)	(48)
<b>Operating profit</b>		<b>2,787</b>	<b>1,475</b>	<b>3,153</b>	<b>2,189</b>
Interest receivable		42	52	613	334
Interest payable	4	(3,481)	(3,532)	(3,856)	(2,217)
<b>(Net loss)/retained profit for financial period</b>	13	<b>(652)</b>	<b>(2,005)</b>	<b>(90)</b>	<b>306</b>

**Note of historical cost profits and losses**

There is no difference between the profit on ordinary activities before taxation and the retained profit and their historical cost equivalents.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	Years ended 31 December			7 months ended 31 July
	1993	1994	1995	1996
	£'000	£'000	£'000	£'000
(Loss)/profit for financial period	(652)	(2,005)	(90)	306
Surplus/(deficit) on revaluation of investment property	14,650	(303)	6,000	500
<b>Total recognised gains and losses</b>	<b>13,998</b>	<b>(2,308)</b>	<b>5,910</b>	<b>806</b>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	Years ended 31 December			7 months ended 31 July
	1993	1994	1995	1996
	£'000	£'000	£'000	£'000
(Loss)/profit for financial period	(652)	(2,005)	(90)	306
Surplus/(deficit) on revaluation of investment property	14,650	(303)	6,000	500
	13,998	(2,308)	5,910	806
Opening shareholders' funds	11,810	25,808	23,500	29,410
Closing shareholders' funds	25,808	23,500	29,410	30,216

## CONSOLIDATED BALANCE SHEETS

			31 December		31 July
	Notes	1993	1994	1995	1996
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Investment property	6	51,250	51,000	57,000	57,500
Unlisted investments	7	—	—	—	4,200
<b>Current assets</b>					
Debtors	8	11	136	1,083	1,912
Cash at bank and in hand		716	10,301	9,763	9,227
		727	10,437	10,846	11,139
<b>Creditors: amounts falling due within one year</b>	9	(1,221)	(437)	(652)	(629)
<b>Net current assets/(liabilities)</b>		(494)	10,000	10,194	10,510
<b>Total assets less current liabilities</b>		50,756	61,000	67,194	72,210
<b>Creditors: amounts falling due after more than one year</b>	10	(24,948)	(37,500)	(37,784)	(41,994)
<b>Net assets</b>		25,808	23,500	29,410	30,216
<b>Capital and reserves</b>					
Called up share capital*	11	—	—	—	—
Revaluation reserve	12	26,897	26,594	32,594	33,094
Profit and loss account	13	(1,089)	(3,094)	(3,184)	(2,878)
<b>Total shareholders' funds</b>		25,808	23,500	29,410	30,216

\*Called up share capital of £2

**CONSOLIDATED CASH FLOW STATEMENTS**

	<i>Notes</i>	<i>Years ended 31 December</i>			<i>7 months ended</i>
		<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>31 July</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>1996</i>
Net cash inflow from operating activities	14	2,851	1,346	2,254	1,038
<b>Returns on investments and servicing of finance</b>					
Interest received		43	41	608	327
Interest paid		(3,443)	(4,301)	(3,684)	(1,911)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(3,400)	(4,260)	(3,076)	(1,584)
<b>Investing activities</b>					
Additions to property		—	(53)	—	—
Investment in unlisted companies		—	—	—	(4,200)
<b>Net cash outflow from investing activities</b>		—	(53)	—	(4,200)
<b>Net cash outflow before financing</b>		(549)	(2,967)	(822)	(4,746)
<b>Financing</b>					
Additional secured loan, net of repayments		(549)	(12,552)	(284)	(4,210)
<b>Net cash outflow from financing</b>		(549)	(12,552)	(284)	(4,210)
Increase/ (decrease) in cash and cash equivalents	15	—	9,585	(538)	(536)
		(549)	(2,967)	(822)	(4,746)

**NOTES TO THE FINANCIAL INFORMATION****1. Gross rental income**

	<i>Years ended 31 December</i>			<i>7 months ended</i>
	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>31 July</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>1996</i>
Rental income	2,866	2,866	3,332	2,237
Recoverable service charges	52	—	—	—
	<u>2,918</u>	<u>2,866</u>	<u>3,332</u>	<u>2,237</u>

**2. Operating profit after charging:**

	<i>Years ended 31 December</i>			<i>7 months ended</i>
	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>31 July</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>1996</i>
Bank charges	27	1,238	100	20
Audit fees— audit services	1	5	1	16
—other services	—	28	—	—
Legal and professional	—	—	72	12

**3. Directors' emoluments**

Neither of the two (1993 to 1995—none of the four) directors, who were the only employees during the period, received any remuneration.

**4. Interest payable**7 months  
ended  
31 July

	Years ended 31 December		
	1993	1994	1995
	£'000	£'000	£'000
Interest on bank loan	<u>3,481</u>	<u>3,532</u>	<u>3,856</u>

**5. Taxation**

No liability to UK corporation tax arises as, subject to Inland Revenue agreement, the Group has losses available.

No provision is made for the potential liability to taxation which would arise in the event of realisation of the investment property held at the balance sheet date at the amount at which it is stated in the financial statements. If the investment property were disposed of the taxation liability could amount to approximately £9.2 million (1995—£9.3 million; 1994—£7.9 million; 1993—£7.9 million).

**6. Investment property**

	31 December		
	1993	1994	1995
	£'000	£'000	£'000
Cost or valuation			
Opening balance	36,600	51,250	51,000
Additions at cost	—	53	—
Revaluation surplus/(deficit)	<u>14,650</u>	<u>(303)</u>	<u>6,000</u>
Closing balance	<u>51,250</u>	<u>51,000</u>	<u>57,000</u>

The investment property was valued on an open market basis by Chesterton International as at 31 December 1993 in accordance with the Statement of Asset Valuation Practice and Guidance Notes issued by the Royal Institution of Chartered Surveyors, on an open market basis by the directors as at 31 December 1994, on an open market basis, but without inspection, by Weatherall Green & Smith as at 31 December 1995 in accordance with the Appraisal and Valuations Manual issued by the Royal Institute of Chartered Surveyors and on an open market basis by the directors as at 31 July 1996. The historical cost of the property at 31 July 1996 is £24,405,707, including interest capitalised of £452,901.

**7. Unlisted investments**

The Antares Group acquired 1,000 deferred shares of £1 each and 4.2 million redeemable preference shares of £1 each in Minerva plc during the period ended 31 July 1996. The investment is carried at cost and is charged as security for the other creditors as described in note 10.

**8. Debtors**

	31 December		
	1993	1994	1995
	£'000	£'000	£'000
Amounts due from holding company	2	2	2
Other debtors	4	119	1,061
Prepayments and accrued income	<u>5</u>	<u>15</u>	<u>20</u>
	<u>11</u>	<u>136</u>	<u>1,083</u>

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

	31 December		
	1993	1994	1995
	£'000	£'000	£'000
Other creditors	43	37	24
Accruals and deferred income	<u>1,178</u>	<u>400</u>	<u>628</u>
	<u>1,221</u>	<u>437</u>	<u>652</u>

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

	<i>31 December</i>			<i>31 July</i>
	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Repayable between two and five years:				
Other creditors	—	—	—	4,200
Repayable after more than five years:				
Bank loan	<u>24,948</u>	<u>37,500</u>	<u>37,784</u>	<u>37,794</u>
	<u>24,948</u>	<u>37,500</u>	<u>37,784</u>	<u>41,994</u>

The bank loan is secured by a first legal charge over the long leasehold property and bank deposit account and a floating charge over the remaining assets of Futurestate Limited, the subsidiary undertaking of Antares. Interest is charged to the loan at a fixed rate of approximately 10.2 per cent. per annum.

The other creditor, which is secured principally by a charge over the unlisted investment in Minerva and a charge over the property at Westerhill Road, Bishopbriggs, Glasgow and is repayable on 19 July 2001 and is interest free. Subject to an agreement dated 11 October 1996, and described in paragraph 3.2(b) of Part VII of the listing particulars, upon listing of any share capital in Minerva plc, £2,100,000 becomes payable immediately and interest will accrue on the balance at 1 per cent. over the then prevailing redemption yield rate for 7 per cent. Treasury Gilt 2001.

**11. Share capital**

	<i>31 December</i>			<i>31 July</i>
	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Ordinary shares of £1 each				
Authorised	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Issued, called up and fully paid	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

**12. Revaluation reserve**

	<i>31 December</i>			<i>31 July</i>
	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At beginning of period	12,247	26,897	26,594	32,594
Surplus/(deficit) arising on revaluation of investment property (note 6)	<u>14,650</u>	<u>(303)</u>	<u>6,000</u>	<u>500</u>
At end of period	<u>26,897</u>	<u>26,594</u>	<u>32,594</u>	<u>33,094</u>

**13. Profit and loss account**

	<i>31 December</i>			<i>31 July</i>
	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At beginning of period	(437)	(1,089)	(3,094)	(3,184)
Profit retained/(net loss) for financial period	<u>(652)</u>	<u>(2,005)</u>	<u>(90)</u>	<u>306</u>
At end of period	<u>(1,089)</u>	<u>(3,094)</u>	<u>(3,184)</u>	<u>(2,878)</u>

**14. Net cash inflow from operating activities**

	<i>Years ended 31 December</i>			<i>7 months ended 31 July</i>
	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Operating profit	2,787	1,475	3,153	2,189
(Increase)/decrease in debtors	32	(114)	(942)	(823)
Increase /(decrease) in creditors	32	(15)	43	(328)
Net cash flow from operating activities	<u>2,851</u>	<u>1,346</u>	<u>2,254</u>	<u>1,038</u>

**15. Changes in cash and cash equivalents**

	<i>Years ended 31 December</i>			<i>7 months ended 31 July</i>
	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Balance brought forward	716	716	10,301	9,763
Net cash inflow/(outflow)	<u>-</u>	<u>9,585</u>	<u>(538)</u>	<u>(536)</u>
Balance carried forward	<u>716</u>	<u>10,301</u>	<u>9,763</u>	<u>9,227</u>
Comprising:				
Cash in hand and at bank	<u>716</u>	<u>10,301</u>	<u>9,763</u>	<u>9,227</u>

**16. Directors interests**

- (a) The directors jointly have a material interest in the following balances by virtue of their shareholding in Minerva plc:

	<i>Debtors</i>	<i>Creditors</i>
	<i>£</i>	<i>£</i>
Larchfield Investments Limited	261,551	-
Minerva Corporation Plc	113,869	-
M6 Limited	<u>-</u>	<u>16,000</u>

There are no terms as to interest or repayment in respect of the balances.

- (b) Included in other debtors is an amount of £1,457,060 (1995—£930,242; 1994—£nil; 1993—£nil) due from Central Real Properties Limited, a company in which Mr D E Garrard and Mr A I Rosenfeld have material interests. This balance was repaid in full after the period end.
- (c) Included in other debtors is a balance of £37,863 (1995—£nil; 1994—£nil; 1993—£nil) due on a directors' current account. This balance was repaid in full after the period end.

**17. Capital expenditure**

There was no material capital expenditure approved and contracted for at 31 July 1996.

Yours faithfully

Coopers & Lybrand  
Chartered Accountants

**PART VI**

**PROPERTY VALUERS' REPORT**

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The following is the text of a report from Weatherall Green & Smith, Chartered Surveyors:

The Directors  
Minerva plc  
10 Gloucester Place,  
London W1H 3AX

The Directors  
HSBC Investment Bank plc  
Vintner's Place,  
68 Upper Thames Street,  
London EC4V 3BJ

**Weatherall**  
Green & Smith

22 Chancery Lane  
London WC2A 1LT

22 November 1996

Ladies and Gentlemen

**Minerva plc**

**Property valuation as at 22 November 1996**

In accordance with your instructions to advise you in connection with the placing of ordinary shares in Minerva plc (the "Company") and the application for admission of ordinary shares to the Official List of the London Stock Exchange, we have carried out full internal and external inspections of the eight freehold/feehold, five long leasehold and two part freehold/part long leasehold properties referred to in this certificate in order to advise you as to our opinion of open market values as at 22 November 1996.

This certificate and valuation have been prepared in accordance with the current edition of the Appraisal and Valuations Manual issued by the Royal Institution of Chartered Surveyors. The valuations are on the basis of open market value. The valuers responsible for carrying out this instruction are qualified for the purposes of the valuation in accordance with Practice Statement 5 and Practice Statement 13. We also confirm the valuations have been made in accordance with the relevant provisions of Chapter 18 of the Listing Rules issued by the London Stock Exchange.

**Provision and verification of information**

(a) **Title** Details of the nature and extent of the properties, the tenure and tenancies, permitted uses and other relevant information have been supplied by the Company and their solicitors and we have made relevant enquiries and obtained further information where appropriate. Where possible, this information has been confirmed during our inspections which were carried out from 30 September to 31 October 1996.

We have seen copies of all of the leases with the exception of Croydon Centre, Croydon where we have seen solicitors reports on leases together with a sample of copy leases. We have read the solicitors' Certificates of Title. We therefore understand that, unless otherwise revealed to us by the information and documents supplied to us or by our enquiries, the freehold and leasehold interests are good and marketable.

The properties have been valued disregarding any mortgages or other charges.

(b) **Town planning** We have made oral enquiries of the local planning and highway authorities and the information obtained is assumed to be correct unless otherwise revealed to us by the information and documents supplied to us or by our enquiries. No formal searches have been instigated. We have been informed that there are no local authority planning or highway proposals that might involve the use of compulsory purchase powers or otherwise directly affect the properties.

(c) **Surveys, state of repair and deleterious materials** As we were not instructed to carry out structural surveys or to test any of the service installations, our valuations reflect only the general condition of the properties evident from our inspections and any defects of which we have been made aware as detailed in the individual reports. We assume that no materials have been used in the construction of the buildings which are deleterious, hazardous or likely to give rise to structural defects. We also assume that all relevant statutory requirements have been complied with.

(d) **Floor areas** The properties included in this certificate were inspected between 30 September and 31 October 1996 and have been measured in accordance with the Royal Institution of Chartered Surveyors Code of Measuring Practice. The floor areas given are derived from measurements taken on site. All measurements, areas and ages quoted in this certificate are approximate.

(e) **Pollution** We have not carried out any investigations into pollution hazards which might affect the properties and our valuations assume, unless otherwise revealed to us by the information and documents supplied to us by our enquiries, that the properties are not adversely affected by any form of pollution.

(f) **Costs, taxation and VAT** In arriving at our valuations, no allowance has been made for the costs of realisation, any liability for tax which might arise in the event of disposal or for the existence of any mortgages or similar financial encumbrances over the properties. Our valuations are exclusive of any VAT.

Investment and valuation yields where given are provided on a net basis, that is after allowing for a purchaser's notional costs of acquisition including stamp duty, legal and agent's fees at an average rate of 2.75 per cent of valuation or contract price.

(g) **Leases and net annual rent** We have relied upon information relating to the terms of the existing occupational tenancies and permitted uses provided by the Company and its solicitors Olswang, or contained within the Certificates of Title prepared by Olswang, David Conway & Co. and Shepherd & Wedderburn.

We have also been provided with copies of all leases with the exception of Croydon Centre, Croydon and related documents and have read them to verify the information. We have given the net annual rent receivable for each property having regard to the definition set out in Chapter 18 of the Listing Rules provided by the London Stock Exchange. This defines net annual rent as the current income or income estimated by the valuer:

- (i) ignoring any special receipts or deductions arising from the property;
- (ii) excluding value added tax and before taxation (including tax on profits and any allowances for interest on capital or loans); and
- (iii) after making deductions for superior rents (but not for amortisation) and any disbursements, including, if appropriate, expenses of managing the property and allowances to maintain it in a condition to command its rent.

#### **Basis of valuation**

The properties have been valued on an open market basis in accordance with the definition provided in the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors. Practice Statement 4 defines open market value as the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming;

- (i) a willing seller;
- (ii) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms, and for the completion of the sale;
- (iii) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (iv) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- (v) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.



We are of the opinion that the current open market value of the properties, details of which are set out in the schedules appended to this certificate, on the basis set out above, as at 22 November 1996 excluding VAT, is as follows:

*Properties held for investment*

Freeholds/feuholds	£190,500,000
Long leaseholds	£164,350,000
Part freehold/part leasehold	£ 47,150,000

These figures represent the aggregate of the current open market values attributable to the individual properties and should not be regarded as a valuation of the portfolio as a whole in the context of a sale as a single lot.

<i>Open market value</i>	<i>Freehold/</i>	<i>Long</i>	<i>Part freehold/</i>	<i>Total</i>
	<i>feuhold</i>	<i>leasehold</i>	<i>part long</i>	
	£	£	£	£
<i>Investment properties</i>				
250 Euston Road, London NW1	105,000,000			105,000,000
90-95 Wimpole St & 25 Wigmore St, London W1	38,000,000			38,000,000
Atholl House, Churchill Av, East Kilbride	n/a			n/a
Tyne Bridge Tower, Gateshead	n/a			n/a
26, 28 and 30 Market St, Leicester	n/a			n/a
Kingsway House, Hatton Garden, Liverpool	n/a			n/a
67 Osborne Road, Southsea	n/a			n/a
Delta Point, 35 Wellesley Rd, Croydon		50,000,000		50,000,000
Eastgate House, 10 Nottingham Rd, Derby		n/a		n/a
Westerhill Rd, Bishopbriggs, Glasgow		57,500,000		57,500,000
Bank House, Carliol Square, Newcastle-upon-Tyne		n/a		n/a
Quadrant House, The Quadrant, Sutton		n/a		n/a
The Croydon Centre, Croydon			n/a	n/a
Unicentre, Lords Walk, Preston			n/a	n/a
	<u>153,500,000</u>	<u>164,350,000</u>	<u>47,150,000</u>	<u>365,000,000</u>

*Properties being conditionally acquired*

*(to be held as an investment)*

27-37 Wigmore St & 3 Welbeck St, London W1	<u>37,000,000</u>			<u>37,000,000</u>
Total values	<u>190,500,000</u>	<u>164,350,000</u>	<u>47,150,000</u>	<u>402,000,000</u>

*Note*

*The individual valuations of certain properties have been excluded due to reasons of commercial sensitivity.*

**Disclosure**

This valuation is provided for the stated purpose and is for the use only of those to whom it is addressed and for inclusion in the listing particulars of the Company dated 22 November 1996. No responsibility is accepted to any other party, nor may any part of this certificate be reproduced, or reference made to it, without our prior written approval. Furthermore, no reference may be made to the certificate in any publication without our written approval.

Yours faithfully

Weatherall Green & Smith

<i>Property description</i>	<i>Location, age &amp; tenure</i>	<i>Terms of main tenancies</i>	<i>Net annual rent received</i>	<i>Open market value as at 22 November 1996</i>	<i>Net initial yield</i>
<b>Investment properties</b>					
<b>Freehold</b>					
250 Euston Road LONDON, NW1 Offices, public house, wine bar, leisure area, car parking and cafeteria. Basement, ground, six upper floors. 13,956.7m <sup>2</sup> (150,234 sq ft) approx with 838.5m <sup>2</sup> (9,026 sq ft) ancillary accommodation, public house and wine bar. Air-conditioned. 67 parking spaces.	On the north-east side of the junction of Euston Road and Tottenham Court Road opposite Warren Street and Euston Road Underground stations and adjacent to Euston Centre. Neighbouring occupiers include BT, and General Healthcare. Built 1981. Freehold.	Let to Prudential Assurance Company Ltd for a term of 20 years from 29 September 1981. Current rent of £6,475,000 equates to £451.1 per m <sup>2</sup> (£42.00 per sq ft) approx on the offices. Five yearly upward only rent reviews. Rent to be reviewed to a prime office building in Central London of a size and quality comparable with the demised premises. Full repairing and insuring lease. There is a reversionary lease for a term of 30 years from expiry of the first lease (29 September 2001) at the open market rental value or the rent passing from the previous lease, whichever is the greater and at a market rent review pattern (but with rent review intervals no greater than every 5 years). The landlord may require the tenant to take up a further lease to run from the expiry of the reversionary lease to September 2078 and then yet a further lease to run to September 2104. Prudential are under an obligation to rebuild the property whenever necessary during the term of the lease and any extensions thereof.	£6,475,000	£105,000,000	6.0%

<i>Property description</i>	<i>Location, age &amp; tenure</i>	<i>Terms of main tenancies</i>	<i>Net annual rent received</i>	<i>Open market value as at 22 November 1996</i>	<i>Net initial yield</i>
90-95 Wimpole Street & 25 Wigmore Street, LONDON, W1 Office, bank and retail. Basement, ground, four upper floors.	To the north of Oxford Street and west of Cavendish Square. On the south west side of the junction of Wimpole Street with Wigmore Street.	No. 91 (offices): expires 2008 Unit 92: expires 2009 Units 93 & 95: expire 1998 Unit 94: expires 2008 Basement store: expires 2007 Nos. 25 & 90: expire 2004	£2,739,112	38,000,000	7.0%
4,466.2m <sup>2</sup> (48,076 sq ft) offices with 1,577.0 m <sup>2</sup> (16,976 sq ft) ancillary and 949.3 m <sup>2</sup> (10,219 sq ft) retail	Neighbouring occupiers include Banque Paribas. Built between 1870 and 1930. Freehold.	No. 91—Part ground, basement and upper floors: MI Property Management Company Ltd: current rent £2,400,000 equates to £516.7 per m <sup>2</sup> (£48.00 per sq ft) Unit 25: Midland Bank plc: current rent £87,500 (£75.00 per sq ft Zone A) Unit 90: Prontaprint Ltd: current rent £28,750 (£46.50 per sq ft Zone A) Unit 92: Smallbone & Co (Devizes) Ltd: current rent £42,283 (£46.46 per sq ft Zone A) Unit 93: Smallbone & Co (Devizes) Ltd: current rent £27,859 (£43.53 per sq ft Zone A) Unit 94: Cavendish Retail plc (in voluntary liquidation): current rent £55,000 (£88.71 per sq ft Zone A) Unit 95: Kall Kwik Printing (UK) Ltd: current rent £32,220 (£41.70 per sq ft Zone A) Part ground and basement: Debenhams plc: current rent £82,500 £46.29 per m <sup>2</sup> (£4.30 per sq ft) There is a reversionary lease for 94 years from 20 August 2007 on similar terms. Five yearly upward only rent reviews. Effectively full repairing and insuring leases. The tenants of Unit 94 (i.e. the liquidator) paying concessionary rent of £38,000 (£59.00 per sq ft Zone A), personal to current occupants. If lease disclaimed freeholder has reserved right to claim full rent. Income with lease expiry: 0–10 yrs £176,329; 10–15 yrs —£2,562,783. Income with rent reviews in: 1998—£2,580,579; 1999—£158,533. Approximate apportionment of value: office 89%; retail 11%.			

<i>Property description</i>	<i>Location, age &amp; tenure</i>	<i>Terms of main tenancies</i>	<i>Net annual rent received</i>	<i>Open market value as at 22 November 1996</i>	<i>Net initial yield</i>
Atholl House, Churchill Avenue, EAST KILBRIDE, Lanarkshire Offices. Ground, five upper floors. 5,421.1m <sup>2</sup> (58,355 sq ft) approx. 222 parking spaces.	On the junction of Churchill Avenue with Whitemoss Avenue a quarter of a mile from the town centre. Built 1974. Feuhold.	Let to South Lanarkshire Council for 20 years expiring 14 May 2016. Current rent offices £400,000. £73.8 per m <sup>2</sup> (£6.85 per sq ft). Fixed uplift to £410,000 from 15 May 1997. Car park £12,500. Five yearly upward only rent reviews. Next review 31 March 2001. Guaranteed minimum rent at review for car park: 2001 - £16,666, 2006—£20,833, 2011—£25,000. Full repairing and insuring lease. The tenant has an option to extend the lease for a further 42 years in terms mutatis mutandis the existing lease with the same review pattern.	£412,500	n/a	n/a
Tyne Bridge Tower, Cannon Street, Church Street, GATESHEAD Tyne and Wear. Offices. Basement, ground, eleven upper floors. 4,722.7m <sup>2</sup> (50,836 sq ft) approx. 78 basement parking spaces.	Adjacent to Tyne Bridge, a major arterial route over the Tyne. Close to Newcastle and Gateshead town centres. Built 1962. Freehold.	Let to Secretary of State for the Environment for 20 years from 22 July 1985. Current rent £325,000 equates to approx £64.69 per m <sup>2</sup> (£6.01 per sq ft) on the office space. Five yearly upward only rent reviews. Next review December 1999. Internal repairing lease. Mutual option to determine at expiration of 15th year ie 21 July 2000.	£325,000	n/a	n/a

<i>Property description</i>	<i>Location, age &amp; tenure</i>	<i>Terms of main tenancies</i>	<i>Open market value as at 22</i>		
			<i>Net annual rent received</i>	<i>November 1996</i>	<i>Net initial yield</i>
26, 28 and 30 Market Street, LEICESTER, Leicestershire Town centre retail. Two adjoining units. 26 on basement, ground, two upper floors. 28 and 30 on basement ground, three upper floors. 262.9m <sup>2</sup> (2,830 sq ft) retail: 321.6m (3,462 sq ft) ancillary approx	On the east side of Market Street which is located to the south west of the city's prime retail pitch. Neighbouring occupiers include Ryman Ltd, Dillons the Bookstore Ltd, Boots Opticians Ltd. Built circa 1890. Freehold.	26: Thorntons plc 25 years from 25 December 1979 Current rent £12,000 (£48.38 per sq ft Zone A) 28 and 30 Chelsea Man Menswear Ltd 42 years from 25 December 1969. Current rent £18,500 (£15.00 per sq ft Zone A agreed at review 1983). 26: Upward only rent reviews five yearly. Next and final review December 1999. 28 and 30: Ten yearly. Next outstanding review December 1993. Estimated rental value as at December 1993 £55,000 (£50 per sq. ft. Zone A). A previous tenant, Gieves & Hawkes Ltd, is responsible for and is paying the rent. Full repairing and insuring leases.	£30,500	n/a	n/a
Kingsway House, Hatton Garden, LIVERPOOL, Merseyside Showroom & offices on basement, ground, mezzanine, seven upper floors 4,513.6m <sup>2</sup> (48,586 sq ft) approx with caretakers flat. 48 basement parking spaces.	Located east of Hatton Garden at the junction with Dale Street to the north east of the city centre. Built 1966. Freehold.	Ground floor let in part: Liverpool City Council term expiring on 25 March 2006. Current rent £4,267, £57.34 per m <sup>2</sup> (£5.33 per sq ft). Part ground and showroom 217.6m <sup>2</sup> (2,342 sq ft) vacant. Basement car park, mezzanine, 1st-3rd and 5th: Liverpool City Council, term expiring on 24 March 2006. Current rent £230,000 58.88/m <sup>2</sup> (£5.47 per sq ft). 4th floor: Co-operative Insurance Society Limited, term expiring 24 December 2000. Current rent £54,000 £63.67 per m <sup>2</sup> (£5.91 per sq ft). 6th & 7th (caretakers flat) vacant. Five yearly upward only rent reviews. Effectively full repairing and insuring leases. Income with lease expiry within: 0-10 yrs—£288,267. Income with rent reviews in: 2001—£234,267.	£288,267	n/a	n/a

## MINERVA PLC

<i>Property description</i>	<i>Location, age &amp; tenure</i>	<i>Terms of main tenancies</i>	<i>Open market value as at 22</i>		
			<i>Net annual rent received</i>	<i>November 1996</i>	<i>Net initial yield</i>
67 Osborne Road, SOUTHSEA, Hampshire. Retail, office and flat. Basement, ground, three upper floors. 104.5m <sup>2</sup> (1,125 sq ft) retail and ancillary store. 119m <sup>2</sup> (1,280 sq ft) office.	On north side of Osborne Road close to the junction with Palmerston Road, the prime retail area. Built 1950's. Freehold	Ground & basement: Anita Veronica Light and Lynda Ann Pearse. Three years from 5 July 1994. Current rent £8,500 (£17.55 per sq ft Zone A) First & second: Hampshire County Council. 20 years from 25 March 1979. Current rent £8,000 £67.2 per m <sup>2</sup> (£6.25 per sq ft). Tenant no longer in occupation. Flat-vacant No further reviews. Internal repairing and insuring leases.	£16,500	n/a	n/a
Sub-total			<u>£10,286,879</u>	<u>£153,500,000</u>	

<i>Property description</i>	<i>Location, age &amp; tenure</i>	<i>Terms of main tenancies</i>	<i>Net annual rent received</i>	<i>Open market value as at 22 November 1996</i>	<i>Net initial yield</i>
<b>Long Leasehold</b>					
Delta Point, 35 Wellesley Road, CROYDON, Surrey. Offices.	Located on the west of Wellesley Road adjacent to West Croydon bus station. Built 1984.	Let to British Telecommunications plc for 25 years from 29 September 1986. Current rent of £4,650,000 equates to £204.5 per m <sup>2</sup> (£19.00 per sq ft).	£3,603,750	£50,000,000	7.0%
Basement, ground & thirteen upper floors. 23,408.8m <sup>2</sup> (251,977 sq ft) approx Air-conditioned. 173 basement parking spaces.	The property is held on a head lease for 125 years from 5 July 1985. Ground rent 22.5 per cent. of net rent received from the occupational lease. Current head rent £1,046,250.	Five yearly upward only rent reviews. Next review September 2001. Full repairing and insuring lease.			
Eastgate House, 10 Nottingham Road, DERBY, Derbyshire Offices arranged in 4 blocks. Blocks A/B ground, four upper floors. Blocks C/D ground, three upper floors. Blocks A/B—5,955m <sup>2</sup> (63,834 sq ft) approx Blocks C/D—4,624.7m <sup>2</sup> (49,780 sq ft) approx Air-conditioned. 196 parking spaces.	Property fronts the inner ring road to north of city centre. Mixed office, industrial and residential location. Built 1973. The property is held on a lease for 125 years from 31 July 1974: the ground rent is reviewed at 14 yearly intervals to the greater of (a) 15 per cent. of the open market rental values and (b) the floor area at £1.00 per sq. ft. Next review is 2004. Current rent £67,000. Part of car park is held on a lease for 11 years from 10 March 1986, determinable on six months notice. Rent reviews are three yearly to open market value. There are no further reviews. Current rent £2,644.	Block A—Vacant Block B—Vacant Block C—part ground: Let to Herr-Voss Ltd for a term expiring 23 June 2003. Current rent £20,300 £43.6 per m <sup>2</sup> (£4.05 per sq ft). Block C—first: Vacant Block C—second: Let to Herr-Voss Ltd for a term expiring 23 June 2006. Current rent £28,750 £45.0 per m <sup>2</sup> (£4.18 per sq ft) Block C—third: Let to European Cellars Ltd for a term expiring 23 June 2006. Current rent £40,800 £63.8 per m <sup>2</sup> (£5.93 per sq ft). Block D: Let to European Cellars Ltd for a term expiring 24 December 2004. Current rent £126,000 £56.22 per m <sup>2</sup> (£5.22 per sq ft). Five yearly upward only rent reviews. Effectively full repairing and insuring leases. Tenant of Block C—ground has option to break in 1998. Estimated rental value of vacant accommodation and car parking £362,000 approx. Gross income with lease expiry within: 0–10 yrs—£215,850. Gross income with rent reviews in: 1998—£20,300; 1999—£126,000; 2001—£69,550.	£146,206	n/a	n/a

<i>Property description</i>	<i>Location, age &amp; tenure</i>	<i>Terms of main tenancies</i>	<i>Net annual rent received</i>	<i>Open market value as at 22 November 1996</i>	<i>Net initial yield</i>
<p>Westerhill Road, Bishopbriggs, GLASGOW, Strathclyde</p> <p>Headquarters/production and warehouse.</p> <p>Two single storey warehouses with 8m (26ft) eaves approx. Offices lower ground, three upper floors including canteen and squash courts.</p> <p>Warehouse A: 48,809.5 m<sup>2</sup> (525,398 sq ft)</p> <p>Warehouse B: 21,733.7 m<sup>2</sup> (233,947 sq ft)</p> <p>Offices: 10,569.6m<sup>2</sup> (113,774 sq ft) approx.</p> <p>Site 27.13h (67 acres) approx.</p>	<p>Located north of Bishopbriggs approximately four miles north of M8 and Glasgow city centre.</p> <p>Built 1970's.</p> <p>Leasehold 999 years from September 1990</p> <p>Peppercorn ground rent.</p> <p>Option to purchase feuhold 2015, for £1.00.</p>	<p>Let to William Collins Sons &amp; Co Ltd for 35 years from 30 August 1990. Lease jointly and severally guaranteed by Harper Collins Publishers Limited, The News Corporation Limited and News International plc. Current rent £3,835,000 equates to £47.30 per m<sup>2</sup> (£4.40 per sq ft).</p> <p>Five yearly upward only rent reviews. To be reviewed to the greater of (i) open market value or (ii) both warehouse/industrial properties to 85 per cent. of open market rent on comparable warehouse/industrial properties between 2,322.5m<sup>2</sup> and 4,645m<sup>2</sup> (25,000–50,000 sq ft) within a 10 mile radius of central Glasgow and offices to: 57.5 per cent. of rental levels of comparable offices between 2,322.5m<sup>2</sup> and 4,645m<sup>2</sup> (25,000–50,000 sq ft) within ½ mile radius of Blythwood Square. Next review August 2000: guaranteed minimum uplift to £5,132,000.</p> <p>The head leaseholder has an option exercisable at anytime to substitute the existing lease with two or three separate leases the alternatives being leases of Warehouse A, Warehouse B and the office block, or Warehouse A, Warehouse B with the office block, to provide the following minimum pro rata rents when exercised:</p> <p>August 1995-2000, Warehouse A £1,934,000, Warehouse B £860,000, Offices £1,041,000.</p> <p>August 2000 onwards, Warehouse A £2,588,000, Warehouse B £1,150,000, Offices £1,394,000.</p> <p>Full repairing and insuring lease.</p>	£3,835,000	£57,500,000	6.5%
					<i>Reversionary yield 8.69%</i>



## MINERVA PLC

<i>Property description</i>	<i>Location, age &amp; tenure</i>	<i>Terms of main tenancies</i>	<i>Net annual rent received</i>	<i>Open market value as at 22 November 1996</i>		<i>Net initial yield</i>
Bank House, Carlol Square, NEWCASTLE-UPON-TYNE	Located to the north of the Tyne Bridge and north east of Mosley Street.	Vacant and available to let on the open market.	Head rent (£3,000)	n/a		n/a
Offices—in need of refurbishment.	Built 1969.		Estimated rental value once refurbished			
Lower ground, ground, six upper floors.	Leasehold 125 years from 22 January 1971 (100 years unexpired).		£275,000			
2,829.8 m <sup>2</sup> (30,461 sq ft) approx.	The rent is reviewed 33 yearly to 10% of the open market rental value. Next review is January 2004. Current rent £3,000.					
Quadrant House, The Quadrant, SUTTON, Surrey	Located immediately south of British Rail station on east side of Brighton Road.	Let to Reed International plc for a term of 30 years from 30 June 1990. Current rent of £4,215,000 equates to £226.05/m <sup>2</sup> (£21 per sq ft).	£4,215,000	n/a		n/a
Offices.	Built 1976.					
Ground, nineteen upper floors.	Leasehold: term expiring 1 August 2226 (230 years unexpired).	Five yearly upward only rent reviews. Next rent review June 2000.				
17,976.2m <sup>2</sup> (193,500 sq ft) approx	Peppercorn ground rent.	Full repairing and insuring lease.				
ancillary storage. Air-conditioned.	Lease provides right for lessee to use up to 150 parking spaces within neighbouring British Rail car park, subject to 3 months notice and payment of open market rent.					
9 parking spaces.						
Sub-total			<u>£11,796,956</u>	<u>£164,350,000</u>		

<i>Property description</i>	<i>Location, age &amp; tenure</i>	<i>Terms of main tenancies</i>	<i>Net annual rent received</i>	<i>Open market value as at 22 November 1996</i>	<i>Net initial yield</i>
The Croydon Centre, High Street/Park Street, CROYDON, Surrey	Island site bounded by High Street, Park Street, Park Lane and Katharine Street. East Croydon British Rail station and Whitgift Centre are within ¼ mile.	Let on 79 tenancies on leases and licences of varying lengths. Tenants include Nestlé (UK) Ltd, NMB-Heller, Department of the Environment, British Gas Corporation, TSB Bank plc, South Eastern Electricity Board, Secretary of State for Defence, Pronuptia Youngs Ltd, Birmingham Midshires Building Society, Ryman Ltd, Early Learning Centre Ltd.	£2,315,192	n/a	n/a
Town centre retail and offices with basement parking.	Built 1965.	All leases have upward only rent reviews except the lease to the Department of the Environment (where the next rent review is in 2005) and British Gas Corporation which expires in February 1997.	(£2,119,784 after deducting irrecoverable expenses relating to the vacant space)		
70 retail units	Part freehold/part leasehold.	All leases are effectively full repairing and insuring with the exception of a lease to the Department of the Environment who do not contribute to insurance costs. This tenant has an option to determine every seven years the next being December 1998.			
6,399.4m <sup>2</sup> (68,885 sq ft) approx.	Leasehold 2,000 years from 6 February 1975 (1979 years unexpired). Peppercorn ground rent.	Estimated rental value on vacant space £910,000 approx.			
Offices 15,276.7m <sup>2</sup> (164,401 sq ft) in four buildings.		Gross income with lease expiry (excluding licences and tenants holding over) within: 0-10 yrs—£1,705,738; 10-15 yrs—£364,100; 20-30 yrs—£71,000; 30+ yrs—£135,654.			
238 parking spaces.		Gross income with rent reviews (excluding licences) in: 1996—£40,640; 1997—£362,675; 1998—£348,590; 1999—£907,508; 2000—£317,000; 2001—£85,950.			
		Retail/office open market valuation split pro-rata on approximately equivalent yield basis circa: retail 38%; office 62%.			

<i>Property description</i>	<i>Location, age &amp; tenure</i>	<i>Terms of main tenancies</i>	<i>Open market value as at 22 November 1996</i>	
			<i>Net annual rent received</i>	<i>Net initial yield</i>
Unicentre, Lords Walk, PRESTON, Lancashire Offices (freehold) and two car parks (leasehold). Ground, eleven upper floors. 8,004.4m <sup>2</sup> (86,162 sq ft) approx. 140 car parking spaces. Refurbished between 1991 and 1996.	Island site, located on the eastern edge of the town centre with good access to the towns inner ring road. Immediately adjacent to central bus station. Built 1971. Part freehold/part leasehold. Leasehold: held for a term of 900 years from 25 June 1974. Peppercorn ground rent. Leasehold for a term of 99 years from 24 April 1972: the ground rent is reviewed 7 yearly to a reasonable rent. Next review is 24 April 2000. Current rent £9,500.	Let to a variety of tenants. A number of tenants are holding over and negotiating lease renewals. The ground floor is let in parts to: Hill House Hammond Ltd (holding over). Current rent £8,906 £57.70 per m <sup>2</sup> (£5.36 per sq ft). Barclays Bank plc: term expiring June 2005, current rent £11,000 £91.67 per m <sup>2</sup> (£8.51 per sq ft) Chartered Trust Ltd: term expiring March 2006. Current rent £17,232 £97.85 per m <sup>2</sup> (£9.09 per sq ft). Remainder (73.21m <sup>2</sup> /788 sq ft) vacant. First floor let in parts to:- Tustin Developments Limited: term expiring June 1997. Current rent £22,656 £86.57m <sup>2</sup> (£8.04 per sq ft). Remainder (578.8m <sup>2</sup> /6,231 sq ft) vacant. Second floor let in parts to: London & Manchester Assurance Company Ltd. term expiring September 2001. Current rent £24,000 £87.21 per m <sup>2</sup> (£8.10 per sq ft). Lincoln Assurance Ltd, term expiring March 1998. Current rent £17,150 £88.40 per m <sup>2</sup> (£8.21 per sq ft). Co-operative Insurance Society Ltd. term expiring October 2006. Current rent £22,471 £95.76 per m <sup>2</sup> (£8.90 per sq ft). Remainder 84.63m <sup>2</sup> (911 sq ft) vacant. 3rd-6th floors let to Secretary of State for the Environment on four leases expiring September/October 2005. Current rent £257,544 £91.60 per m <sup>2</sup> (£8.51 per sq ft). 7-11 floors let to Secretary of State for the Environment on a lease expiring June 2006. Current rent £349,200, £109.59 per m <sup>2</sup> (£10.18 per sq ft). 15 parking spaces. Various licences. Current rent £6,300. Seven parking spaces-vacant. Five yearly upward only rent reviews. Effectively full repairing and insuring leases. Secretary of State for the Environment has an option to break their lease on 24 June 2001. 12 months rent penalty. Gross income with lease expiry (including tenants holding over and licences) within: 0-10 yrs £736,459. Gross income with rent review (excluding licences) in: 1997-£22,656; 1998-£17,150; 2000-£268,544; 2001-£388,903.	£726,959	n/a

Sub-total	£3,042,151	£47,150,000
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<i>Property description</i>	<i>Location, age &amp; tenure</i>	<i>Terms of main tenancies</i>	<i>Net annual rent received</i>	<i>Open market value as at 22 November 1996</i>	<i>Net initial yield</i>
<b>Property to be conditionally acquired (to be held as an investment)</b>					
<b>Freehold</b>					
27-37 Wigmore Street & 3 Welbeck Street, LONDON W1 Office, retail & residential. Retail: ground and basement. Offices: basement ground & eight upper floors (33 Wigmore Street). 15 flats: ground & seven upper floors (3 Welbeck Street). 6,013.5m <sup>2</sup> (65,700 sq ft) offices with 551.4m <sup>2</sup> (5,935 sq ft) retail, 15 car spaces and 15 residential flats.	To the north of Oxford Street and west of Cavendish Square, on the south side of Wigmore Street, between Wimpole and Welbeck Street. Neighbouring occupiers include Banque Paribas and Grand Met. Rebuilt 1986 behind retained facade. Freehold building and leasehold airspace.	Unit 27 ground floor shop to become vacant. (See note 1) Units 35 & 37: expire March 2012 and December 2011. No. 33: expires August 2011. 3 Welbeck Street: expires 2085. Three parking spaces: expires August 2011 Unit 35: Dolland & Aitchison (Property) Ltd: current rent £85,000 pa (£75.40 per sq ft Zone A). Unit 37: TKPL Ltd: current rent £85,000 (£55.00 per sq ft Zone A). No. 33: Banque Paribas Capital Markets Ltd (guaranteed by Banque Paribas): current rent £2,430,000 equates to £398.10 per m <sup>2</sup> (£37.00 per sq ft). 3 Welbeck Street: 15 residential flats. Current rent £4,250. Three car parking spaces: Banque Paribas Capital Markets Limited current rent £10,913. Three vacant car spaces. Five yearly upward only rent reviews except 3 Welbeck Street where rent doubles every 25 years, next 2011. Effectively full repairing and insuring leases. <b>Note 1:</b> The vendor has taken a surrender of the shop lease of Unit 27 the tenant vacating in December 1996. Estimated rental value on Unit 27 £71,000, three car parking spaces £9,000. Income with lease expiry: 10–15 yrs £2,440,913; 15–20 yrs £170,000; 30+ yrs £4,250. Income with rent reviews in: 1996—£85,000; 1997—£85,000; 2001—£2,440,913. Approximate apportionment of value: Offices £33,500,000; retail £3,500,000.	£2,615,163	£37,000,000	6.9%
Sub-total			£2,615,163	£37,000,000	
Portfolio total			£27,741,149	£402,000,000	

## PART VII

### ADDITIONAL INFORMATION

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#### 1. The Company

- 1.1 The Company was incorporated with the name 146th Legibus plc in England and Wales on 27 September 1991 under the Act as a public company with registered number 2649607. The Company changed its name to Minerva plc on 3 December 1991.
- 1.2 The principal legislation under which the Company operates is the Act and the regulations made thereunder.
- 1.3 The Company's registered office is 25 Harley Street, London W1N 2BR and its principal place of business is at 10 Gloucester Place, London W1H 3AX.

#### 2. Share Capital

- 2.1 On 22 November 1993 the authorised share capital of the Company was £10,000,000 divided into 10,000,000 ordinary shares of £1 each, of which 9,940,500 were issued fully paid or credited as fully paid.
- 2.2 By a special resolution passed at an extraordinary general meeting of the Company held on 3 June 1996:
  - (a) the authorised share capital of the Company was increased by £4,175,010 from £10,000,000 to £14,175,010 by the creation of 4,175,010 preference shares of £1 each having the rights set out in the then existing articles of association;
  - (b) the directors of the Company were granted authority pursuant to section 80 of the Act to allot to holders of ordinary shares of £1 each of the Company relevant securities (as defined in that section) up to an aggregate nominal amount of £4,175,010 within the period of 12 months from 3 June 1996; and
  - (c) the articles of association of the Company were amended by the addition of a new article 18 which provided for rights attaching to preference shares of £1 each.
- 2.3 On 3 June 1996, pursuant to the authority referred to in sub-paragraph 2.2(b) above, the directors of the Company allotted and issued 4,175,010 preference shares of £1 each at par, credited as fully paid.
- 2.4 By a special resolution passed at an extraordinary general meeting of the Company held on 18 July 1996:
  - (a) articles of association of the Company were adopted containing, *inter alia*, the rights attaching to each class of share in the issued share capital of the Company;
  - (b) the authorised share capital of the Company was increased by £11,199,255 from £14,175,010 to £25,374,265 by the creation of 4,910,750 new ordinary shares of £1 each and 2,087,505 new preference shares of £1 each ranking *pari passu* with the existing ordinary shares of £1 each and preference shares of £1 each respectively, 4,200,000 redeemable preference shares of £1 each and 1,000 deferred shares of £1 each; all such shares having the rights and obligations set out in the articles of association of the Company adopted pursuant to the resolution referred to in sub-paragraph 2.4(a) above;
  - (c) the directors of the Company were granted authority pursuant to section 80 of the Act to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £11,258,755 for a period of 12 months from 18 July 1996; and
  - (d) the directors of the Company were empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash as if section 89(1) of the Act did not apply to the allotment of shares pursuant to the authority referred to in sub-paragraph 2.4(c) above.
- 2.5 On 19 July 1996, pursuant to the authority referred to at sub-paragraphs 2.4(c) and 2.4(d) above, the directors of the Company allotted, credited as fully paid, 4,970,250 ordinary shares of £1 each at par, 2,087,505 preference shares of £1 each at par, 4,200,000 redeemable preference shares of £1 each at par and 1,000 deferred shares of £1 each at a premium of £6,999 per deferred share of £1.

- 2.6 By ordinary resolutions passed at extraordinary general meetings of the Company held on 12 November 1996 and 19 November 1996:
- (a) the Minerva plc Approved 1996 Share Option Scheme was adopted;
  - (b) the Minerva plc Unapproved 1996 Share Option Scheme was adopted;
- 2.7 By a special resolution passed at an extraordinary general meeting of the Company held on 21 November 1996, conditional upon Admission taking place not later than 5 December 1996:
- (a) pursuant to the provisions of the Act:
    - (i) 24 out of every 25 ordinary shares of £1 each in the capital of the Company in issue on 21 November 1996 were converted into deferred shares of £1 each in the capital of the Company;
    - (ii) the preference shares of £1 each in the capital of the Company in issue on 21 November 1996 were converted into ordinary shares of £1 each in the capital of the Company;
    - (iii) each ordinary share of £1 in the capital of the Company in issue and arising from the conversion referred to in sub-paragraph 2.7(a)(i) above was sub-divided into four ordinary shares having the rights attached to ordinary shares in the new articles of association of the Company to be adopted pursuant to the passing of the resolution referred to in paragraph 2.7(h) below; and
    - (iv) an amount of £1,829,051.25 (being part of the amount standing to the credit of the share premium account of the Company) was capitalised and such amount was applied in paying up in full 7,316,205 ordinary shares;
  - (b) the authorised share capital of the Company was increased by £17,093,968.75 from £25,374,265 to £42,468,233.75 by the creation of 68,375,875 new ordinary shares;
  - (c) the terms of the proposed contract ("Contract") between the Company (1) D E Garrard (2) A I Rosenfeld (3) P A Coster (4) Codex Trust Co., Dr K Biedermann and Dr T Wilhelm, Trustees of the Garrard Rosenfeld Settlement (5) Codex Trust Co., Dr K Biedermann and Dr T Wilhelm, Trustees of the David Garrard 1989 Trust (6) Codex Trust Co., Dr K Biedermann and Dr T Wilhelm, Trustees of the A I Rosenfeld 1989 Trust (7) Antares (8) and Herling (9) for the purchase by the Company of all the deferred shares of £1 each then in issue and created pursuant to the passing of the resolution referred to in sub-paragraph 2.7(a)(i) above was approved and the Company was authorised for the purposes of section 164(2) of the Act to enter into the Contract and to purchase such deferred shares of £1 each;
  - (d) each of the deferred shares of £1 each in issue and arising pursuant to the passing of the resolution referred to in sub-paragraph 2.7(a)(i) above and the redeemable preference shares of £1 each redeemed by the Company were sub-divided and redesignated into ordinary shares having the rights attaching to ordinary shares in the new articles of association to be adopted pursuant to the passing of the resolution referred to at sub-paragraph 2.7(h) below;
  - (e) the Directors were generally and unconditionally authorised pursuant to section 80 of the Act to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £25,308,273.25 to such persons, at such times and upon such terms and conditions as they may determine, such authority to expire, unless previously renewed, revoked or varied by the Company in general meeting, on the earlier of the date of the next annual general meeting of the Company and 20 November 2001;
  - (f) the Directors were empowered pursuant to section 95 of the Act to allot equity securities (as defined by section 94(2) of the Act) for cash as if section 89(1) of the Act did not apply to such allotment provided that such power is limited to the allotment of:
    - (i) 50,000,000 ordinary shares pursuant to the Placing as described in this document;
    - (ii) 2,300,000 ordinary shares pursuant to the agreement with Eagle Star (described in sub-paragraph 3.2(b) below);
    - (iii) ordinary shares pursuant to the terms of the share option schemes referred to in sub-paragraphs 2.7(a) and (b) above;

- (iv) equity securities where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in proportion as nearly as may be to their then existing holdings of ordinary shares but subject to the directors having a right to make such exclusions or other arrangements in connection with the offering as they deem necessary or expedient to deal with equity securities representing fractional entitlements and to deal with legal or practical problems under the laws of, or requirements of any regulatory body or stock exchange in any territory; and
- (v) otherwise up to an aggregate nominal amount of £1,197,645;

such authority to expire at the next annual general meeting of the Company or on 20 February 1998 whichever is the earlier;

- (g) the authorities and powers previously conferred to allot securities were revoked (but without prejudice to the allotment of securities already made pursuant to such authorities and powers);
  - (h) new articles of association ("New Articles of Association") of the Company were adopted in substitution for, and to the exclusion of, the existing articles of association of the Company;
  - (i) in accordance with section 320 of the Act, the terms of the contract between the Company (1) and Herling (2) for the purchase by the Company of the entire issued share capital of Antares, a transaction in which the executive Directors have an interest by reason of their interests in Herling, was approved and the allotment and issue of 8,759,670 ordinary shares to Herling in consideration for such acquisition was approved; and
  - (j) the terms of a contract dated 11 October 1996 between Eagle Star (1) the Company (2) D E Garrard (3) and A I Rosenfeld (4) in which two of the Directors, David Garrard and Andrew Rosenfeld, have an interest was approved.
- 2.8 As at the date of this document there are in issue 14,910,750 ordinary shares of £1 each, 6,262,515 preference shares of £1 each, 4,200,000 redeemable preference shares of £1 each and 1,000 deferred shares of £1 each.
- 2.9 On 21 November 1996, conditional on Admission becoming effective not later than 5 December 1996:
- (a) 7,316,205 ordinary shares were allotted *pro rata* to holders of ordinary shares of 25p each credited as fully paid pursuant to the capitalisation issue referred to in sub-paragraph 2.7(a)(iv) above;
  - (b) 2,300,000 ordinary shares were allotted to Eagle Star pursuant to the agreement with Eagle Star referred to in sub-paragraph 3.2(b) below; and
  - (c) 8,759,670 ordinary shares were allotted pursuant to the agreement referred to in sub-paragraph 9(h) below.
- 2.10 Following Admission, the Company will be subject to the continuing obligations of the London Stock Exchange with regard to the issue of securities for cash and the provisions of section 89 of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) which apply to the balance of the authorised but unissued share capital of the Company which is not subject to the disapplication referred to in sub-paragraph 2.7(f) above.
- 2.11 Save as disclosed in this paragraph 2 and in sub-paragraph 3.1(b)(iii) and paragraph 6 below:
- (a) no share or loan capital of the Company or any of its subsidiaries (other than intra-group issues by wholly-owned subsidiaries) has, within three years before the date of this document, been issued or been agreed to be issued, fully or partly paid, either for cash or for a consideration other than cash, and no such issue is now proposed;

- (b) no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries within the three years immediately preceding the date of this document in connection with the issue, conversion or sale of any share or loan capital of any such company; and
- (c) neither the Company nor any of its subsidiaries has granted any options over its share or loan capital which remain outstanding or has agreed, conditionally or unconditionally, to grant any such options.

### 3. Refinancing of the Company

3.1 The Refinancing involved the Company and its principal subsidiaries entering into a series of agreements, each dated 19 July 1996, as follows:

- (a) a loan agreement between the Company (1) Angelmist Limited, Helios Property Investments Limited, Larchfield Investments Limited, M1 Limited, M6 Limited, Minel Limited, Minerva Corporation, Twin Tower Properties Limited and Sparrage Properties Limited ("Guarantors") (2) BHF, Hamburgische Landesbank and IKB Deutsche Industriebank A.G. (together "Banks") (3) and BHF (as "Agent") (4) pursuant to which the Banks provided a facility of £78,750,000 ("Facility") to the Company for the Group to refinance certain of its syndicated borrowings for which Chase was the agent. The Facility is repayable on 18 July 2000. The aggregate fixed interest rate payable on the Facility (including margin) is 8.6175 per cent.

The Facility is secured, *inter alia*, by debentures executed by the Guarantors and first fixed charges (executed in relation to each property by the Guarantors) over each of the properties listed in the table on page 20 of this document and second charges over the properties at 250 Euston Road, London, NW1 and Quadrant House, Sutton.

The Banks have a right of acceleration on the occurrence of specified events of default which include, *inter alia*, insolvency events and cross-default on payment obligations under other Group borrowings;

- (b) an agreement between Chase (1) the shareholders of the Company at that date ("Shareholders") (2) and the Company (3) pursuant to which:
  - (i) Chase were allotted and issued 4,970,250 ordinary shares of £1 each of the Company at par and 2,087,505 preference shares of £1 each of the Company at par having the rights attached to such shares in the existing articles of association of the Company in consideration of the release by Chase of £7,057,755 of indebtedness due from the Company to Chase;
  - (ii) Chase were allotted and issued the Chase Loan Note in consideration of the release by Chase of £9,097,891 of indebtedness due from the Company to Chase and Chase releasing each member of the Group from all and any liability owed to it except for the Senior Facility Agreement referred to at sub-paragraph 3.1(d) below, liability under the agreement referred to in this sub-paragraph (b)(ii), the facilities made available to Croydon Plaza Limited (where it is agent bank) and Larchfield Investments Limited (where it has a participation of £10,000,000) and the Chase Loan Note (referred to at sub-paragraph 3.1(c) below);
  - (iii) Chase subscribed for 1,000 deferred shares of 1 pence each in each of Twin Tower Properties Limited, Croydon Plaza Limited and Minel Limited for an aggregate consideration of £24,395,039; and
  - (iv) a number of arrangements were provided for relating to the management of the Company. These are no longer applicable as Chase has ceased to be a shareholder. The Company also gave certain warranties to Chase from which it has been released pursuant to the arrangements set out at sub-paragraph 3.2(c) below;



- (c) the Chase Loan Note was issued by the Company in favour of Chase. Prior to Admission no interest is payable, thereafter interest accrues at 1 per cent. over the then prevailing redemption yield rate for a 7 per cent. Treasury Gilt 2001. Upon listing of the entire share capital of the Company on the Official List of the London Stock Exchange ("listing") or any person acquiring the power to appoint and/or remove all or a majority of the directors of the Company or upon any person acquiring rights in excess of 50 per cent. of the total voting rights exercisable at a general meeting of the shareholders of the Company, 50 per cent. of the principal sum shall be payable. The Chase Loan Note is secured by a floating charge over Minerva Corporation and a fixed charge over the £1,775,000 non-interest bearing unsecured convertible loan note 1997 of Premier Land Plc issued on 6 September 1995 to M1 Limited, now held by Minerva Corporation; and 29,583,333 ordinary shares of 4p each in the share capital of Premier Land Plc also held by Minerva Corporation ("Premier Land Assets");
- (d) an agreement between the Company (1) and Chase (2) pursuant to which Chase granted to the Company a senior facility ("Senior Facility Agreement") which comprises a standby letter of credit facility of £961,233.84 and a working capital term loan of £1,333,409.46. Interest is payable on the amounts outstanding at three per cent. over the Barclays Bank PLC base rate from time to time save that where the Company pays interest on its due date the Company receives an interest rebate of 1.5 per cent.

The Company must repay all amounts due under the Senior Facility Agreement four years and one month from 18 July 1996 or if earlier upon a listing. The Senior Facility Agreement is secured by certain personal guarantees, including one from Mr D E Garrard (which will be released upon Admission) in favour of Chase, limited in each case to £2,500,000, a guarantee and charge by Minerva Corporation in favour of Chase over the Premier Land Assets and a floating charge given by Minerva Corporation in favour of Chase;

- (e) an agreement between Eagle Star (1) and the Company (2) pursuant to which Eagle Star subscribed in cash at par for the Eagle Star Loan Note (referred to at sub-paragraph 3.1(f) below) and 4,200,000 redeemable preference shares of £1 each in the capital of the Company. Eagle Star also subscribed for 1,000 deferred shares of £1 each in the capital of the Company ("Deferred Shares") for an aggregate premium of £6,999,000. In consideration of the foregoing, the Company agreed to:
  - (i) procure that Chase enter into deeds of release whereby Eagle Star was released from obligations under the indemnity policies it granted to Chase pursuant to which it indemnified Chase from any deficits arising from the refinanced syndicated loan facilities for which Chase was the agent;
  - (ii) procure that Antares enter into various agreements with Eagle Star; being an agreement granting put and call options over the Deferred Shares; an agreement for the sale and purchase of the redeemable preference shares of £1 each, details of which are set out in sub-paragraph 3.1(g) below; a charge whereby the redeemable preference shares of £1 each of the Company were charged in favour of Eagle Star and a charge whereby shares in Futurestate were charged in favour of Eagle Star;
  - (iii) procure that Futurestate grant an undertaking to Eagle Star relating to the borrowings of Futurestate and grant a second charge to Eagle Star over the property at Bishopbriggs, Glasgow;
  - (iv) procure that Antares and Futurestate enter into a subordination agreement with Eagle Star in respect of the indebtedness of Futurestate; and
  - (v) procure that A I Rosenfeld give a guarantee limited to £2.1 million to Eagle Star in respect of the obligations of Antares;
- (f) the Eagle Star Loan Note repayable on 19 July 2001 was subscribed for as set out in sub-paragraph 3.1(e) above. Prior to listing no interest is payable; thereafter interest accrues at 1 per cent. over the prevailing redemption yield rate for 7 per cent. Treasury Gilt 2001. Upon listing or any person acquiring the power to appoint and/or remove all or a majority of the directors of the Company or

upon any person acquiring rights in excess of 50 per cent. of the total voting rights exercisable at a general meeting of the shareholders of the Company, 50 per cent. of the principal sum becomes payable within seven days of such date. The Eagle Star Loan Note is secured by a floating charge over Minerva Corporation;

- (g) a sale and purchase agreement dated 19 July 1996, pursuant to which Eagle Star sold to Antares the 4,200,000 redeemable preference shares of £1 each held by it in the capital of the Company. Consideration for this transfer was left outstanding and is payable as to 50 per cent. on listing and the balance either when the redeemable preference shares of £1 each are redeemed or prior to 19 July 2001. Payment of the consideration is secured, *inter alia*, by a charge over the shares held by Antares in Futurestate and by a second charge over the property held by Futurestate at Bishopbriggs, Glasgow;
- (h) a deed of indemnity dated 19 July 1996, entered into between the Company and Minerva Corporation (1) and Eagle Star (2) pursuant to which the Company and Minerva Corporation jointly and severally covenanted to indemnify Eagle Star against any claim made under the indemnity policy issued by Eagle Star in favour of Chase relating to any deficit arising in connection with the syndicated loan facility provided to Croydon Plaza Limited for which Chase is the agent;
- (i) an agreement between Larchfield Investments Limited (1) the Company and Minerva Corporation (2) Deutsche Pfandbrief-Und Hypothekenbank ("DePfa") (3) and Chase (4) pursuant to which DePfa has agreed to extend the period of the original loan facility of £71,000,000 entered into on 6 May 1992 beyond 31 March 1997 until 29 June 2001 provided that there is no event of default occurring on or prior to 31 March 1997. The interest rate payable on the loan from 31 March 1997 is fixed at 7.78 per cent. plus a margin of 1.25 per cent. At that time, DePfa will increase its participation in the facility by repaying to Chase its £10,000,000 participation. The facility is secured, *inter alia*, by way of a first fixed charge over the property located at 250 Euston Road, London NW1. DePfa has exercised its right to require a re-confirmation from Weatherall Green & Smith of the valuation of 250 Euston Road, London NW1 as at 31 March 1997 being not less than £80,000,000;
- (j) a deed made between Minerva Corporation (1) and Bankers Trust (in capacity of trustee) (2) pursuant to which a deed of undertaking dated 31 March 1994 made between the parties was restated and amended. Under the amended and restated agreement Minerva Corporation undertakes to pay on first written demand the covenanted amount of £55,000,000 less the proceeds recouped from the original loan agreements (provided that the maximum amount payable shall not exceed £6,250,000) together with interest at 7.5 per cent. per annum in accordance with the prescribed formula specified therein. This is payable on 22 July 2001 subject to earlier payment on the occurrence of certain acceleration events. This obligation to repay is guaranteed by the Company in a separate deed of undertaking also dated 19 July 1996;
- (k) a deed between the Company (1) Minerva Corporation (2) BHF (in its capacity as agent and security trustee) (3) Chase (4) Eagle Star (5) Bankers Trust (6) the shareholders of the Company ("Shareholders") (7) and certain subsidiaries over which BHF has security (8) pursuant to which the parties agree that secured indebtedness over the assets of the Group should rank in the following order:
  - (i) first, amounts owed to BHF;
  - (ii) secondly, amounts owed to Chase and Eagle Star *pari passu*;
  - (iii) thirdly, amounts owed to Bankers Trust; and
  - (iv) fourthly, amounts owed under the Codex facility (see sub-paragraph 3.1(l) below) and between the members of the Group by way of inter company loans. There are certain permitted payments under the agreement including, on a listing, 50 per cent. of each of the Chase Loan Note and the Eagle Star Loan Note; and
- (l) a facility letter dated 17 July 1996 issued by Codex Treuhand Aktiengesellschaft, Dr Klaus Biedermann and Dr Thomas Wilhelm in their capacity as trustees ("Trustees") of the Maureen

Garrard 1989 Trust (now known as the "Garrard Rosenfeld Settlement") in favour of the Company making available a loan facility in the maximum sum of £10,000,000 ("Codex Facility"). The Codex Facility will carry interest at the rate of 1.5 per cent. per annum above the base rate from time to time of Barclays Bank PLC subject to a minimum of 8 per cent. per annum. The Codex Facility is unsecured but has events of default including a change of control in ownership or management. As at 17 July 1996 the Trustees confirmed that it was not their current intention within the period of two years from that date to serve a demand for repayment even if there was an event of default. As at the date of this document no amounts have been drawn down under the Codex Facility and this facility will be withdrawn on Admission.

3.2 Subsequent to the Refinancing the following agreements have been entered into by the Company:

- (a) an agreement dated 30 September 1996 made between Minerva Corporation (1) and Bankers Trust (2) pursuant to which it was agreed that on Minerva Corporation paying the required discharge amount (being, prior to 31 March 1997: £1,000,000; from April 1997 to 30 June 1997: £1,300,000), Bankers Trust will release Minerva Corporation and the Company from all their respective obligations under the restated and amended deed of undertaking referred to at paragraph 3.1(j) above and Minerva Corporation from the floating charge granted to Bankers Trust;
- (b) an agreement dated 11 October 1996 between Eagle Star (1) the Company (2) D E Garrard (3) and A I Rosenfeld (4) pursuant to which it was agreed that on Admission, in satisfaction of the Eagle Star Loan Note and in satisfaction of amounts due to it from Antares pursuant to the terms of the sale and purchase agreement referred to at sub-paragraph 3.1(e)(ii) above, the Company will pay to Eagle Star £3,890,000 and allot and issue to Eagle Star such number of ordinary shares as when multiplied by the Placing price would equal £3,450,000 and Eagle Star has agreed to release A I Rosenfeld from his personal guarantee in connection with the agreement described in sub-paragraph 3.1(e)(v) above and to release Minerva Corporation, Antares and Futurestate from their respective obligations and charges. In addition, pursuant to this agreement, Eagle Star and D E Garrard and A I Rosenfeld have entered into an option agreement pursuant to which they are entitled to acquire ordinary shares allotted to Eagle Star for an amount equal to 115 per cent. of the Placing price within 12 months of Admission. If D E Garrard and A I Rosenfeld do not exercise the option within the period of 18 months following Admission they have jointly agreed to indemnify Eagle Star for any loss arising on the sale of the ordinary shares as between the value of the shares at the Placing price plus interest at a market rate and the value realised by Eagle Star. If the ordinary shares are delisted Eagle Star can require D E Garrard and A I Rosenfeld to acquire its ordinary shares at a price equal to 115 per cent. of the Placing price. During the 18 month option period referred to above all voting rights attaching to the ordinary shares held by Eagle Star shall be delegated to, and held jointly by, D E Garrard and A I Rosenfeld; and
- (c) an agreement dated 18 October 1996 made between Chase and the Company pursuant to which it was agreed that on Admission the Company will pay to Chase £5 million as part repayment of the Chase Loan Note and thereupon Chase will assign the balance of the Chase Loan Note to Herling or its nominee, who has agreed to release the Company from the balance of its obligations under the Chase Loan Note.

#### 4. Memorandum and Articles of Association

##### 4.1 Memorandum of Association

The memorandum of association of the Company provides that the Company's principal objects are to acquire by purchase, lease, exchange or otherwise for development, investment or re-sale and traffic in, land and houses and other property of any tenure or any interest. The objects of the Company are set out in full in clause 4 of its Memorandum of Association which is amongst the documents referred to in paragraph 17 below as being available for inspection.

## 4.2 Articles of Association

The New Articles of Association of the Company, which were adopted by a special resolution passed at an extraordinary general meeting of the Company held on 21 November 1996 conditional on Admission taking place no later than 5 December 1996, include provisions to the following effect:

### (a) Rights attaching to shares

#### *Voting rights*

Subject to disenfranchisement in the event of non-compliance in certain circumstances with a statutory notice requiring disclosure of interests in any shares and to any special terms for voting upon which any shares of the Company may have been issued or may for the time being be held (as to which there are none present), on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative shall have one vote and, on a poll, every member so present in person or by proxy shall have one vote for every share of which he is the holder. In the case of joint holders the vote of the person whose name appears first in the register of members and who tenders a vote will be accepted to the exclusion of any votes tendered by the other joint holders.

#### *Dividends*

Subject to the Act, the Company may, by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Directors. Subject to the Act, the Directors may pay interim dividends as appear to them to be justified by the profits of the Company available for distribution. No dividend or interim dividend shall be paid otherwise than in accordance with the New Articles of Association. Except as otherwise provided by the New Articles of Association or the rights attached to the shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid and all dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall, if the Directors so resolve, be forfeited and cease to remain owing by the Company.

The Directors may, with the authority of an ordinary resolution of the Company, offer any holders of ordinary shares the right to elect to receive ordinary shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the Directors) of any dividend specified in the ordinary resolution.

The Directors may, at a general meeting declaring a dividend, direct that it is paid wholly or partly by the distribution of specific assets and where any difficulty arises in regard to the distribution, the directors may settle the same as they think fit and in particular may issue fractional certificates and fix the value of the distribution of any assets, and may determine that cash shall be paid to any member upon the basis of the value, and may vest any assets in trustees.

#### *Distribution of assets on a winding up*

If the Company is wound up, the liquidator may, with the sanction of an extraordinary resolution and any other sanction required by law, divide among the members in kind the whole or part of the assets of the Company and, for that purpose, may value any assets and determine how such division shall be carried out. With the like sanction the liquidator may vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he may determine but no member shall be compelled to accept any assets upon which there is a liability.

**(b) Transfer of shares**

The shares of the Company may be transferred by an instrument of transfer which may be in any usual form or in any other form of which the Directors may approve. The instrument of transfer must be executed by or on behalf of the transferor and, where the share is not fully paid, by or on behalf of the transferee. The Directors may not refuse to register any transfer if the instrument of transfer is in respect of only one class of share, is in respect of a fully paid share, is in respect of a share on which the Company does not have a lien, is in favour of no more than four transferees, is lodged, duly stamped, at the registered office of the Company or such other place as the Directors may appoint and is accompanied by the share certificate to be transferred and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. Partly paid shares which are listed may be subject to restrictions provided that the restrictions are not such as to prevent dealings in the shares from taking place on an open and proper basis. The registration of transfers of shares or of any class of shares may be suspended at such times and for such periods (not exceeding 30 days in any year) as the Directors may determine.

**(c) Variation of rights**

Subject to the Act, if at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class may be varied in such a manner (if any) as may be provided by those rights or, in the absence of such provision, with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class, but not otherwise. To every such separate meeting, the provisions of the New Articles of Association relating to general meetings shall apply except that the necessary quorum at any such meeting shall be two persons together holding or representing by proxy at least one-third in nominal value of the issued share capital of the class in question. At an adjourned meeting, one person holding shares of the class in question or his proxy is a quorum.

**(d) Alteration of capital**

Subject to the Act, the Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares, sub-divide its shares (or any of them) into shares of smaller amounts, determine that, as between the shares resulting from such a sub-division, any of them may have any preference or advantage as compared with the others, cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares cancelled. Subject to the Act, the Company may by special resolution reduce its authorised and issued share capital, any capital redemption reserve and any share premium account, in any way.

Subject to the Act, the Company may purchase its own shares (including redeemable shares), but not unless the purchase has been sanctioned by an extraordinary resolution passed at a separate meeting of the holders of any other class of shares in the Company.

**(e) Directors**

Unless and until otherwise determined by the Company, the number of Directors shall not be fewer than three. A Director shall not be required to hold any share qualification but shall nevertheless be entitled to attend and speak at any general meeting or at any separate meeting of the holders of any class of shares of the Company. Any Director may at any time appoint any other Director to be an alternate Director of the Company. He shall be deemed for all purposes to be an officer of the Company and shall alone be responsible for his own acts and defaults.

The Directors may delegate any of their powers, duties, discretion and authorities to committees consisting of such Directors as they think fit.

A Director, including an alternate Director, who is any way, whether directly or indirectly, interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company shall declare the nature of his interest at a meeting of the Directors.

Section 293 of the Act which regulates the appointment and continuation in office of Directors who have attained the age of 70 shall apply to the Company.

Except in the circumstances set out below, a Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest other than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

A Director shall be entitled to vote and be counted in the quorum, unless there is some other material interest, in the following circumstances:

- (i) the giving of any security, guarantee or indemnity to him in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any member of the Group;
- (ii) the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company or any member of the Group for which he himself has assumed responsibility;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Group for subscription or purchase in which offer he is or is to be interested as a participant as the holder of such shares or securities or in its underwriting or sub-underwriting;
- (iv) any contract, arrangement, transaction or other proposal concerning any other company in which he holds an interest not representing one per cent. or more of any class of the equity share capital of such company, or of the voting rights available to members of the relevant company;
- (v) any contract, arrangement, transaction or proposal concerning the adoption, modification or operation of any scheme enabling employees including the executive Directors of the Group to acquire shares of the Company or any arrangement for the benefit of employees of the Group, which does not award him any privilege or benefit not awarded to the employees to whom such scheme relates; and
- (vi) any contract, arrangement, transaction or proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including Directors.

A Director shall not vote or be counted in the quorum on any resolution concerning his own appointment as the holder of any office or place of profit within the Group in which the Company is interested including fixing or varying the terms of his appointment or its termination.

**(f) Borrowing powers**

Subject to the following, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part of it, and subject to the provisions of the Act, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Directors shall restrict the borrowings of the Company and use all its powers to restrict the borrowings of the Group so that no money shall be borrowed if the aggregate principal amount including any premium payable on final repayment, outstanding of all monies borrowed by the Group (excluding internal borrowing of the Group), then exceeds or would, as a result of such borrowing, exceed an amount equal to five times the aggregate of:

- (i) the nominal amount paid up on the share capital of the Company; and
- (ii) the amount standing to the credit of the consolidated reserves of the Group whether distributable or undistributable and including (without limitation) share premium, capital redemption reserve and profit and loss accounts.

**(g) Untraced shareholders**

The Company shall be entitled to sell at the best price reasonably obtainable any share(s) or stock of a shareholder provided that:

- (i) for a period of 12 years no cheque or warrant sent to the shareholder has been cashed, and no communication has been received by the Company from the shareholder;
- (ii) the Company has, at the expiry of the period of 12 years, by advertisement in both a national daily newspaper and in a newspaper circulating in the area in which the shareholder's address is located, given notice of its intention to sell such shares or stock;
- (iii) the Company does not, in the next three months, receive any communication from the shareholder or his successors in title; and
- (iv) the Company has first given notice in writing to the London Stock Exchange of its intention to sell such shares or stock.

The proceeds of such sale shall be put into a separate account which shall be a permanent debt of the Company in respect of the shareholder.

**5. Directors and other significant interests in the Company's share capital**

- 5.1 The interests of the Directors and their immediate families in the securities of the Company which have been notified to the Company pursuant to sections 324 or 328 of the Act, or which are required to be entered in the register maintained by the Company pursuant to section 325 of the Act, (together with the interests of persons connected with the Directors within the meaning of section 346 of the Act which, if the connected person were a Director, would be required to be disclosed pursuant to this paragraph and the existence of which is known, or following reasonable diligence could be ascertained, by the Director concerned), as at the date of this document and on Admission are or will be as set out below and in paragraph 5.2:

<i>Director</i>	<i>Number of ordinary shares of £1 each at the date of this document</i>	<i>Number of preference shares of £1 each at the date of this document</i>	<i>Aggregate percentage of the voting share capital at the date of this document</i>	<i>Number of ordinary shares on Admission</i>	<i>Percentage of issued ordinary share capital on Admission</i>
D E Garrard	3,912,750	1,249,129	20.5	21,514,906	22.5
A I Rosenfeld	1,692,000	1,299,453	19.9	21,319,810	22.3
P A Coster	497,025	251,570	4.0	1,375,351	1.4
W S C Richards	—	—	—	16,666	0.0
C J Sheridan	—	—	—	10,000	0.0

Notes:

- (i) The interests of D E Garrard and A I Rosenfeld include 2,300,000 ordinary shares which are being issued to Eagle Star on Admission and, in respect of which as referred to in sub-paragraph 3.2(b) above, all voting rights shall be exercisable jointly by D E Garrard and A I Rosenfeld.
- (ii) The interest of D E Garrard also includes all of the ordinary shares being issued on Admission to Herling by reason of the fact that David Garrard, the Trustees of the Maureen Garrard 1986 Trust and the Trustees of the D E Garrard 1989 Trust together are entitled to exercise more than one-third of the voting power at general meetings of that company.
- (iii) The interest of A I Rosenfeld also includes all of the ordinary shares being issued on Admission to Herling by reason of the fact that the Trustees of the A I Rosenfeld Trust are entitled to exercise more than one-third of the voting power at general meetings of that company.
- (iv) W S C Richards and C J Sheridan will acquire 16,666 ordinary shares and 10,000 ordinary shares respectively in the Placing at the Placing price.
- (v) P A Coster will be granted on Admission options to subscribe for 266,666 ordinary shares, exercisable at the Placing price.

- 5.2 As at the date of this document, the Directors own or have an interest in 4,200,000 redeemable preference shares of £1 each in the capital of the Company and 1,000 deferred shares of £1 each in the capital of the Company, all of which are owned by Antares. The preference shares of £1 each are being converted into ordinary shares as described in sub-paragraph 2.7(a)(ii) of this Part VII and the redeemable preference shares of £1 each are being redeemed and sub-divided and redesignated as ordinary shares.
- 5.3 As at the date of this document there are no known outstanding options over the share capital of the Company.
- 5.4 The following persons have notified the Company that they are, at the date of this document and/or on Admission, will be interested in more than three per cent. of the Company's issued share capital. In so far as is known to the Directors, as at the date of this document they are not aware of any person, other than as shown in sub-paragraph 5.1 above, who is at the date of this document and/or immediately following Admission, will be interested directly or indirectly in three per cent. or more of the issued ordinary share capital of the Company.

<i>Shareholder</i>	<i>Number of ordinary shares of £1 each at the date of this document</i>	<i>Number of preference shares of £1 each at the date of this document</i>	<i>Aggregate percentage of the voting share capital at the date of this document</i>	<i>Number of ordinary shares on Admission</i>	<i>Percentage of issued ordinary share capital on Admission</i>
Chase	4,970,250	2,087,505	33.3	—	—
Herling	—	—	—	12,093,003	12.6
Hummel	—	—	—	11,583,996	12.1
Investments Limited	—	—	—	11,583,996	12.1
Trustees of the A I	—	—	—	11,583,996	12.1
Rosenfeld Trust	846,000	871,246	13.2	16,678,772	17.4
Trustees of the	—	—	—	—	—
David Garrard 1989	—	—	—	—	—
Trust	2,643,750	606,820	10.4	3,610,354	3.8
Trustees of the	—	—	—	—	—
Garrard Rosenfeld	—	—	—	—	—
Settlement	3,838,725	1,374,858	22.3	19,327,924	20.2

## Notes:

- (i) The Trustees of the Garrard Rosenfeld Settlement will be deemed to be interested in the 11,583,996 ordinary shares in which Hummel Investments Limited will be treated as being interested on Admission and are therefore included in its total holding of 19,327,924 ordinary shares.
- (ii) The Trustees of the A I Rosenfeld Trust Settlement will be deemed to be interested in the 12,093,003 ordinary shares in which Herling will be treated as being interested on Admission and are therefore included in its total holding of 16,678,772 ordinary shares.

In addition, HSBC Investment Bank intends to subscribe for approximately 10.7 million ordinary shares, representing 10.8 per cent. of the issued ordinary share capital on Admission.

- 5.5 Save as disclosed in sub-paragraphs 5.1, 5.2 and 5.4 above, no Director, or member of his family, or other connected person, has any interest, beneficial or non-beneficial, in the share capital of the Company or any of its subsidiaries.



- 5.6 Save for the Antares acquisition, details of which are set out at sub-paragraph 9(h) of this Part VII and save as disclosed in sub-paragraphs 3.1 and 3.2 of this Part VII no Director has or has had any interest in any transaction which is or was unusual in its nature, conditions or significant to the business of the Group and which has been effected by the Company during the current or immediately preceding financial year or which was effected by the Company during an earlier financial year and remains in any respect outstanding or unperformed.
- 5.7 There are no outstanding loans granted by any member of the Group to any Director, nor any guarantees provided by any member of the Group for the benefit of any Director.
- 5.8 Save as disclosed in sub-paragraph 9(h) and an agreement whereby David Garrard, subject to landlord's consent, is to assign to the Company the leasehold interest currently held by him in the Company's principal office at 10 Gloucester Place, London W1H 3AX the Directors have not had any interest in the assets of the Company during the two years immediately preceding the date of this document.

## **6 Employee Share Option Schemes**

- 6.1 The Company has adopted, on 12 November 1996 and 19 November 1996, two employee share option schemes ("the Schemes") which will enable employees and executive Directors of the enlarged Group to be granted options to subscribe for ordinary shares. One of the schemes ("the Approved Scheme") has been submitted to the Inland Revenue for approval in accordance with section 185 of schedule 9 to the Income and Corporation Taxes Act 1988. The other scheme ("the Unapproved Scheme") does not require such approval. Options granted under the Approved Scheme carry certain tax advantages for the option holder as compared to options under the Unapproved Scheme. Details of the two schemes are set out below. References to "employees", unless otherwise stated, include executive Directors.

As required by the investor committee guidelines, the Schemes require that the exercise of options are subject to satisfaction of performance criteria. The performance criterion under the Approved Scheme is that the share price of the Company at least keeps pace with the increase in the Retail Prices Index following the grant of the relevant option. The Performance Criterion under the Unapproved Scheme is that the growth in the share price of the Company following the grant of the option places the Company in the top quartile of peer group property companies.

A committee of Directors (the majority of whom are required to be non-executive Directors) (the "remuneration committee") has been appointed to administer and operate each Scheme. The members of the remuneration committee are Clive Richards and Christopher Sheridan, the non-executive Directors. More particularly, the principal functions of the remuneration committee are to decide (at their discretion but in accordance with the rules of each Scheme) which employees should be granted options and the number of ordinary shares which should be the subject of each option, to review the suitability of and (if and when considered appropriate) amend the performance criterion of each scheme and to determine whether it has been satisfied.

The maximum number of ordinary shares in respect of which options may be granted under the Schemes is 4,790,582, being equivalent to five per cent. of the Company's issued ordinary share capital following the Placing. This figure (but not the percentage), and also the number of ordinary shares the subject of any option and the subscription price of each such ordinary share, will be subject to adjustment (to be confirmed by the Company's Auditors in writing at the relevant time as being fair and reasonable) in the event of any capitalisation or rights issues, or in the event of any consolidation, sub-division or reduction of the Company's capital.

There are various other limitations as to the number of ordinary shares which may be the subject of options, as required by the investor committee guidelines. In particular, no employee may be granted options under the Schemes which, together with any other options which he has or which he has exercised during the preceding ten years under the Schemes, relate in aggregate to an amount in value of ordinary shares which is greater than

four times his salary. For these purposes the value of ordinary shares is taken at the date of grant of the option. It is intended to grant options under the Schemes to the following individuals, namely, Paul Coster, Steven Yewman, John Higson, Arthur Rixon, Rodney Blee and Quentin Thompson, in each case in an amount equal to four times their annual salary. In each case, the first £30,000 of options will be granted under the Approved Scheme and the balance will be granted under the Unapproved Scheme.

## 6.2 *The Approved Scheme*

Executive Directors who are required to work for at least 25 hours per week for the enlarged Group and employees who are required to devote substantially all of their working time to the enlarged Group, are eligible to participate in the Approved Scheme at the invitation of the remuneration committee. However, persons with a "material interest" (broadly, more than a 10 per cent. interest) in the enlarged Group are not so eligible (although they are eligible under the Unapproved Scheme).

Any such option will entitle its holder to subscribe for or acquire ordinary shares in accordance with the rules of the Approved Scheme at the higher of (a) their market value on the latest practicable business day before the option is granted and (b) their nominal amount.

No employee may be granted an option under the Approved Scheme which, together with any other options which he has, or which he has exercised during the previous ten years, under the Approval Scheme, relates in aggregate to more than £30,000 of ordinary shares. For these purposes the value of ordinary shares is taken at the date of grant of the option.

Other than during the first 30 days following Inland Revenue approval of the Scheme, or, thereafter, in circumstances considered by the remuneration committee to be exceptional, options may only be granted during the period of 42 days following the announcement of the Company's final or interim results for any period. No option may be granted after 27 November 2006.

Options may not generally be exercised within three years of the date of grant or after the employee has ceased to be employed by the enlarged Group. However, options may be exercised within such three year period or following cessation of employment in certain circumstances, for example if the holder dies whilst in the service of the enlarged Group or ceases to be employed due to retirement at normal retirement age, injury, disability or redundancy, or if the Company is the object of a successful takeover. Options may not be exercised more than ten years after their date of grant. Options may not be transferred, and may only be exercised by the option holder or his personal representatives.

Within 30 days of the exercise of an option, the appropriate ordinary shares will be allotted and issued or transferred to the option holder concerned, whereupon they will rank *pari passu* in all respects with the ordinary shares then in issue.

The Directors may amend the rules of the Approved Scheme prior to its formal approval by the Inland Revenue in such manner as they shall consider necessary or desirable to render it capable of approval by the Inland Revenue. Following Admission, the provisions relating to persons eligible to be granted options, the number or amount of ordinary shares which may be subject to the Approved Scheme, the maximum entitlement for any one participant, the basis for determining a participant's entitlement to exercise options and the method of adjustment in the event of a capitalisation issue, rights issue, sub-division or consolidation of shares or capital or any other variation of capital can only be altered to the advantage of optionholders with the sanction of the Company in general meeting and with the prior approval of the Inland Revenue. Any changes which would adversely affect option holders also require the consent of an appropriate majority of the option holders.

## 6.3 *The Unapproved Scheme*

The material points of difference between the Unapproved Scheme and the Approved Scheme are as follows:

- (i) there is no requirement for executive Directors to be required to work for the enlarged Group for 25 hours or more per week. However, as with other employees, executive Directors must be required to devote substantially all of their working time to the enlarged Group;

- (ii) the restriction that no employee may be granted options which relate in aggregate to more than £30,000 of ordinary shares does not apply. However, the "four times salary" restriction referred to above does apply;
- (iii) there is no restriction on employees with a "material interest" participating in the Unapproved Scheme;
- (iv) the performance criterion is different (see above);
- (v) options may not be exercised more than seven years, rather than ten years, after their date of grant; and
- (vi) no Inland Revenue consent is required in relation to any alterations although such alterations will only be permitted with the sanction of the Company in general meeting.

## **7. Directors' remuneration and service contracts**

- 7.1 There are no service agreements in existence for any Director with the Company or any member of the Group which cannot within the next 12 months be terminated by the Company or the relevant member of the Group without payment of compensation (other than statutory compensation) and no such contracts are proposed.
- 7.2 Other than David Garrard, who waived his entitlement to his salary in the Company's financial year ended 31 July 1996 and for all the preceding financial years, there are no arrangements under which any Director of the Company has waived or agreed to waive any future emoluments.
- 7.3 The aggregate of the remuneration paid and benefits in kind granted to the Directors by the Group for the 13 month period ended 31 July 1996 was £244,000. Mr David Garrard waived his right to receive any emoluments during this period. The aggregate amount payable to the Directors in the 11 month period ending 30 June 1997 under the arrangements in existence at the date of this document is expected to be approximately £410,000. In addition, the executive Directors will participate in a discretionary bonus scheme administered by the remuneration committee of the Board. There are no arrangements under which a director has agreed to waive future emoluments.

## **8. Arrangements Relating to the Placing**

- 8.1 Under the Placing Agreement dated 22 November 1996 between the Company (1), the executive Directors (2), Herling and Hummel Investments Limited ("Hummel") (3), W S C Richards and C J Sheridan (the "Non-executive Directors") (4), Dr K Biedermann, Dr T Wilhelm and Codex Treuhand AG (the "Trustees") (5) and HSBC Investment Bank plc (the "Bank") (6), the Bank has agreed, as agent for the Company and conditionally, *inter alia*, on Admission occurring on or before 5 December 1996 or such later date as the Bank may agree, to procure subscribers for 50,000,000 ordinary shares (the "Placing Shares"), failing which, to subscribe for such shares at the Placing price.

In consideration for the Bank's services, the Company has agreed to pay to the Bank an advisory fee and a commission of 0.75 per cent. on the value at the Placing price of the Placing Shares together with any applicable value added tax thereon.

The Placing Agreement contains certain warranties in favour of the Bank from the Company, the executive Directors, Herling, Hummel, the Non-executive Directors and the Trustees. In addition, the Company, the executive Directors, Herling, Hummel and the Trustees have agreed to indemnify the Bank against any losses it may incur in connection with the Placing. The executive Directors, Herling and Hummel have also agreed to indemnify the Company and the Bank in respect of certain matters relating to the taxation status of the Company.

The executive Directors, Herling, Hummel and the Trustees have undertaken in the Placing Agreement that for a period of 12 months from Admission, they will not dispose or agree to dispose of any ordinary shares in the Company other than in certain specific situations including the share reorganisation referred to in paragraph 2.7 of this Part VII or with the consent of the Bank. Thereafter, for a period of 6 months they have agreed not to sell more than five per cent. of their respective holdings. After that, until a further 12 months from the end of such restrictions, the executive Directors, Herling, Hummel and the Trustees have agreed not to dispose of any ordinary shares other than through the Company's brokers to ensure an orderly market in the ordinary shares.

Each of the executive Directors has undertaken to the Bank not to compete with the Company whilst in its employment and for a period of 12 months after the termination of his employment with the Company.

The Placing Agreement may be terminated by the Bank prior to Admission if there has been a breach of any of the representations, warranties or undertakings contained therein at any time up to Admission.

- 8.2 The ordinary shares have not been and will not be registered under the US Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons, except as permitted by Regulation S under that Act or to qualified institutional buyers in reliance on Rule 144A. Offers and sales outside the United States to non-US persons will be made in reliance on Regulation S.

## 9. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or its subsidiaries within the two years immediately preceding the date of this document and are, or may be, material:

- (a) Refinancing agreements referred to in sub-paragraphs 3.1 and 3.2 above;
- (b) Placing Agreement referred to in paragraph 8 above;
- (c) a loan agreement dated 6 December 1994 made between Futurestate (1) and Westdeutsche Landesbank Girozentrale ("WLG") (2) pursuant to which WLG agreed to provide a facility to Futurestate of £37,500,000 for the purpose of refinancing current indebtedness secured on the property located at Bishopbriggs, Glasgow. The loan is repayable on the tenth anniversary of the making of the advance. The aggregate interest rate including margin payable is 10.1875 per cent. The loan is secured, *inter alia*, by a first ranking standard security over the property located at Bishopbriggs, Glasgow and a floating charge over Futurestate;
- (d) a loan agreement dated 25 September 1995 between Angelmist Limited (1) BHF and Hamburgische Landesbank ("Banks") (2) and BHF (as agent) (3) pursuant to which the Banks agreed to provide a facility to Angelmist Limited of £41,800,000 for the purpose of the redemption of finance used in the acquisition of the property at Quadrant House, Sutton. The loan is repayable on 2 October 2000. The aggregate interest rate payable on the loan is 9.1375 per cent. (including margin). The loan is secured, *inter alia*, by a first fixed charge over the Quadrant House property, a first floating charge over Angelmist Limited and a charge over the issued share capital of Angelmist Limited granted by Minerva Corporation in BHF's favour;
- (e) a deed dated 10 July 1996 between Banque Bruxelles Lambert Trust Company (Jersey) Limited ("Vendor") (1) Mr Graham Sharp (2) Dr Klaus Biedermann, Dr Thomas Wilhelm and Codex Treuhand AG (in their capacities as trustees of the David Garrard 1989 Trust and trustees of the Maureen Garrard 1989 Trust) ("Purchasers") (3) the Third Party Shareholders as set out in the schedule to the deed (4), the Company (5) and Dr Klaus Biedermann, Dr Thomas Wilhelm and Codex Treuhand AG (6) pursuant to which the Vendor agreed to sell and the Purchasers agreed to purchase 1,692,000 ordinary shares of £1 each in the capital of the Company (of which 846,000 ordinary shares of £1 each were purchased by the trustees of Maureen Garrard 1989 Trust and 846,000 ordinary shares of £1 each were purchased by the trustees of David Garrard 1989 Trust). Total consideration of £395,000 for such shares was apportioned equally between the Purchasers. In consideration of the Vendor and Mr Graham Sharp ceasing to pursue any claim against the Company, its subsidiaries or any of its or their directors, officers, employees or shareholders, the Company agreed, *inter alia*, to pay the Vendor the sum of £200,000 and procure the release of Mr Graham Sharp from his personal guarantee of certain of the Company's obligations to Chase;
- (f) an agreement dated 20 July 1995 between Shroco Limited ("Shroco") (1) Union Group Plc ("Union") (2) and Premier Land Plc ("Premier") pursuant to which Union acquired the freehold property known as Rockingham House, 199-137 (odd numbers) West Street, Sheffield, South Yorkshire. Total consideration payable was £4,000,000;

- (g) an agreement dated 7 July 1995 between Premier (1), Union (2), M1 Limited (3) and Shroco Limited (4) pursuant to which Premier and Union acquired from M1 Limited and Shroco Limited properties located at:

- (i) Herschell Street/Foulis Lane, Anniesland, Glasgow;
- (ii) 26/27 Bank Street, Inverness;
- (iii) 18/20 Bridge Street, Inverness; and
- (iv) 21/23 Church Street, Inverness.

Total consideration payable was £6,800,000 in cash and the allotment to M1 Limited of the Premier Land Assets;

- (h) an agreement dated 21 November 1996 between Herling (1) the Company (2) and the shareholders of Herling (3) pursuant to which Herling will sell and the Company will buy the entire issued ordinary shares of £1 each in the capital of Antares. The purchase price will be £10,500,000 payable in cash at completion and £19,715,770 to be satisfied by the allotment to Herling by the Company at completion of 8,759,670 ordinary shares in the capital of the Company which will represent 9.1 per cent. of the issued share capital of the Company after the Placing. This agreement is conditional only on Admission. Herling and its shareholders have given appropriate warranties and indemnities including a tax deed of indemnity in favour of the Company; and
- (i) an agreement dated 14 October 1996 between New Angel Court Limited ("Vendor") (1) the Company ("Purchaser") (2) and Sparrage Properties Limited (3) pursuant to which the Company has agreed to purchase the freehold property known as 27-37 Wigmore Street, London W1. Total consideration for the property will be £37,000,000 payable in cash on completion. The agreement is conditional only on Admission. The Purchaser may require the transfer of the property either to itself or any member of the Group.

#### 10. Working Capital

The Directors are of the opinion that, taking into account available bank facilities and the net proceeds to be received by the Company pursuant to the Placing, the enlarged Group has sufficient working capital for its present requirements.

**11. Subsidiaries**

The Company is the ultimate holding company of the Group and has the following subsidiary undertakings all of which, save as disclosed below, have as their principal activity the holding of properties. Save for Minerva Corporation and Wavenley plc which are wholly-owned public limited companies, each of the subsidiary undertakings is a (directly or indirectly) wholly-owned private limited company registered in England and Wales and have their registered office at 25 Harley Street, London W1N 2BR.

<i>Name</i>	<i>Date of Incorporation</i>	<i>Issued Capital</i>
Angelmist Limited	9 May 1990	£2
Bassman Limited*	12 April 1996	£2
Bidwish Limited*	3 July 1991	£2
Croydon Plaza Limited	2 June 1988	£110
Dalebrook Properties Limited*	23 August 1989	£2
Edenrise Investments Limited*	15 February 1996	£2
Helios Property Investments Limited	25 January 1990	£2
Larchfield Investments Limited	31 October 1988	£2
M1 Limited	25 July 1989	£2
M6 Limited*	25 July 1989	£2
Minel Limited <sup>#</sup>	25 July 1989	£110
Minerva Corporation plc*	12 October 1987	£9,940,500
Minerva Property Investments Limited*	10 May 1988	£100
Minerva Property Trading Company Limited*	19 July 1989	£1,000
Minerva Properties Limited*	2 September 1996	£2
Shroco Limited*	31 May 1991	£2
Sparrage Properties Limited	18 May 1989	£100
Twin Tower Properties Limited	24 November 1989	£110
Wavenley plc*	5 February 1962	£50,000

\* Dormant

<sup>#</sup> Intermediate holding company

**12. Litigation**

In June 1996, a shareholder at the time, Banque Bruxelles Lambert Trust Company (Jersey) Limited as trustee of a trust, the settlor of which was a former director of the Company, threatened to seek an order under section 459 of the Act. The matter was resolved in July 1996 by the payment of the sum of £200,000 to the shareholder pursuant to an agreement, further details of which are set out in sub-paragraph 9(e) above. This matter concluded with a sale of the entire shareholding of Banque Bruxelles Lambert Trust Company (Jersey) Limited to family trusts of which David Garrard is the settlor.

There are no other legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Directors are aware) involving the Company or any member of the Group, which may have or have had during the 12 months prior to the date of this document, a significant effect on the Group's financial position.

**13. UK Taxation**

The directors have been advised that under the current UK taxation legislation, no withholding tax is deductible from dividends paid by the Company. However, the Company is generally required to make a payment of advance corporation tax ("ACT") when a dividend is paid. The ACT rate for the current tax year is 25 per cent. of the dividend paid. Consequently, the ACT relating to any dividend currently equals 20 per cent. of the total of the cash dividend and the ACT. Subject to certain restrictions, ACT is available for offset against the Company's liability to corporation tax (if any) for the year of payment of the dividend and future years or, up to a maximum of six years, past years.

A UK resident shareholder, other than a corporate shareholder, receives imputed to any cash dividend, a tax credit which, at current rates, is equal to 25 per cent. of the dividend paid. A UK resident individual basic (or lower) rate tax payer will have no further liability to tax on the dividend, but a higher rate tax payer will be liable to tax at the higher rate on the amount of the dividend and associated tax credit less the 20 per cent. tax credit. If the individual is not liable to income tax, the tax credit may be reclaimed, in whole or in part, from the Inland Revenue.

UK resident shareholders who are exempt from tax in respect of investment income are entitled to repayment of the tax credit in respect of any dividend received from the Company.

UK resident trustees who are liable to tax at the basic rate only will have no further income tax liability on any dividend they receive, as the tax credit attaching to the dividend will discharge their liability. UK resident trustees who are liable to income tax at the rate applicable to trusts (that is, accumulation and discretionary trusts) (currently 34 per cent.) will have an additional tax liability equal to 14 per cent. (at the current rate) of the dividend plus tax credit.

A UK resident corporate shareholder (other than certain insurance companies) is not liable to UK corporation tax on any dividend received and the dividend and associated tax credit represent franked income in the hands of such a shareholder. A corporate shareholder paying a dividend of an amount up to the amount of any dividend paid to it by the Company will have no liability to account for ACT in relation to the dividend that it pays.

Subject to special provisions which apply to Commonwealth citizens, nationals of States within the European Economic Area, residents of the Isle of Man or the Channel Islands and certain others, shareholders not resident in the UK are generally not entitled to the benefit of a tax credit in respect of any dividend received. Such shareholders are treated as receiving gross income of an amount which, when reduced by income tax at 20 per cent. is equal to the cash dividend. No assessment is made on such shareholders in respect of lower or basic rate income tax and there is normally no liability to the excess of higher rate tax over the lower rate tax. The additional liability will, however, apply where, exceptionally, the non-resident individual is treated as trading in the UK and his investment in the Company is managed by a UK investment manager acting, broadly, on non arm's-length terms. Special rules apply to non UK-resident discretionary trusts in receipt of UK dividends.

Shareholders in the Company who are not resident in the UK may be entitled to reclaim from the Inland Revenue a proportion of the tax credit relating to their dividends, but such entitlement depends, in general, upon the provisions of any double taxation agreement or convention which exists between the UK and their country of residence. Non-UK resident shareholders may be subject to foreign taxation on dividend income in their country of residence. Any person who is not resident in the UK should consult his own tax adviser on the question of the double taxation provisions (if any) applying between his country of residence and the UK.

Shareholders (other than UK corporate shareholders) who are UK resident or ordinarily resident (in the tax year of disposal) will be subject to capital gains tax on any chargeable gains arising on any disposal of the shares.

UK resident corporate shareholders will be subject to corporation tax on chargeable gains arising on any disposal of the shares.

The Directors have been advised that, following Admission, the Company is unlikely to be a close company within the meaning of the Income and Corporation Taxes Act 1988.

The transfer on sale of shares will be liable to *ad valorem* stamp duty or (if an unconditional agreement to the transfer shares is not completed by a duly stamped transfer within two months) stamp duty reserve tax at 0.5 per cent. of the consideration of the sale.

**The above paragraphs are a general guide only and are not exhaustive. Any person who is in doubt as to his tax position or who requires more detailed information should consult an appropriate professional adviser without delay.**

**14. Consents**

- 14.1 Coopers & Lybrand has given and has not withdrawn its written consent to the inclusion in this document of its name, the accountants' reports set out in Part V of this document and of all references to it in the forms and context in which they appear and has authorised the contents of its accountants' reports for the purposes of section 152(1)(e) of the Financial Services Act 1986.
- 14.2 Weatherall Green & Smith has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of its name, its valuation report set out in Part VI of this document and of all references to it in the forms and context in which they appear and has authorised the contents of their valuation report for the purposes of Section 152(1)(e) of the Financial Services Act 1986.

**15. Names of tenants and other parties**

Names of tenants and other parties referred to in this document (other than those defined on pages 3 and 4 or those referred to in Parts V and VI of this document) are those by which such companies are commonly known, whether those names are an abbreviation of their full name or an abbreviation of the full name of their parent company. Their full names are as follows:

<i>Name used in this document</i>	<i>Full name</i>
Allianz (UK)	Allianz (UK) Limited
British Gas	British Gas plc
British Telecom	British Telecommunications plc
Debenhams	Debenhams plc
Harper Collins	Harper Collins Publishers Limited
Ladbroke Group	Ladbroke Group plc
M I Property Management	The M I Property Management Company Limited
Midland Bank	Midland Bank plc
Nestlé	Nestlé UK Limited
News Corporation	The News Corporation Limited
News International	News International PLC
NMB—Heller	NMB—Heller Limited
Paribas	Paribas Limited
Premier Land	Premier Land plc
Prudential	The Prudential Assurance Company Limited
Reed Elsevier	Reed International plc
TSB	Lloyds TSB plc
William Collins	William Collins Sons & Company Limited

**16. Miscellaneous**

- 16.1 The total expenses of, or incidental to, the Placing which are payable by the Company (including professional fees, printing and advertising costs and the amounts payable pursuant to the Placing Agreement) are estimated to amount to approximately £4.4 million (excluding value added tax). Included within this total are commissions of £562,500. The approximate net cash proceeds of the Placing accruing to the Company are £70.6 million and will be used as described in the section headed "Reason for the Placing and Use of Proceeds" in Part I of this document.
- 16.2 There has been no significant change in the financial or trading position of the Group since 31 July 1996 being the date to which the latest audited accounts of the Group were prepared.
- 16.3 The financial information contained in this document does not constitute full statutory accounts as referred to in section 240 of the Act. Statutory audited accounts of the Company and Antares, and each of their UK registered subsidiaries, for each of the periods referred to in the accountants' reports in Part V of this document, have been delivered to the Registrar of Companies in England and Wales.
- 16.4 The auditors of the Company are Coopers & Lybrand, Chartered Accountants and Registered Auditors, 1 Embankment Place, London WC2N 6NN. Gerald Edelman, Chartered Accountants and Registered Auditors, 25 Harley Street, London W1N 2BR have audited the Company's annual accounts and the annual accounts of Antares for the periods referred to in the accountants' reports in Part V of this document.
- 16.5 The Placing price represents a premium of 125p over the nominal value of 25p for each ordinary share offered under the Placing and is payable in full on application. No expenses are to be charged to any subscriber or purchaser.



- 16.6 The ordinary shares are in registered form. Definitive share certificates are expected to be despatched to those places who have elected to receive ordinary shares in certificated form on 2 December 1996. However, holders of ordinary shares may elect to receive ordinary shares in uncertificated form if and only if, that person is a "system member" (as defined in the Uncertificated Securities Regulations 1995) in relation to CREST.
- 16.7 The Directors are of the opinion that the Group carries adequate insurance cover for all major risks which it faces and which would be expected to be the subject of insurance cover.
- 16.8 In common with other property companies, the enlarged Group is subject to environmental legislation and regulation which is likely to increase. In respect of each property acquisition, enquiries are made regarding the environmental history of each property prior to the date of acquisition. Environmental surveys are obtained where considered necessary. Recommendations in such surveys are considered by the Company which takes such action as it considers appropriate.
- 16.9 The Placing has been underwritten in full by HSBC Investment Bank plc which is registered in England and Wales under number 976092 and has its registered office at Thames Exchange, 10 Queen Street Place, London EC4R 1BL. HSBC Investment Bank plc is regulated by The Securities and Futures Authority Limited.
- 16.10 The capital growth of the existing Portfolio is calculated as the current valuation, as set out in Part VI of this document, divided by the original cost less any capitalised interest as set out in Part V of this document. The existing Portfolio is assumed to include the Bishopbriggs Property from the original date of acquisition of that property by Antares.
- The valuations used in the existing Portfolio have been prepared on an open market value basis which is consistent with the methodology employed by the IPD Index.
- The change in the IPD Office Index has been calculated as the percentage decrease in the capital valuation of the properties that would have resulted if each property's valuation had exactly mirrored the change in the IPD Office Index occurring between the date of purchase of the property and September 1996.
- 16.11 Samuel Montagu & Co. Limited, a subsidiary of HSBC Investment Bank plc, is providing loan finance to a company in which the executive Directors and their related family trusts have an interest, to enable the purchase from Chase of ordinary shares of £1 each and preference shares of £1 each on normal commercial terms as set out in Part II of this document including a charge on certain of the ordinary shares.

#### 17. Documents available for inspection

Copies of the following documents will be available for inspection at the offices of Olswang, 90 Long Acre, London WC2E 9TT during normal business hours on any weekday (Saturdays and public holidays excepted) for a period of 14 days following the date of this document:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the material contracts referred to in paragraph 9 of this Part VII;
- (c) the valuation certificate referred to in Part VI of this document;
- (d) the audited consolidated accounts of the Group for the 12 months ended 30 June 1995 and 13 months ended 31 July 1996 and the audited accounts of Antares for the years ended 31 December 1994 and 1995 and seven months ended 31 July 1996;
- (e) the accountants' reports set out in Part V of this document and statement of adjustments referred to therein;
- (f) the letters of consent referred to in paragraph 14 of this Part VII above;
- (g) the rules of the share options schemes described in paragraph 6 of this Part VII; and
- (h) a list from Investment Properties Databank Limited detailing values of the IPD Office Index, covering the period 1989 to 1996.

22 November 1996