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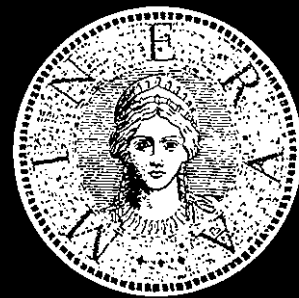
MINERVA plc

Minerva is a property investment and development company whose principal strategy is to create shareholder wealth through investment in commercial property. Its policy is to invest in assets with strong cash flow, rental growth potential and where the opportunity exists to add significant value through active and entrepreneurial management. A central part of this strategy is the maintenance of a broad based financial framework which is able to evolve alongside the changing profile of the Group.



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MINERVA

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Annual Report 1997

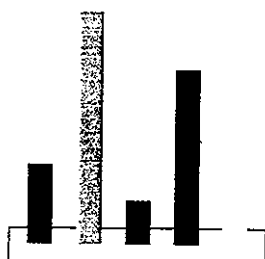
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SECURITY OF INCOME

per cent of net rental income



Unexpired lease term

- 0-10 years – 11%
- ▨ 10-15 years – 32%
- 15-20 years – 6%
- 20-30 years – 24%
- 30 years plus – 27%

VALUATION OF PORTFOLIO

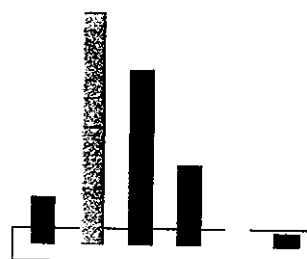
by sector



- Offices – 79%
- ▨ Retail – 8%
- Industrial/warehouse – 13%

VALUATION OF PORTFOLIO

by region



- City – 8%
- ▨ West End and central London – 41%
- Greater London – 31%
- Scotland – 14%
- Midlands and North – 4%
- South – 2%

PORTFOLIO INCOME

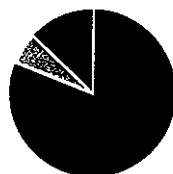
by quality



- Major corporations – 53%
- ▨ Institutions – 33%
- Government – 5%
- Other – 9%

PORTFOLIO INCOME

by sector



- Offices – 81%
- ▨ Retail – 6%
- Industrial – 13%

PORTFOLIO INCOME

by region



- City – 11%
- ▨ West End and central London – 39%
- Greater London – 31%
- Scotland – 13%
- Midlands and North – 5%
- South – 1%

DEBT MATURITY



- Less than 1 year – 1%
- 3-5 years – 65%
- 5 years plus – 34%

DEBT HEDGING



- Fixed – 90%
- ▨ Capped – 7%
- Floating – 3%



When we brought Minerva to the market in November 1996, I think many observers assumed that the initial period of our activities as a public company would be principally devoted to consolidation, adjustments in our financing arrangements, and to general orientation into the public sector. I certainly do not imagine that anyone anticipated either the extent or the range of the activities in which Minerva would then engage over such a short timespan. As you read through our Report and Accounts, and as will become clear from reading the report of our Chief Executive, Andrew Rosenfeld, the specifics and scale of these various activities will become self evident. Suffice it to say that among those activities which I think are noteworthy, have been the refinancing and new financing of £157.25 million of the Group's banking facilities and the acquisition and disposal of properties, for a total aggregate consideration in excess of £280 million.

I believe that the exciting and potentially exceptionally rewarding purchases we have made and activities in which we have engaged since last November, while also addressing the myriad of time-consuming matters which inevitably present themselves during and following a flotation, give, perhaps, a clear insight into the degree of opportunistic and entrepreneurial skills which we seek to bring at all times to our commercial activities.

Among these acquisitions was the then headquarters of Banque Paribas in Wigmore Street, which was acquired for £37 million and concluded simultaneously with our flotation. This was not only a first class investment which has, since its acquisition, enabled us to benefit from rapidly rising rental values in the West End of London, but added to the Group's existing ownership along the south-west side of Wimpole Street sufficiently to create a future opportunity to undertake a development scheme, the concept and planning aspects of which we are progressing. Almost directly opposite this holding, on the north side of Wigmore Street, bounded by frontages also on to Welbeck Street and Welbeck Way, we have acquired a "site" for the development of two state-of-the-art retail and office buildings, which are described in detail elsewhere in this report. Minerva properties now "straddle" one of the most important thoroughfares in the heart of the West End of London, affording a rare combination of investment and development potential.

Turning to the Euston Road transaction with the Prudential Corporation, the sale of this property for £105 million represents an important milestone for the Company, which comes as a result of exchanging what we regarded as an asset with limited mid-term growth prospects, for a combination of £33.3 million in cash and three central London properties, each of which has potential to add significant

value. The largest of these, Sampson House, is a modern office building of approaching 400,000 square feet, let for more than 100 years to Lloyds Bank, at a rent of less than £11.00 per square foot.

In the Spring of this year, we concluded, for £25 million, the acquisition of a portfolio from the Ladbroke Group of mainly modern or new properties, including three central London office buildings and an enclosed shopping mall in Winchester. This portfolio offered us a significant opportunity to add value through active management, from a rental base which we considered to be capable of very real uplift. As you will see later in this report, the results of this analysis are already flowing through.

Most recently, we announced the completion of the acquisition of St Botolph's House, and subsequently Ambassador House, creating a one and a quarter acre island site in the heart of the City of London. Both properties are let to major tenants. There is now the potential to develop around 400,000 square feet of offices here.

Our activities in respect of our holding in Croydon continue apace and are referred to in Andrew Rosenfeld's report.

If we look to the future we can see that the general outlook for the specific parts of the property sector in which we have always specialised remains strong, certainly at this time, in terms of tenant demand and investment activity. One must not lose sight, however, of the fact



accordingly, we remain vigilant and continually evaluate, and, wherever we believe it to be appropriate, adjust specific aspects of the Group's activities in order to accommodate these changing circumstances, underpin existing values, and identify the arenas in which we can add value.

While the Group will not abandon its overall focus of investing in large, strategic UK assets which offer the opportunity to unlock significant investment and development value, it is inevitable that opportunities will present themselves which may fall outside this definition. As and when such opportunities arise, if after thorough examination they appear to be highly profitable, they will be entertained by the Company, but with the continuing and overriding criteria which will not be abandoned, namely the elimination of speculative risk and the requirement for a strong underlying cash flow. In short, Minerva has never been, and has no intention of becoming, a speculator and will not be tempted to wander into speculative arenas in which a proper return on investment may not be relied. By adopting this approach, I believe that we can benefit from significant growth without losing sight of the fundamental principles of an investment company.

I have always regarded the flotation of Minerva to be a partnership between us, the management, and you, our shareholders. The management, by virtue of its substantial ownership of the business, is motivated and fully focused

on creating significant shareholder returns. As a Board, we choose to operate the Company from a moderate cost base, with your Directors pursuing a policy of modest remuneration by industry standards in return for what we consider to be a far more important goal, namely the creation of shareholder value. I see no reason to change this approach.

You will see that in the short time since flotation, our net asset value has increased from £1.76 to £1.82. Including exceptional items of £8.55 million, our accounts show a pre-tax profit of £8.99 million, with earnings of 8.8 pence per share. Consistent with the illustrative dividend policy shown in our prospectus, the Directors have decided to recommend a dividend of 1.5 pence per ordinary share for the year ended 30 June 1997.

We are clearly well placed to ride the current property cycle, having assembled a most distinctive portfolio of assets with a wide range of opportunities to create additional value which, following our recent acquisitions, are even wider now than when we came to the market last November. Our immediate objective for the current year is to strive towards unlocking that value and to strengthen and expand the asset and financial base of the Group further.

Finally, those who have had dealings with Minerva over the years readily understand that our team is known frequently to "burn the midnight oil". With a tight knit team of 16 people at

Gloucester Place, you can imagine how much of this oil was burnt, not only leading up to and during the flotation, but as a result of the intensive activity which has occurred since the beginning of this year and which has led to the acquisitions, disposals, refinancing and expansion of development schemes to which I have referred. I must, therefore, not only thank my colleagues at Minerva's offices for their tireless, and often indefatigable, enthusiasm and commitment to the Company, but also for the enthusiasm, loyalty, fortitude and, I imagine at times, enforced good humour displayed by those who assist us from without. Our solicitors, architects, agents, managing agents, town planning consultants, and all our professional advisers have made and continue to make a contribution without which we could never have hoped, or continue to hope, to see Minerva grow in financial strength and success; and, to them all, we express our gratitude.

DAVID GARRARD Chairman



Quite simply, the past year has been the busiest period in the Company's history, and with a highly motivated team handling assets of around £466 million, nothing could have been more exhilarating and rewarding.

Including post balance sheet events, we have concluded the acquisition of £180 million of new investment and development properties, sold £107 million of the Group's existing assets, and concluded financings totalling £157.25 million.

As a result, we have been able to re-shape the Company to provide a framework for enhanced profitability and further asset growth.

ACQUISITIONS

WIGMORE STREET, LONDON W1

In November of last year we acquired the headquarters of Banque Paribas, in Wigmore Street, London W1, from the Ladbroke Group for £37 million. This was a strategic acquisition which enabled us not only to benefit from rising property values in the West End of London, but, in addition, combined with the Group's existing ownership

along the south-west side of Wimpole Street, to create a future redevelopment opportunity which has the potential to provide a major new headquarters office building in the heart of the West End of London. Our combined ownership provides 146,906 square feet of office and ground floor retail accommodation.

In March of this year, we concluded a further transaction with the Ladbroke Group, from which we acquired a mixed commercial and residential portfolio, at a cost of £25 million. We considered the principal assets in this portfolio to offer opportunities to add value through active management from a rental base which we believed to be reversionary. The assets included:

ANGEL GATE, LONDON EC1

This property, which was completed in 1992, comprises 45,000 square feet of modern, self-contained campus style office buildings. At the time of acquisition 20,087 square feet of the development was unlet. However, through a process of active marketing and management, we have let 11,983 square feet and have increased rents from £12.00 per square foot to £15.00 per square foot.

LINCOLN PLACE, LONDON EC1

This property is located adjacent to Farringdon Station and was built in 1989. It comprises 33,000 square feet of modern air-conditioned office accommodation leased to Merrill Lynch at a rent of only £15.00 per square foot. There is a rent review in September 2000 and we estimate the current rental value to be around £18.00 per square foot.

COMPASS HOUSE, LONDON W2

This property is located next to Whiteleys shopping centre in Queensway. It was built in 1990 and totals 29,000 square feet of offices. At acquisition the average rent payable in the building was only £18.00 per square foot. Since that time, we have successfully concluded the letting of 5,229 square feet at a rent of £23.60 per square foot.

THE BROOKS SHOPPING CENTRE, WINCHESTER

This property comprises a modern covered shopping mall of 120,000 square feet. It was developed in 1991 and prior to acquisition was largely unlet. We have prepared proposals which are shortly to be submitted for planning approval, for the reconfiguration of the unit shopping and department store. We believe that the redesign of the centre will address the requirements of modern, retail space users and thereby facilitate a successful letting programme. We are already in discussion with a number of retailers about potential pre-lets.



LEFT: SINCE COMPASS HOUSE, LONDON, W2, WAS ACQUIRED BY MINERVA, 5,229 SQUARE FEET HAVE BEEN LET AT £23.60 PER SQUARE FOOT.



"The Company is shaped for enhanced profitability and further asset growth."

BELOW: ST BOTOLPH'S HOUSE, LONDON, EC3, HAS THE
POTENTIAL TO BECOME ONE OF THE LARGEST OFFICE
DEVELOPMENTS IN THE CITY OF LONDON.



WEST THURROCK, ESSEX

This property comprises a large warehouse property of 218,000 square feet let at an overall rent of only £2.86 per square foot. We are currently considering rationalising the complex intermediate leasehold structure in order to unlock additional value.

CENTRAL LONDON GROUND RENT PORTFOLIO

These interests have already been sold for £1.15 million, representing a profit on cost of 80 per cent.

ST BOTOLPH'S HOUSE, LONDON EC3

In June, we acquired the head-leasehold interest in St Botolph's House, Houndsditch, in the City of London, for £28.7 million from Avondale (City) Limited. It is principally leased to British Telecom which occupies the property under a lease with an unexpired term of 67 years. Notwithstanding that the net initial yield on this acquisition was 8.75 per cent, we recognised that the

property formed part of a major redevelopment opportunity. The balance of the site was owned by Legal & General and, subsequent to the year end, we have agreed to pay £17.0 million to acquire this head-leasehold interest. This includes a modern air-conditioned office building of 49,127 square feet which is leased to C.T. Bowring on a long lease at a rent of only £21.69 per square foot and a multi-storey car park which is leased to National Car Parks. Combined with St Botolph's House, the site comprises around 1.25 acres and produces an overall net yield of 8 per cent. More importantly, however, the merger of the two sites unlocks an opportunity to create one of the largest office developments in the City of London with a possible net floor area of around 400,000 square feet in a location which is experiencing strong demand from large space users. As with all Minerva's acquisitions, we will be able to use our undoubted long term cash flow as the springboard for entrepreneurial creativity. We plan to restructure our headlease with the City of London Corporation while simultaneously preparing our plans for redevelopment.



250 EUSTON ROAD, LONDON NW1

In August of this year we exchanged contracts for the sale of 250 Euston Road to the Prudential Corporation for £105.0 million. This represented a watershed for the Group, since we were able, in one swift move, to transform the profile of our portfolio by exchanging a large asset which had limited growth potential, for a significant cash sum of £33.3 million and three central London properties. These properties, valued at £71.7 million, together possess the key characteristics which we demand of any acquisition: strong overall cash flow, rental growth potential and the ability to add value. In a market in which values are increasing substantially, we were given the opportunity to select property from Prudential's portfolio without having to compete in the open market. The properties we chose were as follows:

SAMPSON HOUSE, 64 HOPTON STREET, LONDON SE1

This is a modern, freehold, air-conditioned office property let to Lloyds Bank Plc with an effective unexpired term of 106 years. It was built in 1978 and comprises 386,288 square feet, and has car parking for 60 cars. The current annual rent, at £4.1 million, is equivalent to an overall rent of only

ABOVE: A NUMBER OF PRE-LETS IN THE PROPOSED RECONFIGURATION OF THE BROOKS SHOPPING CENTRE, WINCHESTER, ARE ALREADY BEING DISCUSSED.



£10.61 per square foot. The lease is drawn on full repairing and insuring terms and provides for seven yearly, upward only rent reviews. The next review is due in December 1999.

Sampson House is prominently located on the South Bank of the Thames, next to Blackfriars Bridge. We believe that the low overall rental level provides the basis for significant future growth. In addition, owing to its location and close proximity to the new Tate Gallery, to a number of modern mixed residential and commercial developments and to the new Jubilee Line extension, we recognise that an opportunity exists for the future redevelopment of this property.

Also included in the transfer from the Prudential Corporation are a further 2.5 acres of freehold land adjacent to Sampson House, with 590 foot of river frontage. This land is currently occupied by residential flats, a public house and public open space. Most of it is let to Southwark Borough Council on a long lease, with an effective unexpired term of 80 years, at a nominal rent.

42-48 WIGMORE STREET AND 2-3 WELBECK WAY, LONDON W1

This comprises five separate leasehold properties, built in the early part of this century, in the same block between Welbeck Street and Welbeck Way. The properties, which are currently vacant, fall within the Westminster Conservation Area, and the facade of 42-46 Wigmore Street is Grade II listed. In each case the head landlord is Howard de Walden Estates Limited and each of the leases has more than 900 years unexpired, with nominal ground rents totalling £770 per annum, without review.

There is an existing permission, granted on 27 September 1991, and partially implemented, for the redevelopment of 2-3 Welbeck Way and for the redevelopment of 42-48 Wigmore Street behind the existing facade. Listed building consent and conservation area consent have been obtained for the development of two new, high quality, air-conditioned office buildings with a combined net floor space of 42,745 square feet, incorporating a basement, ground floor retail, offices on ground and four upper floors, and parking for

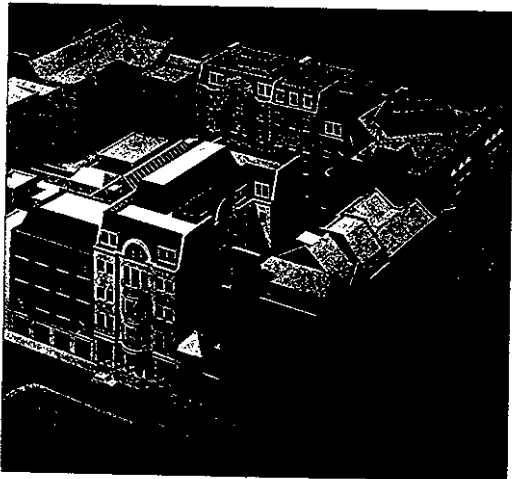
nine cars. The buildings will be connected at ground floor level by a landscaped courtyard which will, if required, enable a single letting of the development.

We estimate the total cost of the development, as currently envisaged, to be approximately £20.5 million, including the £8.0 million site value and all professional fees and finance charges, and that, following completion of the development, the properties would command an annual rent of approximately £1.47 million.

We believe that the limited opportunities to acquire and develop buildings of this quality and nature in the West End of London, combined with the strengthening of the letting market in the area, will provide a good opportunity to create additional value.

CHATHAM PLACE, EAST HARDING STREET, LONDON EC4

This is a leasehold property, held on a 99 year lease from The Goldsmith's Company. It has approximately 57 years



LEFT AND OPPOSITE: MINERVA PLANS TO BUILD TWO HIGH QUALITY OFFICE BUILDINGS ON WIGMORE STREET AND WELBECK WAY, LONDON, W1.



“Our principal aim is to create shareholder wealth by unlocking the significant value that sits in the Group’s portfolio and through the expansion of our asset base.”



"Some 90% of our rental income is secured on leases which run for more than 10 years and over 50% for more than 20 years."



OPPOSITE: DELTA POINT, CROYDON, SURREY, IS A 250,000 SQUARE FOOT DEVELOPMENT WHICH IS LET ENTIRELY TO BRITISH TELECOM.

BELOW: MINERVA ACQUIRED THE WESTBOURNE, LONDON, W2, WHEN IT BOUGHT A PROPERTY PORTFOLIO FROM THE LADBROKE GROUP.

unexpired. The ground rent is £2,851 per annum, without review. The building will be let to the Prudential Corporation at the end of September of this year, for a term of seven years, on a basis which excludes the security of tenure provisions of the Landlord and Tenant Act 1954, at a rental of £0.7 million per annum. Under the terms of the occupational lease, we will be able to secure vacant possession during the first two and a half years of the term. The earliest date on which we are able to secure vacant possession is 25 December 1998.

The property currently comprises 37,601 square feet of offices with parking for 11 cars. It is situated on a 9,200 square foot island site between High Holborn and Fleet Street, and is close to many headquarters office buildings.

As a consequence of the improving mid-town market both for office and residential properties in this location, we believe that the property has considerable development potential, and plans are being prepared for a comprehensive redevelopment of the site to create a scheme with a gross area of around 55,000 square feet.



DISPOSALS

For the reasons I mentioned earlier in this report, the sale of 250 Euston Road was the most significant asset sale the Company has ever concluded. The opportunity to de-gear while simultaneously reinvesting in fresh assets was unique and one not to be missed. Under the terms of the deal with the Prudential Corporation there was no stamp duty payable by the Group in respect of the new properties, with the result that the Group made an additional saving of £1.43 million.

In addition to the sale of Euston Road, we commenced the implementation of our strategy to dispose of smaller non-core assets which comprise our regional portfolio. These are, in the main, management intensive, but small in value terms. The sale of Market Street, Leicester, and Osbourne Road, Southsea, for an aggregate consideration of £0.965 million was complemented by the sale of the ground rent portfolio acquired earlier in the year from Ladbroke Group for £1.15 million.

Over the coming year, it is our intention to continue our policy of selling non-core assets on a selective

basis in order to maximise shareholder returns.

DEVELOPMENT

CROYDON TOWN CENTRE PROJECT

Significant progress is being made with our proposals in Croydon. Our original plans, which envisaged a comprehensive redevelopment of our existing land holding to provide a major new office complex in the heart of the town, have been adapted to take advantage of changing social and economic trends and an opportunity to provide an increase in retail and leisure accommodation and in so doing further enhance the potential profitability of the project.

Our architects, RTKL, together with our professional team, have produced a series of wide-ranging and imaginative proposals which, if successful in implementation, will transform the core of the town. Our goal over the next 12 months is to progress our proposals and to work towards the submission of a formal planning application for a scheme which will unlock significant development value for the Group.



LETTINGS

Because of the the nature of our portfolio and the basic principles on which our investment strategy is founded, we are in the enviable position of having a low level of letting voids. For the period to 30 June 1996, voids amounted to only 7.9 per cent of the total income of the Group. Around one third of this figure is represented by our holdings in central Croydon, to which I refer above, where we have around 92,000 square feet of vacant offices and shops. Letting activity is concentrated on our smaller properties: The Brooks Shopping Centre, Winchester, where we are in the process of submitting a planning application for the reconfiguration of the retail units prior to the commencement of a letting programme; Angel Gate, Islington, where we have concluded lettings of 11,983 square feet at rents of up to £15.00 per square foot; the Eastgate Centre, Derby, where we are planning a rolling programme of refurbishment and re-letting; and the Unicentre, Preston, where we have a small element of unlet office accommodation totalling 4,516 square feet.

FINANCIAL

The period to June 1997 was an extremely busy time for the Group and encompassed not only the refinancing of existing Group facilities, but also an intensive and wide-ranging acquisition programme which has been referred to earlier in this report and covers a particularly active period post-balance sheet.

The financial statements for the period to 30 June 1997 are, to a certain extent, a hybrid since they include approximately four months before the flotation of the Company, in November 1996, the transactions at flotation and only seven months as a listed company.

Pre-tax profit for the 11 month period ended 30 June 1997 totalled £8.99 million, including exceptional items of £8.55 million with earnings per share of 8.8 pence.

At the year end, the property portfolio was valued by Weatherall, Green & Smith at £465.95 million, thereby producing an increase in net assets per share of 6 pence since flotation in November 1996. This increase is after retained earnings of £8.64 million including the exceptional

profit of £8.55 million provided for at flotation and incorporated in the then stated net asset value. The Group's annualised rent roll increased by £4.06 million compared with the 13 month period to 31 July 1996.

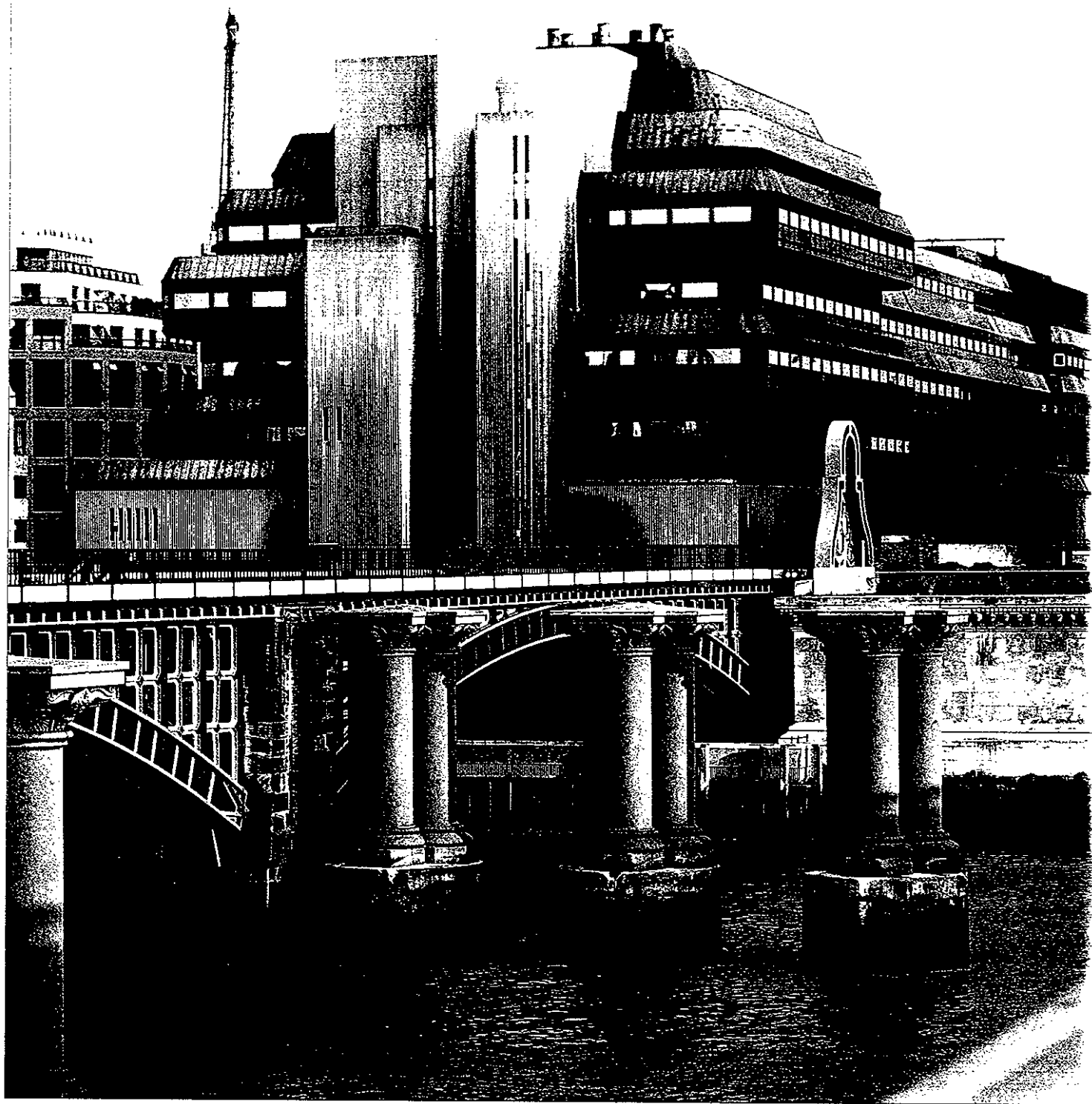
Net debt at the year end amounted to £289 million, producing a gearing level of 166 per cent. Having regard to the post balance sheet sale of 250 Euston Road, pro forma gearing as at 30 June 1997 will have reduced to 147 per cent. It is our stated policy to expand and adapt the asset base of the Group while, at the same time, controlling gearing levels. Fluctuations in gearing must be considered in the context of the quality of the Group's asset and income profile and our overall intention of reducing gearing within the next two years through a gradual enhancement of the Group's asset base as additional value is unlocked.

Interest charges for the year amounted to £22.2 million, which equates to an average interest rate of around 9 per cent. An important part of our financial strategy is the hedging of interest rate exposure; because 97 per cent of our loan portfolio is hedged,



OPPOSITE: SAMPSON HOUSE'S PRIME POSITION ON THE SOUTH BANK OF LONDON'S RIVER THAMES, COMBINED WITH THE LOW OVERALL RENTAL LEVEL, IS EXPECTED TO RESULT IN A SIGNIFICANT RETURN FOR MINERVA.

LEFT: MINERVA'S PROPOSALS FOR CROYDON, SURREY, WOULD TRANSFORM THE TOWN CENTRE.



“A central part of our strategy is to continually appraise our financial structure in order that earnings can be enhanced in the coming years.”



"If the events of 1997 are anything to go by, 1998 should be an interesting year."



OPPOSITE: RENTS OF THE OFFICE BUILDINGS AT ANGEL GATE, LONDON, EC1, HAVE INCREASED TO £15 PER SQUARE FOOT; 12,000 OF THE 20,000 SQUARE FEET WHICH, AT THE TIME OF ACQUISITION, WERE UNLET, ARE NOW OCCUPIED.

BELOW: PUBLISHERS HARPER COLLINS' ADMINISTRATION, PRODUCTION AND WAREHOUSE FACILITIES ARE HOUSED IN MINERVA'S 873,00 SQUARE FEET BUILDING AT BISHOPBRIGGS, GLASGOW.

the risk of fluctuating interest rates is substantially eliminated.

Over the current year, we have sought to extend our debt maturity profile and in this regard we have concluded funding totalling £157.25 million represented by the refinancing of £71.0 million of existing debt with Depfa Bank, to provide a ten year facility at an interest rate of 9.1 per cent; the refinancing of a syndicated loan facility, with Lloyds Bank, to provide a four year term loan in respect of The Croydon Centre at an interest rate of 8.5 per cent and new facilities totalling £60.75 million for the acquisition of the Banque Paribas headquarters, the Ladbroke portfolio and St Botolph's House. In respect of these new acquisitions, the average interest rate is 8.32 per cent.

With regard to taxation, the Group has the benefit of substantial carried forward losses from previous years and the benefits of capital allowances on plant and machinery. We anticipate benefiting from a low rate of tax for the current year.

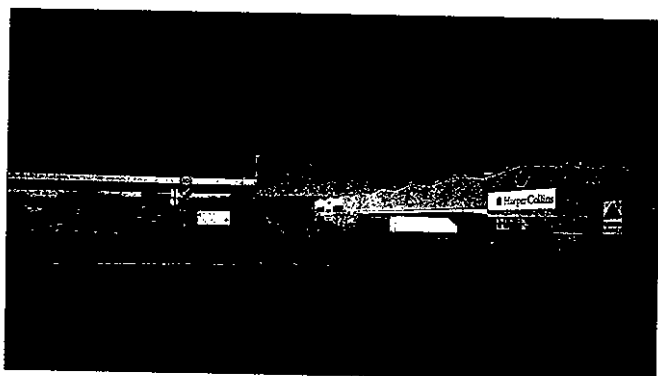
In keeping with our strategy of controlling Group overheads, our head-

office costs represented only 6.65 per cent of our rental income, and, while we anticipate an expansion in the Group's activities over the coming year, we do not expect there to be a proportionate increase in the cost of running and administering it.

THE OUTLOOK FOR 1998

If the events of 1997 are anything to go by, 1998 should be an interesting year. Our aim over the next 12 months is to unlock latent value which sits in our existing portfolio and to expand our asset base prudently, through a process of selective acquisition supported by a financial framework capable of evolving alongside the changing profile of the Group.

ANDREW ROSENFELD Chief Executive





DAVID GARRARD FFS Chairman

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

ANDREW ROSENFELD BSc ARICS Chief Executive

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

PAUL COSTER ARICS Property Director

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

CLIVE RICHARDS FCA FCMA FBIM non-executive Director, Chairman of the Audit Committee and a member of the Remuneration Committee

Following six years with Peat Marwick Mitchell, Clive Richards joined Wedd Durlacher Mordant, subsequently a major constituent part of Barclays de Zoete Wedd, in 1960, where he became Managing Partner. From 1970 to 1976 he worked at N M Rothschild & Sons Ltd where he rose to become Group Finance Director. In 1976 he left to set up his own investment and financial services company, Clive Richards & Co, which has been involved in a number of successful ventures. He is currently non-executive Chairman of Steel Burrill Jones Group plc and a non-executive director of Gardner Group plc, Dalkeith Holdings plc and Tetra Holdings Ltd. Appointed to the Board of Minerva in November 1996.

CHRISTOPHER SHERIDAN non-executive Director, Chairman of the Remuneration Committee and a member of the Audit Committee

Joined Samuel Montagu & Co Limited in 1962 and became a director in 1974. He was appointed head of Samuel Montagu's Treasury Division, with overall responsibility for all the bank's dealing activities, in 1976. He was Chief Executive of Samuel Montagu from 1984 to 1994, where as head of merchant banking of the Midland Bank Group he oversaw the changes during "Big Bang" as well as the integration into HSBC. He is a non-executive director of Yorkshire Building Society, Prudential-Bache International Bank Limited and Hanover Acceptances Limited. He is also a board member of the Lovell White Durrant-partnership board. Appointed to the Board of Minerva in November 1996.

SENIOR MANAGEMENT

RODNEY BLEE Group Accountant
ARTHUR RIXON Banking and Finance
JOHN HIGSON Acquisitions and Development
STEVEN YEWMAN Property Management and Development
QUENTIN THOMPSON Property Management

Each of the above are directors of Minerva Property Holdings plc.



REGISTRARS

Independent Registrars Group

Balfour House

390/398 High Road

Ilford

Essex IG1 1NQ

STOCKBROKER

HSBC James Capel

Thames Exchange

10 Queen Street Place

London EC4R 1BL

FINANCIAL ADVISER

HSBC Samuel Montagu

Vintner's Place

68 Upper Thames Street

London EC4V 3BJ

SOLICITORS

Olswang

90 Long Acre

London WC2E 9TT

AUDITORS

Coopers & Lybrand

1 Embankment Place

London WC2N 6NN

VALUERS

Weatherall, Green & Smith

22 Chancery Lane

London WC2A 1LT

PRINCIPAL BANKERS

BHF-BANK AG

BHF-BANK House

61 Queen Street

London EC4R 1AE

Deutsche Pfandbrief-und

Hypothekenbank AG

Paulinenstrasse 15

D-65189 Wiesbaden

Germany

Lloyds Bank plc

St George's House

6-8 Eastcheap

London EC3M 1LL

COMPANY SECRETARY

Richard Howard Kleiner FCA

REGISTERED OFFICE

25 Harley Street

London W1N 2BR

REGISTERED IN ENGLAND

2176408



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

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

The Greenbury Committee recommended that remuneration committees should comprise only non-executive directors. The Remuneration Committee of the Company has, since its incorporation, comprised the two non-executive Directors of the Company, Mr Christopher Sheridan (Chairman of the Committee) and Mr Clive Richards. The composition of the Committee has not altered during the period to 30 June 1997. None of the members of the Committee have any personal financial interest, other than as shareholders, in the outcome of any of the decisions taken by the Committee. In addition, they have no day-to-day involvement in running the Group's business.

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS AND SENIOR MANAGEMENT

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

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

- ensure that the remuneration packages for executives are sufficiently competitive to attract and retain executives of the highest calibre and, having in mind the recent growth of the Company, it is considered that remuneration packages should be in the upper quartile of comparative property groups; and
- align individual rewards and incentives directly with the performance and growth of the Company, providing a direct link to the best interest of the shareholders.

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

BASE SALARY

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

BENEFITS IN KIND

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

DISCRETIONARY BONUS SCHEME

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

Bonus awards are determined by reference to individual and Company performance measured against a range of internal and external factors determined by the Remuneration Committee.

In view of the fact that the Company has only recently floated, and irrespective of the satisfactory activities of the Group since admission of the issued share capital of the Company to the London Stock Exchange, your Board has decided not to award any bonuses for the period ended 30 June 1997.

PENSIONS

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

DIRECTORS' REMUNERATION

	11 months ended 30 June 1997				13 months ended 31 July 1996
	Base salary as executives of subsidiary undertakings £000	Fees as Directors of the Company £000	Benefits in kind £000	Total emoluments £000	Total Emoluments £000
DAVID EARDLEY GARRARD	58	—	9	67	10
ANDREW IAN ROSENFELD	92	—	25	117	137
PAUL ANTONY COSTER	92	—	11	103	121
WILLIAM SAMUEL CLIVE RICHARDS (appointed with effect from 27 November 1996)	—	17	—	17	—
CHRISTOPHER JULIAN SHERIDAN (appointed with effect from 27 November 1996)	—	17	—	17	—
GRAHAM WILLIAM SHARP (resigned 5 October 1995)	—	—	—	—	28
	242	34	45	321	296
Total Directors' remuneration				321	296

Mr David Garrard started to draw his salary from 1 December 1996. The amount above represents seven months of remuneration.



DIRECTORS' INTERESTS

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

	1997 25 pence ordinary	1996 £1 preference	1996 £1 ordinary
DAVID EARDLEY GARRARD	25,074,668	3,067,026	6,059,475
ANDREW IAN ROSENFELD	24,784,583	1,299,453	1,692,000
PAUL ANTONY COSTER	2,063,440	251,570	497,025
WILLIAM SAMUEL CLIVE RICHARDS	16,666	—	—
CHRISTOPHER JULIAN SHERIDAN	10,000	—	—

There has been no change in the beneficial and non-beneficial shareholdings of the Directors between 30 June 1997 and the date of this Report.

EMPLOYEE SHARE OPTION SCHEMES

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

A Director of the Company and senior executives of the Group have significant share options in the Company. These interests are as follows:

		Share options held at 30 June 1997	Exercise price	Exercisable from	Exercisable to
P COSTER (Director)	Approved	20,000	150p	26/11/1999	25/11/2006
	Unapproved	246,666	150p	26/11/1999	25/11/2003
A RIXON	Approved	20,000	150p	26/11/1999	25/11/2006
	Unapproved	113,333	150p	26/11/1999	25/11/2003
	Unapproved	66,667	150p	29/11/1999	28/11/2003
J HIGSON	Approved	20,000	150p	26/11/1999	25/11/2006
	Unapproved	113,333	150p	26/11/1999	25/11/2003
	Unapproved	66,667	150p	29/11/1999	28/11/2003
R BLEE	Approved	20,000	150p	26/11/1999	25/11/2006
	Unapproved	113,333	150p	26/11/1999	25/11/2003
Q THOMPSON	Approved	20,000	150p	26/11/1999	25/11/2006
	Unapproved	113,333	150p	26/11/1999	25/11/2003
SYEWMAN	Approved	20,000	150p	26/11/1999	25/11/2006
	Unapproved	113,333	150p	26/11/1999	25/11/2003

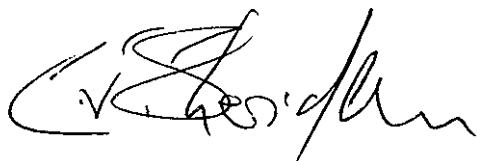
SERVICE CONTRACTS, CONTRACTS OF SIGNIFICANCE AND NOTICE PERIODS

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, and those matters set out in note 30, 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 two years immediately preceding 30 June 1997.

NON-EXECUTIVE REMUNERATION

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

A handwritten signature in black ink, appearing to read 'C.J. Sheridan', is written over a horizontal line.

C J SHERIDAN Chairman of the Remuneration Committee
24 September 1997



COMPLIANCE

The Company has complied throughout the financial year with the Code of Best Practice incorporated in the Report of the Cadbury Committee on the Financial Aspect of Corporate Governance, with the exception that it has only two non-executive Directors and they were only appointed in November 1996 prior to the admission of the issued share capital of the Company to the London Stock Exchange. The Board considers this number to be sufficient given the size of the Company.

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

BOARD COMMITTEES

The Audit Committee meets twice a year with the Group's Auditors to consider the audit plan, the interim and annual results, as well as any matters raised by the Auditors. The Committee was instituted prior to the admission of the issued share capital of the Company to the London Stock Exchange and the members of the Committee throughout the year have been Mr C Richards (Chairman) and Mr C Sheridan.

The Remuneration Committee meets when required and at least once a year to consider all aspects of Directors' remuneration, performance and employment. The Committee was instituted prior to the admission of the issued share capital of the Company to the London Stock Exchange and the members of the Committee throughout the year have been Mr C Sheridan (Chairman) and Mr C Richards. The report of the Remuneration Committee appears on pages 18 to 21.

INTERNAL FINANCIAL CONTROL

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

FINANCIAL REPORTING

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

OPERATING CONTROLS

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

INVESTMENT APPRAISAL

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

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

GOING CONCERN

The following statement is made solely in order to comply with the Listing Rules: Having made due enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.



TO THE DIRECTORS OF MINERVA plc

In addition to our audit of the financial statements, we have reviewed the Directors' statement on page 22 concerning the Company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange, and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v).

BASIS OF OPINION

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

OPINION

With respect to the Directors' statements on internal financial control and going concern on page 22, in our opinion the Directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements. Based on enquiry of certain Directors and officers of the Company, and examination of relevant documents, in our opinion the Directors' statement on page 22 appropriately reflects the Company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

COOPERS & LYBRAND
Chartered Accountants
Embankment Place, London
24 September 1997



The Directors present their report and the audited financial statements of the Group for the period ended 30 June 1997.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

Minerva plc is engaged in property investment, development and management through its subsidiary companies.

As at 30 June 1997 the Group's investment property portfolio was valued on an open market basis by Weatherall, Green & Smith, at £465.9 million. During the year the Group acquired Antares Properties Limited, 12 properties and has sold two properties, and has disposed of a portfolio of property assets. Details of movements of fixed assets are shown in note 13. A detailed review of the business is included in the Chairman's Statement and the Chief Executive's Review.

RESULTS AND DIVIDENDS

The financial statements deal with the results of the Group for the period ended 30 June 1997 which are shown on page 28. The profit on ordinary activities before taxation amounted to £8.996 million (13 months to 31 July 1996: £4.7 million loss). The Directors recommend the payment of a final dividend of 1.5 pence, in respect of the period ended 30 June 1997, which, subject to approval at the Annual General Meeting, will be payable on 26 November 1997 to shareholders listed on the Register of Members on 10 October 1997.

DIRECTORS

The Directors of the Company at the date of this report are shown on page 16. Mr David Garrard and Mr Andrew Rosenfeld retire by rotation in accordance with the Articles of Association and Mr Christopher Sheridan is to retire in accordance with the terms of his contract which stipulates that he is to be re-appointed to office at the Annual General Meeting. All, being eligible, offer themselves for re-election at the next Annual General Meeting.

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

There has been no change in the beneficial and non-beneficial shareholdings of the Directors between 30 June 1997 and the date of this Report.

SUBSTANTIAL SHAREHOLDINGS

The Company has been notified of the following holdings of 3 per cent or more of the share capital in issue as at 30 June 1997 and as at the date of this report:

	Shares	Per cent
Trustees of the Garrard Rosenfeld Settlement (i)	19,327,924	20.17
Trustees of the A I Rosenfeld Trust (ii)	18,972,403	19.80
Herling Limited	12,093,003	12.62
Hummel Investments Limited	11,583,996	12.09
MSS Nominees Limited	9,565,468	9.98
Trustees of the David Garrard 1989 Trust (iii)	5,415,141	5.65
Clydesdale Bank (Head Office) Nominees Limited	3,393,000	3.54
Mutacos Nominees Limited	3,360,000	3.57

- (i) The Trustees of the Garrard Rosenfeld Settlement are deemed to be interested in the 11,583,996 ordinary shares in which Hummel Investments Limited are interested, which are therefore included in its total interests of 19,327,924 ordinary shares.
- (ii) The Trustees of the A I Rosenfeld Trust are deemed to be interested in the 12,093,003 ordinary shares in which Herling Limited is interested, together with 2,293,631 ordinary shares held by Hummel Investments Limited on its behalf, which are therefore included in its total interests of 18,972,403 ordinary shares.
- (iii) The Trustees of the David Garrard 1989 Trust are deemed to be interested in 1,804,787 ordinary shares held by Hummel Investments Limited on its behalf, which are therefore included in its total interests of 5,415,141 ordinary shares.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company is proposed to be held on 13 November 1997.

AUTHORITY TO ALLOT SHARES Under S80 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 £7,984,304. This amounts to 31,937,218 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.

S89 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(a) is to give the Directors authority until the date of the next Annual General Meeting, first to carry out a rights issue without having to comply with the detailed requirements of S89 and S90 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 £1,197,645.

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 Under S166 of the Act and pursuant to the Company's Articles of Association, the Directors are requesting authority to make market purchases on the London Stock Exchange (if they deem it appropriate from time to time) of up to 14,371,700 ordinary shares of 25 pence each in the Company at no more than 105.0 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 consider that it is appropriate for this authority to be granted as they consider that such purchases, if they were to be made, would be beneficial to shareholders as they would result in an increase in earnings per share. The Directors therefore recommend shareholders to vote in favour of this resolution as they unanimously intend to do so in respect of their own beneficial shareholdings.

SUPPLIERS

The Company's current 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 major suppliers are made aware of the terms of payment by inclusion of the relevant terms in contract; and
- pay all suppliers in accordance with its contractual and other legal obligations.

ENVIRONMENTAL POLICY

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

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

DONATIONS

During the year the Group made charitable donations of £1,050. No donations were made to political parties.

AUDITORS

Coopers & Lybrand 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

R H KLEINER Secretary

24 September 1997



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

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

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

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

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



We have audited the financial statements on pages 28 to 48.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

BASIS OF OPINION

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

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

OPINION

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 30 June 1997 and of the profit, total recognised gains and cash flows of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

COOPERS & LYBRAND

Chartered Accountants and Registered Auditor

Embankment Place, London

24 September 1997



CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 30 JUNE 1997		11 months ended 30 June 1997 £000	13 months ended 31 July 1996 £000
	Note		
Gross rental income			
– Continuing	2	26,284	26,652
– Acquisitions		23,904	26,652
Property outgoings		2,380	–
		(4,018)	(3,304)
NET REVENUE FROM PROPERTIES			
Other operating income		22,266	23,348
Administrative expenses		86	145
		(1,730)	(3,264)
OPERATING PROFIT			
– Continuing	3	20,622	20,229
– Acquisitions		18,310	20,229
Exceptional items		2,312	–
Profit/(loss) on disposal of investment properties	6	8,550	(473)
	13, 15	611	(569)
Interest receivable		29,783	19,187
Interest payable	7	1,441	154
	8	(22,228)	(24,041)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION			
Tax on profit/(loss) on ordinary activities	9	8,996	(4,700)
		(359)	–
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION			
Dividend	25	8,637	(4,700)
	11	(1,437)	–
RETAINED PROFIT/(NET LOSS) FOR THE FINANCIAL PERIOD	10, 25	7,200	(4,700)
Earnings/(loss) per share	12	8.8p	(13.5)p

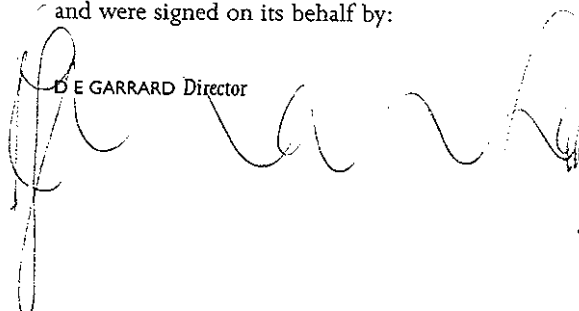
There have been no discontinued operations during the period. The results shown above for this period and the prior period, other than noted, relate to continuing operations.

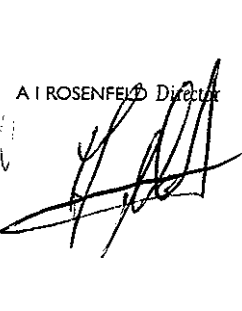


CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 1997	Note	30 June 1997 £000	31 July 1996 £000
FIXED ASSETS			
Tangible assets:			
Investment properties	13	465,950	307,500
Other fixed assets	14	185	167
Investments:			
Associated undertakings	16	—	1
Other	17	3,106	3,106
		469,241	310,774
CURRENT ASSETS			
Debtors	18	7,688	1,841
Cash at bank and in hand	19	31,824	1,504
		39,512	3,345
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	20	(19,616)	(35,922)
NET CURRENT ASSETS/(LIABILITIES)		19,896	(32,577)
TOTAL ASSETS LESS CURRENT LIABILITIES		489,137	278,197
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	21	(314,762)	(208,089)
		174,375	70,108
CAPITAL AND RESERVES			
Called up share capital	23	23,953	25,374
Share premium account	24	83,207	6,999
Revaluation reserve	25	49,340	41,832
Other reserves	25	41,795	27,355
Profit and loss account	25	(23,920)	(31,452)
TOTAL SHAREHOLDERS' FUNDS		174,375	70,108
Equity shareholders' funds		174,375	65,907
Non-equity shareholders' funds		—	4,201
		174,375	70,108

The financial statements were approved by the Board of Directors on 24 September 1997 and were signed on its behalf by:

 D E GARRARD Director

 A I ROSENFELD Director



PARENT COMPANY BALANCE SHEET

AS AT 30 JUNE 1997	Note	30 June 1997 £000	31 July 1996 £000
FIXED ASSETS			
Investments:			
Subsidiary undertakings	15	118,015	88,690
CURRENT ASSETS			
Debtors	18	106,678	50,958
Cash at bank and in hand		5,600	—
		112,278	50,958
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	20	(15,205)	(963)
NET CURRENT ASSETS		97,073	49,995
TOTAL ASSETS LESS CURRENT LIABILITIES		215,088	138,685
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	21	(77,098)	(96,312)
		137,990	42,373
CAPITAL AND RESERVES			
Called up share capital	23	23,953	25,374
Share premium account	24	83,207	6,999
Other reserves	25	14,315	—
Profit and loss account	25	16,515	10,000
TOTAL SHAREHOLDERS' FUNDS		137,990	42,373
Equity shareholders' funds		137,990	38,172
Non-equity shareholders' funds		—	4,201
		137,990	42,373

The financial statements were approved by the Board of Directors on 24 September 1997 and were signed on its behalf by:

D E GARRARD Director

A I ROSENFELD Director



CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30 JUNE 1997	Note	11 months ended 30 June 1997	13 months ended 31 July 1996
		£000	£000
NET CASH MOVEMENT FROM OPERATING ACTIVITIES	29	19,067	12,927
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(20,118)	(24,425)
Interest received		1,420	150
Interest paid		(21,522)	(24,562)
Interest element of hire purchase rental payments		(16)	(13)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(92,489)	12,654
Acquisition of investment properties		(94,621)	(1,810)
Acquisition of tangible fixed assets		(4)	(31)
Receipts from sale of investment properties		2,129	14,460
Receipts from sales of tangible fixed assets		7	35
ACQUISITIONS AND DISPOSALS			
Net cash inflow from acquisition	15	19	—
Acquisition of subsidiary undertaking	15	(10,618)	—
Less cash acquired with subsidiary	15	10,637	—
CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		(93,521)	1,156
MOVEMENT IN LIQUID RESOURCES		(29,950)	1,184
FINANCING		123,928	(2,516)
Issue of share capital		65,914	22,433
New long term loans	29	92,430	130,158
Other creditors		9,000	—
Issue costs of new long term loans		—	(1,970)
Repayment of long term loans	29	(43,357)	(153,074)
Repayments of capital element of hire purchase rental		(59)	(63)
INCREASE/(DECREASE) IN CASH IN THE PERIOD	29	457	(176)



	11 months ended 30 June 1997 £000	13 months ended 31 July 1996 £000
Reported net profit/(loss) for the period	7,200	(4,700)
Realisation of revaluation surplus of previous years on properties sold in the period	332	4,466
HISTORICAL COST NET PROFIT/(LOSS) FOR THE PERIOD	<u>7,532</u>	<u>(234)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	11 months ended 30 June 1997 £000	13 months ended 31 July 1996 £000
Retained profit/(loss) for the financial period	7,200	(4,700)
Unrealised surplus/(deficit) on revaluation of properties	7,847	(14,202)
TOTAL RECOGNISED PROFITS/(LOSSES) FOR THE PERIOD	<u>15,047</u>	<u>(18,902)</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	11 months ended 30 June 1997 £000	13 months ended 31 July 1996 £000
Total recognised profits/(losses) for the period	15,047	(18,902)
New share capital issued	79,651	22,433
Costs on issue of new share capital	(4,864)	—
Capital reserve arising on shares issued by subsidiary undertakings in exchange for loans cancelled	—	24,395
Reserve arising on cancellation of deferred shares	14,315	—
Other movements	118	—
NET MOVEMENT IN SHAREHOLDERS' FUNDS	<u>104,267</u>	<u>27,926</u>
SHAREHOLDERS' FUNDS AT 31 JULY 1996	70,108	42,182
SHAREHOLDERS' FUNDS AT 30 JUNE 1997	<u>174,375</u>	<u>70,108</u>



1 ACCOUNTING POLICIES

ACCOUNTING CONVENTION

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

CHANGES IN PRESENTATION OF FINANCIAL STATEMENTS

FRS8 Related Party Disclosures requires the disclosure of the details of material transactions between the reporting entity and any related parties. The new standard came into effect for all accounting periods commencing on or after 23 December 1995. Accordingly, the new disclosure requirements are dealt with in note 30.

FRS1 Cash Flow Statements was revised in 1996 to change the format for reporting cash flows. The revised standard came into effect for accounting periods ending on or after 23 March 1997.

CONSOLIDATION

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

In accordance with S230 of the Companies Act 1985, a separate profit and loss account for the Company is not presented. The Group's operations are confined to property investment within the United Kingdom, therefore no additional segmental information is appropriate.

ACQUISITIONS, DISPOSALS AND GOODWILL

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

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

INVESTMENT PROPERTY

In accordance with SSAP19:

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

PROPERTY TRANSACTIONS

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.

TRADING PROPERTIES

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



1 ACCOUNTING POLICIES continued

GROSS RENTAL INCOME

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

REFURBISHMENT COSTS

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

DEPRECIATION AND AMORTISATION

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

DEFERRED TAXATION

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

LEASES AND HIRE PURCHASE COMMITMENTS

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

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

PENSION COSTS

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

LOAN ISSUE COSTS

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

CAPITALISATION OF INTEREST

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

2 GROSS RENTAL INCOME

	11 months ended 30 June 1997 £000	13 months ended 31 July 1996 £000
Rental income	25,031	25,200
Receivable service charges	1,253	1,452
	<u>26,284</u>	<u>26,652</u>

3 OPERATING PROFIT

	11 months ended 30 June 1997 £000	13 months ended 31 July 1996 £000
After charging/(crediting):		
Auditors' remuneration: for audit	24	10
other services	50	39
Depreciation	74	80
Directors' emoluments (note 5)	321	296
Staff costs (note 4)	452	422
Leasing and hire of equipment	4	5
Operating lease rentals – buildings	1,309	1,322
Profit on sale of tangible fixed assets	(2)	(9)

In addition the Auditors' remuneration for the flotation was £330,000 which is included in the cost of placing the shares.

4 STAFF COSTS

	11 months ended 30 June 1997 £000	13 months ended 31 July 1996 £000
Average number of employees (including executive Directors) employed by the Group	16	16
Staff costs for the above persons (excluding executive Directors)		
Wages and salaries	407	351
Social security costs	41	65
Contributions to pension schemes	4	6
	452	422

5 DIRECTORS' REMUNERATION

	11 months ended 30 June 1997 £000	13 months ended 31 July 1996 £000
Aggregate emoluments	321	296
Emoluments of highest paid Director	117	137

More detailed information concerning Directors' remuneration, interests and options is shown in the Remuneration Committee Report on pages 18 to 21.



6 EXCEPTIONAL ITEMS

	11 months ended 30 June 1997 £000	13 months ended 31 July 1996 £000
Waiver of Group debt	8,550	—
Liability under a deed of undertaking	—	(1,000)
Loan written off	—	527
	<u>8,550</u>	<u>(473)</u>

WAIVER OF GROUP DEBT

As part of the refinancing arrangements during the period, Eagle Star Insurance Company agreed to accept ordinary shares to the value of £3.45 million at the Placing price of 150 pence as settlement of £7 million of amounts owing from the Group. In addition, during the period, the Group repaid to Chase Manhattan Bank ("Chase") £5 million in cash of the £10 million owed to it by the Group. Chase agreed to assign the balance of £5 million to a non-Group company, which agreed to forgive this balance.

7 INTEREST RECEIVABLE

	11 months ended 30 June 1997 £000	13 months ended 31 July 1996 £000
Bank interest	1,394	116
Other interest	47	38
	<u>1,441</u>	<u>154</u>

All interest receivable relates to continuing operations

8 INTEREST PAYABLE

	11 months ended 30 June 1997 £000	13 months ended 31 July 1996 £000
Interest on bank loans	22,212	29,255
Other interest payable	16	13
Interest on other creditors written back	—	(5,227)
	<u>22,228</u>	<u>24,041</u>
Continuing	19,867	24,041
Acquisitions	2,361	—
	<u>22,228</u>	<u>24,041</u>

8 INTEREST PAYABLE continued

Interest of £5,227,000 written back in the previous period represented accumulated interest due to Mr D E Garrard, and family trusts of which he is settlor, which was waived during that period.

9 TAXATION

The Group's tax charge relates entirely to ACT payable on the Group's proposed dividend, which it does not expect to be able to recover in its next accounting period. No liability to mainstream UK Corporation Tax arises as the Group has losses available.

If all the properties were disposed of, the taxation liability to the Group could amount to approximately £10.0 million (1996: £1.3 million).

10 PROFIT/(LOSS) DEALT WITH BY PARENT COMPANY

	11 months ended 30 June 1997 £000	13 months ended 31 July 1996 £000
The Group profit/(loss) is attributable to:		
Minerva plc	7,952	318
Subsidiary undertakings	685	(5,018)
	<u>8,637</u>	<u>(4,700)</u>

11 DIVIDENDS

	11 months ended 30 June 1997 £000	13 months ended 31 July 1996 £000
Proposed final dividend on ordinary shares -- 1.5 pence per share (1996: nil)	<u>1,437</u>	<u>—</u>

12 EARNINGS/(LOSS) PER SHARE

Earnings/(loss) per share has been calculated on the earnings attributable to the ordinary shareholders of £8,637,000 (13 months to 31 July 1996: £4,700,000 loss) and on 97,718,139 ordinary shares, being the weighted average number of shares in issue during the period ended 30 June 1997 (13 months to 31 July 1996: 34,751,985, taking account of the changes in share capital of the Company described in the Listing Particulars at the time of the Company's flotation).



13 INVESTMENT PROPERTIES

THE GROUP	Total £000	Freehold £000	Long leasehold £000
Valuation – 1 August 1996	307,500	200,650	106,850
Additions at cost	94,621	48,891	45,730
Additions – on acquisition of subsidiary undertaking	57,500	–	57,500
Disposals	(1,518)	(875)	(643)
Revaluation surplus	7,847	3,464	4,383
Valuation – 30 June 1997	465,950	252,130	213,820

In November 1996, upon admission to the London Stock Exchange, the Group acquired the headquarters building of Banque Paribas in Wigmore Street for £37 million from Ladbroke Group PLC. The property adjoins the Group's long term holding along the south-west side of Wimpole Street and extends the Group's potential in this prime location.

In March 1997 the Group acquired a £25 million mixed commercial and residential portfolio, also from Ladbroke Group PLC. The principal assets acquired are modern retail and office properties, including a shopping centre in Winchester and three office buildings located in central London. In June 1997 the Group acquired a £28.7 million office property, St Botolph's House, located in the City of London. In respect of each acquisition the Board is progressing plans which it believes should create additional value.

During the period, in accordance with the stated policy of divesting non-core property, the Group has sold two freehold properties, one in Leicester and one in Southsea, for a total consideration of £930,000, realising a profit of £55,000.

The investment properties were valued on an open basis market value by Weatherall, Green & Smith as at 30 June 1997 in accordance with the current edition of the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors.

In August 1997 the Group agreed, subject only to shareholders' approval, to sell for £105 million its prime freehold interest in 250 Euston Road, London NW1, to Prudential Corporation plc. The sale of this property, for a consideration equivalent to its carrying value at 30 June 1997, is to be settled by the transfer to the Group of various freehold and leasehold properties with a combined value of £71.7 million and a further £33.3 million in cash, payable on completion. The transaction is conditional upon the approval of shareholders which is to be sought at an Extraordinary General Meeting convened for 29 September 1997.

The historical cost of properties at 30 June 1997 was £400,237,000 (1996: £249,320,000). The total amount of interest capitalised as part of the cost of investment properties at 30 June 1997 was £34,465,000 (1996: £34,465,000).

As described in the accounting policies adopted by the Group, investment properties are accounted for in accordance with SSAP19, which is a departure from the requirements of the Companies Act 1985. If this departure had not been made, the profit for the period would have been reduced by depreciation on the revalued properties. An illustrative calculation of this depreciation charge had the equivalent historical cost accounting been used is set out below.

	Depreciation rate per annum	11 months ended 30 June 1997 £000	13 months ended 31 July 1996 £000
REVALUATION BASIS			
Freehold	1%	2,311	2,173
Leasehold	1%	1,960	1,158
		4,271	3,331
HISTORICAL COST BASIS			
Freehold	1%	2,406	2,108
Leasehold	1%	1,263	593
		3,669	2,701

14 OTHER FIXED ASSETS

THE GROUP	Total £000	Short leasehold property £000	Fixtures and fittings £000	Motor vehicles £000
COST				
At 1 August 1996	355	7	161	187
Additions	97	—	7	90
Disposals	(41)	—	(12)	(29)
At 30 June 1997	411	7	156	248
DEPRECIATION				
At 1 August 1996	188	4	89	95
Charge for the period	74	2	21	51
Written back on disposals	(36)	—	(10)	(26)
At 30 June 1997	226	6	100	120
NET BOOK VALUE AT 30 JUNE 1997	185	1	56	128
NET BOOK VALUE AT 31 JULY 1996	167	3	72	92

Included in fixed assets are motor vehicles and fixtures and fittings acquired under finance leases and hire purchase contracts, with net book value of £161,000 and the charge for depreciation for the period of £65,000.

15 INVESTMENT IN SUBSIDIARY UNDERTAKINGS

PARENT COMPANY	Total £000	Shares at cost £000	Loans £000
At 1 August 1996	88,690	9,940	78,750
Increases in the period	101,921	30,384	71,537
Decreases in the period	(72,596)	—	(72,596)
At 30 June 1997	118,015	40,324	77,691

Pursuant to an agreement dated 21 November 1996 between the Company and Herling Limited and the subsequent admission of the Company's share capital to the Official List of the London Stock Exchange, the Company acquired the entire share capital of Antares Properties Limited from Herling Limited for a total consideration of £30,215,000 comprising £10,500,000 paid in cash and £19,715,000 satisfied by the allotment of 8,759,670 ordinary shares in the capital of the Company at an allotment value of £2.25 per share.



15 INVESTMENT IN SUBSIDIARY UNDERTAKINGS continued

PURCHASE OF SUBSIDIARY UNDERTAKING

The consideration for Antares Properties Limited was satisfied by cash and shares. Further details of this acquisition are set out below:

	£000
NET ASSETS ACQUIRED	
Investment property	57,500
Unlisted investments	4,200
Debtors	933
Cash at bank and in hand	10,637
Creditors	(1,613)
Bank loans	(36,981)
Other loans	(4,200)
	30,476
Costs on acquisition	(118)
Reserve arising on the acquisition	(143)
Consideration	30,215
Satisfied by:	
Shares allocated	19,715
Cash	10,500
	30,215

Further information relating to the results of Antares Properties Limited is set out below:

	Period from 1 January 1996 to 21 November 1996 £000	Year ended 31 December 1995 £000
Net revenue from properties	3,321	3,291
Operating profit	3,213	3,153
Net interest payable	(2,957)	(3,243)
	256	(90)
Exceptional item – settlement of loan liability	310	–
Profit/(loss) before taxation	566	(90)

Antares Properties Limited had no recognised gains and losses other than as stated above.

15 INVESTMENT IN SUBSIDIARY UNDERTAKINGS continued

The Group's interest in the ordinary share capital of Minerva (Shopping Centres) Limited (formerly Moscow Minerva Limited) was increased during the period from 50 per cent to 100 per cent by the acquisition of the shares not already held, at a cost equivalent to their nominal value of £500. Minerva (Shopping Centres) Limited was inactive throughout the period.

DISPOSAL OF SUBSIDIARY UNDERTAKING

The Group initially transferred into Tyrecard Limited, a newly formed subsidiary, certain property assets. The Group then disposed of its interest in the property portfolio held by Tyrecard Limited, for £1,150,000. Tyrecard Limited had net assets of £594,000 on disposal, which did not include any cash.

The Company is the ultimate holding company of the Group and has the following subsidiary undertakings all of which are wholly owned and, save as disclosed below, are indirectly held and have as their principal activity the holding of properties. These subsidiary undertakings are all registered and carry on their business in Great Britain.

Anglemist Limited
Antares Properties Limited
Bassman Limited *
Croydon Plaza Limited
Dalebrook Properties Limited *
Eagleprint Limited
Edenrise Investments Limited *
Futurestate Limited
Helios Property Investments Limited
Jimtrack Limited
Larchfield Investments Limited
M1 Limited
M6 Limited *
Minel Limited
Minerva (City) Limited
Minerva Corporation plc †
Minerva Property Holdings Plc †
Minerva Property Investments Limited *
Minerva Property Trading Company Limited *
Minerva Properties Limited *
Minerva (Shopping Centres) Limited *
Shroco Limited *
Sparrage Properties Limited
Twin Tower Properties Limited
Wavenley Plc *

* Dormant

† Intermediate holding company – directly owned

6 INVESTMENT IN ASSOCIATED UNDERTAKINGS

THE GROUP	Shares at cost £000
At 1 August 1996	1
Reclassification as subsidiary undertaking (see note 15)	(1)
At 30 June 1997	-

17 OTHER INVESTMENTS

COST	Total £000	Listed £000	Unlisted £000
At 1 August 1996 and at 30 June 1997	3,106	1,331	1,775

The market value of the listed investment, which is in Premier Land Plc, was £606,000 at 30 June 1997. The unlisted investment, which is in the same company, represents a loan note due from the listed investment and was either convertible into shares or due for repayment by 6 September 1997. That arrangement has now been amended by an agreement concluded between Premier Land Plc and the Company to extend the date by which the loan note is repayable until 28 November 1997 in consideration of the payment by Premier Land plc of a sum of £225,000 in addition to the amount due under the loan note, which amount has been received by the Company since the Balance Sheet date.

18 DEBTORS

	Group		Parent Company	
	30 June 1997 £000	31 July 1996 £000	30 June 1997 £000	31 July 1996 £000
Amounts owed by subsidiary undertakings	-	-	106,660	50,732
Other debtors	5,567	1,359	12	-
Prepayments and accrued income	2,121	482	6	226
	<u>7,688</u>	<u>1,841</u>	<u>106,678</u>	<u>50,958</u>
Amounts falling due after one year included above:				
Prepayments and accrued income	-	10	-	-

19 CASH AT BANK AND IN HAND

Cash at bank includes £2,751,000 (1996: £1,328,000) 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		Parent Company	
	30 June 1997	31 July 1996	30 June 1997	31 July 1996
	£000	£000	£000	£000
Bank loans and overdrafts (note 21)	1,312	27,010	—	—
Amounts owed to subsidiary undertakings	—	—	11,746	170
Dividend payable	1,437	—	1,437	—
ACT on dividend payable	359	—	359	—
Taxation and social security	309	175	—	—
Hire purchase creditors (note 22)	86	59	—	—
Other creditors	4,480	2,554	15	354
Accruals and deferred income	11,633	6,124	1,648	439
	19,616	35,922	15,205	963

21 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Parent Company	
	30 June 1997	31 July 1996	30 June 1997	31 July 1996
	£000	£000	£000	£000
Bank/building society loans	307,665	190,999	77,098	79,312
Loan notes	—	17,000	—	17,000
Hire purchase creditors (note 22)	97	90	—	—
Other creditors	7,000	—	—	—
	314,762	208,089	77,098	96,312

The bank and building society loans are secured upon the deeds of title of properties held by the subsidiary undertakings, by a floating charge over the remaining assets of the subsidiary undertakings, and by a fixed charge over bank deposit accounts into which rent, service charges and VAT are paid. The bank loans are further secured by a fixed charge over the Company's shareholding in Minerva Corporation plc and a floating charge over all of the Company's assets. Interest on the loans is charged at rates that range from 6.7 per cent to 9.1 per cent.

The bank loans are repayable as follows:

	Group		Parent Company	
	30 June 1997	31 July 1996	30 June 1997	31 July 1996
	£000	£000	£000	£000
Within one year or on demand	1,312	27,010	—	—
Between two and five years	237,530	192,011	77,691	80,083
After five years	71,000	—	—	—
	309,842	219,021	77,691	80,083
Less: Unamortised issue costs	(865)	(1,012)	(593)	(771)
	308,977	218,009	77,098	79,312

As indicated in note 13 the Group has agreed, subject to shareholder approval, to sell its freehold interest in 250 Euston Road, London NW1, for a consideration of £105 million, £33.3 million of which is payable in cash and will mainly be utilised to reduce outstanding Group borrowings.



22 OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS

11 months ended 30 June 1997 £000	13 months ended 31 July 1996 £000
--	--

Amounts payable:

Within one year

Within two to five years

86 59

97 90

183 149

(24) (22)

159 127

Less: Finance charges allocated to future periods

Analysis of changes in leases and hire purchase contracts during the period

At 1 August 1996

127 96

Capital elements of leases and hire purchase payments

(61) (63)

Inception of hire purchase contracts

93 94

At 30 June 1997

159 127

23 CALLED UP SHARE CAPITAL

30 June 1997 £000	31 July 1996 £000
----------------------	----------------------

AUTHORISED

Nil (31 July 1996: 14,910,750) ordinary shares of £1 each

- 14,911

Nil (31 July 1996: 6,262,515) preference shares of £1 each

- 6,262

Nil (31 July 1996: 4,200,000) redeemable preference shares of £1 each

- 4,200

Nil (31 July 1996: 1,000) deferred shares of £1 each

- 1

169,872,935 (31 July 1996: nil) ordinary shares of 25 pence each

42,468 -

42,468 25,374

ISSUED AND FULLY PAID

Nil (31 July 1996: 14,910,750) ordinary shares of £1 each

- 14,911

Nil (31 July 1996: 6,262,515) preference shares of £1 each

- 6,262

Nil (31 July 1996: 4,200,000) redeemable preference shares of £1 each

- 4,200

Nil (31 July 1996: 1,000) deferred shares of £1 each

- 1

95,811,655 (31 July 1996: nil) ordinary shares of 25 pence each

23,953 -

23,953 25,374

23 CALLED UP SHARE CAPITAL continued

Pursuant to the passing of a Special Resolution at an Extraordinary General Meeting of the Company held on 21 November 1996 and the subsequent admission of the Company's share capital to the Official List of the London Stock Exchange, the following changes in the Company's share capital took place during the period:

- (a) 24 out of every 25 ordinary shares of £1 each in issue on 21 November 1996 were converted into deferred shares of £1 each;
- (b) the preference shares of £1 each in issue on 21 November 1996 were converted into ordinary shares of £1 each;
- (c) each ordinary share of £1 in issue and arising from the conversion referred to in paragraph (b) above was sub-divided into four ordinary shares of 25 pence each;
- (d) an amount of £1,829,051, being part of the amount standing to the credit of the share premium account, was capitalised and such amount was applied in paying up in full 7,316,205 ordinary shares of 25 pence each;
- (e) The deferred shares arising pursuant to paragraph (a) were purchased by the Company for a total nominal value of £1;
- (f) the authorised share capital was increased by £17,093,969 from £25,374,265 to £42,468,234 by the creation of 68,375,875 ordinary shares of 25 pence each;
- (g) each of the deferred shares of £1 each in issue and arising pursuant to paragraph (a) above and the redeemable preference shares of £1 each were sub-divided into four shares of 25 pence and redesignated into ordinary shares;
- (h) the allotment of:
 - (i) 50 million ordinary shares of 25 pence each pursuant to the Placing of ordinary shares in the Company were issued at a premium of £1.25 per share
 - (ii) 2.3 million ordinary shares of 25 pence each pursuant to the agreement with Eagle Star Insurance Company Limited in settlement of a loan debt, issued at a premium of £1.25 per share
 - (iii) 8,759,670 ordinary shares of 25 pence each pursuant to the agreement with Herling Limited for the purchase of the share capital of Antares Properties Limited, issued at a premium of £2.00 per share.

24 SHARE PREMIUM ACCOUNT

	30 June 1997 £000	31 July 1996 £000
At 1 August 1996	6,999	—
Capitalisation into shares	(1,829)	—
Premium on Placing	62,500	—
Costs of Placing of shares	(4,864)	—
Premium on issue of shares to Eagle Star Insurance Company Limited	2,875	—
Premium on issue of shares to Herling Limited	17,526	—
Premium on other issues	—	6,999
At 30 June 1997	83,207	6,999



25 RESERVES

GROUP	Revaluation reserve £000	Other reserves £000	Profit and loss account £000
At 1 August 1996	41,832	27,355	(31,452)
Amount realised on property disposals	(332)	—	332
Adjustment in respect of subsidiary liquidated in period	(7)	—	—
Revaluations surplus	7,847	—	—
Redemption of deferred shares	—	14,315	—
Reserves arising on consolidation of subsidiary acquired	—	143	—
Goodwill written off on consolidation	—	(18)	—
Retained profit for the financial period	—	—	7,200
At 30 June 1997	49,340	41,795	(23,920)
PARENT COMPANY			
At 1 August 1996	—	—	10,000
Redemption of deferred shares	—	14,315	—
Retained profit for the financial period	—	—	6,515
At 30 June 1997	—	14,315	16,515

26 CAPITAL COMMITMENTS

There was no material capital expenditure contracted by the Board but not provided for at 30 June 1997.

27 COMMITMENTS UNDER OPERATING LEASES

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

	30 June 1997 £000	31 July 1996 £000
Under leases expiring in more than five years	2,695	1,129

28 CONTINGENT LIABILITIES

The Company has guaranteed the facilities of certain of its subsidiary undertakings, which at the balance sheet date amounted to £96.5 million.

29 CASH FLOW STATEMENT

	11 months ended 30 June 1997 £000	13 months ended 31 July 1996 £000
(a) RECONCILIATION OF OPERATING PROFIT TO NET CASH MOVEMENT FROM OPERATING ACTIVITIES		
Operating profit	20,622	20,229
Depreciation charges	74	80
Profit on sale of tangible fixed assets	(2)	(9)
Movement in debtors	(4,893)	4,459
Movement in creditors	3,266	(11,832)
NET CASH MOVEMENT FROM OPERATING ACTIVITIES	19,067	12,927

	At 1 August 1996 £000	Cash flow £000	Acquisition (excluding cash and overdraft) £000	Other non-cash movements £000	At 30 June 1997 £000
(b) ANALYSIS OF CHANGES IN DEBT					
NET CASH					
Cash at bank and in hand	1,504	30,320	—	—	31,824
Less: Liquid resources	(1,328)	(29,950)	—	—	(31,278)
	176	370	—	—	546
Bank overdrafts	(130)	87	—	—	(43)
	46	457	—	—	503
LIQUID RESOURCES					
Deposits included in cash	—	28,527	—	—	28,527
Restricted cash	1,328	1,423	—	—	2,751
	1,328	29,950	—	—	31,278
DEBT					
Debt due within one year	(26,880)	25,611	—	—	(1,269)
Debt due after one year	(207,999)	(74,685)	(36,981)	12,000	(307,665)
Finance leases	(149)	59	—	(93)	(183)
	(235,028)	(49,015)	(36,981)	11,907	(309,117)
TOTAL	(233,654)	(18,608)	(36,981)	11,907	(277,336)



30 RELATED PARTY TRANSACTIONS

The Group has taken advantage of the exemption available whereby no disclosure is required for related party transactions and balances fully eliminated on consolidation.

Material transactions between parties related to Minerva plc and to subsidiary companies are as follows:

- (i) an agreement dated 21 November 1996 between Herling (a company controlled by family trusts in which Mr David Garrard and Mr Andrew Rosenfeld have an interest) (1), the Company (2) and the shareholders of Herling (3) pursuant to which Herling sold and the Company purchased the entire issued ordinary shares of £1 each in the capital of Antares Properties Limited on 28 November 1996. The purchase price was £10,500,000 payable in cash at completion and £19,715,770 satisfied by the allotment to Herling by the Company of 8,759,670 ordinary shares in the capital of the Company, which represents 9.1 per cent of the issued share capital of the Company. Herling and its shareholders gave appropriate warranties and indemnities including a tax deed of indemnity in favour of the Company;
- (ii) an agreement whereby Mr David Garrard assigned to the Company the leasehold interest held by him in the Company's principal office at 10 Gloucester Place, London W1H 3AX;
- (iii) an agreement dated 18 October 1996 made between Chase Manhattan Bank and the Company pursuant to which it was agreed that on admission the Company would pay to Chase Manhattan Bank £5 million in cash of the £10 million owed by the Group to it. Chase Manhattan Bank agreed to assign the balance of £5 million to a non-Group company which agreed to forgive this balance; and
- (iv) at 30 June 1997 the Company owed Mr David Garrard £75,000, which represents a non-interest bearing loan account.

The transactions (i), (ii) and (iii) were fully described in the Listing Particulars at the time of the Company's flotation and have since been completed.

31 POST BALANCE SHEET EVENTS

- (a) As indicated in note 13 the Group agreed, subject only to shareholders' approval, to sell for £105 million its prime freehold interest in 250 Euston Road, London NW1, to Prudential Corporation plc. The sale of this property is to be settled by the transfer to the Group of various freehold and leasehold properties with a combined value of £71.7 million and a further £33.3 million in cash payable on completion.
As indicated in note 21, the cash consideration receivable on completion will mainly be utilised to reduce outstanding Group borrowings.
- (b) On 10 September 1997 the Group acquired a long leasehold interest in Ambassador House, White Kennett Street, London EC3, from Legal & General Property Assurance Society Limited for a consideration of £17 million. The acquisition of this property, which adjoins the St Botolph's House property acquired in June 1997, is being financed by a combination of bank loan and Group resources, and enables the Group to complete its strategic purchase of an island site with the potential for creating future value.