

Corporate governance

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

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

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

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

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

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

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

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

A Nominations Committee

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

Chairman promoted from Chief Executive

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

Chairman and Chief Executive roles

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

Public Interest Disclosure Policy

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

Board of Directors

The Company supports the concept of an effective Board leading and controlling the Company. The Board provides entrepreneurial leadership of the Group within a framework of prudent and effective controls which allows risk to be assessed and managed.

The Board has ultimate responsibility for setting overall strategy, acquisitions and disposals, internal control, approval of major capital expenditure projects, treasury and risk management policies, and consideration of significant matters relating to the raising of finance and corporate governance. The Board operates within the terms of its written authorities which include a schedule of matters which are reserved for its decision and which was reviewed and updated in January 2004.

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

Chairman and Chief Executive

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

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

Non-executive Directors

Clive Richards remained the senior independent Director. The Board considers that, notwithstanding that both Clive Richards and Christopher Sheridan have been members of the Board since October 1996, each of the non-executive Directors remain independent. In addition, the Board considers the new non-executive Director, Christopher Mackenzie who was appointed in September 2005, to be independent. In making this determination the Board has considered whether each Director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could affect, the relevant Director's judgement.

During the year the Chairman met with the non-executive Directors without the executives being present.

Board balance and independence

The non-executive Directors are of high calibre and contribute wide ranging commercial and financial experience to the Board's decision-making process. The Board considers that the experience and skills of the executives and non-executive Directors on the Board will be further enhanced following the appointment of Christopher Mackenzie as a non-executive Director.

Training in matters that are relevant to their role on the Board are available to all Board Directors, including on appointment. Biographies of each member of the Board are set out on pages 20 to 21.

Board meetings

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

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

*Attended all Board meetings until retirement from the Board on 31 March 2005.

†Attended all Board meetings since appointment to the Board on 31 March 2005.

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

Rotation of Directors

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

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

Company Secretary

The role of the Company Secretary is carried out by the Finance Director. The Board considers that combining these roles does not compromise the proper execution of the Secretary's responsibilities.

All Directors have access to independent professional advice at the expense of the Company and to the services of the Company Secretary who is available to give ongoing advice to all Directors on Board procedures and corporate governance.

Board changes

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

Board committees

The Board has established two standing committees in which the non-executive Directors play an active role. Each committee has written terms of reference which are regularly reviewed and which deal with the authorities and duties. Copies of these terms of reference are available on written request from the Company Secretary. These committees are:

The Remuneration Committee

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

The Company's executives have attended by invitation. The Committee is responsible for reviewing the terms and conditions of employment of executive Directors including the provision of incentives and performance related benefits.

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

The Audit Committee

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

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

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

A report by the Audit Committee is set out on page 32.

Relations with shareholders

The Company has always recognised the importance of clear communications with shareholders and has encouraged a regular dialogue with institutional and other shareholders.

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

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

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

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

Accountability and audit

Internal control

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

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

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

Going concern

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

Statement of Directors' responsibilities

The Directors are required by UK company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit or loss, total recognised gains and losses and cash flows of the Group for that period. The Directors confirm that in preparing the financial statements for the year ended 30 June 2005, suitable accounting policies, in accordance with United Kingdom accounting standards, consistently applied and supported by reasonable and prudent judgements and estimates, have been used. The Directors also confirm that the going concern basis is appropriate. The Directors are responsible for maintaining proper accounting records, for safeguarding the assets of the Company and the Group, and for taking reasonable steps to prevent and detect fraud and other irregularities.

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

Remuneration report

The Remuneration Committee

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

The Remuneration Committee comprises the two non-executive Directors of the Company, Christopher Sheridan (Chairman of the Committee) and Clive Richards. The composition of the Committee, which consists exclusively of independent Directors, has not altered during the year. Members of the Committee have no personal financial interest, other than as shareholders, in the outcome of the decisions taken by the Committee. The Remuneration Committee met twice during the year. The Company Secretary has provided administrative support and information to the Remuneration Committee.

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

Remuneration policy

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

The remuneration packages currently comprise:

Basic salaries and benefits

Basic salaries and benefits are reviewed by the Remuneration Committee having regard to a number of factors, including the responsibility and performance of the individual and competitive market practice. Benefits to each Director principally include the provision of a company car, medical insurance and life assurance cover. In addition, contributions to a defined contribution pension scheme were made in respect of one Director.

Performance-related bonus

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

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

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

Share options

Awards of share options are considered by the Remuneration Committee annually. The awards are based on the individual's performance, position and responsibilities. The vesting and exercise of the options are subject to demanding performance conditions which include, where applicable, a comparison against a peer group of other comparable quoted companies in the FTSE Real Estate Sector.

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

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

Directors' remuneration

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

*Retired on 31 March 2005.

†Appointed on 31 March 2005.

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

Pensions

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

Directors' interests

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

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

†Appointed on 31 March 2005.

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

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

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

Employee Share Option Schemes

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

Executive Share Option Schemes

The Executive Share Option Schemes are available to executive Directors and senior management.

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

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

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

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

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

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

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

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

Sir David Garrard

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

Andrew Rosenfeld

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

Ivan Ezekiel

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

Paul Coster

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

*Date of retirement.

†Date of appointment.

Scheme A: Approved 1996 Share Option Scheme.

Scheme B: Unapproved 1996 Share Option Scheme.

Scheme C: 2001 Discretionary Share Option Scheme.

Scheme D: 2001 Sharesave Scheme.

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

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

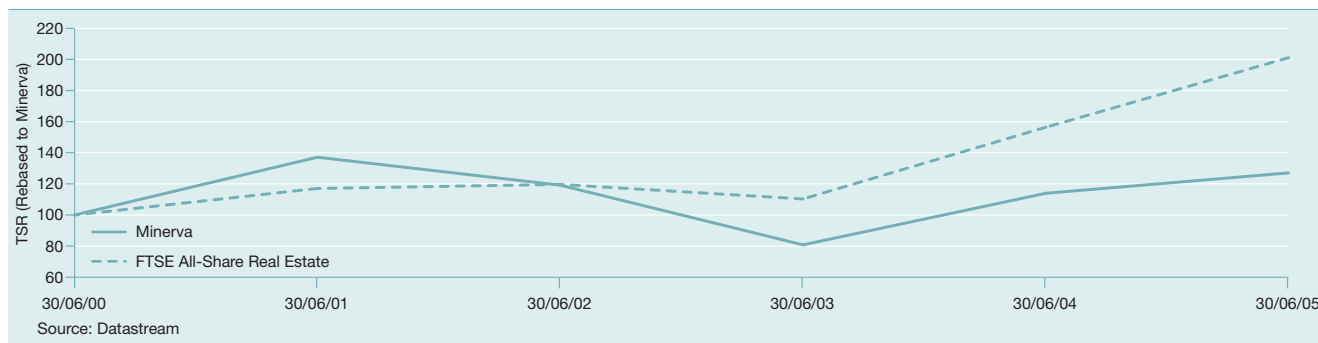
All Employee Sharesave Scheme

The Company has operated an Inland Revenue approved Sharesave Scheme since 2002. All eligible employees of participating group companies may participate in the Sharesave Scheme. The Scheme offers employees the opportunity to save up to a maximum of £250 each month with a selected bank or building society over a three or five year period. At the end of three or five years, employees may use their savings, plus a tax-free bonus to exercise an option to buy a certain number of shares in the Company at up to a 20 per cent discount to the share price shortly before they started saving. Options granted to executive Directors under the Sharesave Scheme are not subject to performance conditions. The Sharesave Scheme is an Inland Revenue approved all-employee Scheme, the terms of approval for which do not allow the imposition of performance conditions on the exercise of options.

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

Total shareholder return performance

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



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

Non-executive remuneration

Non-executive Directors receive a fee for their services to the Company, including in connection with Board and Board Committee meetings. The current level of fees was approved by the Board in September 1999. The non-executive Directors do not receive any pension or other benefits from the Company, nor do they participate in any bonus or employee share option schemes.

Service contracts, contracts of significance and notice periods

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

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

The Remuneration Committee reviews the service contracts periodically.

The non-executive Directors do not have service contracts. Their appointments are subject to the provisions of the Articles of Association and the Combined Code dealing with appointment and retirement by rotation. Christopher Sheridan is engaged under an agreement dated 11 September 2003, and Clive Richards is engaged under an agreement with Tarrakarn Limited (trading as Clive Richards & Co) dated 11 September 2003. The agreements have no fixed term and are terminable by either party on three months' notice.

Mr Ezekiel's service contract provides that, in the event that his employment is terminated without notice (other than for cause), the Company will make a lump sum payment to him equivalent to 95 per cent of the salary and benefits he would have received had he remained in employment during the notice period in full and final settlement of any claims he may have. No Director has contracted rights for compensation on early termination beyond payment of the contractual notice period.

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

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

Auditable information

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

Approval

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

For and on behalf of the Board

Christopher Sheridan Chairman of the Remuneration Committee
20 September 2005

Audit Committee report

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

Principal responsibilities

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

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

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

Membership

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

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

Meetings

The Committee met twice during the year ended 30 June 2005. The Finance Director, other executives and representatives of the external auditors have been invited to attend each meeting. The Committee is able to consider items of business without any other parties being present.

Main activities of the Committee

In the year under review the Committee has undertaken:

- Detailed reviews of published annual and interim financial information including consideration of the appropriateness of accounting policies and material assumptions and estimates adopted by management;
- A review of the performance and independence of the external auditors;
- A meeting with the auditors without any executives being present;
- Monitoring non-audit assignments awarded to the external auditors in light of the Committee's policy that such assignments will not be awarded to the audit firm if there is a risk of a conflict arising with the firm's independence and objectivity;
- A review of the need to establish an internal audit function; and
- Monitoring developments in accounting and reporting requirements and in particular the Company's implementation of changes arising from the adoption of International Financial Reporting Standards.

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

For and on behalf of the Board

Clive Richards Chairman of the Audit Committee
20 September 2005

Report of the Directors

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

Principal activities and review of the business

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

Results and dividends

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

Directors

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

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

Ivan Ezekiel, Salmaan Hasan, Tim Garnham and Christopher Mackenzie, having been appointed by the Board as Directors since the 2004 Annual General Meeting, will retire and, being eligible, will offer themselves for reappointment at the next Annual General Meeting in accordance with the Articles of Association. Andrew Rosenfeld will also retire by rotation in accordance with the Articles of Association and, being eligible, will offer himself for re-election at the next Annual General Meeting.

Christopher Sheridan and Clive Richards, who will have served as non-executive Directors of the Company for nine years, are subject to re-election at the next Annual General Meeting in accordance with the Combined Code on Corporate Governance. Notwithstanding that Clive Richards and Christopher Sheridan have served as non-executive Directors since October 1996, the Directors consider that each of them remains independent and consider their performance to be effective, demonstrating commitment to the role of a non-executive Director of the Company.

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

The interests of the Directors and their immediate families in the shares of the Company and in options over shares of the Company as at 30 June 2005 are as set out in the Remuneration report.

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

Substantial shareholdings

The Company has been notified of the following substantial interests in the share capital of the Company as at 20 September 2005:

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

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

Annual General Meeting

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

Declaration of final dividend

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

Authority to allot shares

Under Section 80 of the Companies Act 1985 ("the Act"), the Directors are not allowed to allot shares unless they are authorised to do so by shareholders. Resolution 12 set out in the Notice of Annual General Meeting gives the Directors authority, until the date of the next Annual General Meeting, to allot authorised but unissued share capital of the Company up to a maximum nominal amount of £13,409,886. This amounts to 53,639,546 ordinary shares representing one-third of the issued share capital of the Company at the date of this report. The Directors consider the authority necessary to preserve maximum flexibility for the future.

Section 89 of the Act gives all shareholders the right to participate on a pro rata basis in all issues of equity shares for cash, unless they agree that this right should be excluded. The effect of resolution 14, which is proposed as a special resolution, is to give the Directors authority until the date of the next Annual General Meeting, firstly, to carry out a rights issue without having to comply with the detailed requirements of Section 89 and Section 90 of the Act and, secondly, to allot equity shares for cash otherwise than by an issue pro rata to existing shareholders, up to an aggregate nominal amount of £2,011,483, which represents 5 per cent of the issued share capital of the Company at the date of this report.

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

Purchase of own shares

At the 2004 Annual General Meeting, the shareholders passed a resolution granting to the Company authority to make market purchases of the Company's ordinary shares subject to certain specified limits. No shares have been purchased pursuant to this authority, which expires at the conclusion of the 2005 Annual General Meeting to be held on 25 November 2005. Under resolution 15, which is proposed as a special resolution, the Directors are seeking to renew such authority to make market purchases (if they deem it appropriate from time to time) of up to 24,121,704 ordinary shares of 25 pence each in the Company, which represents 14.99 per cent of the issued share capital of the Company at the date of this report, at no more than 105 per cent of the average of the closing mid market price for the ordinary shares of the Company for the five business days prior to the date of purchase, nor at less than 25 pence each.

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

Remuneration policy

The Company's shareholders will be asked to approve the Remuneration report contained in the Annual Report and Accounts at the Annual General Meeting to be held on 25 November 2005 and resolution 10 is drafted accordingly.

Combined Code

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

Corporate social responsibility

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

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

Health and safety

The Group is committed to achieving a high standard of health and safety and regularly reviews its policies and practices to ensure that appropriate standards are maintained.

Suppliers

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

- set the terms of payment with major suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in their contracts; and
- pay all suppliers in accordance with its contractual and other legal obligations.

At the year end the Group had an average of 17 days (2004: 21 days) purchases outstanding.

Donations

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

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

By order of the Board

Ivan Ezekiel Secretary
20 September 2005

Independent auditors' report to the members of Minerva plc

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

Respective responsibilities of Directors and auditors

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

Our responsibility is to audit the financial statements and the auditable part of the Remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the Remuneration report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

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

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

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the Remuneration report. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

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

PricewaterhouseCoopers LLP Chartered Accountants and Registered Auditors

London

20 September 2005

Consolidated profit and loss account

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

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

Consolidated balance sheet

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

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

S Hasan Director

I H Ezekiel Director

Parent Company balance sheet

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

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

S Hasan Director

I H Ezekiel Director

Consolidated cash flow statement

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

Statement of total recognised gains and losses

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

Note of historical cost profits and losses

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

Reconciliation of movements in equity shareholders' funds

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

Notes to the financial statements

1. Accounting policies

The Group's accounting policies are as follows:

Accounting convention

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

Consolidation

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

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

Goodwill

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

Acquisitions and disposals

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

Investment property

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

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

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

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

Property transactions

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

Fixed asset investments

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

Turnover

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

Refurbishment costs

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

1. Accounting policies continued

Depreciation and amortisation

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

Deferred taxation

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

Operating leases

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

Pension costs

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

Financial instruments

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

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

Turnover

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

Tangible fixed assets

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

Stocks

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

Operating leases

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

Pension costs

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

2. Segmental information

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

3. Financial information

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

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

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

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

4. Net rental income

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

5. Group operating profit

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

6. Staff costs

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

7. Directors' remuneration

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

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

8. Net financing costs

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

9. Taxation

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

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

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

10. Profit dealt with by Parent Company

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

11. Dividends

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

12. Loss per share

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

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

13. Investment properties

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

The investment properties were valued on an open market value basis by Atisreal Ltd, independent external valuers, as at the year-end in accordance with the current edition of the Appraisal and Valuation Standards issued by the Royal Institution of Chartered Surveyors.

The historical cost of properties at 30 June 2005 was £527,828,000 (2004: £836,264,000). The total amount of interest capitalised as part of the cost of investment properties at 30 June 2005 was £6,911,000 (2004: £25,826,000).

14. Tangible fixed assets

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

15. Investment in subsidiary undertakings

Parent Company	Total £000
At 1 July 2004	48,179
Movement in the year	–
At 30 June 2005	48,179

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

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

16. Investments

Group	Total £000
At 1 July 2004	5,082
Additions	–
Disposals	–
At 30 June 2005	5,082

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

17. Joint venture

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

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

Investment

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

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

18. Debtors

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

19. Cash at bank and in hand

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

20. Creditors: Amounts falling due within one year

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

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

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

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

22. Financial instruments

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

Financial assets

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

Maturity of financial liabilities

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

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

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

Undrawn facilities

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

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

Interest rate risk profile of financial liabilities

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

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

22. Financial instruments continued

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

	30 June 2005		30 June 2004	
	Total £000	Weighted average period Years	Total £000	Weighted average period Years
Fixed rates	216,165	7.9	290,920	8.2
Swapped-fixed rates	260,172	5.1	380,582	5.9
Total	476,337		671,502	

Swapped-fixed arrangements have the effect of transforming floating rate liabilities into fixed rate liabilities. The weighted average interest rate shown for fixed rate liabilities is 7.0 per cent (2004: 7.0 per cent) and includes loan margins ranging from 0.8 per cent to 1.6 per cent with all inclusive interest rates ranging from 5.5 per cent to 8.1 per cent (2004: 5.5 per cent to 8.1 per cent).

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

In addition, as part of a strategy to hedge the interest rate exposure on the refinancing of existing loans as they mature in the medium-term, the Group has interest rate swaptions to hedge loan amounts totalling £175,000,000. The swaptions, which may be exercised on specific dates in 2007 and 2008, have an exercise interest rate of 5.25 per cent and a total acquisition cost of £4,935,000.

Fair values

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

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

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

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

22. Financial instruments continued**Hedges**

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

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

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

Gearing

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

Currency risk

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

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

23. Provisions for liabilities and charges

	Group 30 June 2005 £000	Group 30 June 2004 £000
At 1 July 2004	6,116	5,223
(Credit)/charge for the year	(4,804)	893
At 30 June 2005	1,312	6,116

The provision which is entirely for deferred tax, comprises:

	Group 30 June 2005 £000	Group 30 June 2004 £000
Accelerated capital allowances and other timing differences	10,216	18,303
Losses available to offset	(8,904)	(12,187)
	1,312	6,116

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

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

24. Called up share capital

	30 June 2005 £000	30 June 2004 £000	30 June 2005 Number	30 June 2004 Number
Authorised				
Ordinary shares of 25 pence each	75,000	75,000	300,000,000	300,000,000
Issued and fully paid				
At 1 July 2004	40,185	40,048	160,738,453	160,193,213
Issued on exercise of share options	45	137	180,187	545,240
At 30 June 2005	40,230	40,185	160,918,640	160,738,453

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

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

At 30 June 2005 the following options granted to subscribe for new ordinary shares of 25 pence each under the Employee Share Option Schemes remained outstanding:

Period within which options are exercisable	30 June 2005 Number of shares	Subscription price Pence
November 1999 to November 2006	21,279	141.0
November 2000 to November 2007	16,161	185.6
January 2001 to January 2008	15,020	199.7
September 2001 to September 2005	108,106	157.3
September 2001 to September 2008	19,077	157.3
April 2004 to April 2008	1,103,457	320.8
April 2004 to April 2011	18,702	320.8
December 2004 to December 2011	1,162,227	227.8
September 2005 to September 2012	1,327,629	169.0
October 2006 to October 2013	1,133,498	190.5

At 30 June 2005 the following options granted to subscribe for new ordinary shares of 25 pence each under the Company's Sharesave Scheme remained outstanding:

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

25. Reserves

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

26. Net asset value per share

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

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

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

27. Capital commitments

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

28. Commitments under operating leases

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

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

29. Contingent liabilities

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

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

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

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

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

c. Analysis of changes in net debt

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

31. Post balance sheet event

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

Principal property investments

Ambassador House, London E1

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

Alders department store, Croydon

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

Granite House, 97-101 Cannon Street, London EC4

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

St. Botolph's House, London EC3

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

St. Swithin's House, London EC4

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

The Croydon Centre, Croydon

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

Walbrook House, London EC4

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

Westerhill Road, Bishopbriggs, Glasgow

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

42-48 Wigmore Street, London W1

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

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