



Minerva plc Interim Report 2001

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Minerva plc 2001
Advisers to the Company

Registrars

Capita IRG Plc
Balfour House
390/398 High Road
Ilford
Essex IG1 1NQ

Stockbroker

Credit Suisse First Boston
1 Cabot Square
Canary Wharf
London E14 4QJ

Financial adviser

HSBC Investment Bank plc
Vintner's Place
68 Upper Thames Street
London EC4V 3BJ

Solicitors

Olswang
90 Long Acre
London WC2E 9TT

Auditors

PricewaterhouseCoopers
1 Embankment Place
London WC2N 6NN

Valuers

Weatherall, Green & Smith
22 Chancery Lane
London WC2A 1LT

Principal bankers

Barclays Bank PLC
50 Pall Mall
PO Box 15161
London SW1A 1QA

BHF-BANK AG
BHF-BANK House
61 Queen Street
London EC4R 1AE

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

Lloyds TSB Bank plc
St George's House
PO Box 787
6-8 Eastcheap
London EC3M 1AE

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

Registered office

25 Harley Street
London W1G 9BR

Registered in England

2649607

Highlights

Rental income increased to £22.8 million (1999: £18.2 million).

Profit before tax increased to £4.1 million (1999: £3.5 million).

Interim dividend increased to 1.0 pence per share (1999: 0.95 pence), payable on 17 May 2001.

Increased cash reserves of approximately £100 million.

Croydon Council resolved to grant planning permission for Park Place, the major town centre regeneration project. Totalling over one million sq.ft., Park Place will be anchored by a new Alders department store and will be one of the UK's largest new covered shopping centres.

Since December a new 25 year lease was granted in respect of Sampson House, London SE1, to Sema Global Recovery Services Ltd, guaranteed by Sema PLC. Under the terms of the deal, the existing Lloyds TSB Bank lease which produced a net income of £4.1 million per annum, was surrendered and replaced with an initial annual rent of £7.25 million per annum rising to £8 million in December 2003, £9.5 in December 2005 and thereafter subject to regular guaranteed increases throughout the duration of the new lease, rising to £16 million by the twentieth year.

The 45,000 sq.ft. office development on Wigmore Street is due for completion at the end of this year.

A joint venture with solicitors Olswang was agreed to develop a new Headquarters office building of 180,000 sq.ft. at 90 High Holborn, London WC1. Olswang will lease 142,000 sq.ft. of offices for a term of 20 years at £6 million per annum.

Increased stake in Alders plc to 11%.

Three properties in Thurrock, Derby and Preston were disposed of during the period for a total consideration of £8.8 million.

Since I last wrote to you some six months ago, we have continued to focus attention on major developments, whilst at the same time expanding our Central London asset base.

For the six months ended 31 December 2000 profit before tax was £4.1 million compared with £3.5 million for the corresponding period in 1999. Rental income over the period increased to £22.8 million compared with £18.2 million. The Directors have resolved to pay an interim dividend of 1.0 pence per share (1999: 0.95 pence) and this will be paid on 17 May 2001 to those shareholders on the register at close of business on 17 April 2001.

In August of last year Croydon Council resolved to grant planning consent for our major town centre regeneration project, which will be known as Park Place. This development, which will total over one million sq.ft., will represent one of the United Kingdom's largest new covered shopping centres integrated within the existing town centre fabric. We are currently liaising with The Government Office for London, with whom the resolution to formally grant consent sits, Transport for London and other interested organisations in order to clarify and refine our proposals prior to a final decision being reached.

Turning to our major City of London development projects, we presently have two consented schemes, totalling approximately one million sq.ft.; The Walbrook, London EC4 and St Botolph's House, London EC3. Both buildings will provide the highest quality office accommodation with floor plates of a size that are unique within the 'square mile'. The past six months has continued to provide evidence of strong demand from office occupiers and we look forward to capitalising upon the prevailing market conditions without subjecting the Group to the vagaries of speculative development.

Also in August of last year we announced a joint venture with solicitors Olswang to develop a new Headquarters office building of 180,000 sq.ft. at 90 High Holborn, London WC1. Olswang will take a new full repairing and insuring lease in respect of 142,000 sq.ft. of offices for a term of 20 years, at £6 million per annum. With the continuing strength in the 'mid-town' office market we are confident of leasing the remaining two floors of the building along with the two ground floor shops, which front High Holborn.

Our development in Wigmore Street is continuing apace with practical completion due in the Autumn of this year. This development will provide two new air-conditioned office buildings, totalling 45,000 sq.ft. centred around a private courtyard. Having mind to the prevailing market conditions, we would anticipate letting these properties prior to completion.

Sampson House, London SE1, which was acquired some three years ago, is located adjacent to the new Tate Gallery 'Bankside', and directly opposite our other major asset, Ludgate House, which we acquired last year from United News and Media. Under the terms of the deal the existing lease to Lloyds TSB Bank plc, which produced a net income of £4.1 million per annum was surrendered and a new 25 year lease was granted to Sema Global Recovery Services Limited, guaranteed by Sema PLC, at an initial annual rent of £7.25 million, rising to £8 million in December 2003, £9.5 million in December 2005 and thereafter subject to guaranteed increases in rent throughout the duration of the lease, rising to an annual rent of £16 million by the twentieth year. The lease contains a mutual break option in June 2018.

The Sema transaction typifies the entrepreneurial approach that we adopt in relation to our portfolio. The opportunity to transform the income stream from a relatively static cash flow to a guaranteed rising income stream over the term of the new lease has created a substantial enhancement to the Group's cash flow, whilst simultaneously unlocking further value from this property.

The Group has continued to be active in other arenas. As part of our continuing programme of rationalisation we have disposed of three smaller properties from our portfolio in Thurrock, Derby and Preston for a total consideration of £8.8 million. In addition, we have, since 30 June 2000, increased our shareholding in Alders plc, our anchor tenant in Croydon, where we now hold approximately 11 per cent of the shares in issue.

As the Company evolves and markets change, we have taken the opportunity of enhancing the Group's cash position, which currently stands at around £100 million. It is our view that the combination of large London development projects, medium to long-term financing and a sizeable cash base places us in a position of strength as we move forward.

David Garrard Chairman
30 March 2001

Consolidated profit and loss account

	(Unaudited) Six months to 31 December 2000	(Unaudited) Six months to 31 December 1999 £000	(Audited) Year to 30 June 2000 £000	£000
For the six months ended 31 December 2000 Note				
Rental income	22,843	18,194	39,797	
Net property outgoings	(2,378)	(2,015)	(4,453)	
	20,465	16,179	35,344	
Administrative expenses	(2,207)	(1,972)	(5,509)	
Other income	491	389	731	
Operating profit	18,749	14,596	30,566	
Profit on sale of investment properties		848	–	202
Net loss on investment in quoted security		(48)	–	(7)
Net financing costs 3	(15,457)	(11,098)	(23,756)	
Income/(charges) relating to early loan repayments		–	50	(6,056)
Profit on ordinary activities before taxation		4,092	3,548	949
Taxation 4	–	–	–	
Profit on ordinary activities after taxation		4,092	3,548	949
Dividends 5	(1,602)	(1,519)	(4,556)	
Transferred to/(withdrawn from) reserves in the period (3,607)			2,490	2,029
Earnings per share – basic and diluted		6	2.6p	2.7p 0.7p

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Consolidated balance sheet

	(Unaudited) As at 31 December 2000	As at 1999 Note	(Unaudited) As at 31 December 2000 £000	£000	(Audited) 30 June £000
Fixed assets					
Investment properties	7		874,286	714,360	848,600
Other fixed assets			503	1,718	1,648
Investments			11,715	11,018	10,997
			886,504	727,096	861,245
Current assets					
Amounts receivable from rights issue	8		–	71,373	–
Debtors			9,327	5,365	6,618
Cash at bank and in hand			95,834	51,287	100,205
			105,161	128,025	106,823
Creditors: amounts falling due within one year					
Amounts due in respect of property acquisition	9		–	(99,291)	–
Other creditors			(26,246)	(14,953)	(32,028)
Net current assets			78,915	13,781	74,795
Total assets less current liabilities			965,419	740,877	936,040
Creditors: amounts falling due after more than one year			(510,533)	(340,471)	(484,114)
Net assets			454,886	400,406	451,926
Capital and reserves					
Called up share capital			40,048	39,965	39,965
Share premium account			197,101	196,713	196,714
Revaluation reserve			175,104	108,172	165,526
Other reserves			41,795	41,795	41,795
Profit and loss account			838	13,761	7,926
Equity shareholders' funds			454,886	400,406	451,926
Net asset value per share	10		284.0p	250.5p	282.7p

Statement of total recognised gains and losses

	(Unaudited) Six months to 31 December 2000	(Unaudited) Six months to 31 December 2000	(Audited) Year to 30 June				
	1999	2000		£000	£000	£000	
For the six months ended 31 December 2000							
Profit for the financial period					4,092	3,548	949
Unrealised surplus on revaluation of properties					-	-	57,155
Total recognised gains and losses for the period					4,092	3,548	58,104

Reconciliation of movement in shareholders' funds

	(Unaudited) Six months to 31 December 2000	(Unaudited) Six months to 31 December 2000	(Audited) Year to 30 June				
	1999	2000		£000	£000	£000	
For the six months ended 31 December 2000							
Profit for the financial period					4,092	3,548	949
Dividends					(1,602)	(1,519)	(4,556)
					2,490	2,029	(3,607)
Unrealised surplus on revaluation of investment properties					-	-	57,155
New share capital issued					470	73,735	73,736
Costs on issue of new share capital					-	(2,579)	(2,579)
Net movement in shareholders' funds					2,960	73,185	124,705
Opening shareholders' funds					451,926	327,221	327,221
Closing shareholders' funds					454,886	400,406	451,926

Summary cash flow statement

	(Unaudited) Six months to 31 December 2000	(Unaudited) Six months to 31 December 2000	(Audited) Year to 30 June						
	1999	2000		Note	£000	£000	£000		
For the six months ended 31 December 2000									
Net cash inflow from operating activities						11a	15,339	12,240	32,680
Returns on investments and servicing of finance							(15,461)	(11,575)	(20,513)
Taxation							-	-	-
Net operating cash (outflow)/inflow							(122)	665	12,167
Capital expenditure and financial investment							(27,186)	(34,084)	(204,484)
Equity dividends paid							(2,979)	(2,292)	(3,814)
Cash outflow before use of liquid resources and financing							(30,287)	(35,711)	(196,131)
Movements in liquid resources							3,969	9,022	(43,529)
Financing							25,916	18,124	227,462
Decrease in cash							(402)	(8,565)	(12,198)

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 and summary consolidated cash flow statement. This has been prepared in accordance with the normal accounting policies of the Group, except for that disclosed in note 7 regarding valuation of investment properties, and does not constitute statutory accounts.

2. Companies Act 1985

The financial information for the year to 30 June 2000 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 2000 have been delivered to the Registrar of Companies.

3. Net financing costs

	(Unaudited) Six months to 31 December 2000 £000	(Unaudited) Six months to 31 December 1999 £000	(Audited) Year to 30 June 2000 £000
Interest receivable	2,829	1,522	4,113
Interest payable and similar charges	(19,982)	(12,620)	(28,093)
Capitalised during the period	1,696	–	224
	(15,457)	(11,098)	(23,756)

4. Taxation

No liability to mainstream UK corporation tax is expected to arise after taking account of losses brought forward and capital allowances available.

5. Dividends

The interim dividend of 1.0 pence (1999: 0.95 pence) per ordinary share is payable on 17 May 2001 to members on the register at close of business on 17 April 2001.

6. Earnings per share

Earnings per share have been calculated on a weighted average of 159,963,963 ordinary shares of 25 pence each in issue throughout the period (year to 30 June 2000: 144,213,094 ordinary shares; six months to 31 December 1999: 131,219,152 ordinary shares), and have been based on profit on ordinary activities after taxation of £4,092,000 (year to 30 June 2000: £949,000; six months to 31 December 1999: £3,548,000).

Diluted earnings per share have been calculated after allowing for the exercise of share options, and have been based on 160,350,596 ordinary shares of 25 pence each in issue throughout the period (year to 30 June 2000: 144,585,104 ordinary shares; six months to 31 December 1999: 131,681,999 ordinary shares).

The comparative earnings per share and weighted average number of shares in issue for the six months ended 31 December 1999 have been adjusted to reflect the bonus element in the 1 for 4 rights issue in 1999.

7. Investment properties

Investment properties owned at 30 June 2000 are included in the balance sheet at 31 December 2000 at the independent valuation at 30 June 2000 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. Amounts receivable from rights issue

The amounts receivable from the 1 for 4 rights issue in December 1999 represents the proceeds less commissions due at 31 December 1999.

9. Amounts due in respect of property acquisition

The amounts due in respect of property acquisition were settled in full in March 2000.

10. 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 2000 (30 June 2000: 159,858,601; 31 December 1999: 159,858,601) and have been based on net assets attributable to shareholders of £454,886,000 (30 June 2000: £451,926,000; 31 December 1999: £400,406,000).

11. Cash flow statement

	(Unaudited) Six months to 31 December 2000 £000	(Unaudited) Six months to 31 December 1999 £000	(Audited) Year to 30 June 2000 £000
<i>a. Reconciliation of operating profit to net cash movement from operating activities</i>			
Operating profit	18,749	14,596	30,566
Depreciation charges	145	121	289
Profit on sale of tangible fixed assets	(2)	(4)	(10)
Dividends receivable from listed investments	(423)	(388)	(652)
Movement in debtors	(1,206)	270	(1,876)
Movement in creditors	(1,924)	(2,355)	4,363
Net cash movement from operating activities	15,339	12,240	32,680
<i>b. Reconciliation of net cash flow to net debt</i>			
Decrease in cash during the period	(402)	(8,565)	(12,198)
Cash (inflow)/outflow from movement in liquid resources 43,529		(3,969)	(9,022)
Cash inflow from movement in debt financing	(25,446)	(17,655)	(162,241)
Other movements	(1,065)	(316)	(311)
Movement in net debt during the period	(30,882)	(35,558)	(131,221)
Opening net debt	(382,826)	(251,605)	(251,605)
Closing net debt	(413,708)	(287,163)	(382,826)
Net debt			
Debt due within one year	(2,965)	(1,934)	(2,872)
Debt due after one year	(506,577)	(336,516)	(480,159)
	(509,542)	(338,450)	(483,031)
Cash and short-term investments	95,834	51,287	100,205
	(413,708)	(287,163)	(382,826)

12. Copies of the Interim Report

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

