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Minerva plc
Annual report and accounts 2004

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London EC3

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Walbrook House
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04/05

An introduction

Day by day, Minerva continues to evolve and grow. We have created potential across our property investment and development portfolio.

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Investment update

Value of portfolio

£1,205.5m

Net valuation movement

+9%

Total sq.ft. of portfolio

3.7m sq.ft.

Net rental income

+10%

Sampson House rental increased to £8 million per annum, up from £7.25 million.

McKinsey & Co's rent at the Criterion has been agreed at a new rent of £5.4 million per annum, an increase of £0.375 million.

Alders department store in Croydon, which forms part of the Park Place development, was acquired for £48.825 million.

The Brooks shopping centre in Winchester was sold for £13 million, realising a profit of £0.5 million.

Development update

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The Minerva Building
The Minerva Building has been granted planning permission. When completed the tower will provide 1 million sq.ft. of Grade A space in The City of London. The 50 storey building will be 217m high, providing high quality offices with accommodation for a range of users including financial institutions, professionals and smaller companies. Vacant possession of the entire site can be obtained at any time on six months notice.

Park Place
The Park Place scheme has been granted planning permission to develop a new shopping centre, providing in excess of 1 million sq.ft. of accommodation; principally retail space and restaurants. Located in the heart of Croydon town centre, Park Place will provide new facilities which will enhance the town centre together with easy access by car, bus, Tramlink and rail. Croydon Council has resolved to use compulsory purchase powers to complete all of the remaining land assembly required for this development.

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The Walbrook
This future development has planning permission to provide a new landmark building comprising some 452,000 sq.ft. of office and retail accommodation, located in the heart of The City of London. Internationally renowned architects, Foster and Partners, designed the new building which stands on a prime 1.5 acre freehold site directly opposite Cannon Street station and adjacent to The Mansion House.

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.

	2004	2003
Net rental income	£52.5m	£47.6m
Profit before tax from core real estate business	£1.2m	£0.9m
Loss after taxation	£21.4m	£4.7m
Net asset value per share	379.5p	317.2p
Total dividend per share for the year	3.20p	3.15p
Cash reserves	£103.9m	£141.2m

15:10 BST

**Delta Point
Croydon**

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08/09

Chairman's statement

Sir David Garrard

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"Our results for the year have benefited from an improving Central London office market and having now secured planning consent for our current development projects."

Over the last 12 months the combination of improvements in the Central London office market and the success of having now secured planning consent for each of our three major development projects has had a positive effect on property valuations and consequently on our net assets.

In January of this year the Corporation of London resolved to grant planning consent for The Minerva Building. The City of London's tallest office tower. Some four months later we concluded the final legal documentation in respect of our Park Place retail development in Croydon which enabled this planning consent to finally be granted by Croydon Council. These two milestones together with our planning consent for The Walbrook office development situated in the very heart of The City of London complete our complement of current development opportunities, all of which now have been given full consent to proceed.

Before I talk in more detail about our overall achievements for the year I would like to turn to our financial results for the year ended 30 June 2004.

For the year ended 30 June 2004, net asset value per share has increased from 317.2 pence per share to 379.5 pence per share, representing an increase of 19.6 per cent. Adjusted net asset value per share has increased by 17.6 per cent from 318.5 pence per share to 374.7 pence per share. Profit before tax of £1.2 million was made by Minerva's core real estate business (2003: £0.9 million). Standard accounting regulations require us to incorporate the effect of our share of the results of the Scarlett Retail joint venture which, as a consequence, has resulted in a pre-tax loss for the year of £22.9 million (2003: £5.2 million).

Your Board is nevertheless pleased to recommend a final dividend of 2.13 pence per share, making a total dividend for the year of 3.20 pence per share, an increase of 1.6 per cent compared to last year. Subject to approval at the Annual General Meeting, the final dividend will be paid on 15 December 2004 to those shareholders on the register at the close of business on 8 October 2004.

You will be aware from regulatory announcements and press articles that we have received approaches from a number of groups interested in acquiring the issued share capital of Minerva plc. We have recently received a number of proposals which are currently being considered by your Board together with the Group's financial advisers, and shareholders will be advised of developments in this regard.

I would now like to turn to the key events for the year which initially focused on obtaining planning consent for The Minerva Building which as I mentioned earlier, at 1 million sq.ft. represents The City's most important single headquarter office development. Much of the latter part of 2003 involved final preparations and negotiations with relevant third party stakeholders prior to the scheduled Planning Committee meeting of the Corporation of London in January of this year. The grant of planning consent along with completion of the Section 106 Agreement, has coincided with a stabilising City office market which in terms of timing provides the Group with an exciting development opportunity although, as I have consistently maintained, we will avoid taking unnecessary speculative development risk. We are however currently considering the commencement of the limited process of demolition, excavation and the formation of the substructure for the new tower, such process if implemented in early 2005 will be completed in around a year, thus losing none of the timing advantage that has been achieved.

Simultaneous with our activities in respect of The Minerva Building, we have maintained our momentum of activity in respect of our Park Place retail development in Croydon which, at 1 million sq.ft., represents one of the most important retail projects in the UK. Since the resolution to grant planning consent was issued by Croydon Council, we have been working tirelessly to conclude the legal documentation required in respect of the Section 106 Agreement which incorporates the planning arrangements necessary for the implementation of the project. It is only after this Agreement has been entered into that the formal planning consent can be issued by the Council. I am pleased to report that such an Agreement was entered into in the Spring of this year, and as a consequence, the planning consent was finally issued in May 2004.

Perhaps as importantly, Croydon Council has now also passed a resolution to use its compulsory purchase powers to acquire those interests necessary for the full implementation of the development. The compulsory purchase process will culminate in an Inquiry which is expected to be held in the Autumn of 2005, after which, subject to appropriate funding, the development can commence. As part of our strategy for land acquisition we have, as I indicated in my Interim statement earlier this year, completed the purchase of the existing Alders store in Croydon for the sum of £48,825 million subject to a leaseback to Alders at an initial net rental yield of 7 per cent. Our original rationale for acquiring a stake in Scarlett Retail was to secure the key land holding that was represented by the existing Alders store which we have now therefore successfully completed. I will deal later in my statement with our residual investment in the Alders Group which is held through our shareholding in Scarlett Retail.

In addition to these two developments and as The City market begins to improve, we are now focusing our attention on our other major headquarter office development, The Walbrook. This scheme, which is designed by Foster & Partners, totals around 452,000 sq.ft. of office and retail accommodation positioned in a prime City location, adjacent to the Mansion House, between Cannon Street and Bank stations. As I have explained earlier, our overall development philosophy is to limit exposure to unnecessary speculative development risk particularly at the expense of the depletion in current investment income as is the case with this project. We will therefore be pursuing a delicate balance between current income generated from existing buildings in a prime location and the opportunity to enhance that income and create further surpluses through future development.

In recent years I have tended to focus on the development opportunities that exist within the Group. However as the Central London market continues to improve and particularly in relation to investment properties, the likes of which we hold within our portfolio, I should like to highlight our investment portfolio of mainstream income producing buildings. This portfolio includes; 90 High Holborn, the newly completed headquarter office development of law firm, Olswang, which totals 182,000 sq.ft. of net accommodation at a total rent rising to a minimum of £8.5 million per annum; The Criterion development comprising the entire south side of Piccadilly Circus totalling 259,000 sq.ft. including as its tenants, McKinsey & Co and Lillywhites; Sampson House adjacent to the Tate Modern comprising 386,000 sq.ft. which is leased to a subsidiary of IBM; Ludgate House located on Blackfriars Bridge which totals 174,000 sq.ft. and is leased to United Business Media. Along with extensive holdings in Greater London and the West End of London including 90-95 Wimpole Street, 27-37 Wigmore Street and our new office development on the corner of Wigmore Street and Welbeck Street, each property being leased to, or guaranteed by, undoubted covenants including Government, Banque Paribas and Cornhill Insurance, Minerva's investment portfolio is quite clearly of the highest quality, secured against income from high calibre tenants in areas which are beginning to experience rental growth.

I referred earlier to our investment in Scarlett Retail which is a joint venture between ourselves, Lehman Brothers and retail specialists Terry Green and Phil Cox. Albeit that we are a real estate group that acquired, through our investment in Scarlett Retail, Alders for the reason I mention above, it is our expectation that the retail group in which we have made a relatively small investment, benefits from the strategy that Terry Green, as Chief Executive, and Phil Cox, its Commercial Director, have initiated. Both men have long track records of success in this arena with Terry Green having most recently been involved in the turnaround of Bhs prior to which he was Chief Executive of Debenhams. Phil Cox has had an extensive career in retail most notably as Group Finance Director at Asda.

The measures which they have implemented in order to effect the necessary change required to position Alders for growth, have reached deeper and taken longer than expected. This process has been dramatic and widespread, involving a complete overhaul of the merchandise offer, its margin structure and overall pricing policy. The consequence of this has been a year in which the Group's share of Scarlett Retail's loss after tax totalled £21.7 million (2003: £4.3 million). We are hopeful therefore that Alders will begin to reap the rewards of changes and initiatives effected by Terry Green and Phil Cox during what has been a challenging transitional period.

I would now like to return to our main focus: Minerva and its extensive property holdings.

We have it seems arrived at a watershed in the Group's history, and the events as they unfold over the coming weeks and months will be defining not only for its shareholders but also its management team. As I have said on many occasions, markets are subject to change at the most unlikely times and for the most unpredictable reasons, but so often when one least expects them. We have amassed an impressive London based property portfolio with substantial future development opportunities. Any decisions regarding the future of our Group will inevitably therefore have to strike a balance between future risk and current certainty. Accordingly, your Board will reach its decisions drawing on its experiences in the property industry amassed over many years.

In closing, and as is my usual way, but perhaps more so this year than any other, I would like to thank all of our staff for their exceptional enthusiasm and work ethic, without which none of the achievements over the past 12 months would have been possible.

Sir David Garrard
Chairman



12/13

Principal property investments

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 BNP Paribas until 2011.

Delta Point, Croydon
The property is leased to British Telecom plc at an annual rent of £4.65 million until 2011.

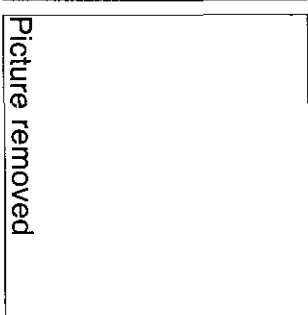
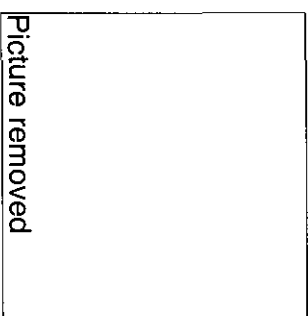
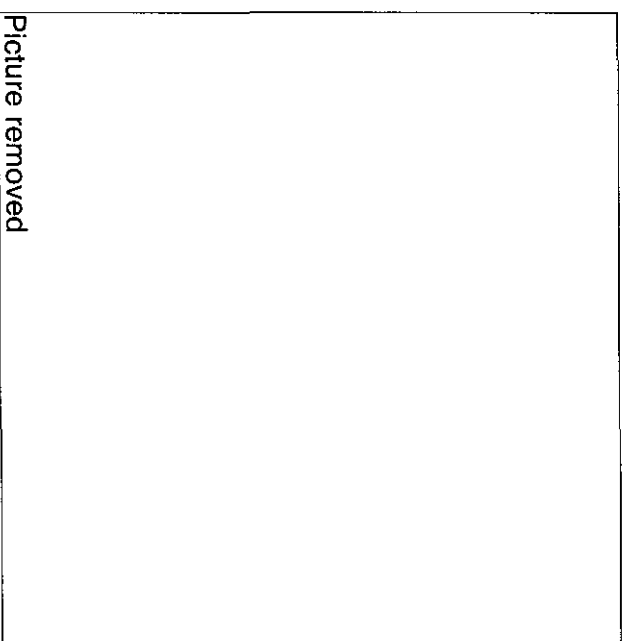
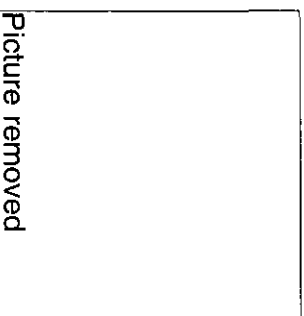
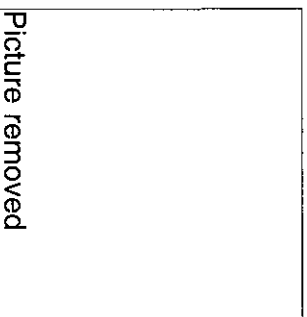
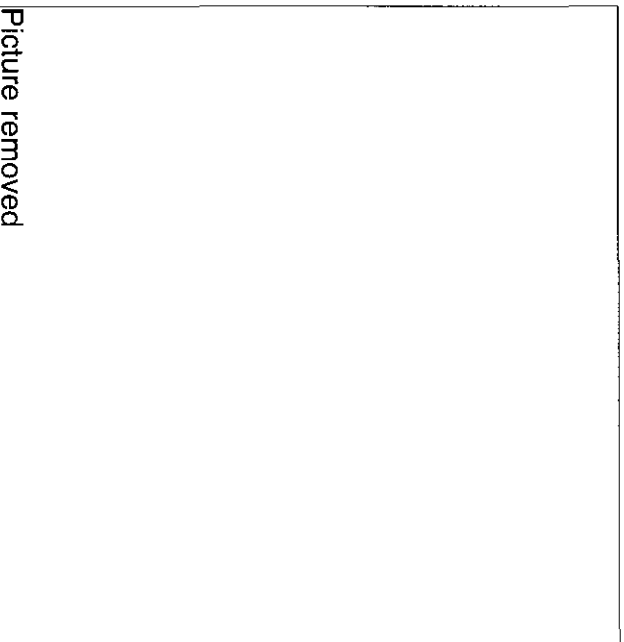
The Croydon Centre, Croydon
Mireva's proposals for its town centre redevelopment include its ownership of this 1960's shopping scheme and office complex.

St. Swithin's House, London EC4
The property, leased to Barclays Bank PLC until 2012, has significant redevelopment potential and forms part of The Walbrook Estate.

90 High Holborn, London WC1
This property, comprising a new office building and retail totalling 182,000 sq.ft., is let to law firm, Osawang until 2022.
Alders department store, Croydon
This property, comprising a large department store in the centre of Croydon, is leased to Alders Department Stores Limited at a current net annual rent of £3.44 million.

42-48 Wigmore Street, London W1
This property comprises two new office buildings and retail totalling 44,000 sq.ft., of which 29,000 sq.ft. has been let to the Secretary of State for Transport, Local Government and the Regions.

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Ludgate House, London SE1
This building totals 174,000 sq.ft. and is leased to United Business Media Plc at a current annual rent of £4.87 million until 2015.

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.

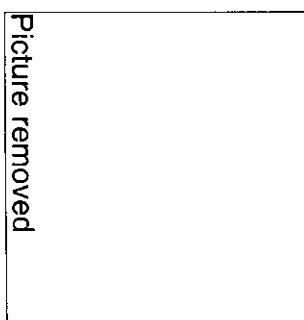
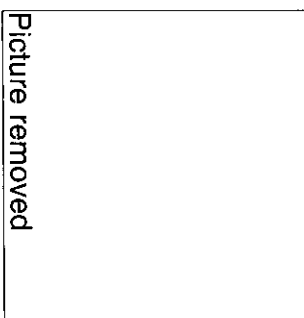
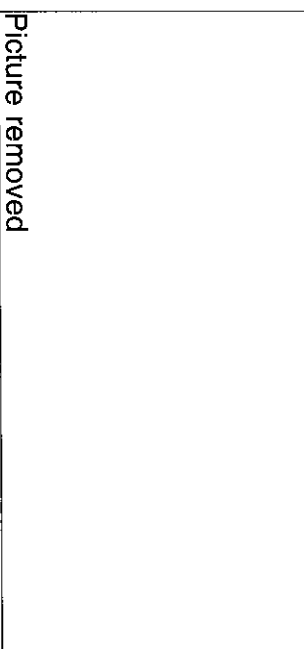
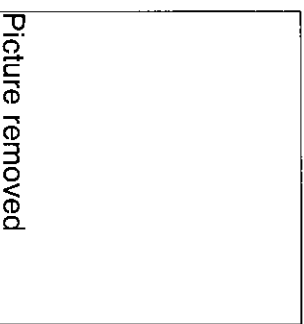
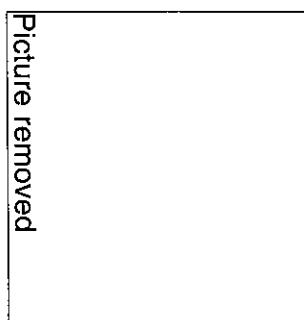
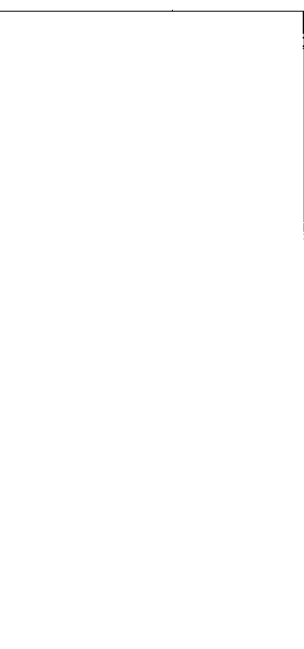
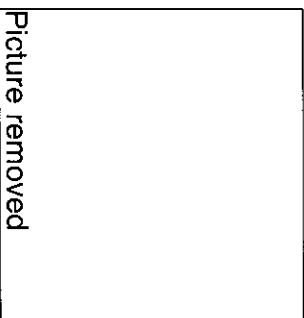
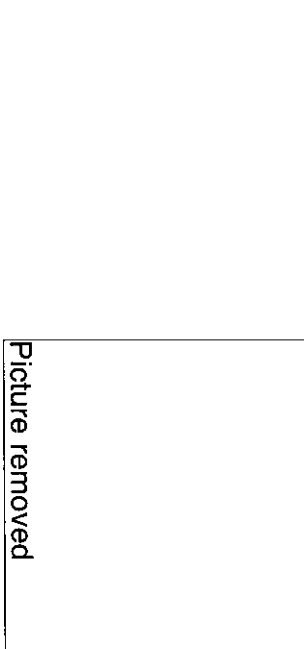
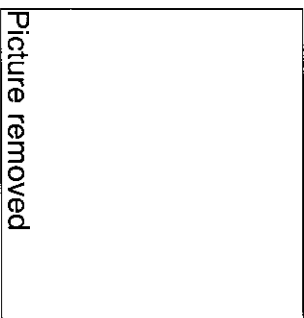
The Criterion, London SW1
This property occupies the south side of Piccadilly Circus and totals 259,000 sq.ft. Tenants include McKinsey & Co, Lillywhites Ltd, Virgin Retail Ltd and The Criterion Theatre Trust.

St. Botolph's House, London EC3
This property, together with Ambassador House, forms the redevelopment site for The Minerva Building.

Sampson House, London SE1
The property is leased to Schlumberger Business Continuity Services Ltd, guaranteed by Sema plc, on a 25-year lease with a current annual rent of £8 million rising to £9.5 million in December 2005 and thereafter, subject to guaranteed increases in rent to £16 million per annum by the 20th year.

90-95 Wimpole Street and 25 Wignmore Street, London W1
The property is let for a further nine years on a lease guaranteed by Cornhill Insurance PLC, and occupied by Debenhams.

Ambassador House, London E1
This property, together with St. Botolph's House, forms the redevelopment site for The Minerva Building.



14/15

Chief Executive's business review
Andrew Rosenfeld

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Pie charts removed

Portfolio value
(by sector %)

01 Office: 80%
02 Retail: 13%
03 Industrial: 7%

Portfolio value
(by region %)

01 London -
West End, Central and
Greater London: 59%
02 London -
City and Midtown: 34%
03 Scotland: 7%

It is quite extraordinary how the outlook has changed since I last reported to you in September 2003. At that time we were emerging from war in the Middle East, the political environment in the UK was fraught with uncertainty, and the Central London property market was still suffering from a decline in values borne out of an oversupply of office space and weak tenant demand.

What a difference a year makes. With a strong bond market, improvements in occupational demand and the early signs of a re-emergence in rental growth, the picture could not be more different.

Combined with our achievements in obtaining planning consent during the year for two major development projects within the Minerva portfolio, namely, The Minerva Building and Park Place, Croydon, supplemented with our proposed, Foster designed, office development at The Walbrook, then it is readily understandable as to why we have been successful in achieving a significant enhancement in value over the past 12 months.

In January of this year, the Corporation of London resolved to grant consent for our 1 million sq.ft., 50 storey Minerva Building, designed by the internationally renowned architects, Grimshaw. The building which is widely considered to be of a world-class standard, is at the cutting edge of architectural and occupational design, capable of being let to a single tenant or perhaps more relevantly to a wide range of different tenants.

The planning process involved discussion and consultation with a number of key stakeholders within The City of London and the surrounding area. These included, the residents of the Middlesex Street Estate, English Heritage, CABE, the Greater London Authority, Sir John Cass Foundation Primary School, London Borough of Tower Hamlets and the Civil Aviation Authority to name but a few.

Part of our plans involve the creation of a major new City square which along with the development of The Minerva Building will dramatically change this important location within the eastern sector of The City. Both we and the Corporation of London recognised the importance of obtaining planning consent for this development as The Minerva Building represents the single largest headquarter office development ever to be granted permission within the Square Mile. The quality of design coupled with the advancements in technology and energy conservation provide The City occupational market with a quality of headquarters building that has until now not been available.

The Minerva Building is the only tower in The City with a detailed planning consent capable of immediate implementation and we believe that when built it will set new standards for office tenants and as such will be an asset that shows strong rental and yield performance.

We have always maintained a risk averse strategy towards development, and will not embark upon a process which involves taking unnecessary speculative risk. It is with this in mind that we are now considering the option of following a procedure for the demolition, excavation and construction of the substructure, which will take around a year, and will therefore be complete in 2006. Such a procedure will enable us to maintain our timing advantage over the rest of the market whilst at the same time limiting our speculative expenditure to those items mentioned above. Rents in The City of London have in our view stabilised and it is estimated that the timing of this ground work activity will coincide with a strengthening occupational market at which point a more accurate assessment can be made in respect of the letting market and the approach required to maximise value.

An integral part of the Corporation of London's resolution to grant planning consent was the conclusion of the Section 106 Agreement which details the planning requirements necessary to be fulfilled in relation to the implementation of the development. We have now completed this documentation which has resulted in the full grant of planning consent. We have also now passed through the statutory judicial review period whereby any third party can challenge the decision of a local authority to grant consent through the court process.

Quite simply therefore the future of The Minerva Building rests fairly and squarely on the increasing strength of The City office market and our ability to attract high quality tenants to the building as we now move through the next cycle. Running in parallel with our activities in respect of The Minerva Building has been an extensive programme of discussions and negotiations in relation to our Park Place project in Croydon which will create a new 1 million sq.ft. shopping mall incorporating over 100 new shops, modern restaurant facilities and a major new department store which will extend to around 350,000 sq.ft., representing one of the largest of its kind in the UK. This development will significantly increase the town's total sales turnover, create new jobs and regenerate this important area of the town centre.

During the year we have focused on a range of activities including the completion of a complex Section 106 Agreement with Croydon Council which involves funding a broad range of local initiatives that will enhance the Croydon central area and in so doing provide an improved townscape environment in which the Park Place development will sit. These include commitments to highway improvements, upgrading of The Queens Gardens and improvements to town centre car parking and information messaging for shoppers.

As in the case of The Minerva Building, the majority of the Section 106 obligations are triggered upon implementation of the development. The Section 106 Agreement was completed in May of this year and as a result the planning permission was subsequently granted by Croydon Council.

In many respects, as important as the grant of planning consent and the entering into of the Section 106 Agreement, has been Croydon Council's formal resolution to grant compulsory purchase powers for the acquisition of the remaining land and interests not currently owned by Minerva, but which form part of the Park Place development. We are continuing to negotiate with land owners with a view to acquiring relevant property ahead of the CPO Inquiry which is anticipated to take place in the Autumn of 2005 with development scheduled to commence in 2006, once suitable funding arrangements have been put in place.

During the year we have also acquired the all important existing Alders department store which forms an integral piece of the jigsaw for the redevelopment of the site. You will recall that the Group's investment in Scarlett Retail was centred around our strategy of acquiring the existing Croydon department store as part of the Park Place site assembly process. This acquisition was completed in April of this year for £48.825 million. The property which comprises a gross internal area of 535,000 sq.ft., is subject to a lease with Alders Department Stores Limited for an unexpired term of circa 31 years at a net annual rent of £3.4 million. This lease is subject to the existing development agreement which provides for Alders relocation and the possession of the existing store in order to allow Park Place to proceed.

As the Central London market shows signs of improvement, and The City of London occupational market begins to stabilise, the prospect of redevelopment at The Walbrook presents itself. This headquarter office development designed by Foster and Partners and which totals 452,000 sq.ft. net of office and retail accommodation is located at the heart of The City's prime office area, and is situated between Cannon Street and Bank stations. The development encompasses an area which includes three existing office buildings, St. Swithin's House, Walbrook House and Granite House. St. Swithin's House is leased to Barclays Bank who although occupying under a lease which continues until March 2012, will be vacating the property in 2005 as they move to Canary Wharf; Walbrook House is leased on flexible terms with break clauses which enable vacant possession to be achieved within nine months; and Granite House which we have chosen to leave substantially empty pending the outcome of our plans for redevelopment. Once again, I would stress that we are not prepared to take undue speculative risk and an element of pre-letting will be necessary prior to the commencement of this development.

With an improving Central London office market, our investment portfolio has been well placed to benefit from increased occupational requirements and strengthening investor demand. The investment portfolio is characterised by large investments with a strong underlying income stream from high quality tenants. As tenant demand in Central London begins to increase, the portfolio is well placed to benefit from improving rental levels.

The Criterion development at Piccadilly Circus, comprises 121,000 sq.ft. of modern air-conditioned offices completed in 1993 and let to management consultants, McKinsey & Co. The offices have been subject to an outstanding rent review as at March 2003 which represented the low point in the Central London office rental cycle. This rent review has now been concluded, and the new rent passing is £5.4 million per annum, compared to the £5.025 million per annum previously payable. There is in addition a total of 138,000 sq.ft. of retail, restaurant and theatre accommodation, leased to Lillywhites and Virgin Retail amongst others.

The Chairman's statement refers to the performance of Scarlett Retail for the full year to 30 June 2004. It is quite clear that the changes required for the turnaround of the Alders operating business have taken longer and have been more wide ranging than originally anticipated. Terminal stock levels have been markedly reduced and store improvements are progressing. There have been sweeping changes in the area of key management with around 40 new buyers and merchandisers joining Terry Green's executive team within the last 12 months.

During the year, following the sale of the existing Alders department store in Croydon to Minerva, Scarlett Retail restructured its financial arrangements in order to accommodate the business requirements of Alders. In doing so, a significant portion of the original loan used to acquire Alders has been repaid leaving a balance at 30 June 2004 of £82.1 million (2003: £127.2 million). In addition, Alders has been provided with a new short-term revolving loan facility provided by Barclays Bank, Lehman Brothers and Minerva, in which Minerva has agreed to provide up to £10 million of additional working capital, repayable in full at the end of the Christmas trading period in January 2005. As at 30 June 2004 the amount outstanding to Minerva was £5.5 million.

I would now like to turn to the Group's financial performance over the last 12 months. Net rental income during the year has increased by 10 per cent to £52.5 million compared with £47.6 million in 2003. This increase is principally as a result of the full year rental contribution from the developments completed during the last financial year, and from acquisitions made during last year, together with acquisitions made during this financial year including the existing Alders department store in Croydon. The increase also takes into account the guaranteed uplift in rent at Sampson House where the level increased from £7.25 million per annum to £8 million per annum in December 2003.

Profit before tax of £1.2 million (2003: £0.9 million) was made by Minerva's core real estate business. After the effect of the inclusion of the Group's share of the results of Scarlett Retail, the loss for the year before tax was £22.9 million (2003: £5.2 million).

The Group's property portfolio was independently valued by Atis Real Weatheralls as at 30 June 2004 at £1,205.5 million. This has been reflected in the net asset value per share which has increased 19.6 per cent to 379.5 pence from 317.2 pence per share.

The final dividend of 2.13 pence per share is proposed, which together with the interim dividend of 1.07 pence per share, makes a total dividend for the year of 3.20 pence per share (2003: 3.15 pence per share).

Total bank borrowings at 30 June 2004 were £690.7 million (2003: £670.2 million). Cash balances were £103.9 million (2003: £141.2 million) and the Group had undrawn bank facilities of £2.9 million (2003: £2.9 million).

During the year new financings totalling £41.5 million were completed. At 30 June 2004 the average cost of borrowing for the Group was 7.0 per cent (2003: 6.9 per cent) with a weighted average loan maturity of eight years.

The Group has continued to adopt a risk averse strategy in terms of its borrowings with 97 per cent (2003: 95 per cent) of the Group's bank debt attracting fixed rates of interest.

In recent months we have quite clearly seen an improving Central London office market. Prime rents in the West End have risen to around £75 per sq.ft. from a position little more than a year ago when office space was almost unlettable. Rents are gradually stabilising in Holborn and The City, and with the steady take up of surplus Grade A accommodation, it is in my view only a matter of time before rental levels in these areas also begin to increase. This will inevitably have a positive impact not only on our investment portfolio but also on our development opportunities.

However, the scale of our development programme is significant particularly bearing in mind the size and nature of our balance sheet and our position as a FTSE 250 company and the constraints that such status imposes. Consequently, we must guard against taking unnecessary development risk particularly having mind to the time frame within which such projects are to be completed. Reference has already been made in the Chairman's statement to approaches that have been received from parties interested in acquiring Minerva. In assessing whether or not such approaches are acceptable we will clearly have to consider the benefits to shareholders of crystallising an exit, weighed against the opportunities and exposures that are inherent within our development programme set within the context of the corporate framework that I have articulated above.

Andrew Rosenfeld
Chief Executive Officer



19:10 BST

**The Criterion
London SW1**

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20/20 Chief Financial Officer's review Ivan Ezekiel

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Pie charts removed

Security of income	Portfolio income	Debt maturity	Debt hedging
(% of net income)	(by quality %)		
01 0-5 years: 10%	01 Large corporations and	01 Less than 1 year: 1%	01 Fixed: 97%
02 5-10 years: 28%	Partnerships: 65%	02 1-2 years: 3%	02 Floating: 3%
03 10-15 years: 32%	02 Financial institutions: 20%	03 2-5 years: 29%	
04 15-20 years: 15%	03 Government: 4%	04 5-10 years: 42%	
05 20 years plus: 15%	04 Other: 11%	05 10 years plus: 25%	

I am pleased to report an increase in net asset value per share for the year of 19.6 per cent which means that since our first financial year-end as a listed company on 30 June 1997, the Group has delivered annual compound growth in net asset value per share of 11.1 per cent.

The total return for the year of £106.3 million arises from the uplift in the valuation of our property portfolio (£35.1 million), the increase in the carrying value of our investment in the Scarlett Retail joint venture (£10.9 million) and the profit from our core real estate business after tax (£30.3 million).

Review of results

The loss before tax for the year was £22.9 million, comprising a pre-tax profit of £1.2 million (2003: £0.9 million) from the core real estate business of Minerva and the Group's share of Scarlett Retail's pre-tax loss, including exceptional costs and goodwill amortisation, of £24.1 million (2003: £6.1 million).

Minerva Net rental income has increased during the year by 10 per cent to £52.5 million (2003: £47.6 million). The increase principally arises from the full year rental contribution from the developments completed during last financial year at 90 High Holborn and 42-48 Wigmore Street and from acquisitions made during last year, together with acquisitions made during this financial year which include the Alders department store in Croydon. This was augmented by the agreed rental increase at Sampson House, where the annual rent increased from £7.25 million to £8 million in December 2003. Coupled with this were lower property outgoings when compared with the previous year which included one-off costs relating to the leasing of the completed developments.

Group net financing costs increased from £41.2 million to £42.4 million. The increase reflects the full year effect of interest charges on loan finance secured on the developments completed during the last financial year, new borrowings secured against other property investments and lower interest capitalised during the year. This was partly offset by higher interest receivable on the Group's cash deposits.

At 30 June 2004, the average interest cost of borrowing for the Group was 7.0 per cent (2003: 6.9 per cent) with a weighted average maturity of circa eight years (2003: nine years).

The Group tax charge for the year was £0.9 million (2003: £1.3 million) consisting of deferred taxation arising from capital allowances claimed and other timing differences which we are required to provide in accordance with FRS 19 'Deferred tax'. The Group has no liability to current UK corporation tax as there are losses brought forward and capital allowances available. Based on the latest property portfolio valuation, there is an estimated potential capital gains tax liability of approximately £75.5 million should the properties be sold and no capital allowances be retained by the Group. It, as expected, capital allowances claimed to date are retained by the Group, the potential capital gains tax liability is estimated to be £63.3 million.

Scarlett Retail Scarlett Retail's sole investment remains that of the Alders group which it acquired in February 2003. The Alders business has undergone a significant transformation, with new management implementing extensive change in order to redirect and improve the performance of the business. This has involved a complete reorganisation of the buying and merchandising function, including refocused product ranges, as well as improvements to the store layouts.

The speed with which this transformation has been effected has impacted the results for the year. Our share of the results of the joint venture contributed a loss of £22.6 million (2003: £1.1 million), before exceptional items and goodwill amortisation, to the Group's pre-tax results. After exceptional charges, goodwill amortisation and a tax credit of £2.4 million, we have recognised a loss of £21.7 million (2003: £4.3 million), representing our share of Scarlett Retail's results after tax.

In line with the Alders' policy of revaluing its properties every five years, the properties were revalued and the Group's share of the valuation surplus arising was £26.1 million and, when combined with our £6.4 million share of the gain resulting from the disposal of the Alders department store in Croydon to Minerva and our share of the loss after tax of the joint venture referred to above, has resulted in an increase in the carrying value of the Group's net investment in Scarlett Retail by circa £10.9 million.

The Group continues to account for Scarlett Retail as a joint venture under the gross equity method of accounting prescribed by FRS 9 'Associates and joint ventures', which requires the Group's share of Scarlett Retail's gross assets, gross liabilities and results to be included in the consolidated financial statements of the Group.

Net asset value and dividends

A final dividend of 2.13 pence per share is proposed. Together with the interim dividend of 1.07 pence per share already paid, this brings the total dividend for the year to 3.20 pence per share, an increase of 1.6 per cent on last year (2003: 3.15 pence).

Net asset value per share at 30 June 2004 was 379.5 pence per share (2003: 317.2 pence per share), an increase of 19.6 per cent. Adjusted net asset value per share, which writes back the deferred tax provision and, to reflect the core real estate business, excludes the investment in the Scarlett Retail joint venture, increased by 17.6 per cent from 318.5 pence per share to 374.7 pence per share.

Financing and structure

Minerva The Group finances its activities through a mixture of cash flow and borrowings. The Group seeks to gear selectively property investments with secured long-term bank debt, typically non-recourse, whilst holding a large amount of cash providing the Group with security, liquidity and flexibility. The Group deposits its cash with selected financial institutions with high credit ratings.

Total borrowings at 30 June 2004 were £690.7 million (2003: £670.2 million). Cash and short-term deposits were £103.9 million (2003: £141.2 million) and the Group had undrawn loan facilities of £2.9 million (2003: £2.9 million). The increase in net debt during the year of circa £57.8 million to £586.8 million largely reflects the property acquisitions made during the year, the expenditure incurred in bringing our development schemes to their present states, the acquisition of interest rate swaptions to hedge future interest rate exposure and the provision of short-term secured finance to Alders, partially offset by the net proceeds arising from the sale of The Brooks shopping centre.

In terms of its borrowings, the Group adopts a risk-averse hedging strategy with almost all of its borrowings, which are secured on property assets, at fixed rates. The Group continues to use interest rate derivatives to manage its interest rate profile and at 30 June 2004, 97 per cent (2003: 95 per cent) of Group borrowings were hedged under fixed or swapped-fixed interest rate agreements.

In addition, as part of a strategy to hedge interest rate exposure beyond the timeframe which exists under its existing loan agreements, the Group acquired, in August 2003, interest rate swaps with an 'exercise' interest rate of 5.25 per cent on principal loans totalling £175 million, which are scheduled to mature and be refinanced in the medium term.

The Group also seeks to borrow on a long-term basis to match, where possible, the income from leases. At 30 June 2004, 67 per cent (2003: 82 per cent) of the Group's borrowings were due to mature in more than five years.

At the year end, the fair value of the Group's debt and interest rate hedging derivatives, required to be disclosed under FRS 13 'Derivatives and other financial instruments', resulted in a notional cost of £15.1 million (2003: £86.7 million), which if taken to reserves after tax relief at 30 per cent, would reduce the Group's net asset value by £10.6 million (2003: £46.7 million), equivalent to 6.6 pence per share (2003: 29.1 pence per share). Further details are provided in note 21.

Scarlett Retail As I reported last year, Scarlett Retail was funded by ordinary and preference share capital of £14.2 million, of which Minerva's share was £10.4 million, and non-recourse bank debt provided by Lehman Brothers.

Following the sale of the Alders department store during the year, Scarlett Retail has restructured its financing to more closely align with its business requirements and, in doing so, has made repayments totalling £57.4 million against the bank loan used to acquire Alders and has refinanced Alders' working capital and short-term loan facilities. As part of this, Alders have been provided with a new short-term secured revolving loan facility by Minerva, Lehman Brothers and Barclays Bank, in which Minerva has agreed to provide funds of up to £10 million on commercial terms. At 30 June 2004, the amount outstanding to Minerva was £5.5 million.

The loan is expected to be repaid fully by January 2005.

At the end of the financial year, the joint venture had consolidated net borrowings of £137.0 million (2003: £162.4 million), consisting of loan borrowings of £139.9 million (2003: £164.4 million) less cash and short-term deposits of £2.9 million (2003: £2.0 million).

Financial reporting

During the year the Group adopted application note G to FRS 5 'Reporting the substance of transactions' which was issued by the Accounting Standards Board in November 2003. This has necessitated a restatement of comparative figures as detailed in note 2, with no resultant effect on the overall profitability of the Group.

International Financial Reporting Standards

International Financial Reporting Standards ('IFRS') are obligatory for UK quoted companies with accounting periods commencing on or after 1 January 2005.

Consequently, the Group intends to prepare consolidated financial statements in accordance with IFRS for the first time for the year ending 30 June 2006, and our first statements under IFRS will be for the six months ending 31 December 2005.

The likely impact of IFRS on the financial results of Minerva is currently under review. To date we have identified a number of principal areas of change, which are by no means exhaustive, and are likely to affect the way our results will be reported in future. These are set out below:

- the recording of property revaluation surpluses and deficits in the income statement, rather than the statement of recognised gains and losses;
- the recognition on the balance sheet of contingent tax that may arise on the disposal of investment properties;
- the marking to market of some, but not all, financial instruments;
- the recognition of head leases relating to the Group's leasehold properties as a financial liability, with a corresponding asset recognised within the property valuation;
- the recognition of the liability to pay a final dividend in the period when this has been approved by the shareholders; and
- the requirement to recognise the net liabilities of associates or joint ventures only to the extent that there is a legal or constructive obligation to do so.

We will continue to monitor developments and manage the transition to IFRS.

Ivan Ezekiel
Chief Financial Officer



Board of Directors

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Sir David Garrard FRICS
Chairman

Aged 65
Responsible for ensuring the effective running of the Board, for setting the long-term strategy of the Group and for ensuring the Board and its members are effectively assessed. He was the founder and senior partner of the London commercial estate agency, Garrard Smith and Partners, until his acquisition and privatisation of the publicly quoted Land Investors plc. Following the sale of his family's and his own interests in Land Investors in 1988, he founded, with Andrew Rosenfield, Minerva.

Andrew Rosenfield BSC MRICS
Chief Executive

Aged 42
Responsible for the implementation of the strategic objectives set by the Board, the appraisal of the executive management team and the effective day-to-day executive management of the business. He was co-founder of the Group in 1988, prior to which he worked for merchant bankers, Schroders, in their property division, Beristad Property Group, and alongside Sir David Garrard at Land Investors plc.

Paul Coster MRICS
Property Director

Aged 52
Responsible principally for the Park Place development activities in Croydon. 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 FIMM
Senior non-executive Director, Chairman of the Audit Committee and a member of the Remuneration Committee

Aged 67
Following six years at Peat Marwick Mitchell in 1960 he joined Wedd Durlacher Mordant, subsequently a major constituent part of Barclays de Zoete Wedd 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 and CEL International Limited and a non-executive Director of Corn Group PLC and Xpertise Group PLC. Appointed to the Board of Minerva in November 1996.

Christopher Sheridan FCIB MSI
Non-executive Director, Chairman of the Remuneration Committee and a member of the Audit Committee

Aged 61
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 Chairman of Yorkshire Building Society and non-executive Director of Alpha Bank London Limited, Hanover Acceptances Limited and Standard Bank London Limited. He is also a member of the International Executive Committee of the law firm Lovells. Appointed to the Board of Minerva in November 1996.

Executive management team

Ivan Ezekiel BSc FCA AFI
Chief Financial Officer

Aged 38
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 finance, accounting, tax and co-ordination of management and external reporting.

Tim Garham BSc
Group Development Director

Aged 47
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 the overall control of the Group's London development activities.

Edward Moody BSc MRICS
Asset Management

Aged 43
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 53
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 MRICS
Asset Management

Aged 41
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 MRICS
Property Development

Aged 34
Joined Minerva in May 1989, having previously worked at Land Investors plc. Together with Paul Coster, he is responsible for the development activities in respect of Park Place.

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Remuneration report

The Remuneration Committee

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

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

Remuneration policy

The remuneration policy is designed to motivate, reward and retain executives of the highest calibre in a way which is consistent with their contribution to the success of the Company, whilst aligning 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 discretionary bonuses and share options, to be the most effective mechanism of aligning the interests of the executive Directors with shareholders.

The remuneration packages currently comprise:

Basic salaries and benefits Basic salaries and benefits are reviewed by the Remuneration Committee having regard to a number of factors, including the responsibility and performance of the individual and competitive market practice. Benefits principally include the provision of a company car, medical insurance and life assurance cover.

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

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

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

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

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

Directors' remuneration

	Salary and fees		Bonus		Other benefits		Profit on exercise of share options		Total
	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000	Year ended 30 June 2003 £000
Executives									
Sir David Garrard	270	263	400	-	23	22	-	-	693
Andrew Rosenfeld	270	263	400	-	57	55	-	-	727
Paul Coster	155	150	100	100	39	38	25	-	319
	695	676	900	100	119	115	25	-	1,739
Non-executives									
Clive Richards	35	35	-	-	-	-	-	-	35
Christopher Sheridan	35	35	-	-	-	-	-	-	35
	70	70	-	-	-	-	-	-	70
Total	765	746	900	100	119	115	25	-	1,809
									961

Pensions

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

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 2004	Ordinary shares of 25 pence each 30 June 2003
Sir David Garrard	27,588,781	29,792,406
Andrew Rosenfeld	23,476,941	24,578,753
Paul Coster	1,435,857	1,435,857
Clive Richards	211,110	211,110
Christopher Sheridan	16,666	16,666

There has been no change in the beneficial and non-beneficial shareholdings of the Directors between 30 June 2004 and the date of this report.

Employee Share Option Schemes

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

Executive Share Option Schemes

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

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

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

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

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

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

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

During the year share options were granted to executive Directors and senior management. At 30 June 2004, the share options held by Directors in the Company were as follows:

Sir David Garrard

Scheme	At 1 July 2003	Granted during year	Exercised during year	At 30 June 2004	Exercise price	Exercise period
A	9,351	-	-	9,351	320.8p	Apr 2004 to Apr 2011
B	302,370	-	-	302,370	320.8p	Apr 2004 to Apr 2008
C	274,363	-	-	274,363	227.8p	Dec 2004 to Dec 2011
C	310,650	-	-	310,650	169.0p	Sep 2005 to Sep 2012
C	-	283,464	-	283,464	190.5p	Oct 2006 to Oct 2013

Andrew Rosenfield

Scheme	At 1 July 2003	Granted during year	Exercised during year	At 30 June 2004	Exercise price	Exercise period
A	9,351	-	-	9,351	320.8p	Apr 2004 to Apr 2011
B	302,370	-	-	302,370	320.8p	Apr 2004 to Apr 2008
C	274,363	-	-	274,363	227.8p	Dec 2004 to Dec 2011
C	310,650	-	-	310,650	169.0p	Sep 2005 to Sep 2012
C	-	283,464	-	283,464	190.5p	Oct 2006 to Oct 2013

Paul Coster

Scheme	At 1 July 2003	Granted during year	Exercised during year	At 30 June 2004	Exercise price	Exercise period
B	43,725	-	(43,725)	-	141.0p	Nov 1999 to Nov 2003
B	37,402	-	-	37,402	320.8p	Apr 2004 to Apr 2008
C	149,802	-	-	149,802	227.8p	Dec 2004 to Dec 2011
C	177,692	-	-	177,692	169.0p	Sep 2005 to Sep 2012
C	-	162,729	-	162,729	190.5p	Oct 2006 to Oct 2013

Scheme A: Approved 1996 Share Option Scheme.

Scheme B: Unapproved 1996 Share Option Scheme.

Scheme C: 2001 Discretionary Share Option Scheme.

The 2001 Discretionary Share Option Scheme provides for an individual limit on options granted to any participant of three times that participant's annual basic salary (other than in exceptional circumstances when this may be increased to four times) in any financial year of the Company. The grants to the executive Directors outlined above are equivalent to two times annual basic salary.

No other Directors have been granted share options in the shares of the Company or other group entities. None of the terms and conditions of the share options were varied during the year. No payment was made for the grant of any share options. All options were granted in respect of qualifying services.

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

The mid-market price of the Company's shares on the London Stock Exchange at 30 June 2004 was 245 pence per share. During the year the share price ranged from 179.5 pence to 261 pence.

Total shareholder return performance

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

Total returns 5yrs 2004 graph here

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

Non-executive remuneration

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

Service contracts, contracts of significance and notice periods

The service contracts of Sir David Garrard, Andrew Rosentfeld and Paul Coster are dated 21 November 1996. The contracts have no stated termination date but provide for the Directors and the Company to give notice periods of at least six months and twelve months respectively. No Director has contracted rights for compensation on early termination beyond payment of the contracted notice period. The Remuneration Committee reviews the service contracts periodically.

Non-executive Directors do not have service agreements. Letters of appointment are subject to the provisions of the Articles of Association dealing with appointment and rotation, and are subject to a notice period of three months.

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.

Auditable information

The Remuneration report consists of non-auditable information with the exception of the sections entitled Directors' remuneration and Pensions, and the details of share options held by Directors set out on page 31.

Approval

At the Annual General Meeting to be held on 25 November 2004, an ordinary resolution will be proposed approving this report.

For and on behalf of the Board

Christopher Sheridan Chairman of the Remuneration Committee
30 September 2004



Corporate governance

A summary of the system of governance adopted by the Company and the application of the principles contained in the Combined Code issued in June 1998 ("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.

Following the publication of the revised Combined Code in July 2003, the Board has reviewed its existing corporate governance arrangements in order to comply with the revised Combined Code where appropriate.

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 (other than as shareholders), are able to exercise independent judgement. Clive Richards was appointed during the year as the senior independent Director. The Board has not sought to comply with the provision of the Combined Code which requires the appointment of three non-executive Directors on the Audit Committee, believing such an appointment is not necessary given the composition of the Board.

All Directors have access to independent professional advice at the expense of the Company 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 no more than twelve months. Subject to reappointment by rotation, the continuing service of the non-executive Directors is reviewed by the Board periodically.

The Board, which is scheduled 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 monitoring 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 28 to 32.

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

Communication with shareholders

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

Internal control

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

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

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

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, to have three non-executive Directors on the Audit Committee and the absence of a senior independent Director for the earlier part of the year, the Company has complied throughout the financial year with the provisions of the Combined Code.

Statement of Directors' responsibilities

The Directors are required by UK company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit or loss, total recognised gains and losses and cash flows of the Group for that period. The Directors confirm that in preparing the financial statements for the year ended 30 June 2004, suitable accounting policies, in accordance with United Kingdom accounting standards, consistently applied and supported by reasonable and prudent judgements and estimates, have been used. The Directors also confirm that the going concern basis is appropriate. The Directors are responsible for maintaining proper accounting records, for safeguarding the assets of the Company and the Group, and for taking reasonable steps to prevent and detect fraud and other irregularities.

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

Report of the Directors

The Directors present their report and the audited financial statements of the Group for the year ended 30 June 2004.

Principal activities and review of the business

The principal activities of the Group are that of property investment, development and management. The Group also has a joint venture investment in Scarlett Retail Group Limited. A detailed review of the business of the Group, including the position at the year end and future prospects, is included in the Chairman's statement, the Chief Executive's business review and the Chief Financial Officer's review.

Results and dividends

The financial statements deal with the results of the Group for the year ended 30 June 2004 which are shown on page 39. The Directors recommend the payment of a final dividend of 2.13 pence per share in respect of the year ended 30 June 2004, which, subject to approval at the Annual General Meeting, will be payable on 15 December 2004 to shareholders listed on the Register of Members on 8 October 2004. This, together with an interim dividend of 1.07 pence per ordinary share, paid on 12 May 2004, makes a total dividend for the year of 3.20 pence per ordinary share.

Directors

The Directors of the Company at the date of this report are shown on page 26. Sir David Garrard and Christopher Sheridan 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 2004 and the date of this report.

Substantial shareholdings

The Company has been notified of the following substantial interests in the share capital of the Company as at 30 September 2004:

	Shares	Per cent
Fidelity International Limited and subsidiaries	21,366,142	13.29
Trustees of the A I Rosenfeld Trust*	17,281,169	10.75
Herling Limited	12,371,309	7.70
AXA Investment Managers	6,653,837	4.14
Trustees of the Garrard Rosenfeld Settlement	6,470,587	4.03
Legal & General Investment Management	6,135,298	3.82
Merrill Lynch Investment Managers	6,100,950	3.80
Aviva plc	5,192,768	3.23

*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 25 November 2004.

Declaration of final dividend The Directors have recommended the payment of a final dividend of 2.13 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.

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 nominal amount of £13,394,871. This amounts to 53,579,484 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, which is proposed as a special resolution, is to give the Directors authority until the date of the next Annual General Meeting, firstly, to carry out a rights issue without having to comply with the detailed requirements of Section 89 and Section 90 of the Act and, secondly, to allot equity shares for cash otherwise than by an issue pro rata to existing shareholders, up to an aggregate nominal amount of £2,009,230, which represents 5 per cent of the issued share capital of the Company at the date of this report.

The Directors consider that it is appropriate for these authorities to be granted and recommend shareholders to vote in favour of these resolutions as they unanimously intend to do so in respect of their own beneficial shareholdings. Except in relation to the 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 Company's Annual General Meeting.

Purchase of own shares At the 2003 Annual General Meeting, the shareholders passed a resolution granting to the Company authority to make market purchases of the Company's ordinary shares subject to certain specified limits. No shares have been purchased pursuant to this authority, which expires at the conclusion of the 2004 Annual General Meeting to be held on 25 November 2004. 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 24,094,894 ordinary shares of 25 pence each in the Company, which represents 14.99 per cent of the issued share capital of the Company at the date of this report, at no more than 105 per cent of the average of the closing mid market price for the ordinary shares of the Company for the five business days prior to the date of purchase, nor at less than 25 pence each.

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

Remuneration policy The Company's shareholders will be asked to approve the Remuneration report contained in the Annual Report and Accounts at the Annual General Meeting to be held on 25 November 2004 and resolution 5 is drafted accordingly.

Compliance with the Combined Code

A statement on Corporate governance is set out on pages 33 and 34.

Corporate social responsibility

The Group recognises that environmental and social considerations form part of its overall business strategy. The Group aims to conduct its business in a way that demonstrates good corporate responsibility.

During the past year the Group has reviewed its environmental and social influences and impacts, and developed a revised policy. In addition, the Group published its first Environmental and Social Report 'Working towards a sustainable future' as part of informing stakeholders of its policy, its achievements to date and its targets for the future.

The Group will continue to endeavour to work closely with its stakeholders including staff, managing agents, tenants, consultants and contractors to ensure that its policies are implemented effectively and high standards are achieved.

Health and safety

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

Suppliers

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

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

At the year end the Group had an average of 21 days (2003: 22 days) purchases outstanding.

Donations

During the year the Group made charitable donations of £96,000 (2003: £90,000). No political donations were made during the year.

Auditors

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

By order of the Board

Ivan Ezekiel Secretary

30 September 2004



38/39 Independent auditors' report to the members of Minerva plc

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

Respective responsibilities of Directors and auditors

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

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

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

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

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code (issued in June 1998) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

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

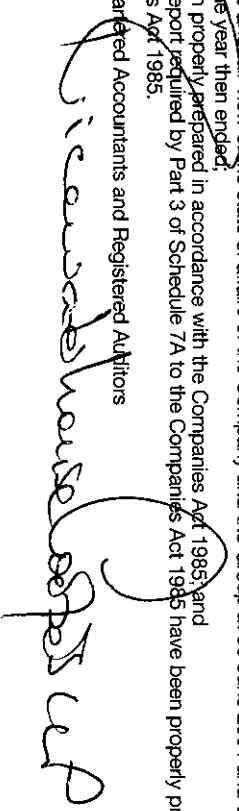
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 June 2004 and of the loss and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP Chartered Accountants and Registered Auditors
London
30 September 2004



Consolidated profit and loss account

For the year ended 30 June 2004

	Note	Year ended 30 June 2004 Total £000	Year ended 30 June 2003 (restated)* Total £000
Group and share of joint venture turnover	2	300,324	136,115
Less: Share of joint venture turnover	16	(238,887)	(78,256)
Group turnover	2	61,437	57,859
Property outgoings	2	(8,945)	(10,284)
Net rental income		52,492	47,575
Administrative expenses		(9,721)	(6,625)
Other income		289	196
Group operating profit	4	43,060	41,146
Share of joint venture operating loss	16	(16,144)	(4,026)
Total operating profit		26,916	37,120
Profit on sale of investment property		518	-
Income from investments		7	952
Group net financing costs	7	(42,359)	(41,210)
Share of joint venture net financing costs	16	(7,951)	(2,060)
Loss on ordinary activities before taxation		(22,869)	(5,198)
Taxation	8	1,507	465
Loss on ordinary activities after taxation		(21,362)	(4,733)
Dividends	10	(5,144)	(5,046)
Loss for the year		(26,506)	(9,779)
Loss per share	11	(13.3p)	(3.0p)

* Restated as described in note 2.

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

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Consolidated balance sheet

As at 30 June 2004

	Note	30 June 2004 £'000	30 June 2003 £'000
Fixed assets			
Investment properties	12	1,202,847	1,059,543
Tangible fixed assets	13	808	1,267
Investments	15	5,082	107
Investment in joint venture:	16	13,929	3,069
Share of gross assets		113,529	105,727
Share of gross liabilities		(114,272)	(115,890)
Goodwill		14,672	13,232
		1,222,666	1,063,986
Current assets			
Debtors	17	16,513	10,275
Cash at bank and in hand	18	103,898	141,168
		120,411	151,443
Creditors: Amounts falling due within one year	19	(48,831)	(43,827)
		71,580	107,616
Net current assets		1,294,246	1,171,602
Total assets less current liabilities		(678,077)	(658,290)
Creditors: Amounts falling due after more than one year	20	(6,116)	(5,223)
Provisions for liabilities and charges	22	(6,116)	(5,223)
Net assets		610,053	508,089
Capital and reserves			
Called up share capital	23	40,185	40,048
Share premium account	24	197,793	197,101
Revaluation reserve	24	370,905	241,413
Other reserves	24	41,795	41,795
Profit and loss account	24	(40,625)	(12,268)
Equity shareholders' funds		610,053	508,089
Net asset value per share	25	379.5p	317.2p
Adjusted net asset value per share	25	374.7p	318.5p

The financial statements were approved by the Board of Directors on 30 September 2004 and were signed on its behalf by:

D E Garrard Director
A I Rosenfeld Director



Parent Company balance sheet

As at 30 June 2004

	Note	30 June 2004 £'000	30 June 2003 £'000
Fixed assets			
Investment in subsidiary undertakings	14	48,179	48,179
Investment in joint venture	16	10,435	10,435
		58,614	58,614
Current assets			
Debtors	17	224,739	220,755
Cash at bank and in hand		5,310	5,136
		230,049	225,891
Creditors: Amounts falling due within one year	19	(3,954)	(3,538)
Net current assets		226,095	222,353
Total assets less current liabilities		284,709	280,967
Creditors: Amounts falling due after more than one year	20	-	-
Net assets		284,709	280,967
Capital and reserves			
Called up share capital	23	40,185	40,048
Share premium account	24	197,793	197,101
Revaluation reserve	24	-	-
Other reserves	24	14,315	14,315
Profit and loss account	24	32,416	29,503
Equity shareholders' funds		284,709	280,967

The financial statements were approved by the Board of Directors on 30 September 2004, and were signed on its behalf by:

D E Garrard Director
A I Rosenfeld Director



42/43 Consolidated cash flow statement

For the year ended 30 June 2004

	Note	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Net cash inflow from operating activities	30a	44,029	42,544
Dividend received from joint venture		1,750	–
Returns on investments and servicing of finance		(40,504)	(35,734)
Interest received		4,546	4,647
Interest paid		(44,653)	(41,051)
Income received from investments		7	1,622
Issue costs of long-term loans		(394)	(952)
Taxation		–	–
UK corporation tax		5,275	6,810
Capital expenditure and financial investment		(56,803)	(4,190)
Additions to investment properties		(58,980)	(30,410)
Additions to tangible fixed assets		(184)	(1,382)
Additions to investments		(5,024)	(5,594)
Receipts from sale of investment properties		12,798	–
Receipts from sale of tangible fixed assets		38	18
Receipts from sale of investments		49	33,178
Loan to joint venture		(5,500)	–
Acquisitions		(107)	(23,023)
Acquisition of subsidiary undertakings		(107)	(12,588)
Investment in joint venture		–	(10,435)
Equity dividends paid		(5,121)	(4,960)
Cash outflow before use of liquid resources and financing		(56,756)	(25,363)
Movement in liquid resources	30b/c	48,342	(21,186)
Financing		19,486	46,295
Issue of share capital		829	–
New long-term loans		41,500	136,029
Repayment of long-term loans		(22,843)	(89,734)
Increase/(decrease) in cash	30b/c	11,072	(254)

Statement of total recognised gains and losses

For the year ended 30 June 2004

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Loss on ordinary activities after taxation	(21,362)	(4,733)
Unrealised surplus/(deficit) on revaluation of investment properties	95,086	(44,823)
Share of joint venture unrealised revaluation surplus	26,116	-
Unrealised share of joint venture gain	6,439	-
Total recognised gains and losses for the year	106,279	(49,556)

Note of historical cost profits and losses

For the year ended 30 June 2004

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Loss on ordinary activities before taxation	(22,869)	(5,196)
Realisation of revaluation deficit of previous years	(1,851)	-
Historical cost loss on ordinary activities before taxation	(24,720)	(5,196)
Historical cost loss for the year retained after taxation and dividends	(28,357)	(9,779)

Reconciliation of movements in equity shareholders' funds

For the year ended 30 June 2004

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Loss on ordinary activities after taxation	(21,362)	(4,733)
Dividends	(5,144)	(5,046)
Unrealised surplus/(deficit) on revaluation of investment properties	(26,506)	(9,779)
Share of joint venture unrealised revaluation surplus	95,086	(44,823)
Unrealised share of joint venture gain	26,116	-
Unrealised share of joint venture gain	6,439	-
New share capital issued	829	-
Net movement in equity shareholders' funds	101,964	(54,602)
Opening equity shareholders' funds	508,089	562,691
Closing equity shareholders' funds	610,053	508,089

Notes to the financial statements

1. Accounting policies

The Group's accounting policies are as follows:

Accounting convention The financial statements have been prepared in accordance with the historical cost convention, as modified by the inclusion of investment properties at valuation, and in accordance with accounting standards currently applicable in the United Kingdom. The accounting policies applied are consistent with those used in preparing the previous audited financial statements except for the adoption of application note G to FRS 5 'Reporting the substance of transactions', which applies for the first time for this financial year, as disclosed in note 2.

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

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

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

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

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

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

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

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

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

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

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

1. Accounting policies continued

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 leasehold improvements is depreciated over the remaining life of the lease. Motor vehicles and fixtures and fittings are depreciated over their expected lives of between three and five years.

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

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

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

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

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

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

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

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

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

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

2. Comparatives

In November 2003, the Accounting Standards Board issued an amendment (application note G) to FRS 5, 'Reporting the substance of transactions'. Recoverable property expenses, which include service charge expenses and insurance, had previously been shown net of the contributions received from tenants within net property outgoings. Following the issue of application note G, the gross value of these expenses is included within property outgoings and the contribution from tenants is included within turnover. Concession sales and staff discounts were previously included in the Group's share of joint venture turnover. Following the issue of application note G, the Group's share of joint venture turnover includes commission only on concession sales and sales to staff net of discounts.

The effect of adopting application note G was to decrease Group and share of joint venture turnover by £64,264,000 (year to 30 June 2003: £14,268,000), increase Group turnover by £4,429,000 (year to 30 June 2003: £4,779,000) and increase net property outgoings by £4,429,000 (year to 30 June 2003: £4,779,000). The relevant disclosures have been restated, resulting in no change to the loss on ordinary activities for the respective periods. This is illustrated in the table below:

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Group and share of joint venture turnover		
As previously stated	364,588	150,383
Recoverable property expenses	4,429	4,779
Joint venture turnover	(68,693)	(19,047)
As restated	300,324	136,115
Group turnover		
As previously stated	57,008	53,080
Recoverable property expenses	4,429	4,779
As restated	61,437	57,859
Property outgoings		
As previously stated	(4,516)	(5,505)
Recoverable property expenses	(4,429)	(4,779)
As restated	(8,945)	(10,284)

3. Segmental information

Except for its investment in Scarlet Retail, details of which are set out in note 16, the Group's operations are confined to property investment and development within the United Kingdom.

4. Group operating profit

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Operating profit is stated after charging/(crediting):		
Auditors' remuneration for audit (Company: 2004: £19,000, 2003: £17,000)	100	97
Depreciation charge	616	530
Operating lease rentals - land and buildings	2,113	2,038
Profit on sale of tangible fixed assets	(12)	(7)
The Group's auditors also charged the following for provision of advisory services	65	21

5. Staff costs

	Year ended 30 June 2004	Year ended 30 June 2003
Average number of employees (including executive Directors) employed by the Group	33	31
	£000	£000
Staff costs for the above persons (including executive Directors):		
Wages and salaries	2,430	2,331
Discretionary bonuses	1,410	397
Social security costs	499	351
Other pension costs	35	33
	4,374	3,112

6. Directors' remuneration

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Aggregate emoluments	1,784	961
Emoluments of highest paid Director	727	318

Details of Directors' emoluments are set out in the tables in the Remuneration report on pages 28 to 32.

7. Group net financing costs

	Year ended 30 June 2004 £'000	Year ended 30 June 2003 £'000
Bank interest and charges	47,372	46,955
Capitalised during the year	(513)	(1,971)
	46,859	44,984
Interest receivable	(4,500)	(4,278)
	42,359	40,706
Exceptional charge relating to early loan repayments	-	504
	42,359	41,210

8. Taxation

	Year ended 30 June 2004 £'000	Year ended 30 June 2003 £'000
Corporation tax	-	-
Deferred tax – current year	1,487	1,291
Deferred tax – prior years	(594)	8
Group corporation tax charge	893	1,299
Share of tax credit of joint venture	(2,400)	(1,764)
Total taxation credit	(1,507)	(465)

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

	Year ended 30 June 2004 £'000	Year ended 30 June 2003 £'000
Total loss on ordinary activities before taxation	(22,869)	(5,198)
Adjustment for share of joint venture loss before taxation	24,095	6,086
Group profit on ordinary activities before taxation	1,226	888
Tax on profit on ordinary activities at 30 per cent	368	266
Income not taxable	(155)	(289)
Expenditure not deductible for tax purposes	862	238
Capital allowances	(4,181)	(893)
Tax losses and other timing differences	3,106	157
Sale of investments covered by losses	-	521
Corporation tax charge on Group profits	-	-

9. 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 £8,057,000 (2003: £9,333,000) is dealt with in the financial statements of the Company.

10. Dividends

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Interim dividend paid of 1.07 pence per share (2003: 1.05 pence)	1,720	1,682
Proposed final dividend of 2.13 pence per share (2003: 2.10 pence)	3,424	3,364
	5,144	5,046

11. Loss per share

Loss per share is calculated on a weighted average of 160,536,342 ordinary shares of 25 pence each in issue throughout the year (2003: 160,193,213 ordinary shares) and is based on losses attributable to ordinary shareholders of £21,362,000 (2003: £4,733,000). Due to the loss in the year, the share options do not have a dilutive effect.

12. Investment properties

Group	Freehold £000	Long leasehold £000	Total £000
At 1 July 2003: At valuation	732,901	327,649	1,060,550
Amount included within prepayments and accrued income	(66)	(941)	(1,007)
At 1 July 2003: Net book value	732,835	326,708	1,059,543
Additions	4,899	55,289	60,188
Disposals	-	(11,970)	(11,970)
Revaluation surplus	55,805	39,281	95,086
At 30 June 2004: Net book value	793,539	409,308	1,202,847
Amount included within prepayments and accrued income	1,857	796	2,653
At 30 June 2004: At valuation	795,396	410,104	1,205,500

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

The historical cost of properties at 30 June 2004 was £836,264,000 (2003: £789,697,000). The total amount of interest capitalised as part of the cost of investment properties at 30 June 2004 was £25,826,000 (2003: £25,313,000).

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Notes to the financial statements continued

13. Tangible fixed assets

Group	Leasehold improvements £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost				
At 1 July 2003	22	1,717	609	2,348
Additions	10	90	83	183
Disposals	-	(127)	(80)	(207)
At 30 June 2004	32	1,680	612	2,324
Depreciation				
At 1 July 2003	2	744	335	1,081
Charge for the year	-	489	127	616
Written back on disposals	-	(127)	(54)	(181)
At 30 June 2004	2	1,106	408	1,516
Net book value at 30 June 2004	30	574	204	808
Net book value at 30 June 2003	20	973	274	1,267

14. Investment in subsidiary undertakings

Parent Company	Total £000
At 1 July 2003	48,179
Movement in the year	-
At 30 June 2004	48,179

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

14. Investment in subsidiary undertakings continued

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

15. Investments

Group	Total £000
At 1 July 2003	107
Additions	5,024
Disposals	(49)
At 30 June 2004	5,082

During the year the Group acquired interest rate swaptions at a cost of £4,935,000 (see note 21 for further details).

16. Joint venture
Introduction The Group has an investment in Scarlett Retail Group Limited ("Scarlett Retail"), a joint venture with Lehman Brothers and Scarlett Retail's management team. Scarlett Retail was incorporated in England and Wales and acquired Alders plc, a UK department store and homeware retailer, in February 2003. Scarlett Retail operates in the United Kingdom. The Group's share of the profit and loss account, gross assets and gross liabilities of Scarlett Retail is derived from the audited consolidated financial statements for the period ended 26 June 2004 (2003: 28 June 2003).

The Group's interest in Scarlett Retail comprises an investment in the ordinary and preference share capital as follows:

	Amount held by Group £000	Amount held by Group %
Ordinary shares	100	60.0
Preference shares	14,063	10.375
	14,163	10.435

The ordinary shares held by the Group rank *pari passu* with the other ordinary shares.

The preference shares, which are cumulative and which have a coupon of 20 per cent per annum, are redeemable by 31 December 2008 or, if earlier, on a sale or listing of Scarlett Retail's shares.

On a return of capital, the assets of Scarlett Retail are to be applied to (i) the accrued unpaid dividend and related share capital to preference shareholders calculated to the date of return of capital (ii) *pari passu* to holders of ordinary shares.

The Scarlett Retail shareholders' agreement sets out certain restrictions over the Group's control of Scarlett Retail's operating and financial activities. The Directors consider that these represent "severe long-term restrictions" (as defined in FRS 2 'Accounting for subsidiary undertakings') on the Group's control of Scarlett Retail and accordingly the Group has accounted for its investment in Scarlett Retail under the gross equity method specified by FRS 9 'Associates and joint ventures'.

Investment

	Total £000
Net investment at 1 July 2003	3,069
Group share of loss after taxation for the year	(21,695)
Group share of unrealised revaluation surplus	26,116
Unrealised share of joint venture gain	6,439
Net investment at 30 June 2004	13,929

During the year the Group purchased a property from Scarlett Retail for £48,825,000. This resulted in a profit on disposal in the results of Scarlett Retail. In accordance with FRS 9 'Associates and joint ventures' the Group's share of the profit of £6,439,000 is not recognised in the consolidated profit and loss account and is instead treated as an unrealised gain.

16. Joint venture continued

	30 June 2004 £000	30 June 2003 £000
Goodwill		
At 1 July 2003	13,232	-
Acquisition during the year	-	13,468
Fair value adjustment	2,266	-
Amortisation charge	(826)	(236)
At 30 June 2004	14,672	13,232

The fair value of the Group's share of Scarlett Retail's assets and liabilities acquired has been re-assessed at the end of the first full year of ownership in accordance with FRS 7 'Fair values in acquisition accounting'. An adjustment was made in respect of additional liabilities identified during the year.

Summarised financial information The Group's share of the consolidated profit and loss account, gross assets and gross liabilities of Scarlett Retail are as follows:

	Year ended 30 June 2004 £000	Period ended 30 June 2003 (restated)* £000
Summarised share of profit and loss account		
Turnover	238,887	78,256
Operating (loss)/profit before exceptional items and goodwill	(14,654)	1,002
Exceptional item - restructuring costs	(864)	(4,792)
Goodwill amortisation	(826)	(236)
Operating loss	(16,144)	(4,026)
Net financing costs	(7,951)	(2,060)
Loss before taxation	(24,095)	(6,086)
Taxation	2,400	1,764
Loss after taxation	(21,695)	(4,322)

*Restated as described in note 2.

16. Joint venture continued

	As at 30 June 2004 £000	As at 30 June 2003 £000
Summarised share of gross assets		
Tangible fixed assets	72,134	70,357
Current assets	41,395	35,370
	113,529	105,727
Summarised share of gross liabilities		
Creditors: Amounts falling due within one year	(65,725)	(34,278)
Creditors: Amounts falling due after more than one year	(39,131)	(70,796)
Provisions for liabilities and charges	(9,416)	(10,816)
	(114,272)	(115,890)

Pension Scarlett Retail's wholly-owned subsidiary, Alders Limited, operates a funded pension scheme in the UK providing benefits based on final pensionable salary (the "Scheme"). The Scheme, which was closed to further pension contributions with effect from 31 March 2004, is funded in accordance with the advice of the Scheme actuary, is subject to independent actuarial valuations every three years and has its assets held in separate trustee administered funds. The latest full actuarial valuation of the Scheme was carried out as at 30 September 2003 and showed that the market value of the assets of the Scheme was sufficient to cover 88 per cent of the benefits that had accrued to members after allowing for future salary increases. This was updated to 26 June 2004 by a qualified independent actuary.

Had FRS 17 'Retirement benefits' been adopted early in full, the impact on the total net assets and profit and loss reserves would have been to reduce the Group's net assets and profit and loss reserves as follows:

	2004 Group share £000	2003 Group share £000
Net pension liability	5,101	6,807
Less amount already included under SSAP 24	(3,436)	(3,031)
	1,665	3,576

17. Debtors

	Group 30 June 2004 £000	Group 30 June 2003 £000	Parent Company 30 June 2004 £000	Parent Company 30 June 2003 £000
Loan due from joint venture	5,500	-	-	-
Amounts owed by subsidiary undertakings	-	-	224,616	218,882
Other debtors	5,829	5,244	6	1,750
Prepayments and accrued income	5,184	3,281	117	123
Dividend due from joint venture	-	1,750	-	-
	16,513	10,275	224,739	220,755

18. Cash at bank and in hand

Cash at bank includes £2,684,000 (2003: £4,651,000) retained in rent accounts and not readily available to the Group for day-to-day commercial purposes.

19. Creditors: Amounts falling due within one year

	Group 30 June 2004 £'000	Group 30 June 2003 £'000	Parent Company 30 June 2004 £'000	Parent Company 30 June 2003 £'000
Bank/building society loans	8,809	7,687	-	-
Taxation and social security	1,607	1,260	2	3
Other creditors	6,076	6,346	-	2
Accruals and deferred income	28,913	25,131	527	130
Dividend payable	3,426	3,403	3,425	3,403
	48,831	43,827	3,954	3,538

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

	Group 30 June 2004 £'000	Group 30 June 2003 £'000	Parent Company 30 June 2004 £'000	Parent Company 30 June 2003 £'000
Bank/building society loans	678,077	658,290	-	-

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

21. Financial instruments

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

Financial assets The Group's financial assets comprise investments (note 15) and cash at bank and in hand (note 18). The cash at bank and in hand, consists mainly of short-term deposits with maturity periods of less than one year and earns interest at the rate prevailing at the time of the deposit for the term of the deposit.

Maturity of financial liabilities The debt maturity profile of the Group's bank and building society borrowings at 30 June 2004 is as follows:

	30 June 2004 £'000	30 June 2003 £'000
Less than one year	8,809	7,687
Between one and two years	17,291	8,137
Between two and five years	198,976	107,067
Over five years	465,668	547,261
	690,744	670,152
Unamortised loan issue costs	(3,858)	(4,175)
	686,886	665,977

21. Financial instruments continued
Undrawn facilities At 30 June 2004 the Group had undrawn loan facilities maturing as follows:

	30 June 2004 £000	30 June 2003 £000
Less than one year	2,000	2,000
Between one and two years	888	-
Between two and five years	-	888
	2,888	2,888

Interest rate risk profile of financial liabilities Fixed and floating rate liabilities of the Group as at 30 June 2004 are analysed as follows:

	30 June 2004		30 June 2003	
	Total £000	Weighted average interest rate %	Total £000	Weighted average interest rate %
Fixed and swapped-fixed rate debt	671,381	7.0	634,788	7.0
Floating rate debt	19,363	5.6	35,364	4.9
Total debt	690,744		670,152	

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

	30 June 2004		30 June 2003	
	Total £000	Weighted average period Years	Total £000	Weighted average period Years
Fixed rates	290,920	8.2	293,932	9.1
Swapped-fixed rates	380,582	5.9	340,870	6.7
Total	671,502		634,802	

Swapped-fixed arrangements have the effect of transforming floating rate liabilities into fixed rate liabilities. The weighted average interest rate shown for fixed rate liabilities is 7.0 per cent (2003: 7.0 per cent) and includes loan margins ranging from 0.8 per cent to 1.6 per cent with all inclusive interest rates ranging from 5.5 per cent to 8.1 per cent (2003: 5.5 per cent to 8.1 per cent).

Floating rate debt incurs interest at margins between 0.9 per cent and 1.6 per cent over LIBOR (2003: 0.9 per cent and 1.6 per cent).

The Group has also entered into a forward-dated swap for the same amount which is due to expire in March 2005 and which expires in December 2008. This is for £57,500,000 and will replace an existing swap for the same amount which is due to expire in March 2005.

In addition, as part of a strategy to hedge the interest rate exposure on the refinancing of existing loans as they mature in the medium-term, the Group has acquired interest rate swaptions during the year to hedge loan amounts totalling £175,000,000. The swaptions, which may be exercised on specific dates in 2007/8, have an exercise interest rate of 5.25 per cent and a total acquisition cost of £4,935,000.

21. Financial instruments continued

Fair values A valuation was carried out as at 30 June 2004 by J C Rathbone Associates Limited, to calculate the fair value of the Group's financial instruments on a replacement basis, taking into account the difference between fixed and fixed-swapped interest rates for the Group borrowings and the prevailing interest rates for the respective periods of the appropriate financial instruments.

The valuation at 30 June 2004 of the fixed rate loans and interest rate swaps referred to above are as follows:

	30 June 2004		30 June 2003	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Fixed rate loans	290,920	303,473	(12,553)	293,932
Derivative instruments:				
Interest rate swaps	-	3,511	(3,511)	-
Interest rate swaptions	(4,935)	(5,860)	925	-
	285,985	301,124	(15,139)	293,932
			360,597	(66,665)

The fair value at 30 June 2004 was £15,139,000 (2003: £66,665,000) greater than the book value, which if taken to reserves after tax relief at 30 per cent, would reduce the Group's net asset value by £10,597,000 or 6.6 pence per share.

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

	30 June 2004 £000	30 June 2003 £000
Unrecognised net losses on hedges at beginning of year	(28,693)	(9,632)
Net losses in previous years that were recognised during the year	6,961	5,875
Net losses arising on hedges in existence as at previous year end and not recognised during current year	(21,732)	(3,757)
Net gains/(losses) arising this year that were not recognised in current year	19,146	(24,936)
Unrecognised net losses on hedges at end of year	(2,586)	(28,693)
of which:		
Net losses expected to be recognised within one year	(2,679)	(8,440)
Net gains/(losses) expected to be recognised beyond one year	93	(20,253)
	(2,586)	(28,693)

The gains arising during the year reflect the effect of higher medium/long-term interest rates when measured against those prevailing at 30 June 2003.

Gearing Net gearing, measured as Group net debt (before offsetting unamortised loan issue costs) to equity shareholders' funds, was 96 per cent at 30 June 2004 (2003: 104 per cent).

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

Further details are set out in the Chief Financial Officer's review on pages 20 to 23.

22. Provisions for liabilities and charges

	Group 30 June 2004 £000	Group 30 June 2003 £000
At 1 July 2003	5,223	3,924
Charge for the year	893	1,299
At 30 June 2004	6,116	5,223
The provision which is entirely for deferred tax, comprises:		
Accelerated capital allowances and other timing differences	18,303	12,167
Losses available to offset	(12,187)	(6,944)
	6,116	5,223

On the basis that capital allowances claimed to date will not be retained by the Group, the potential amount of further taxation, for which no provision has been made and which could arise if the properties held as investments were sold at the values at which they appear in the balance sheet, has been estimated at £75.5 million. Tax losses of approximately £69.5 million have not been recognised in the balance sheet, of which approximately £56.7 million have been used to reduce the contingent tax.

If account is taken of the likelihood that capital allowances claimed to date will be retained by the Group, then the potential tax liability which could arise if the properties were sold at the values at which they appear in the balance sheet has been estimated to be £33.3 million. This is calculated on the same basis as above except that additional tax losses of £40.6 million would be available to reduce the contingent tax.

23. Called up share capital

	30 June 2004 £000	30 June 2003 £000	30 June 2004 Number	30 June 2003 Number
Authorised				
Ordinary shares of 25 pence each	75,000	75,000	300,000,000	300,000,000
Issued and fully paid				
At 1 July 2003	40,048	40,048	160,193,213	160,193,213
Issued on exercise of share options	137	-	545,240	-
At 30 June 2004	40,185	40,048	160,738,453	160,193,213

There have been no changes to the number of shares in issue between 30 June 2004 and the date of this report.

23. Called up share capital continued

At 30 June 2004 the following options granted to subscribe for new ordinary shares of 25 pence each under the Employee Share Option Schemes remained outstanding:

Period within which options are exercisable	30 June 2004 Number of shares	Subscription price Pence
November 1999 to November 2006	21,279	141.0
November 2000 to November 2004	70,034	185.6
November 2000 to November 2007	16,161	185.6
January 2001 to January 2005	110,153	199.7
January 2001 to January 2008	15,020	199.7
September 2001 to September 2005	108,106	157.3
September 2001 to September 2008	19,077	157.3
April 2004 to April 2008	1,119,044	320.8
April 2004 to April 2011	28,053	320.8
December 2004 to December 2011	1,464,245	227.8
September 2005 to September 2012	1,666,385	169.0
October 2006 to October 2013	1,416,962	190.5

At 30 June 2004 the following options granted to subscribe for new ordinary shares of 25 pence each under the Company's Sharesave Scheme remained outstanding:

First exercisable date	30 June 2004 Number of shares	Subscription price Pence
December 2005	62,483	122.8
December 2006	8,450	152.8
June 2007	3,122	212.0
December 2007	13,375	122.8

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Notes to the financial statements continued

24. Reserves

Group	Share premium account £'000	Revaluation reserve £'000	Other reserves £'000	Profit and loss account £'000
At 1 July 2003	197,101	241,413	41,795	(12,268)
Premium on exercise of share options	692	-	-	-
Surplus on revaluation of investment properties	-	95,086	-	-
Share of joint venture revaluation surplus	-	26,116	-	-
Unrealised share of joint venture gain	-	6,439	-	-
Amount realised on property disposals	-	1,851	-	(1,851)
Loss for the year	-	-	-	(26,506)
At 30 June 2004	197,793	370,905	41,795	(40,625)
Parent Company				
At 1 July 2003	197,101	-	14,315	29,503
Premium on exercise of share options	692	-	-	-
Profit for the year	-	-	-	2,913
At 30 June 2004	197,793	-	14,315	32,416

25. Net asset value per share

Net asset value per share is calculated on 160,738,453 ordinary shares of 25 pence each in issue at 30 June 2004 (2003: 160,193,213) and is based on net assets attributable to shareholders of £610,053,000 (2003: £508,089,000).

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

	30 June 2004 £'000	30 June 2003 £'000
Net assets	610,053	508,089
Add: Deferred tax provision	6,116	5,223
Less: Investment in joint venture	(13,929)	(3,069)
Adjusted net assets	602,240	510,243

26. Capital commitments

Capital expenditure commitments contracted, but not provided for, at 30 June 2004 were £793,000 (2003: £nil).

27. Commitments under operating leases

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

	30 June 2004 £'000	30 June 2003 £'000
Under leases expiring in more than five years	2,055	1,995

28. Contingent liabilities

The Company has guaranteed external borrowings of some of its subsidiary undertakings, which at the balance sheet date amounted to £175,863,000.

29. Related party transactions

During the year, the Group acquired the Alders department store in Croydon for £48,825,000 from Shotvent Limited. In addition, a new short-term secured revolving facility has been made available to Alders Department Stores Limited in which Minerva has agreed to provide funds of up to £10,000,000. Shotvent Limited and Alders Department Stores Limited are both wholly owned subsidiaries of Scarlett Retail. Further details are set out in the Chairman's statement, the Chief Executive's business review and the Chief Financial Officer's review.

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

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Group operating profit	43,060	41,146
Depreciation charge	616	530
Profit on sale of tangible fixed assets	(12)	(7)
Movement in debtors	(2,724)	(1,840)
Movement in creditors	3,089	2,715
Net cash movement from operating activities	44,029	42,544

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

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Increase/(decrease) in cash during the year	11,072	(254)
Cash (inflow)/outflow from movement in liquid resources	(48,342)	21,186
Cash inflow from movement in debt financing	(18,263)	(45,343)
Other movements	(2,646)	(5,955)
Movement in net debt during the year	(58,179)	(30,366)
Opening net debt	(524,809)	(494,443)
Closing net debt	(582,988)	(524,809)

30. Notes to the consolidated cash flow statement continued
c. Analysis of changes in net debt

	At 1 July 2003 £000	Cash flow £000	Other non-cash movements £000	At 30 June 2004 £000
Net cash:				
Cash at bank and in hand	141,168	(37,270)	-	103,898
Less: Liquid resources	(133,421)	48,342	-	(85,079)
	7,747	11,072	-	18,819
Liquid resources:				
Deposits included in cash	128,770	(46,375)	-	82,395
Restricted cash	4,651	(1,967)	-	2,684
	133,421	(48,342)	-	85,079
Bank and building society debt:				
Debt due within one year	(7,687)	7,687	(8,809)	(8,809)
Debt due after one year	(658,290)	(25,950)	6,163	(678,077)
	(665,977)	(18,263)	(2,646)	(686,886)
Total	(524,809)	(55,533)	(2,646)	(582,988)

31. Reconciliation of amounts highlighted in the Annual Report and Accounts

a. Profit before taxation arising from Minerva's core real estate business comprises:

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Loss on ordinary activities before taxation	(22,869)	(5,198)
Adjustments:		
Share of joint venture operating loss	16,144	4,026
Share of joint venture net financing costs	7,951	2,060
Profit before taxation arising from Minerva's core real estate business	1,226	888

b. The Group's share of Scarlett Retail's loss before exceptional items, goodwill amortisation and taxation comprises:

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Share of joint venture loss before taxation	(24,095)	(6,086)
Adjustments:		
Share of joint venture exceptional items	664	4,792
Goodwill amortisation	826	236
Share of Scarlett Retail's loss before exceptional items, goodwill amortisation and taxation	(22,605)	(1,058)

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that an ANNUAL GENERAL MEETING of the members of the Company will be held at the offices of Olswang, 90 High Holborn, London WC1V 6XX on 25 November 2004 at 9:00 am for the purposes of considering and, if thought fit, passing the following resolutions which will be proposed as Ordinary Resolutions and Special Resolutions as specified:

Ordinary resolutions

1. To receive and adopt the report of the Directors, the annual accounts and the auditors' report thereon for the year ended 30 June 2004.
2. To declare a final dividend of 2.13 pence per ordinary share for the year ended 30 June 2004, payable on 15 December 2004.
3. To reappoint Sir David Garrard as a Director of the Company.
4. To reappoint Christopher Sheridan as a Director of the Company.
5. To approve the Directors' Remuneration report set out in the annual report and accounts.
6. To reappoint PricewaterhouseCoopers LLP as auditors of the Company from the conclusion of this meeting to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the Directors to determine their remuneration.
7. That the Directors be, and they are hereby, generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities within the meaning of Section 80 of the Companies Act 1985 ('the Act') up to an aggregate nominal amount of £13,394,871 provided that this authority shall expire 15 months from the date of the passing of this resolution or, at the conclusion of the Company's next Annual General Meeting, if earlier, and so that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

Special resolutions

8. That, subject to the passing of resolution 7 above, the Directors be, and they are hereby, empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) pursuant to the authority conferred by resolution 7 above for cash as if sub-Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment:
 - a. of equity securities in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and
 - b. (otherwise than pursuant to sub-paragraph a. above) of equity securities up to an aggregate nominal amount not exceeding £2,009,230; and shall expire at the conclusion of the next Annual General Meeting of the Company to be held after the passing of this resolution or 15 months from the date of this resolution, whichever is the earlier, so that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

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Notice of Annual General Meeting continued

9. That the Company be, and it is hereby generally and unconditionally authorised for the purpose of Section 166 of the Companies Act 1985 to make one or more market purchases (within the meaning of Section 163(3) of the Act) of ordinary shares of 25 pence each in the capital of the Company upon such terms and in such manner as the Directors of the Company shall determine, provided that:
- a. the maximum aggregate number of ordinary shares hereby authorised to be purchased is 24,094,694;
 - b. the minimum price which may be paid for such ordinary shares is 25 pence per share (exclusive of expenses);
 - c. the maximum price (exclusive of expenses) which may be paid for an ordinary share shall not be more than an amount equal to 105 per cent of the average of the closing middle market price for the ordinary share as derived from the Stock Exchange Daily Official List for the five business days immediately preceding the date on which the ordinary share is purchased;
 - d. unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2005 or 15 months from the date of the Annual General Meeting at which this resolution is passed, whichever is the earlier; and
 - e. the Company may make a contract or contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

By order of the Board

Ivan Ezekiel Secretary
25 October 2004



Notes

1. **Proxies** A member entitled to attend and vote at the Meeting convened by this notice is entitled to appoint one or more proxies (who need not be members) to attend and, on a poll, vote instead of him. A form of proxy is enclosed for the use of members. To be effective it must be completed and be deposited with the Company's Registrar, Capita Registrars, PO Box 25, Beckenham, Kent BR3 4BR (if sent by post), or Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU (if delivered by hand), so as to arrive at least 48 hours before the time of the Meeting.
2. **Documents for inspection** The following documents are available for inspection at the offices of Olswang, 90 High Holborn, London WC1V 6XX, during business hours on any weekday from the date of this notice until the conclusion of the Meeting: 2.1, a register of interests of Directors and their families in the shares of the Company; and 2.2, copies of all contracts of service under which Directors are employed by the Company.
3. **Right to attend and vote** The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that, only those persons whose names are entered on the register of members of the Company at 9.00 am on 23 November 2004 (or in the event that the Meeting is adjourned, on the register of members 48 hours before the time of any adjourned meeting) shall be entitled to attend the Meeting and to vote in respect of the number of ordinary shares registered in their names at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

Advisers to the Company

Registrars

Capita IRG Plc
The Registry
34 Beckenham Road
Kent BR3 4TU

Stockbroker

Schroder Salomon Smith Barney
Citigroup Centre
33 Canada Square
Canary Wharf
London E14 5LB

Financial advisers

HSBC Bank plc
8 Canada Square
Canary Wharf
London E14 5HQ

Lehman Brothers Europe Ltd
23 Bank Street
London E14 5LE

Solicitors

Olswang
90 High Holborn
London WC1V 6XX

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Valuers

Atis Real Weatheralls Ltd
Norfolk House
31 St James's Square
London SW1Y 4JR

Principal bankers

Barclays Bank PLC
PO Box 544
54 Lombard Street
London EC3V 9EX

Bradford & Bingley PLC
PO Box 88
Crossflats, Bingley
West Yorkshire BD16 2UA

ING BHF-Bank
61 Queen Street
London EC4R 1AE

Lloyds TSB Bank plc
25 Gresham Street
London EC2V 7HN

Nationwide Building Society
Kings Park Road
Moulton Park
Northampton NN3 6NW

The Royal Bank of Scotland PLC
135 Bishopsgate
London EC2M 3UR

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London W1G 9BR

Registered in England

2649607

Website

www.minervapl.c.co.uk

London

06:15 BST

The main images in this year's report are photographed during one day - and are captured either at the site or in the area of some of our key property and development locations.

Picture removed