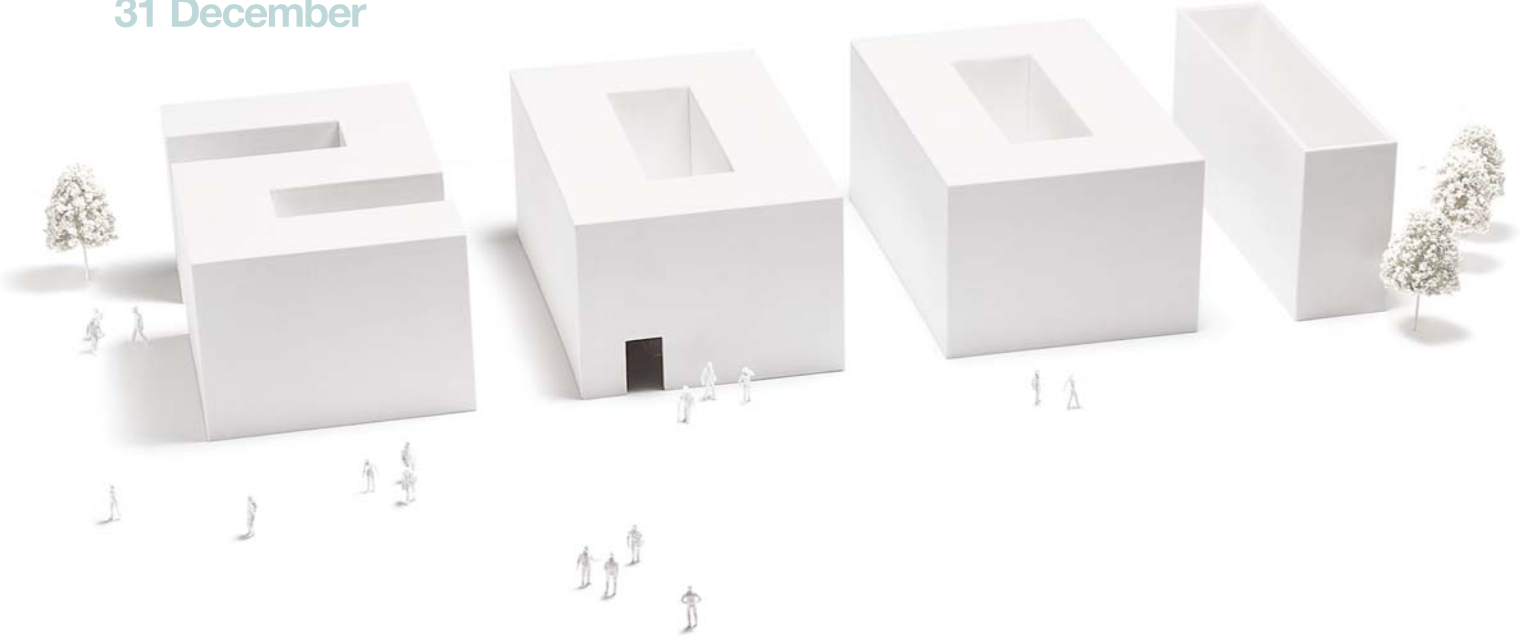
Minerva plc
Interim report
for the six months to 31 December



01 Financial highlights
02 Chairman's statement
04 Consolidated profit and loss account
05 Consolidated balance sheet
06 Statement of total recognised gains and losses
06 Reconciliation of movements in shareholders' funds
07 Summary consolidated cash flow statement
08 Notes to the accounts
12 Advisers to the Company

Financial highlights

Rental income increased to £24.3m
(December 2000: £22.8m)

Profit before tax increased to £4.4m
(December 2000: £4.1m)

Interim dividend per share increased to 1.03p
(December 2000: 1.0p)

Cash reserves of £116.7m
(June 2001: £123.4m)

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.

Chairman's statement

I am pleased to report that in the last six months we have continued to make good progress in all areas of our operations notwithstanding the tragic events of September 11th and the global economic uncertainties. We remain cautiously optimistic about the economic outlook and our priority has been to focus on the assets that we have created for our shareholders and simultaneously to lay the foundations for future growth.

For the six months ended 31 December 2001 profit before tax was £4.4 million compared with £4.1 million for the corresponding period last year. Rental income has increased to £24.3 million for the current period from £22.8 million last year. The results for the current period are stated after adopting FRS19 'Deferred Tax' and UITF 28 'Operating Lease Incentives', and for comparative purposes, the results for the six months ended 31 December 2000 and the year ended 30 June 2001 have been restated as set out in the notes to the accounts. Your Board has resolved to pay an interim dividend of 1.03 pence (2000: 1.0 pence) per share and this will be paid on 9 May 2002 to those shareholders on the register at close of business on 5 April 2002.

We are in the process of concluding a phased completion of our office development at 90 High Holborn. The majority of this 180,000 sq.ft. office building has already been leased to law firm, Olswang, and there remain only two floors which will, later this year, be available for leasing in the open market. This is a Headquarters office building of exceptional quality and, which, owing to its modern statement façade, will represent a significant landmark along High Holborn.

At St Botolph's, our plans to develop what will be the City's largest ever office building continue to move forward. A development on this scale, which will house over 10,000 people, has to be planned in meticulous detail and, as developers, we have a responsibility to do significantly more than just match market forces with product. We have embarked upon a programme of detailed discussions with the relevant consultative bodies and we are encouraged by the progress that has been made, which we expect will result in a planning application being made shortly. Our proposals involve the creation of a landmark office building extending to around one million sq.ft. It is clear that there is significant demand for this type of building from tenants and the St Botolph's site represents one of very few in the City that can meet this need on this scale.

In relation to our plans for Park Place, Croydon, we are moving ever closer to a decision by the Government Office for London. Our development team has continued to make progress in addressing those issues, particularly in relation to transport, which will determine whether our proposals are suitably aligned with the policies of the Government, The Mayor of London and Croydon Council. Park Place was conceived at the same time as the Government's policy for initiating an Urban Renaissance, and its key components reflect this. We believe that this development will elevate Croydon to become the prime location in South London.

Since 30 June 2001, we have increased our shareholding in Allders plc, our anchor tenant in Croydon, to 19.4 per cent.

Our two office developments in Wigmore Street are now near completion. The larger 31,000 sq.ft. building will be available for occupation within the next few months. The adjoining 13,000 sq.ft. building, fronting onto Welbeck Way but approached from Wigmore Street will become, from the Summer of this year, Minerva's new headquarters. As our business has evolved, the requirement for new facilities has become essential and this building will provide the modern fully integrated working environment that will enable us to function more efficiently.

We are fortunate to own an impressive central London property portfolio, which continues to provide the Group with stability of income and opportunities for future asset growth through the process of development. We have maintained a significant cash balance, which, at December totalled around £117 million and this position should enable us to take advantage of any new investment opportunities that may arise. I look forward to reporting further progress on our development programme with our full-year results later this year.

David Garrard Chairman
22 March 2002

Consolidated profit and loss account

For the six months ended 31 December 2001	Note	**(Unaudited) Six months to 31 December 2001 £000**	(Unaudited) Six months to 31 December 2000 (restated) £000	(Audited) Year to 30 June 2001 (restated) £000
Rental income		**24,273**	22,849	46,498
Net property outgoings		**(1,969)**	(2,378)	(4,819)
		22,304	20,471	41,679
Administrative expenses		**(2,464)**	(2,207)	(5,875)
Other income		**42**	68	124
Operating profit		**19,882**	18,332	35,928
Profit on sale of investment properties		**–**	848	848
Income from listed investments		**733**	423	798
Net loss on investment in quoted security		**–**	(48)	(24)
Net financing costs	3	**(16,213)**	(15,457)	(30,965)
Profit on ordinary activities before taxation		**4,402**	4,098	6,585
Taxation	4	**(472)**	(457)	(1,025)
Profit on ordinary activities after taxation		**3,930**	3,641	5,560
Dividends	5	**(1,650)**	(1,602)	(4,806)
Retained profit		**2,280**	2,039	754
Earnings per share:				
– basic	6	**2.5p**	2.3p	3.5p
– diluted	6	**2.4p**	2.3p	3.5p

The consolidated profit and loss account, consolidated balance sheet, summary consolidated cash flow statement and the other primary statements for the six months ended 31 December 2000 and the year ended 30 June 2001 have been restated for the adoption of the Accounting Standards Board's Urgent Issues Task Force Abstract 28 'Operating Lease Incentives' (UITF 28) and Financial Reporting Standard 19 'Deferred Tax' (FRS 19). See note 1.

Consolidated balance sheet

As at 31 December 2001	Note	**(Unaudited) As at 31 December 2001 £000**	(Unaudited) As at 31 December 2000 (restated) £000	(Audited) As at 30 June 2001 (restated) £000
Fixed assets				
Investment properties	7	**1,016,104**	874,256	988,508
Other fixed assets		**537**	503	604
Investments		**20,831**	11,715	15,960
		1,037,472	886,474	1,005,072
Current assets				
Debtors		**10,696**	9,363	8,135
Cash at bank and in hand		**116,651**	95,834	123,357
		127,347	105,197	131,492
Creditors: Amounts falling due within one year		**(37,271)**	(26,246)	(40,158)
Net current assets		**90,076**	78,951	91,334
Total assets less current liabilities		**1,127,548**	965,425	1,096,406
Creditors: Amounts falling due after more than one year		**(577,888)**	(510,533)	(549,498)
Provisions for liabilities and charges	8	**(2,933)**	(1,893)	(2,461)
		546,727	452,999	544,447
Equity minority interests		**(15,117)**	–	(15,117)
Net assets		**531,610**	452,999	529,330
Capital and reserves				
Called up share capital		**40,048**	40,048	40,048
Share premium account		**197,101**	197,101	197,101
Revaluation reserve		**252,719**	175,104	252,719
Other reserves		**41,795**	41,795	41,795
Profit and loss account		**(53)**	(1,049)	(2,333)
Equity shareholders' funds		**531,610**	452,999	529,330
Net assets per share	9	**331.9p**	282.8p	330.4p

Statement of total recognised gains and losses

For the six months ended 31 December 2001	**(Unaudited) Six months to 31 December 2001 £000**	(Unaudited) Six months to 31 December 2000 (restated) £000	(Audited) Year to 30 June 2001 (restated) £000
Profit on ordinary activities after taxation	**3,930**	3,641	5,560
Unrealised surplus on revaluation of properties	**–**	–	92,733
Equity minority interest share of surplus on revaluation of properties	**–**	–	(15,117)
Total recognised gains and losses for the period	**3,930**	3,641	83,176

Reconciliation of movement in shareholders' funds

For the six months ended 31 December 2001	**(Unaudited) Six months to 31 December 2001 £000**	(Unaudited) Six months to 31 December 2000 (restated) £000	(Audited) Year to 30 June 2001 (restated) £000
Profit on ordinary activities after taxation	**3,930**	3,641	5,560
Dividends	**(1,650)**	(1,602)	(4,806)
	2,280	2,039	754
Unrealised surplus on revaluation of investment properties	**–**	–	92,733
Equity minority interest share of surplus on revaluation of properties	**–**	–	(15,117)
New share capital issued	**–**	470	470
Net movement in shareholders' funds	**2,280**	2,509	78,840
Opening shareholders' funds	**529,330**	450,490	450,490
Closing shareholders' funds	**531,610**	452,999	529,330

Summary consolidated cash flow statement

For the six months ended 31 December 2001	Note	**(Unaudited) Six months to 31 December 2001 £000**	(Unaudited) Six months to 31 December 2000 £000	(Audited) Year to 30 June 2001 £000
Net cash inflow from operating activities	10a	**15,187**	15,339	38,734
Returns on investments and servicing of finance		**(14,907)**	(15,461)	(28,134)
Taxation		**–**	–	–
Net operating cash inflow/(outflow)		**280**	(122)	10,600
Capital expenditure and financial investment		**(28,740)**	(27,186)	(47,689)
Equity dividends paid		**(3,203)**	(2,979)	(4,650)
Cash outflow before use of liquid resources and financing		**(31,663)**	(30,287)	(41,739)
Movements in liquid resources		**3,300**	3,969	(15,672)
Financing		**24,957**	25,916	64,891
(Decrease)/increase in cash	10b	**(3,406)**	(402)	7,480

Notes to the accounts

1. Accounting policies

The financial information included in the Interim Report comprises the consolidated profit and loss account and balance sheet, statement of total recognised gains and losses, reconciliation of movement in shareholders' funds, summary consolidated cash flow statement and notes to the accounts. This has been prepared in accordance with the normal accounting policies of the Group, except for that disclosed below and in note 7 regarding valuation of investment properties.

The Group has adopted the Urgent Issues Task Force Abstract 28 'Operating Lease Incentives' (UITF 28) and Financial Reporting Standard 19 'Deferred Tax' (FRS 19) in the interim results for the period and restated comparative figures accordingly.

UITF 28 requires companies to spread lease incentives on a straight-line basis from the lease start date until the date on which a prevailing market rent becomes payable. The previous policy was to recognise income as it became payable under the terms of the lease. The Group has, therefore, changed its accounting policy for leases commencing on or after 1 July 2000.

FRS 19 requires that deferred tax is recognised in full in respect of transactions or events that have taken place by the balance sheet date and which could give the Group an obligation to pay more or less tax in the future. In accordance with FRS 19, the Group has changed its accounting policy to make full provision for timing differences, arising primarily from capital allowances.

The effects of adopting UITF 28 and FRS 19 for the current and comparative prior periods are as follows:

	Rental income £000	Taxation £000	Profit after taxation £000	Investment properties £000	Debtors £000	Equity shareholders' funds £000	Net assets per share pence
Six months ended 31 December 2001							
Before adopting UITF 28 and FRS 19	**24,273**	**–**	**4,402**	**1,016,646**	**10,138**	**534,527**	**333.7**
Effect of adopting UITF 28	**–**	**–**	**–**	**(542)**	**558**	**16**	**–**
Effect of adopting FRS 19	**–**	**(472)**	**(472)**	**–**	**–**	**(2,933)**	**(1.8)**
As stated	**24,273**	**(472)**	**3,930**	**1,016,104**	**10,696**	**531,610**	**331.9**
Six months ended 31 December 2000							
As previously reported	22,843	–	4,092	874,286	9,327	454,886	284.0
Effect of adopting UITF 28	6	–	6	(30)	36	6	–
Effect of adopting FRS 19	–	(457)	(457)	–	–	(1,893)	(1.2)
As restated	22,849	(457)	3,641	874,256	9,363	452,999	282.8
Year ended 30 June 2001							
As previously reported	46,482	–	6,569	989,050	7,577	531,775	332.0
Effect of adopting UITF 28	16	–	16	(542)	558	16	–
Effect of adopting FRS 19	–	(1,025)	(1,025)	–	–	(2,461)	(1.6)
As restated	46,498	(1,025)	5,560	988,508	8,135	529,330	330.4

2. Companies Act 1985

The financial information for the year to 30 June 2001 does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. It is extracted from the statutory accounts for that period, on which the auditors, PricewaterhouseCoopers, gave an unqualified report under Section 236 of the Companies Act 1985 which did not contain a statement under Section 237(2) or Section 237(4) of the Companies Act 1985. Statutory accounts for the year to 30 June 2001 have been delivered to the Registrar of Companies. These results have been restated as described in note 1.

The financial information for the six months to 31 December 2000 and 31 December 2001 is unaudited and has not been reviewed by the Group's auditors.

3. Net financing costs

	(Unaudited) Six months to 31 December 2001 £000	(Unaudited) Six months to 31 December 2000 £000	(Audited) Year to 30 June 2001 £000
Interest receivable	**2,800**	2,829	5,746
Interest payable and similar charges	**(21,645)**	(19,982)	(40,537)
Capitalised during the period	**2,632**	1,696	3,826
	(16,213)	(15,457)	(30,965)

4. Taxation

	(Unaudited) Six months to 31 December 2001 £000	(Unaudited) Six months to 31 December 2000 (restated) £000	(Audited) Year to 30 June 2001 (restated) £000
UK corporation tax	**–**	–	–
Deferred tax	**472**	457	1,025
	472	457	1,025

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

5. Dividends

The interim dividend of 1.03 pence (2000: 1.0 pence) per ordinary share is payable on 9 May 2002 to members on the register at close of business on 5 April 2002.

6. Earnings per share

Earnings per share have been calculated on a weighted average 160,193,213 ordinary shares of 25 pence each in issue throughout the period (year to 30 June 2001: 160,077,646 ordinary shares; six months to 31 December 2000: 159,963,963 ordinary shares), and have been based on profit on ordinary activities after taxation of £3,930,000 (year to 30 June 2001: £5,560,000 (restated); six months to 31 December 2000: 3,641,000 (restated)).

Diluted earnings per share have been calculated after allowing for the exercise of share options, and have been based on 160,502,332 ordinary shares of 25 pence each in issue throughout the period (year to 30 June 2001: 160,462,998 ordinary shares; six months to 31 December 2000: 160,350,596 ordinary shares).

7. Investment properties

Investment properties owned at 30 June 2001 are included in the balance sheet at 31 December 2001 at the independent valuation at 30 June 2001, as adjusted for UITF 28, plus costs incurred on the properties since that date, less disposals at valuation. Investment properties acquired during the period under review are included at the cost of acquisition plus any costs incurred on the property since the date of acquisition.

8. Provisions for liabilities and charges

	(Unaudited) Six months to 31 December 2001 £000	(Unaudited) Six months to 31 December 2000 (restated) £000	(Audited) Year to 30 June 2001 (restated) £000
As previously stated	**–**	–	–
Effect of FRS 19 prior year adjustment	**2,461**	1,436	1,436
Charge for the period	**472**	457	1,025
At end of period	**2,933**	1,893	2,461

9. Net assets per share

Net assets per share have been calculated on 160,193,213 ordinary shares of 25 pence each in issue at 31 December 2001 (30 June 2001: 160,193,213; 31 December 2000: 160,193,213) and have been based on net assets attributable to shareholders of £531,610,000 (30 June 2001: £529,330,000 (restated); 31 December 2000: £452,999,000 (restated)).

10. Cash flow statement

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

	(Unaudited) Six months to 31 December 2001 £000	(Unaudited) Six months to 31 December 2000 (restated) £000	(Audited) Year to 30 June 2001 (restated) £000
Operating profit	**19,882**	18,332	35,928
Depreciation charges	**181**	145	326
Profit on sale of tangible fixed assets	**(8)**	(2)	(21)
Movement in debtors	**(2,171)**	(1,212)	(757)
Movement in creditors	**(2,697)**	(1,924)	3,258
Net cash movement from operating activities	**15,187**	15,339	38,734

b. Reconciliation of net cash flow to net debt

	(Unaudited) Six months to 31 December 2001 £000	(Unaudited) Six months to 31 December 2000 £000	(Audited) Year to 30 June 2001 £000
(Decrease)/increase in cash during the period	**(3,406)**	(402)	7,480
Cash (inflow)/outflow from movement in liquid resources	**(3,300)**	(3,969)	15,672
Cash inflow from movement in debt financing	**(24,957)**	(25,446)	(64,421)
Other movements	**(3,591)**	(1,065)	(5,136)
Movement in net debt during the period	**(35,254)**	(30,882)	(46,405)
Opening net debt	**(429,231)**	(382,826)	(382,826)
Closing net debt	**(464,485)**	(413,708)	(429,231)

	(Unaudited) Six months to 31 December 2001 £000	(Unaudited) Six months to 31 December 2000 £000	(Audited) Year to 30 June 2001 £000
Net debt			
Debt due within one year	**(3,248)**	(2,965)	(3,090)
Debt due after one year	**(577,888)**	(506,577)	(549,498)
	(581,136)	(509,542)	(552,588)
Cash and short-term investments	**116,651**	95,834	123,357
	(464,485)	(413,708)	(429,231)

11. Copies of the Interim Report

Copies of the Interim Report are available from the Company Secretary at 10 Gloucester Place, London W1U 8EZ.

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