

## 43 Minerva plc 2000 Remuneration report

### The Remuneration Committee

The Remuneration Committee of the Company comprises the two non-executive Directors of the Company, Christopher Sheridan (Chairman of the Committee) and Clive Richards. The composition of the Committee has not altered during the year. Members of the Committee have no personal financial interest, other than as shareholders, in the outcome of the decisions taken by the Committee.

### Remuneration policy for executive Directors and senior management

In framing the remuneration policy, the Committee has given full consideration to the principles of good governance set out in the Combined Code.

The Company has in place a policy which will 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 the rewards and incentives directly with the performance and growth of the Company. The executive Directors have a substantial shareholding in the Company and the Remuneration Committee considers this, together with share options, to be the most effective mechanism in aligning the interest of the executive Directors with shareholders.

Basic salaries, benefits and bonuses of executive Directors are reviewed annually by the Remuneration Committee. In considering appropriate levels of remuneration, the Committee has regard to a number of factors including the overall level of Directors' remuneration relative to the Company's peer group and also the Group's performance relative to the All Property Capital Value Index published by the Investment Property Databank.

### Pensions

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

### Directors' remuneration

	Salary and fees		Discretionary bonus		Other benefits		Total emoluments	
	Year ended 30 June 2000 £000	Year ended 30 June 1999 £000	Year ended 30 June 2000 £000	Year ended 30 June 1999 £000	Year ended 30 June 2000 £000	Year ended 30 June 1999 £000	Year ended 30 June 2000 £000	Year ended 30 June 1999 £000
<b>Executives</b>								
David Garrard	250	200	500	200	14	12	764	412
Andrew Rosenfeld	250	200	500	200	31	36	781	436
Paul Coster	115	105	200	50	21	19	336	174
	615	505	1,200	450	66	67	1,881	1,022
<b>Non-executives</b>								
Clive Richards	35	25					35	25
Christopher Sheridan	35	25					35	25
	70	50					70	50
<b>Total</b>	<b>685</b>	<b>555</b>	<b>1,200</b>	<b>450</b>	<b>66</b>	<b>67</b>	<b>1,951</b>	<b>1,072</b>

### 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 2000	Ordinary shares of 25 pence each 30 June 1999
David Garrard	21,118,194	22,969,324
Andrew Rosenfeld	20,874,177	22,676,756
Paul Coster	1,435,857	1,831,075
Clive Richards	211,110	168,888
Christopher Sheridan	16,666	13,333

There has been no change in the beneficial and non-beneficial shareholdings of the Directors between 30 June 2000 and the date of this Report.

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### Employee share option schemes

The Employee Share Option Schemes are available to executive Directors and senior management. The Employee Share Option Schemes were adopted in November 1996 and comprise an Approved Scheme which was the subject of Inland Revenue clearance, and an Unapproved Scheme. The performance criterion required under the Approved Scheme is that the movement in the share price of the Company is greater than or equal to the increase in the Retail Price Index following the grant of the option. The performance criterion required under the Unapproved Scheme is that the growth in the share price of the Company following the grant of the option places the Company in the top quartile of peer group property companies. All share options granted under the Approved and Unapproved Schemes are granted at market value.

No options were granted in the year. At 30 June 2000 David Garrard and Andrew Rosenfeld held no share options in the Company. Paul Coster has the following share options in the Company:

	At 1 July 1999	Adjustment in year*	At 30 June 2000	Exercise price*	Exercise period
Approved Scheme	20,720	559	21,279	141.0p	26 November 1999 – 25 November 2006
Unapproved Scheme	255,546	6,900	262,446	141.0p	26 November 1999 – 25 November 2003
	276,266	7,459	283,725		

\* The exercise price and number of share options have been adjusted for the rights issue in December 1999.

The mid market value of the Company's shares on the London Stock Exchange at 30 June 2000 was 229.0 pence per share. During the year the share price ranged from 188.5 pence to 279.5 pence.

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

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

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

### Non-executive remuneration

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

By order of the Board

Christopher Sheridan Chairman of the Remuneration Committee  
21 September 2000

## 45 Minerva plc 2000 Corporate governance

A summary of the system of governance adopted by the Company and the application of the principles contained in the Combined Code is set out below. The Company's corporate governance procedures, which have been adopted by the Board and subsequently reviewed and updated, are designed to enable the Company to comply with the Combined Code.

### Board of Directors

The Board is comprised of three executive Directors, including the Chairman, and two independent non-executive Directors. 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.

The non-executive Directors, each of whom is independent from management and has no commercial or other connection with the Company, are able to exercise independent judgement. The Board has not sought to comply with the provisions of the Combined Code which requires the appointment of a Senior Independent Director, believing that such an appointment was not necessary at the present time. All Directors have access to independent professional advice and to the services of the Company Secretary who is responsible to the Board for ensuring the Board procedures are followed.

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. The three executive Directors have service contracts which have a notice period of less than 12 months. Subject to reappointment by rotation, the continuing service of the non-executive Directors is reviewed by the Board from time to time.

The Board, which schedules to meet at least six times each year, 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.

### 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 by the Board. These committees are:

**The Audit Committee** The Audit Committee, comprising Clive Richards (Chairman) and Christopher Sheridan, meets at least twice a year. The Committee is responsible for the appointment of external auditors, reviewing the interim and annual financial results, considering matters raised by the auditors and reviewing the internal control system operated by the Group.

**The Remuneration Committee** The Remuneration Committee, comprising Christopher Sheridan (Chairman) and Clive Richards, meets at least once a year to review 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 43 and 44.

The Board have considered the recommendation to introduce a Nominations Committee. However, it was decided, given the small size of the Board, that nominations are to remain a matter reserved for the Board.

### Investor relations

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

### Internal control

The Group has adopted the transitional approach for the internal control aspects of the Combined Code as set out in the letter from the London Stock Exchange to listed companies in September 1999.

The Board confirms that it has established procedures that it believes necessary to implement the guidance 'Internal Control: Guidance for Directors on the Combined Code' for the next financial year.

### Internal financial control

The Board has ultimate responsibility for the Group's system of internal financial control. This system is designed to safeguard the assets of the Group, maintain proper accounting records and ensure the provision of reliable financial information for use within the business.

The Directors have reviewed the effectiveness of the Group's system of internal financial control, although any such system can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The key elements of the system of internal financial control are as follows:

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

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

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

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### Corporate governance continued

#### **Going concern**

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

#### **Compliance with the Combined Code**

With the exception of the requirement to establish a Nominations Committee, appoint a Senior Independent Director and to have three non-executive Directors on the Audit Committee, the Company complied throughout the financial year with the provisions of the Combined Code.

#### **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 for that period. The Directors confirm that in preparing the financial statements for the year ended 30 June 2000, 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.

## 47 Minerva plc 2000 Report of the Directors

The Directors present their report and the audited financial statements of the Group for the year ended 30 June 2000.

### 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 and the Chief Executive's Review.

### Results and dividends

The financial statements deal with the results of the Group for the year ended 30 June 2000 which are shown on page 50. The profit on ordinary activities before taxation amounted to £0.9 million (1999: £0.1 million). The Directors recommend the payment of a final dividend of 1.9 pence in respect of the year ended 30 June 2000, which, subject to approval at the Annual General Meeting, will be payable on 7 December 2000 to shareholders listed on the Register of Members on 6 October 2000. This, together with an interim dividend of 0.95 pence per ordinary share, paid on 12 May 2000, makes a total dividend for the year of 2.85 pence per ordinary share.

### Directors

The Directors of the Company at the date of this report are shown on page 42. Andrew Rosenfeld and Paul Coster retire by rotation in accordance with the Articles of Association. Both, being eligible, offer themselves for re-election at the next Annual General Meeting.

The interests of the Directors and their immediate families in the shares of the Company and in options over shares of the Company 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 2000 and the date of this Report except as disclosed in the Remuneration Report.

### Substantial shareholdings

The Company has been notified of the following substantial interests in the share capital of the Company as at 20 September 2000:

	Shares	Per cent
Trustees of the A I Rosenfeld Trust*	17,281,169	10.81
FMR Corp., Fidelity International Limited and subsidiaries	16,035,398	10.03
Herling Limited	12,371,309	7.74
Newton Investment Management Limited	10,522,815	6.58
Trustees of the Garrard Rosenfeld Settlement	8,674,212	5.43
CGNU plc	7,705,792	4.82
Legal & General Investment Management	5,384,502	3.37

\* The Trustees of the A I Rosenfeld Trust are deemed to be interested in 12,371,309 ordinary shares in which Herling Limited are interested, which are therefore included in its total interests of 17,281,169 ordinary shares.

### Annual General Meeting

The Annual General Meeting of the Company will be held on 27 November 2000.

**Declaration of final dividend** The Directors have recommended the payment of a final dividend of 1.9 pence per share. The Directors recommend shareholders to vote in favour of this resolution as they unanimously intend to do so in respect of their own beneficial shareholdings.

**Increase in authorised share capital** The Directors believe that it is appropriate to increase the authorised share capital of the Company to allow greater flexibility for future issues of ordinary shares.

**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 7 set out in the Notice of Annual General Meeting gives the Directors authority, until the date of the next Annual General Meeting, to allot authorised but unissued share capital of the Company to a maximum of £13,321,550. This amounts to 53,286,200 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 8 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 amount of £1,998,233, which represents 5 per cent of the issued share capital of the Company at the date of this Report.

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

**Purchase of own shares** At the Extraordinary General Meeting held immediately following the 1999 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. This authority expires at the conclusion of the 2000 Annual General Meeting to be held on 27 November 2000. Under resolution 9, 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 23,962,804 ordinary shares of 25 pence each in the Company 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 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 purchase would be in the best interests of the shareholders generally.

#### **Compliance with the Combined Code**

A statement on Corporate Governance is set out on pages 45 and 46.

#### **Management of financial risks**

The Group finances its operations through a mixture of equity share capital, cash and borrowings. The Company borrows at both fixed and floating rates of interest and principally uses interest rate swap contracts to manage interest rate risk arising in respect of its borrowings. Details of the year-end position on financial instruments is contained in note 18 to the financial statements. The Board reviews the interest rate risks throughout the year and agrees upon appropriate action to manage the exposure.

#### **Environmental policy**

The Group's environmental policy endeavours to minimise the impact of its activities on the environment through, where possible, the proper conservation of natural resources. The Group recognises its responsibility to continually review and improve its environmental performance and, in doing so, seeks the input of architects, engineers and other professional advisers.

#### **Year 2000**

Prior to 31 December 1999, the Group had taken steps to address the potential problems associated with Year 2000. Since 31 December 1999 the Group has encountered no significant problems arising from the Year 2000 issue, and has not incurred any additional costs.

Whilst there can be no certainty that all potential problems have been identified and corrected, the Directors are satisfied that all reasonable steps are being taken to ensure that the Year 2000 issue will not significantly affect the Group's operations.

#### **Suppliers**

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

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

At the year end the Company had an average of 18 days (1999: 21 days) purchases outstanding.

#### **Donations**

During the year the Group made charitable donations of £52,743. No donations were made to political parties.

#### **Auditors**

PricewaterhouseCoopers have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

By order of the Board

Ivan Ezekiel Secretary  
21 September 2000

## Auditors' report to the members of Minerva plc

We have audited the financial statements on pages 50 to 64, and the disclosures on pages 43 and 44 relating to the remuneration of the Directors.

### Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Annual Report. As described on page 46, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the Directors' report 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 or the Listing Rules 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.

We review whether the statement on pages 45 and 46 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by 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. 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 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers Chartered Accountants and Registered Auditors  
London  
21 September 2000

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 Consolidated profit and loss account

For the year ended 30 June 2000	Note	Year ended 30 June 2000 £000	Year ended 30 June 1999 £000
Rental income		39,797	37,119
Net property outgoings		(4,453)	(4,247)
		35,344	32,872
Administrative expenses		(5,509)	(4,598)
Other income		731	118
<b>Operating profit</b>	2	<b>30,566</b>	<b>28,392</b>
Profit on sale of investment properties		202	158
Net loss on investment in quoted security		(7)	(37)
Net financing costs	5	(23,756)	(21,243)
Charges relating to early loan repayments		(6,056)	(7,168)
<b>Profit on ordinary activities before taxation</b>		<b>949</b>	<b>102</b>
Tax on profit on ordinary activities	6	-	-
<b>Profit on ordinary activities after taxation</b>		<b>949</b>	<b>102</b>
Dividends	8	(4,556)	(3,452)
<b>Withdrawn from reserves in the year</b>		<b>(3,607)</b>	<b>(3,350)</b>
<b>Earnings per share – basic and diluted</b>	9	<b>0.7p</b>	<b>0.1p</b>

The results for this year and the prior year relate to continuing operations.

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Consolidated balance sheet

As at 30 June 2000	Note	30 June 2000 £000	30 June 1999 £000
<b>Fixed assets</b>			
Tangible assets:			
Investment properties	10	848,600	590,175
Other fixed assets	11	1,648	1,725
Investments	13	10,997	2,271
		861,245	594,171
<b>Current assets</b>			
Debtors	14	6,618	4,841
Cash at bank and in hand	15	100,205	68,874
		106,823	73,715
Creditors: amounts falling due within one year	16	(32,028)	(16,764)
<b>Net current assets</b>		74,795	56,951
<b>Total assets less current liabilities</b>		936,040	651,122
Creditors: amounts falling due after more than one year	17	(484,114)	(323,901)
<b>Net assets</b>		451,926	327,221
<b>Capital and reserves</b>			
Called up share capital	19	39,965	31,937
Share premium account	20	196,714	133,585
Revaluation reserve	20	165,526	108,172
Other reserves	20	41,795	41,795
Profit and loss account	20	7,926	11,732
<b>Equity shareholders' funds</b>		451,926	327,221
<b>Net asset value per share</b>	21	282.7p	256.1p

The financial statements were approved by the Board of Directors on 21 September 2000 and were signed on its behalf by:

D E Garrard Director  
A I Rosenfeld Director

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Parent company balance sheet

As at 30 June 2000	Note	30 June 2000 £000	30 June 1999 £000
<b>Fixed assets</b>			
Investments:			
Subsidiary undertakings	12	48,179	48,179
		48,179	48,179
<b>Current assets</b>			
Debtors	14	213,433	140,288
Cash at bank and in hand		20,020	20,012
		233,453	160,300
Creditors: amounts falling due within one year	16	(3,092)	(2,365)
Net current assets		230,361	157,935
Total assets less current liabilities		278,540	206,114
Creditors: amounts falling due after more than one year	17	-	-
Net assets		278,540	206,114
<b>Capital and reserves</b>			
Called up share capital	19	39,965	31,937
Share premium account	20	196,714	133,585
Revaluation reserve	20	-	-
Other reserves	20	14,315	14,315
Profit and loss account	20	27,546	26,277
Equity shareholders' funds		278,540	206,114

The financial statements were approved by the Board of Directors on 21 September 2000 and were signed on its behalf by:

D E Garrard Director  
A I Rosenfeld Director

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Consolidated cash flow statement

For the year ended 30 June 2000	Note	Year ended 30 June 2000 £000	Year ended 30 June 1999 £000
Net cash inflow from operating activities	25a	32,680	30,306
Returns on investments and servicing of finance		(20,513)	(22,345)
Interest received		3,530	3,990
Interest paid		(24,496)	(26,335)
Dividend received from listed investments		453	-
<b>Taxation</b>			
UK advance corporation tax		-	(192)
<b>Net operating cash flow</b>		<b>12,167</b>	<b>7,769</b>
<b>Capital expenditure and financial investment</b>		<b>(204,484)</b>	<b>(4,668)</b>
Additions to investment properties		(196,946)	(28,709)
Additions to tangible fixed assets		(231)	(1,408)
Additions to listed investments		(8,777)	(2,101)
Receipts from sale of investment properties		1,402	27,520
Receipts from sale of tangible fixed assets		24	30
Receipts from sale of listed investments		44	-
Equity dividends paid		(3,814)	(3,316)
<b>Cash outflow before use of liquid resources and financing</b>		<b>(196,131)</b>	<b>(215)</b>
Management of liquid resources	25b	(43,529)	(52,847)
<b>Financing</b>		<b>227,462</b>	<b>13,422</b>
Issue of share capital		73,736	-
Expenses of share issue		(2,579)	-
New long-term loans		277,821	69,000
Issue costs of long-term loans		(1,872)	(794)
Repayment of long-term loans		(113,708)	(44,860)
Cost of early loan repayments		(5,936)	(6,924)
Other creditors		-	(3,000)
<b>Decrease in cash</b>	25b	<b>(12,198)</b>	<b>(39,640)</b>

54 Minerva plc 2000  
 Note of historical cost profits and losses

For the year ended 30 June 2000	Year ended 30 June 2000 £000	Year ended 30 June 1999 £000
Reported profit on ordinary activities before taxation	949	102
Realisation of revaluation (deficit)/surplus of previous years	(199)	13,364
Historical cost profit on ordinary activities before taxation	750	13,466
Historical cost (loss)/profit for the year retained after taxation and dividends	(3,806)	10,014

Statement of total recognised gains and losses

For the year ended 30 June 2000	Year ended 30 June 2000 £000	Year ended 30 June 1999 £000
Profit for the financial year	949	102
Unrealised surplus on revaluation of investment properties	57,155	35,683
Total recognised gains for the year	58,104	35,785

Reconciliation of movements in shareholders' funds

For the year ended 30 June 2000	Year ended 30 June 2000 £000	Year ended 30 June 1999 £000
Profit for the financial year	949	102
Dividends	(4,556)	(3,452)
	(3,607)	(3,350)
Unrealised surplus on revaluation of investment properties	57,155	35,683
New share capital issued	73,736	–
Costs on issue of new share capital	(2,579)	–
Net movement in shareholders' funds	124,705	32,333
Opening shareholders' funds	327,221	294,888
Closing shareholders' funds	451,926	327,221

## 1. Accounting policies

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**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.

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

**Presentation of financial statements** The following financial reporting standards, which were adopted during the year, required no change to the accounting policies or financial statements of the Group:

FRS 15 'Tangible Fixed Assets'; and

FRS 16 'Current Tax'.

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

Goodwill, being the excess of the fair value of purchase consideration over the fair value of the net assets acquired, was previously written off against reserves in the period of acquisition for acquisitions made prior to 1 July 1998. In accordance with Financial Reporting Standard 10, goodwill previously written off has not been reinstated. Goodwill arising on acquisitions after 30 June 1998, is capitalised in the balance sheet and written off to the profit and loss account over its useful life.

**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.

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

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

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

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

**Depreciation and amortisation** The cost of other fixed assets is their purchase cost, together with any incidental expenses of acquisition. The cost of freehold premises not held for investment and short leasehold property is depreciated over its estimated useful life and the remaining life of the lease respectively. Motor vehicles and fixtures and fittings are depreciated over their expected lives of between three and five years.

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

**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.

## 2. Operating profit

	Year ended 30 June 2000 £000	Year ended 30 June 1999 £000
After charging/(crediting):		
Auditors' remuneration: for audit	69	69
Depreciation	289	212
Operating lease rentals:		
– land and buildings	2,299	2,787
– equipment	4	4
Profit on sale of tangible fixed assets	(10)	(19)

The Group's auditors also charged the following amounts for provision of non-audit services:

Fees in relation to the rights issue	80	–
Fees in relation to property acquisitions and financings	58	–
General taxation advice	–	3
Other	28	8

## 3. Staff costs

	Year ended 30 June 2000 £000	Year ended 30 June 1999 £000
Average number of employees (including executive Directors) employed by the Group	26	26
	£000	£000
Staff costs for the above persons (excluding executive Directors):		
Wages and salaries	1,088	1,062
Discretionary bonuses	460	273
Social security costs	190	145
Other pension costs	26	27
	1,764	1,507

## 4. Directors' remuneration

	Year ended 30 June 2000 £000	Year ended 30 June 1999 £000
Aggregate emoluments	1,951	1,072
Emoluments of highest paid Director	781	436

More detailed information concerning Directors' remuneration, interests and options is shown in the Remuneration Report on pages 43 and 44.

## 5. Net financing costs

	Year ended 30 June 2000 £000	Year ended 30 June 1999 £000
Interest payable and similar charges:		
Bank interest and charges	28,067	25,267
Other interest	26	13
	28,093	25,280
Capitalised during the year	(224)	–
	27,869	25,280
Interest receivable:		
Bank interest	(4,011)	(3,932)
Other interest	(102)	(105)
	(4,113)	(4,037)
	23,756	21,243

## 6. Taxation

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

If all the properties were disposed of at the current valuation, the taxation liability to the Group could amount to approximately £40,800,000 (1999: £21,600,000).

## 7. 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 £5,825,000 is dealt with in the financial statements of the Company.

## 8. Dividends

	Year ended 30 June 2000 £000	Year ended 30 June 1999 £000
Interim dividend of 0.95 pence per share (1999: 0.9 pence)	1,519	1,150
Proposed final dividend of 1.9 pence per share (1999: 1.8 pence)	3,037	2,302
	4,556	3,452

Both the interim and final dividends for the current year are payable on the increased share capital.

## 9. Earnings per share

Earnings per share is calculated on a weighted average of 144,213,094 ordinary shares of 25 pence each in issue throughout the year (1999: 131,170,589 ordinary shares as adjusted to reflect the 1 for 4 rights issue during the year) and is based on profits attributable to ordinary shareholders of £949,000 (1999: £102,000).

Diluted earnings per share is calculated after allowing for the exercise of share options, and is based on 144,585,104 ordinary shares of 25 pence each in issue throughout the year (1999: 131,565,333 ordinary shares as adjusted to reflect the 1 for 4 rights issue during the year).

## 10. Investment properties

Group	Freehold £000	Long leasehold £000	Total £000
Valuation – 1 July 1999	366,600	223,575	590,175
Additions at cost	90,942	111,028	201,970
Change of interests held	38,125	(38,125)	–
Disposals	–	(700)	(700)
Movement of revaluation surplus	57,433	(278)	57,155
<b>Valuation – 30 June 2000</b>	<b>553,100</b>	<b>295,500</b>	<b>848,600</b>

The investment properties were valued on an open market value basis by Weatherall Green & Smith as at 30 June 2000 in accordance with the current edition of the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors.

Preparatory costs of development of £3,307,000 is included in Group additions at cost above.

The historical cost of properties at 30 June 2000 was £668,843,000 (1999: £467,771,000). The total amount of interest capitalised as part of the cost of investment properties at 30 June 2000 was £14,995,000 (1999: £14,771,000).

## 11. Other fixed assets

Group	Freehold property £000	Short leasehold property £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
<b>Cost</b>					
At 1 July 1999	1,031	421	316	458	2,226
Additions	47	8	77	94	226
Disposals	–	–	(88)	(54)	(142)
<b>At 30 June 2000</b>	<b>1,078</b>	<b>429</b>	<b>305</b>	<b>498</b>	<b>2,310</b>
<b>Depreciation</b>					
At 1 July 1999	7	146	116	232	501
Charge for the year	11	86	106	86	289
Written back on disposals	–	–	(88)	(40)	(128)
<b>At 30 June 2000</b>	<b>18</b>	<b>232</b>	<b>134</b>	<b>278</b>	<b>662</b>
<b>Net book value at 30 June 2000</b>	<b>1,060</b>	<b>197</b>	<b>171</b>	<b>220</b>	<b>1,648</b>
Net book value at 30 June 1999	1,024	275	200	226	1,725

## 12. Investment in subsidiary undertakings

Parent Company	Total £000
At 1 July 1999	48,179
Movement in the year	–
<b>At 30 June 2000</b>	<b>48,179</b>

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

Angelmist Limited	Minerva (Ambassador) Limited
Antares Properties Limited	Minerva (City) Limited
Castlereport Limited	Minerva Corporation PLC
Chainbill Limited	Minerva (Croydon) Limited
Croydon Plaza Limited	Minerva Property Holdings plc
Eagleprint Limited	Minerva Property Investments Limited
Futurestate Limited	Minerva Property Services Limited
Goldrock Developments Limited	Minerva Property Services (Wigmore Street) Limited
Gradegilt Limited	Sparrage Properties Limited
Helios Property Investments Limited	Tipace Limited
Jimtrack Limited	Twin Tower Properties Limited
Larchfield Investments Limited	245 Blackfriars Road Limited
M1 Limited	245 Blackfriars Road Investments Limited
Minel Limited	

Ludgate House and The Criterion were acquired during the year through the purchase of shares and assumption of loans in 245 Blackfriars Road Ltd and Tipace Limited respectively. No other net assets were acquired. The book value and fair value of the properties at the time of acquisition equated to the consideration paid.

## 13. Investments

Group	Listed investments £000
At 1 July 1999	2,271
Additions	8,777
Disposals	(40)
Revaluation	(11)
<b>At 30 June 2000</b>	<b>10,997</b>

The market value of listed investments was £8,099,000 at 30 June 2000.

## 14. Debtors

	Group 30 June 2000 £000	Group 30 June 1999 £000	Parent Company 30 June 2000 £000	Parent Company 30 June 1999 £000
Amounts owed by subsidiary undertakings	–	–	213,300	140,158
Other debtors	4,432	3,484	28	54
Prepayments and accrued income	2,186	1,357	105	76
	<b>6,618</b>	<b>4,841</b>	<b>213,433</b>	<b>140,288</b>

15. Cash at bank and in hand

Cash at bank includes £534,000 (1999: £1,832,000) retained in rent accounts and not readily available to the Group for day-to-day commercial purposes.

16. Creditors: amounts falling due within one year

	Group 30 June 2000 £000	Group 30 June 1999 £000	Parent Company 30 June 2000 £000	Parent Company 30 June 1999 £000
Bank/building society loans	2,872	533	–	–
Dividend payable	3,049	2,308	3,049	2,308
Taxation and social security	1,144	368	1	1
Other creditors	3,898	2,511	12	49
Accruals and deferred income	21,065	11,044	30	7
	<b>32,028</b>	<b>16,764</b>	<b>3,092</b>	<b>2,365</b>

17. Creditors: amounts falling due after more than one year

	Group 30 June 2000 £000	Group 30 June 1999 £000	Parent Company 30 June 2000 £000	Parent Company 30 June 1999 £000
Bank/building society loans	480,159	319,946	–	–
Other creditors	3,955	3,955	–	–
	<b>484,114</b>	<b>323,901</b>	<b>–</b>	<b>–</b>

The bank and building society loans are secured upon 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.

18. Financial instruments

The Group has taken advantage of the exemption under Financial Reporting Standard 13 to exclude short-term debtors and creditors from the following disclosures.

**Interest rate risk of financial assets** The Group's financial assets comprise listed investments (note 13), short-term debtors (note 14) and cash at bank and in hand (note 15). The cash at bank and in hand, which provides the Group with the flexibility to take advantage of opportunities as they arise, consists mainly of short-term deposits which are placed with selected banks with high credit ratings, on a one-day to six-month basis, and earn interest at the rate prevailing at the time of the deposit.

**Maturity of financial liabilities** The debt maturity profile of the Group's bank, building society and other borrowings at 30 June 2000 is as follows:

	30 June 2000 £000	30 June 1999 £000
Less than one year	2,872	533
Between one and two years	7,046	1,470
Between two and five years	128,288	35,023
Over five years	352,577	289,645
	<b>490,783</b>	<b>326,671</b>
Unamortised loan issue costs allocated to future periods	(3,797)	(2,237)
	<b>486,986</b>	<b>324,434</b>

In addition, at 30 June 2000, the Group had undrawn loan facilities of £16,190,000 (1999: £1,500,000) with a maturity of between two and five years.

## 18. Financial instruments continued

*Interest rate risk profile of financial liabilities* Fixed and floating rate liabilities of the Group as at 30 June 2000 are analysed as follows:

	30 June 2000		30 June 1999	
	Total £000	Weighted average interest rate (%)	Total £000	Weighted average interest rate (%)
Fixed and swapped-fixed rate debt	473,723	7.3	321,374	7.5
Floating rate debt	17,060	7.3	5,297	6.0
Total debt	490,783	7.3	326,671	7.5

The Group's debt is fully hedged under fixed, swapped or capped interest rate agreements as follows:

	30 June 2000		30 June 1999	
	£000	Weighted average period (years)	£000	Weighted average period (years)
Fixed rates	256,333	9.7	158,174	6.5
Swapped-fixed rates	217,390	8.3	163,200	9.6
Capped rates at 9.5%	22,000	1.0	22,000	2.0
Total	495,723		343,374	

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 7.3 per cent (1999: 7.5 per cent) and includes loan margins ranging from 0.8 per cent to 1.6 per cent with all inclusive interest rates ranging from 6.5 per cent to 8.5 per cent (1999: 6.5 per cent to 9.0 per cent).

Aggregate hedged principal amounted to £495,723,000 against total debt of £490,783,000 at 30 June 2000 and, therefore, at the year end the Group had a net over-hedged position of £4,940,000. This over-hedged position reflects a historic decision to carry forward a £22,000,000 cap to hedge future incremental borrowings.

*Fair values* A valuation was carried out as at 30 June 2000 by J C Rathbone Associates Limited, to calculate the market value of the Group's debt instruments on a replacement basis, taking into account the difference between fixed, fixed-swapped and capped interest rates for the Group borrowings and the prevailing interest rates for the respective periods of the appropriate debt instruments.

The valuation at 30 June 2000 of the fixed rate loans, interest rate swaps and interest rate caps referred to above are as follows:

	30 June 2000			30 June 1999		
	Book value £000	Fair value £000	Fair value difference £000	Book value £000	Fair value £000	Fair value difference £000
Fixed rate loans	256,333	257,110	(777)	158,174	166,526	(8,352)
Derivative instruments:						
Interest rate swaps		(3,323)	3,323		759	(759)
Interest rate caps		-	-		(9)	9
	256,333	253,787	2,546	158,174	167,276	(9,102)

The fair value at 30 June 2000 was £2,546,000 less than the book value (1999: £9,102,000 greater than the book value), which if taken to reserves after a tax charge at 30 per cent, would increase the Group's net asset value by £1,782,000 or 1.1 pence per share.

## 18. 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:

	£000
Unrecognised net losses on hedges at 1 July 1999	(750)
Losses arising in previous years that were recognised during the year	794
Net gains arising on hedges in existence as at 1 July 1999 and not recognised to 30 June 2000	44
Net gains arising this year that were not recognised in current year	3,279
Unrecognised net gains on hedges at 30 June 2000	3,323
of which:	
Net gains expected to be recognised in the year to 30 June 2001	105
Net gains expected to be recognised beyond 30 June 2001	3,218
	3,323

The gains arising this year reflect the effect of higher long-term interest rates when measured against long-term swap contracts entered into in current and prior accounting periods.

**Gearing** Net gearing, measured as net debt to shareholders' funds, was 86 per cent at 30 June 2000 (1999: 79 per cent).

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

## 19. Called up share capital

	30 June 2000 £000	30 June 1999 £000
<b>Authorised</b>		
200,000,000 (1999: 200,000,000) ordinary shares of 25 pence each	50,000	50,000
	50,000	50,000
<b>Issued and fully paid</b>		
159,858,601 (1999: 127,748,748) ordinary shares of 25 pence each	39,965	31,937
	39,965	31,937

The ordinary share capital issued during the year was issued for a total consideration of £73,736,000. There have been no changes to the number of shares in issue since 30 June 2000.

The options to subscribe for new ordinary shares of 25 pence each under the Employee Share Options Schemes which are outstanding at 30 June 2000 are as follows:

	30 June 2000 Number of shares*	30 June 2000 Subscription price*
Period within which options are exercisable		
26 November 1999 to 25 November 2003	624,195	141.0
26 November 1999 to 25 November 2006	85,118	141.0
29 November 1999 to 28 November 2003	70,932	141.0
4 November 2000 to 3 November 2004	70,034	185.6
4 November 2000 to 3 November 2007	16,161	185.6
5 January 2001 to 4 January 2005	110,153	199.7
5 January 2001 to 4 January 2008	15,020	199.7
30 September 2001 to 29 September 2005	108,106	157.3
30 September 2001 to 29 September 2008	19,077	157.3

\* The exercise price and number of share options have been adjusted for the rights issue in December 1999.

**20. Reserves**

Group	Share premium account £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000
At 1 July 1999	133,585	108,172	41,795	11,732
Premium on rights issue	65,542	-	-	-
Expenses of rights issue	(2,579)	-	-	-
Premium on exercise of share options	166	-	-	-
Amount realised on property disposals	-	199	-	(199)
Surplus on revaluation	-	57,155	-	-
Retained loss for the financial period	-	-	-	(3,607)
<b>At 30 June 2000</b>	<b>196,714</b>	<b>165,526</b>	<b>41,795</b>	<b>7,926</b>
<b>Parent Company</b>				
At 1 July 1999	133,585	-	14,315	26,277
Premium on rights issue	65,542	-	-	-
Expenses of rights issue	(2,579)	-	-	-
Premium on exercise of share options	166	-	-	-
Retained profit for the financial period	-	-	-	1,269
<b>At 30 June 2000</b>	<b>196,714</b>	<b>-</b>	<b>14,315</b>	<b>27,546</b>

**21. Net asset value per share**

Net asset value per share is calculated on 159,858,601 ordinary shares of 25 pence each in issue at 30 June 2000 (1999: 127,748,748) and is based on net assets attributable to shareholders of £451,926,000 (1999: £327,221,000).

**22. Capital commitments**

Capital expenditure commitments contracted, but not provided for, at 30 June 2000 were £10,635,000.

**23. 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 2000 £000	30 June 1999 £000
Under leases expiring in more than five years	2,275	2,783

**24. Contingent liabilities**

The Company has guaranteed certain obligations of its subsidiary undertakings, which at the balance sheet date amounted to £176,723,000.

25. Notes to the cash flow statement

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

	Year ended 30 June 2000 £000	Year ended 30 June 1999 £000
Operating profit	30,566	28,392
Depreciation charges	289	212
Profit on sale of tangible fixed assets	(10)	(19)
Dividend receivable from listed investments	(652)	-
Movement in debtors	(1,876)	2,763
Movement in creditors	4,363	(1,042)
<b>Net cash movement from operating activities</b>	<b>32,680</b>	<b>30,306</b>

*b. Analysis of changes in net debt*

	At 1 July 1999 £000	Cash flow £000	Other non-cash movements £000	At 30 June 2000 £000
<b>Net cash:</b>				
Cash at bank and in hand	68,874	31,331	-	100,205
Less: Liquid resources	(55,332)	(43,529)	-	(98,861)
	13,542	(12,198)	-	1,344
<b>Liquid resources:</b>				
Deposits included in cash	53,500	44,827	-	98,327
Restricted cash	1,832	(1,298)	-	534
	55,332	43,529	-	98,861
<b>Bank and building society debt:</b>				
Debt due within one year	(533)	(2,339)	-	(2,872)
Debt due after one year	(319,946)	(159,902)	(311)	(480,159)
	(320,479)	(162,241)	(311)	(483,031)
<b>Total</b>	<b>(251,605)</b>	<b>(130,910)</b>	<b>(311)</b>	<b>(382,826)</b>

26. Related party transactions

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

Minerva plc 2000  
Advisers to the Company

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