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Minerva plc 2000



Highlights	2000	1999
Rental income (£m)	39.8	37.1
Operating profit after net financing costs (£m)	6.8	7.1
Dividends (pence)	2.85	2.7
Net assets (£m)	451.9	327.2
Net asset value per share (pence)	282.7	256.1
Net gearing (per cent)	86	79

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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The 'Millennium' has coincided with events and acquisitions for Minerva which, in practical terms have transformed the Company's asset base and potential returns to investors. All three of the major development schemes to which I referred in last year's accounts, and which the Company had been 'assembling' since its flotation, have received planning approval, thus creating a total development potential of around two million sq.ft. We have continued to dispose of the Group's non-core properties, which had been earmarked for sale. We have concluded two major acquisitions, consisting of The Criterion, Piccadilly, and Ludgate House, Bankside. The Criterion Complex consists of virtually the entire south side of Piccadilly Circus, being the island site, bounded by Lower Regent Street, Piccadilly Circus, Haymarket and Jermyn Street. Ludgate House adds to our existing investment (Sampson House) in a location which has been brought to life by the opening of the new Tate Gallery which is immediately adjacent to our holding. With demand for central London commercial accommodation high, a healthy and seemingly sustainable economy, and a possible imminent election, I believe that Minerva has now amassed an investment and development portfolio which places it in a strong and focused position to generate the most acceptable returns on capital employed. At the same time, we have maintained our underlying philosophy to underpin all but the most modest part of our development programme with rental income, pending actual development.

Rental income has increased from £37.1 million to £39.8 million, an increase of 7 per cent. Operating profit, after net financing costs, was £6.8 million. As I reported to you earlier this year, mainly as a consequence of refinancing £79.8 million of existing debt with a new £63.75 million loan provided by the Bradford & Bingley Building Society, the Group incurred loan break costs of £6.1 million, which was the principal factor in reducing the reported profit before tax to £0.9 million (1999: £0.1 million).

During the year net asset value per share has increased by 10.4 per cent to 282.7 pence from 256.1 pence per share. It should perhaps be noted that this increase is after the effects of both a rights issue and the exceptional loan break costs.

I am therefore pleased to recommend a final dividend of 1.9 pence per share making a total dividend for the year of 2.85 pence per share, an increase of 6 per cent compared with last year. Subject to approval at the Annual General Meeting, the final dividend will be paid on 7 December 2000 to those shareholders on the register at close of business on 6 October 2000.

I would mention that as a consequence of our having refinanced the Group's loan portfolio, the average cost of our existing debt is at, or borders, current rates, and therefore Minerva enjoys the position where the fair value difference calculated under FRS 13 is now positive and no notional adjustment for any liability need be made. I will now turn briefly to the various matters to which I have referred above.

Last November, Nicholas Grimshaw & Partners' application for over half a million sq.ft. of offices and shopping at St. Botolph's in Houndsditch was given planning consent by The Corporation of London. This was followed in January of this year, with consent for Foster & Partners' application for around a half a million sq.ft. redevelopment of The Walbrook, our freehold interest adjacent to the Mansion House and opposite Cannon Street station, where we will be providing office accommodation of the highest quality, at the very heart of the City of London.

Since the year end, Croydon Council has resolved to grant planning consent for 'Park Place', a major town centre regeneration project which will total over one million sq.ft. and will include a three level shopping mall incorporating a new flagship Alders department store. This development will provide a new retail focus for South London and will enhance the quality of choice for many shoppers who live in and around the Croydon area. Our task here has been a challenging one and we have, over a number of years, worked closely with the Local Council and other interested parties in order to create a concept which fits the needs and requirements of local interests as well as conforming with Central Government policy. The resolution formally to grant consent currently sits with the Government Office for London, and we await their decision.

As part of the Croydon development, in February of this year, we concluded an agreement with Alders plc for a new 342,000 sq.ft. department store, which will be the principal anchor tenant for Park Place. In addition, we also entered into an option agreement with Alders, in which company Minerva has a significant investment, to acquire its existing Croydon store in the Whitgift Centre for £50 million. These agreements were approved by Alders' shareholders in March.

Towards the end of last year, we identified an opportunity to acquire The Criterion, London SW1. The property is principally leased to McKinsey & Co, Lillywhites and Virgin, and offers Minerva the opportunity to benefit from the strong market conditions that currently prevail throughout London's West End. The purchase was completed in March of this year for £101.4 million.

Alongside The Criterion purchase, we successfully raised £71 million net of expenses by way of a 1 for 4 rights issue at 230 pence per share. This fresh equity enabled the Group to acquire a valuable new asset to add to the existing portfolio, whilst also providing additional financial capacity for future acquisitions.

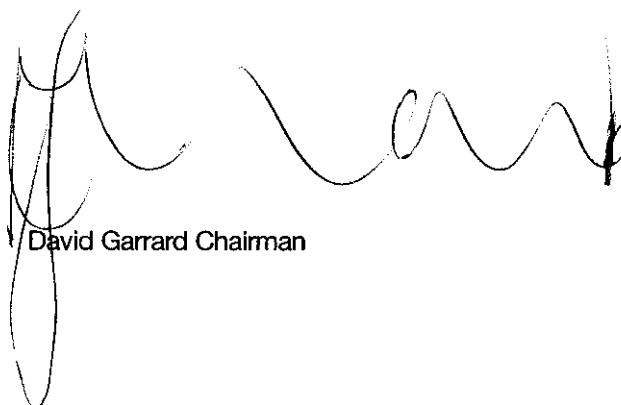
In March we concluded the £69 million acquisition of Ludgate House, the 174,000 sq.ft. headquarters of United News and Media. The building is strategically located adjacent to Blackfriars Bridge and Sampson House, which property has been owned by Minerva for a number of years. This further investment acquisition offers Minerva the opportunity to benefit from the substantial growth being experienced in the Bankside area, particularly with the opening of the new Tate Modern gallery, which has created a focal point for the South Bank.

Demolition of our scheme at 40-42 Wigmore Street, Welbeck Street and Welbeck Way W1, has now been completed. The development is scheduled to complete in the Autumn of 2001 and will provide around 45,000 sq.ft. of new offices in two buildings planned around a landscaped central courtyard approached from Wigmore Street. Tenant demand in the West End of London is strong and we look forward to effecting lettings of both buildings and, in so doing releasing further value for the Group.

When we brought Minerva to the market, we made it clear to prospective investors that the Company would seek to create joint venture transactions where we would work in partnership with organisations who would habitually fall into the category of a pure lessee. In July of this year, we concluded the first of these transactions by announcing the acquisition of 90 High Holborn, London WC1. We have since commenced the demolition of the existing property as a prelude to undertaking the development of a category A building which will provide around 181,000 sq.ft. net of offices together with prime ground floor retail accommodation. The development will be owned in joint venture with the law practice of Olswang who will take 142,000 sq.ft. of office accommodation for a twenty year term at a rental of £6 million per annum. There will remain two surplus office floors and two retail units available for letting. We have a long-standing association with Olswang, and this ground breaking joint venture is, in our view, an example of how and in what manner two entities can come together to combine their resources and in so doing, create substantial value for both parties, which in conventional transactions would not become available to either. If and when future opportunities to undertake this kind of transaction present themselves, then the Group is ready and able to undertake them.

We have been experiencing an unprecedented period of growth and prosperity, both nationally and internationally, with relatively low interest rates and subdued inflationary pressures. We have witnessed a significant weakening of sterling of late against the dollar and the yen, and if this trend should continue or be maintained, then UK real estate, traditionally, becomes that much more attractive to foreign investors. All of this, coupled with the effects of the new technological era, collectively point to a continued period of stability and growth (on the assumption that the worrisome increase in cost of oil will stabilise and reverse next year). Those of you who have followed the careers of my colleagues and myself, will appreciate that we have experienced many business cycles, each of which has manifested itself in a different fashion. You will therefore appreciate that notwithstanding that the outlook for the economy and consequently the property sector is strong in the arena in which Minerva operates, we have always attached, and will continue to attach, a degree of caution to our entrepreneurial spirit.

Finally, I must once again thank my colleagues at Minerva, along with our professional advisors for their continued commitment and expertise without which the Group's achievements would not be possible.

A handwritten signature in dark ink, appearing to read 'David Garrard', is written over the printed name. The signature is fluid and cursive, with a large initial 'D' and a long, sweeping horizontal stroke.

David Garrard Chairman

A clear strategy The UK property market is active and vibrant, with a broad range of opportunities for investors and developers. However, without a clear vision, it is easy to end up with a collection of ill-matched properties that simply do not gel as a portfolio and lack any central feature or commercial strategy.

At Minerva, we operate according to a carefully devised strategy, against which all our decisions and actions are tested. We invest in large buildings with strong cash flow and the potential for unlocking additional value through entrepreneurial activity. To qualify as an acquisition for Minerva, any proposed transaction must meet these minimum criteria.

It must also balance with the other developments in our portfolio, in order that a complementary asset base is created in terms of both revenue generation and value creation.

We have now refined the focus of our strategy by increasing our concentration on London, a city that is acknowledged as the natural junction point for the world's business networks. By any measurement, London is Europe's leading city, and it is arguably one of the top three cities in the world. Business, politics, culture, technology, travel, manufacturing, retailing – for all these things and more, London is a world-class hub.

As individuals and as a company, we know London intimately. We understand the dynamics that drive its development and the opportunities that it offers. We believe that our strategy marks us out as a company with a clear vision for the future, and one which will generate opportunities to create further value for our shareholders.

Over the coming pages, we have sought to demonstrate through pictorial representation the many influences that come together to create London's urban fabric and how these interrelate and support our key development assets.

Andrew Rosenfeld Chief Executive



Why London?

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There are over 500 foreign banks in London, more than any other city in the world

London is the world's largest fund management centre with over £1,500 billion of institutional equity holdings

The London Stock Exchange, the largest in Europe, has more foreign company listings than any other in the world

Financial, professional and business service companies in London employ over one million people

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The numbers on this map indicate the position from which the photographs on the previous pages were taken

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The Walbrook, London EC4
Site area: 1.5 acres (0.6 hectares)
Total space: 452,000 sq.ft. (41,992m ²)
Office space: 415,000 sq.ft. (38,555m ²)
Trading floors: 51,000 sq.ft. (4,738m ²) and 40,000 sq.ft (3,716m ²)
Retail space: 37,000 sq.ft. (3,437m ²)

Minerva has achieved planning consent to redevelop a prime freehold site between Mansion House and Cannon Street to provide a new 10-storey landmark building, designed by the internationally renowned architects Foster & Partners. The development will provide high quality air-conditioned office accommodation, with two of the largest trading floors in London. The building's Cannon Street frontage will also accommodate retail and restaurant space directly opposite the main entrance to Cannon Street Station, which at peak times is used by some 10,000 people an hour, one of the highest footfall rates in the UK.

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St. Botolph's House, London EC3

Site area: 1.25 acres (0.5 hectares)

Total space: 537,500 sq.ft. (49,935m²)

Office space: 509,000 sq.ft. (47,288m²)

Trading floors (each): 42,000 sq.ft. (3,902m²)

Retail space: 28,500 sq.ft. (2,648m²)

The St. Botolph's House development stands on an island site located in the eastern quarter of the City of London. Minerva has achieved planning consent for the development of a 14-storey air-conditioned building suitable for a major occupier. As well as providing over half a million square feet of high-quality office space, St. Botolph's House will incorporate two large trading floors. The striking glass and steel building, which will occupy a prominent corner position, will also incorporate modern retail facilities. It is anticipated that the building, once it is fully operational, will act as a catalyst for further commercial activity in the EC3 area.

The City of London: a global economic powerhouse

With a gross domestic product of approximately £25 billion and a working population of over a quarter of a million people, the City of London is quite rightly viewed by the global investment community as the lynchpin between the key world markets. It is the world's leader in cross border bank lending, foreign equities turnover, foreign exchange dealing, international bond trading and derivatives trading.

Due to the effects of globalisation and the rapidly changing economic and corporate landscape, institutions and major corporations need large buildings to house a broad range of activities and provide for future growth.

Both of Minerva's City holdings – The Walbrook and St. Botolph's House – have sprung from a complex process of site assembly and in so doing, two opportunities have been created to provide large landmark buildings within the heart of the City's core.

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London accounts for over 15 per cent of the UK's gross domestic product

Over 28 million people a year visit London – 13.5 million from outside the UK

The Royal Festival Hall on the South Bank is the largest arts centre in Europe

On any one night there are up to 60,000 seats available at cultural events in London

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The Criterion, Piccadilly, London SW1

Total floor area: 259,393 sq.ft. (24,098m²)

Main tenants: Lillywhites, Virgin Retail,
McKinsey & Co, Criterion Theatre, Forte UK

The Criterion sits right in the heart of London occupying the entire south side of Piccadilly Circus. The building, which is one of the most prominent in London, incorporates the prestigious office headquarters of management consultants, McKinsey & Co, Lillywhites, Virgin Megastore and The Criterion restaurant and theatre. With the continuing strength of the West End's real estate market, The Criterion stands to benefit from future growth in values.

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The numbers on this map indicate the position from which the photographs on the previous pages were taken

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Sampson House, London SE1

Total floor area: 386,288 sq.ft. (35,887m²)

Six floors of office space

Tenant: Lloyds TSB Bank plc

Ludgate House, London SE1

Total floor area: 173,637 sq.ft. (16,131m²)

Ten floors of office space

Tenant: United News & Media Plc

Minerva's investment in the development of the South Bank currently consists of two buildings, Ludgate House and Sampson House, which stand opposite each other on the southern approach to Blackfriars Railway Bridge. Both are fully operational large-scale office buildings, generating strong cash flow from blue chip tenants. However, their status is set to rise significantly as a result of plans to develop Blackfriars Station. Railtrack's Thameslink 2000 proposals envisage the station's platforms being extended across the railway bridge to the South Bank where a new station entrance will be built immediately adjacent to our two assets.

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The retail sector accounts for 15% of London's economic activity

Croydon is the largest commercial and retail centre in south-east England (excluding Central London)

With a population of 330,000, Croydon is the largest London borough

Croydon is home to major UK companies including Nestlé, BT, CGNU and Direct Line.

The numbers on this map indicate the position from which the photographs on the previous pages were taken

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Park Place, Croydon, Surrey
Catchment area population: 1,140,000
Total floor space: 1,046,500 sq.ft. (97,223m ²)
Flagship store: 342,195 sq.ft. (31,790m ²)
12 medium-sized stores: 9,700-36,800 sq.ft.; 217,300 sq.ft. (20,187m ²) in aggregate
96 unit shops: 279,400 sq.ft. (25,957m ²) in aggregate
Public transport: Buses, trams, rail, with fast links to London Victoria, Gatwick and Brighton

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In August 2000 Croydon Council resolved to grant planning consent for the development of Park Place. The project will give the town a major focal point providing a new shopping centre with a floor area of around one million sq.ft. The development will be anchored by a new four-storey flagship department store for retailer Alders plc, as well as providing a three level shopping mall encompassing 12 medium-sized stores for leading retailers, a further 96 unit shops, and space for 15 new restaurants/café's. The development will create a new public square in the High Street, and incorporate a new covered bus interchange with direct access to the new department store and a pedestrian connection to Croydon's new town centre tram stop.

Creating a retail vision for the future Minerva has owned office and retail property in Croydon Town Centre for over a decade. The Company's long-term strategy has been to initiate a major urban redevelopment aimed at restoring the town to its former status as one of the country's top shopping destinations.

In retail terms, the town is currently underperforming. Restrained by inadequate floor space, its share of sales in its core catchment is just 43 per cent compared with a typical figure of 65 per cent to 70 per cent for a comparable regional centre. Yet Croydon has a number of built-in advantages including a densely populated catchment area and an outstanding public transport system, including East Croydon Station and most recently the new tram network which transports the surrounding population directly into the town centre.

The new development, which will be known as Park Place, complies with central government's declared policy of encouraging town centre regeneration. Minerva has worked closely with Croydon Council to establish the scheme as the centrepiece of Vision 2020, the local authority's masterplan for securing and developing the local economy.

The development of Park Place will affect a broad spectrum of local people and organisations, including shoppers, residents, retailers, local businesses and transport providers. The project will elevate the town to one of the most important retail destinations in the United Kingdom and represents an opportunity for Minerva to create additional shareholder value.

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The story of the last twelve months has been dominated by the achievements we have made in securing planning consent for three major development opportunities extending to around two million sq.ft. of prime office and retail accommodation. We have also made new acquisitions totalling £187 million, successfully concluded a rights issue for £71 million at 230 pence per share, entered into a joint venture development with solicitors, Olswang, and continued the process of disposing of assets which we do not consider key to the future growth of the Company. In essence, we have created a company, which has become increasingly focused on central London, with management's time devoted to unlocking value from a small selection of major development opportunities, each of which should have a significant impact on the value of the Company. This strategy has had the benefit of providing us with a very clear path for the future and enables shareholders to understand, at a glance, where the potential for the Company lies.

The first of our planning consents was achieved last November when the St. Botolph's House scheme, designed by Nicholas Grimshaw & Partners, was granted consent by the Corporation of London. We recognised that this site, because of its location and configuration, always had the potential for the creation of a large headquarters office building. The City's core area is limited in its ability to offer suitable accommodation for large scale office users and, as a consequence, tenants have sought to relocate outside of the traditional City boundary. What makes the St. Botolph's site unusual is that it is located in an area which is free of many of the planning restrictions found elsewhere in the City, and this has enabled us, working closely with the Corporation of London, to design a building with a degree of freedom not generally available elsewhere in the area. The building which totals 537,500 sq.ft. on 14 floors with ground floor retail and 54 car parking spaces, will offer tenants the opportunity to occupy a building with regular floor plates of 37,000 sq.ft. and uninterrupted trading floors of 42,000 sq.ft. We believe that this building will be at the forefront of a new phase in modern design for headquarters buildings in the City of London.

During the year, we concluded two significant negotiations with British Telecom Plc and Marsh & McLennan who occupied all of the office accommodation on The St. Botolph's House site. We were able to secure terms whereby both tenants vacated the property in return for a total premium to Minerva of £1.488 million. The income from these leases was, in any event, considered to be lower than the market rate and, pending redevelopment, we have already been able to secure new lettings at rents, which represent an increase of 23 per cent over and above the original rents paid. Whilst we finalise our arrangements for redevelopment we will, therefore, continue to benefit from an income stream which will reduce our holding costs.

Obtaining planning consent for The Walbrook was a significant achievement as it presented a completely different challenge for both ourselves and our architect. The site sits next to a sensitive conservation area, surrounded by historic buildings, adjacent to the Mansion House and linking through to the narrow thoroughfare of St Swithin's Lane. Due to the

complexity of site assembly and the consideration that has to be given to the physical constraints imposed by tight street patterns within the heart of the City, it is difficult for developers to piece together large, regular shaped sites. The Walbrook however, which extends to around 1.5 acres, by definition, offered the potential to create a very large footprint for a new building.

Working closely with our architects, Foster & Partners and the Corporation of London, a planning application was submitted for an office building comprising 452,000 sq.ft., on 10 floors with ground floor retail and 54 car parking spaces with the capacity to provide trading floors of 51,000 sq.ft., which is unique in this location. Planning consent was granted in January 2000 and we have now, therefore, created the potential to develop a large headquarters office building in an unrivalled location, equidistant from Cannon Street and Bank stations. Pending redevelopment, we currently benefit from a steady income stream provided from a number of tenants, the principal one being Barclays Bank PLC, who are tenants of both St. Swithin's House and Granite House. With the limited supply of large office buildings in this area, the prospects for future development are extremely promising.

When I reported to you last year, we had just submitted a planning application for our major proposals for Croydon town centre. Our plans represent one of the most significant urban regeneration projects in the United Kingdom, with a total floor area of around one million sq.ft. of modern shopping facilities, including 108 retail units, 15 restaurants and cafés, a town square fronting Alders' new 342,000 sq.ft. department store and a fully integrated bus interchange complementing the new tram system, which will also be incorporated within the development. The complexity of this project required the appointment of a high calibre professional team, headed by the American architects, RTKL, and together we have worked closely with Croydon Council in formulating the proposals that were submitted in October of last year.

As part of the overall project, in February of this year, after a detailed discussion process, we came to an agreement with Alders plc for the redevelopment of their new flagship department store, which will sit at the southern end of our shopping mall and as such, will represent the main anchor tenant for the new scheme.

Alders has traded from its existing site in Croydon for many years and the new development will enable them to trade from a 'state-of-the-art' department store providing modern facilities for retailer and customers alike. Alders will lease the new department store for a term of fifty years at an initial rent of £2.1 million per annum.

At the same time, Minerva also entered into an option agreement with Alders whereby Alders can require Minerva to acquire its existing store for £50 million, comprising an initial payment of £35 million with a further payment of £15 million if the conditions of the agreement for lease are satisfied. Under the arrangement, Alders will take a leaseback for a term of 35 years at a commencing rent of £2.9 million per annum, rising to £4.2 million when a further payment of £15 million is made.

On 3 August 2000, Croydon Council resolved to grant planning consent for our development proposals. The scheme, known as 'Park Place', has now been passed to the Government Office for London who will be considering the project further and whose decision we now await.

Not only have we been active in securing three very important planning consents, we have also commenced work on two development projects, one in the West End of London and the other in High Holborn.

In February of this year we commenced the demolition and redevelopment of a collection of buildings occupying a site on the corner of Wigmore Street and Welbeck Street, London W1. It was quite clear at the turn of the year that the West End office market would continue to strengthen and we therefore felt that the conditions were right to develop this project on a speculative basis. The development will consist of two modern air-conditioned buildings of 29,500 sq.ft. and 13,500 sq.ft. with ground floor retail accommodation of 2,300 sq.ft. along with nine car parking spaces. The scheme is unusual for the Wigmore Street area as its focal point is a private courtyard garden, which can be used by occupants of both buildings and will provide an amenity that is not readily available elsewhere in the area. The contractor for the development is Kvaerner Trollope & Colls and the project is scheduled for completion prior to tenant fit out in the autumn of next year.

In recent weeks we have announced a joint venture with solicitors Olswang to develop a new headquarters building of 181,000 sq.ft. at 90 High Holborn, London WC1. Olswang has emerged as one of the most progressive law firms in London and, as a consequence, its practice has expanded significantly in recent years. As is often the case in a buoyant economic climate, just at the time when tenants are expanding, the property market experiences a shortage of office supply. The key to this transaction was clearly the ability to secure a prime site for redevelopment, whilst simultaneously entering into an agreement with Olswang, thus eliminating the principal letting risk. The number of sites available in the Holborn area for immediate redevelopment was extremely limited and this opportunity was identified as one which was suitable for Olswang's future needs and requirements. Under the terms of the agreement, Olswang will take a new full repairing and insuring lease in respect of 142,000 sq.ft. The term of the lease will be 20 years and the annual rent payable will be £6 million. The letting market in Holborn is also strong at the present time and we are confident of a successful outcome in relation to leasing the remaining 39,000 sq.ft. of offices and the two ground floor retail units situated on the High Holborn frontage.

We have also been active on the acquisition front, and have made two key additions to our portfolio, both of which possess the basic characteristics of a Minerva acquisition: a strong income stream and the opportunity to add value through redevelopment or the reorganisation of existing occupational leases.

The Criterion, London SW1, was a property that was the subject of detailed discussions and negotiations with the Japanese department store operator, Sogo, during the latter part of 1999. At that time, it was clear to us that the West End

was poised to experience a further period of rental growth and we felt that The Criterion, because of its historically low income levels, would benefit from this improving environment. The Criterion is a world famous landmark, which occupies the south side of Piccadilly Circus and is located at the very heart of London's West End. The building, which provides a range of opportunities for value creation, was purchased for £101.4 million in March of this year and totals 260,000 sq.ft. It produces a net annual rental of £6.28 million of which £5.025 million per annum is paid by McKinsey & Co. who occupy 121,477 sq.ft. of 'Grade A' offices, with the balance of the income principally coming from Lillywhites Ltd, Virgin Retail Ltd and Forte UK Ltd. In order to facilitate this acquisition and to provide further funds for the future growth of the Company, in January of this year we successfully raised £71 million, net of expenses, from a 1 for 4 rights issue at 230 pence per share.

About three years ago, we acquired Sampson House, a 386,000 sq.ft. office and computer centre occupied by Lloyds TSB Bank plc whose lease extends to over 100 years. This property, which produces an annual rent of £4.1 million and is currently the subject of a rent review, sits adjacent to the new Tate Modern gallery, and runs alongside Blackfriars Bridge. In March of this year, we made a significant addition to our holding in this location through the acquisition of Ludgate House, the headquarters of United News & Media. The building, which was effectively purchased by way of a sale and lease back from United News & Media for £69 million, was developed in 1989 and totals 174,000 sq.ft. The occupational lease was for a term of 15 years at a rent of £4.87 million per annum with Minerva having the right to terminate the lease at the tenth year.

Anyone who has visited the 'Bankside' area in recent months, will appreciate how this location has been completely transformed both in terms of urban fabric and transport infrastructure. With the opening of the new Tate Modern gallery close to the Globe Theatre and the introduction of the new Jubilee line station at Southwark, this location has quite patently established itself as one of the most exciting growth areas in London. What makes our investment in this area all the more interesting, is that Railtrack are proposing to increase the facilities serving Blackfriars Station by covering the bridge as part of a futuristic scheme created by architects Alsop & Störmer. The plan calls for the existing platforms to be extended and the creation of a new ticket hall and pedestrian access to the station on the South bank of the river, situated immediately between our two buildings. These proposals, with careful implementation, along with the changes that have already taken place in the area, should provide the catalyst for future asset growth.

In a year where we have concentrated so very hard on development and investment activity, we have also continued to focus on the sale of those assets which we do not believe will contribute to the future growth of the Company. Often the smaller management intensive buildings can absorb as much time as the larger projects, but for significantly lower returns. For this reason, we have, since the year end, sold buildings in Derby, Preston and Thurrock for a total consideration of £8 million.

I would now like to report to you the financial aspects of the Group over the past twelve months.

Minerva's property portfolio was independently valued by Weatherall Green & Smith at £848.6 million resulting in the net asset value per share rising from 256.1 pence to 282.7 pence, an increase of 10.4 per cent. Operating profit, after net financing costs, was £6.8 million (1999: £7.1 million). The period to June 2000 has seen profit before tax increase from £0.1 million in 1999 to £0.9 million in 2000.

These increases are after incorporating the dilutive effect of the rights issue and the £6.1 million one-off loan break cost incurred during the year.

Total borrowings at 30 June 2000 were £490.8 million (1999: £326.7 million). Cash balances were £100.2 million (1999: £68.9 million) and the Group had undrawn facilities of £16.2 million (1999: 1.5 million). The increase in net debt from £257.8 million to £390.6 million during the year largely reflects the expenditure on property acquisitions, partly offset by the net proceeds arising from the rights issue.

During the year new financings and refinancings totalling £278 million were completed. As reported to you at the time of the Interims, the Group concluded a refinancing of existing loan facilities totalling £79.8 million in January with a new £63.75 million 25 year facility with the Bradford & Bingley Building Society. The new facility replaced existing loans costing 8.9 per cent with a rate of 7.3 per cent. The cost of breaking the existing loan arrangements was £6.1 million and this is reflected in the results for the year to June 2000. As a consequence of our activities, the average cost of borrowings was reduced during the year from 7.5 per cent to 7.3 per cent, with an average loan maturity of 14 years.

Net gearing as at the year end increased from 79 per cent at June 1999 to 86 per cent at June 2000.

As a result of the benefit of capital allowances on plant and machinery, together with brought forward losses, there was again a nil tax charge for the year. Dividends of 2.85 pence per share represents a 6 per cent increase on the previous year.

The Group has continued to adopt a risk-averse hedging strategy in terms of its borrowings. The debt portfolio at 30 June 2000 was 97 per cent fixed thus, ensuring a core net cash flow generated from rental income after deducting net debt service costs and head office activity.

With London continuing to flourish and with the economic outlook remaining strong, we are well placed to reap the benefits from this period of growth. It is no coincidence that we have increased our focus on London as this is a market we know well and one which has the ingredients for sustained performance.

Looking to the future, we will continue to focus on what, we believe, is a very simple corporate strategy, where management time is devoted to unlocking the value from a select number of large assets which have the potential to provide significant future returns to shareholders, whilst continuing to look for new opportunities to increase shareholder value.

Andrew Rosenfeld Chief Executive



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Principal property investments

Picture Removed

Picture Removed

Picture Removed

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Picture Removed

Ambassador House London EC3

This property, which forms part of the St. Botolph's House redevelopment site, has been re-leased to provide flexible income pending redevelopment.

Delta Point Croydon, Surrey

The property is leased to British Telecom plc at an annual rent of £4.65 million for a further 11 years.

Granite House 97-101 Cannon Street, London EC4

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

Ludgate House London SE1

This building totals 174,000 sq.ft. and is leased to United News & Media Plc at an annual rent of £4.87 million for a term of 15 years.

St. Botolph's House London EC3

This property together with Ambassador House forms the St. Botolph's House redevelopment site.

St. Swithin's House London EC4

The property, leased to Barclays Bank PLC for a further 12 years, has significant redevelopment potential and forms part of The Walbrook Estate.

Sampson House London SE1

The property is leased to Lloyds TSB Bank plc at an annual rent of £4.1 million for a further 103 years.

The Croydon Centre Croydon, Surrey

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

The Brooks Shopping Centre Winchester

The scheme, which totals approximately 120,000 sq.ft. includes major tenants such as BHS, Waterstones, Argos, Beales, MVC and Costa Coffee.

The Criterion London SW1

This property occupies the south side of Piccadilly Circus and totals 260,000 sq.ft. Tenants include McKinsey & Co, Lillywhites Ltd, Virgin Retail Ltd, Criterion Theatre and Forte UK Ltd.

Walbrook House London EC4

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

Westerhill Road Bishopbriggs, Glasgow

This warehouse, distribution and office property is leased to Harper Collins for a further 25 years.

27-37 Wigmore Street London W1

This prominent headquarters building, located in London's West End, totals 66,000 sq.ft. and is leased to Banque Paribas for a further 11 years.

90-95 Wimpole Street and 25 Wigmore Street London W1

The property is let for a further 13 years on a lease guaranteed by Cornhill Insurance PLC, and occupied by Debenhams.

42-48 Wigmore Street London W1

This scheme, which is currently under construction, will comprise two new office buildings and retail totalling 45,000 sq.ft.

- 1 Walbrook House, London EC4
- 2 St. Botolph's House, London EC3
- 3 27-37 Wigmore Street, London W1
- 4 St. Swithin's House, London EC4

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Board of Directors and executive management team

Board of Directors

David Garrard FFS Chairman (aged 61)

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 over cost. In July 1988, he and his family interests sold their shares in BCPH Limited (which owned the entire share capital of Land Investors PLC) and he founded, together with Andrew Rosenfeld, Minerva.

Andrew Rosenfeld BSC ARICS Chief Executive (aged 38)

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 (aged 48)

Responsible for various development activities in the Group. He joined the Group in November 1989 and 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 OBE FCA FCMA FBIM Non-executive Director, Chairman of the Audit Committee and a member of the Remuneration Committee (aged 63)

Following six years with Peat Marwick Mitchell, he 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 Intelligent Environments Group plc, Xpertise Group PLC, Cityjobs.com plc, X4i Limited, STS Synergy Healthcare Limited and CEL International Limited. He is also non-executive of other private companies. Appointed to the Board of Minerva in November 1996.

Christopher Sheridan ACIB MSI Non-executive Director, Chairman of the Remuneration Committee and a member of the Audit Committee (aged 57)

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 Vice Chairman of Yorkshire Building Society and non-executive director of Prudential-Bache International Bank Limited, Hanover Acceptances Limited and Standard Bank London Limited. He is also a member of the Lovell White Durrant Partnership board. Appointed to the Board of Minerva in November 1996.

Executive management team

Ivan Ezekiel BSC ACA ATII Group Finance, Accounting and Tax (aged 34)

Qualified as a Chartered Accountant with KPMG and worked for Capital and Regional Properties plc for three years as Group Financial Controller before joining Minerva in November 1997. His responsibilities include Group finance, accounting, tax and co-ordination of management and external reporting.

Tim Garnham BSC Developments (aged 43)

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

Edward Moody BSC ARICS Asset Management (aged 39)

Joined Minerva in August 1998 from the Corporation of London where he worked for nine years and headed the City Fund Portfolio. Prior to that he had been at the London Dockland Development Corporation. He is responsible for property asset management.

Arthur Rixon BSC Structured Finance (aged 49)

Joined Minerva full-time in November 1996 with responsibility for general property and structured finance. He has spent 20 years in banking with Bankers Trust where he was a senior Vice President and was responsible for all aspects of structured financing both in London and the USA.

Quentin Thompson BSC ARICS Asset Management (aged 37)

Joined Minerva from surveyors, Chesterton International plc, in February 1991. Prior to Chesterton International plc, he worked for Bernard Thorpe, now part of DTZ Debenham Thorpe, where he was involved in all aspects of property management. He is responsible for the management of specific properties within the portfolio.

Steven Yewman BSC ARICS Property Acquisitions and Disposals (aged 30)

Joined Minerva in May 1989, having previously worked at Land Investors PLC. He is responsible for the evaluation and co-ordination of the Group's property acquisitions and disposals.

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The Remuneration Committee

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

Remuneration policy for executive Directors and senior management

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

The Company has in place a policy which will motivate, reward and retain executives of the highest calibre in a way which is consistent with their contribution to the success of the Company, whilst aligning the rewards and incentives directly with the performance and growth of the Company. The executive Directors have a substantial shareholding in the Company and the Remuneration Committee considers this, together with share options, to be the most effective mechanism in aligning the interest of the executive Directors with shareholders.

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

Pensions

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

Directors' remuneration

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

Directors' interests

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

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

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

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Remuneration report continued

Employee share option schemes

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

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

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

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

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

Service contracts, contracts of significance and notice periods

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

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

Non-executive remuneration

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

By order of the Board

Christopher Sheridan Chairman of the Remuneration Committee
21 September 2000



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Corporate governance

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

Board of Directors

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

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

The Directors are subject to retirement by rotation and re-election by shareholders in accordance with the articles of association of the Company, whereby one-third of the Directors retire by rotation each year. The three executive Directors have service contracts which have a notice period of less than 12 months. Subject to reappointment by rotation, the continuing service of the non-executive Directors is reviewed by the Board from time to time.

The Board, which schedules to meet at least six times each year, has ultimate responsibility for setting overall strategy, acquisitions and disposals, internal control, approval of major capital expenditure projects, treasury and risk management policies, and consideration of significant matters relating to the raising of finance and corporate governance. The Board operates within the terms of its written authorities which include a schedule of matters which are reserved for its decision.

Board Committees

The Board has established two standing committees in which the non-executive Directors play an active role. Each committee has written terms of reference which are regularly reviewed by the Board. These committees are:

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

The Remuneration Committee The Remuneration Committee, comprising Christopher Sheridan (Chairman) and Clive Richards, meets at least once a year to review the terms and conditions of employment of executive Directors including the provision of incentives and performance related benefits. The report on Directors' remuneration is set out on pages 43 and 44.

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

Investor relations

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

Internal control

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

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

Internal financial control

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

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

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

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

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

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

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Corporate governance continued

Going concern

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

Compliance with the Combined Code

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

Directors' responsibilities

The Directors are required by UK company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit or loss, total recognised gains and losses and cash flows for that period. The Directors confirm that in preparing the financial statements for the year ended 30 June 2000, suitable accounting policies, in accordance with United Kingdom accounting standards, consistently applied and supported by reasonable and prudent judgements and estimates, have been used. The Directors also confirm that the going concern basis is appropriate. The Directors are responsible for maintaining proper accounting records, for safeguarding the assets of the Company and the Group, and for taking reasonable steps to prevent and detect fraud and other irregularities.

47 Minerva plc 2000 Report of the Directors

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

Principal activities and review of the business

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

Results and dividends

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

Directors

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

The interests of the Directors and their immediate families in the shares of the Company and in options over shares of the Company are as set out in the Remuneration Report.

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

Substantial shareholdings

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

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

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

Annual General Meeting

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

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

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

Authority to allot shares Under Section 80 of the Companies Act 1985 ("the Act"), the Directors are not allowed to allot shares unless they are authorised to do so by shareholders. Resolution 7 set out in the Notice of Annual General Meeting gives the Directors authority, until the date of the next Annual General Meeting, to allot authorised but unissued share capital of the Company to a maximum of £13,321,550. This amounts to 53,286,200 ordinary shares representing one-third of the issued share capital of the Company at the date of this Report. The Directors consider the authority necessary to preserve maximum flexibility for the future.

Section 89 of the Act gives all shareholders the right to participate on a pro rata basis in all issues of equity shares for cash, unless they agree that this right should be excluded. The effect of resolution 8 is to give the Directors authority until the date of the next Annual General Meeting, firstly, to carry out a rights issue without having to comply with the detailed requirements of Section 89 and Section 90 of the Act and, secondly, to allot equity shares for cash otherwise than by an issue pro rata to existing shareholders, up to an aggregate amount of £1,998,233, which represents 5 per cent of the issued share capital of the Company at the date of this Report.

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Report of the Directors continued

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

Purchase of own shares At the Extraordinary General Meeting held immediately following the 1999 Annual General Meeting, the shareholders passed a resolution granting to the Company authority to make market purchases of the Company's ordinary shares subject to certain specified limits. This authority expires at the conclusion of the 2000 Annual General Meeting to be held on 27 November 2000. Under resolution 9, which is proposed as a special resolution, the Directors are seeking to renew such authority to make market purchases (if they deem it appropriate from time to time) of up to 23,962,804 ordinary shares of 25 pence each in the Company at no more than 105 per cent of the average of the closing mid market price for the ordinary shares of the Company for the five days prior to the date of purchase, nor at less than 25 pence each.

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

Compliance with the Combined Code

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

Management of financial risks

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

Environmental policy

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

Year 2000

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

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

Suppliers

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

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

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

Donations

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

Auditors

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

By order of the Board

Ivan Ezekiel Secretary
21 September 2000



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Auditors' report to the members of Minerva plc

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

Respective responsibilities of directors and auditors

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

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

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on pages 45 and 46 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

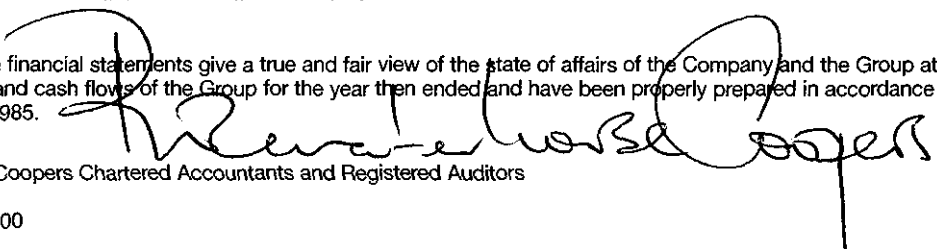
Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 June 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers Chartered Accountants and Registered Auditors

London

21 September 2000

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Consolidated profit and loss account

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

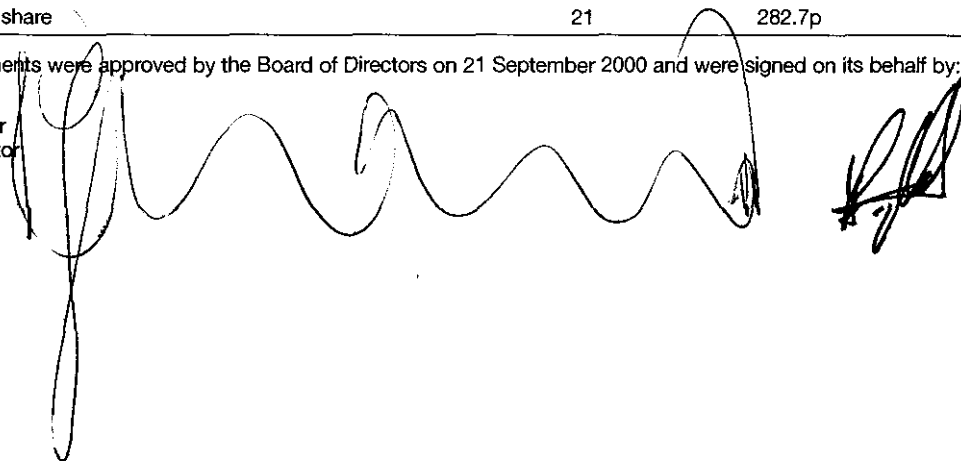
The results for this year and the prior year relate to continuing operations.

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Consolidated balance sheet

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

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

D E Garrard Director
A I Rosenfeld Director

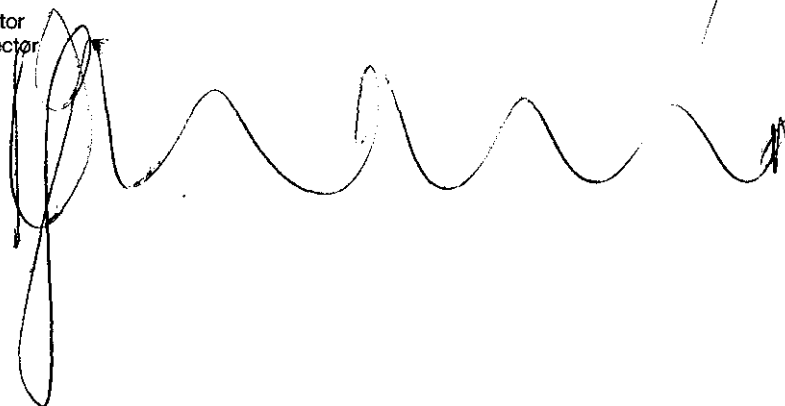


52 Minerva plc 2000
Parent company balance sheet

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

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

D E Garrard Director
A I Rosenfeld Director




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Consolidated cash flow statement

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

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Note of historical cost profits and losses

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

Statement of total recognised gains and losses

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

Reconciliation of movements in shareholders' funds

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

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Notes to the financial statements

1. Accounting policies

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

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

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

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

FRS 15 'Tangible Fixed Assets'; and

FRS 16 'Current Tax'.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Notes to the financial statements continued

2. Operating profit

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

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

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

3. Staff costs

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

4. Directors' remuneration

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

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

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5. Net financing costs

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

6. Taxation

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

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

7. Profit dealt with by parent company

As permitted by Section 230 of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements. Of the profit on ordinary activities after taxation, a profit of £5,825,000 is dealt with in the financial statements of the Company.

8. Dividends

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

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

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Notes to the financial statements continued

9. Earnings per share

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

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

10. Investment properties

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

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

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

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

11. Other fixed assets

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

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12. Investment in subsidiary undertakings

	Total £000
Parent Company	
At 1 July 1999	48,179
Movement in the year	-
At 30 June 2000	48,179

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

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

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

13. Investments

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

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

14. Debtors

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

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Notes to the financial statements continued

15. Cash at bank and in hand

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

16. Creditors: amounts falling due within one year

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

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

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

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

18. Financial instruments

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

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

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

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

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

18. Financial instruments continued

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

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

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

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

Swapped-fixed arrangements have the effect of transforming floating rate liabilities into fixed rate liabilities. The weighted average interest rate shown for fixed rate liabilities is 7.3 per cent (1999: 7.5 per cent) and includes loan margins ranging from 0.8 per cent to 1.6 per cent with all inclusive interest rates ranging from 6.5 per cent to 8.5 per cent (1999: 6.5 per cent to 9.0 per cent).

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

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

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

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

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

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Notes to the financial statements continued

18. Financial instruments continued

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

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

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

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

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

19. Called up share capital

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

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

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

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

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

20. Reserves

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

21. Net asset value per share

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

22. Capital commitments

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

23. Commitments under operating leases

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

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

24. Contingent liabilities

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

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Notes to the financial statements continued

25. Notes to the cash flow statement

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

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

b. Analysis of changes in net debt

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

26. Related party transactions

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

Minerva plc 2000
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