



23 February 2010

MINERVA PLC – HALF YEAR RESULTS

Minerva plc, the quoted real estate company, today announces its Half Year Results for the six months ended 31 December 2009.

Corporate highlights

During the period the Company was the subject of an unsolicited bid from its largest shareholder, Kifin Limited, which made an offer of 50 pence per share to acquire the remaining shares in Minerva it did not already own. The Board considered that this offer significantly undervalued the Company and its prospects, a view it communicated to shareholders and ultimately the takeover attempt was unsuccessful. Whilst this was a distraction for the Company, the Board has maintained its focus on delivering value for all its shareholders from Minerva's portfolio of first class developments in London.

Financial highlights

- Investment property valuation increase of 9.7 per cent (2008: decline of 26.5 per cent).
- Trading property valuation increase of 12.2 per cent (2008: decline of 7.7 per cent).
- Profit after tax of £45.6 million (2008: loss of £186.7 million).
- Net assets per share, reflecting trading properties at cost, increased to 1.9 pence per share (30 June 2009: net liability of 28.8 pence per share).
- Diluted EPRA net asset value per share increased by 116 per cent to 101.9 pence (30 June 2009: 47.1 pence).

Operational highlights

Progress continues on the Group's landmark developments in London and a number of key milestones have been achieved in the past six months:

- Successfully completed the refinancing of a number of the Group's loan facilities. The Group now has circa £1 billion of loan facilities in place, with no scheduled loan maturities either in the current or next financial year.
- Pre-leased 145,000 sq.ft. of The St Botolph Building to international law firm, Clyde & Co at £48 per sq.ft. The lease, which is for a term of 20 years, contains upward only rent reviews and no break clause. Approximately 45 per cent of the office space in this building is now pre-let, with practical completion on schedule for the summer of this year.
- Achieved practical completion on The Walbrook Building earlier this month. We are confident that, with the extremely limited supply of new offices in the City of London, the building will be successfully let on attractive terms. Discussions continue with prospective tenants.
- Construction at Lancaster Gate is advancing, with Planning Committee approval (subject to completing a S106 Agreement) recently obtained for this development to be an 'all private' scheme. Further 'off-market' sales at pricing levels significantly ahead of previously obtained prices have been achieved. The official marketing campaign of this ultra-prime residential development, incorporating a show apartment, will commence in late Spring 2010.
- Presented our case at the planning inquiry for the Ram Brewery development in Wandsworth, which concluded in December 2009 and a decision is expected by the middle of 2010.

- Acquired the minority equity interest and related profit share in the Odeon Kensington from Northacre plc for £2.25 million in December 2009. This scheme is now wholly owned by Minerva.
- Sold the property in Wigmore Street for £40.75 million, realising a 20 per cent premium over the book value at 30 June 2009.

Oliver Whitehead, Chairman of Minerva plc, said:

“There is real and growing evidence to show that we have now passed the cyclical low in the commercial property market. Minerva, with its well-located, high-quality portfolio of current and future developments, its strong funding platform and its experienced team, is well placed to outperform in an improving market environment.”

- End -

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CHAIRMAN'S STATEMENT

Despite the distraction created by an unsolicited and ultimately unsuccessful takeover attempt, the Board has maintained its focus on delivering value from Minerva's portfolio of first class developments in London. A number of significant milestones have been achieved in the financing, leasing and development areas of Minerva's business.

Operational progress

In September 2009, I was pleased to report that we had successfully concluded the refinancing and restructuring of the Group's loan facilities. Among other benefits, this provides the Group with no scheduled maturities in the current or next financial year and a sound financial platform to progress our developments.

With project finance securely in place, construction continued apace on our City of London properties. We achieved practical completion on The Walbrook Building earlier this month. We continue to remain confident that, with the extremely limited supply of new offices in the City of London, this property will achieve attractive leasing terms.

The St Botolph Building is planned to be completed in the summer of 2010. In December, I was pleased to report that Minerva achieved an important leasing milestone with the agreement to pre-let 145,000 sq.ft. of the building to international law firm Clyde & Co. This was concluded on competitive terms in what is now evidently an improving market for landlords. Approximately 45 per cent of the office space in this building has now been pre-let.

These two prime office developments are located in the City of London, where competing supply for such efficient large floor plate buildings has been severely curtailed by the scarcity of development funding and discussions continue with a number of prospective tenants for the remaining space.

We continue to make encouraging progress with our other projects. Construction at Lancaster Gate, behind the retained façades, is advancing, with the official launch of this ultra-prime development, incorporating a show apartment, scheduled for late Spring 2010.

Together with our advisory team, the Group presented its case at the planning inquiry for the Ram Brewery development in Wandsworth, which concluded in December 2009. A decision is expected by the middle of this calendar year.

In December 2009, following an extensive and competitive sale process, Minerva sold its property located at Wigmore Street, London W1 for £40.75 million, which represented a 20 per cent premium to the book value as at 30 June 2009.

In the same month, we acquired the minority interest in the Odeon Kensington, London W8 from Northacre plc, ensuring that the full profits from this development will accrue for the benefit of Minerva and its shareholders.

While discussions continue regarding the future of the Croydon Estate, we have been successful in generating short-term income from the estate, through the leasing of retail units on the site.

Financial results

There is a growing body of evidence, including transactions, market indicators and industry analysis showing that the UK real estate market continues to recover. A consensus has formed that we have passed the cyclical low for commercial property valuations, which commentators feel occurred at around the time when the Company last reported in the Summer of 2009.

This improvement in market conditions, coupled with the actions taken, has had a significant effect on the value of the Company's property portfolio, which is now valued at £979.9 million (30 June 2009: £807.0 million); an increase of 10.6 per cent in the period, after adjusting for expenditure and disposals. With the excellent funding platform we have in place, Minerva is geared to benefit from a recovering property market. This has been clearly demonstrated by our results for the period, where a 10.6 per cent net increase in the portfolio value has delivered a 116 per cent increase in diluted EPRA NAV per share.

Abortive offer for the Company and General Meeting

On 17 November 2009 KiFin, which held 29.9 per cent of the issued shares of Minerva, made an unsolicited offer to acquire the rest of the share capital of the Company at 50 pence per share. The Board of Minerva considered that the offer significantly undervalued the Company and recommended that shareholders did not accept it. The offer lapsed on 8 January 2010 with acceptances representing just 0.08 per cent of the issued share capital of Minerva.

At the Annual General Meeting of the Company held on 4 December 2009, KiFin voted against a number of the resolutions proposed, including my own reappointment. Excluding KiFin, over 99 per cent of shareholders who voted supported the resolutions but, because insufficient shareholders cast their votes, KiFin was able to defeat those resolutions. Following the Annual General Meeting, the Board independently resolved to reappoint me as Chairman for the duration of the offer. The Board took this decision based on its firm belief that Minerva should not be without an independent Chairman whilst being subject to an unsolicited offer and as it believed that I would properly represent the interests of all shareholders. This decision was also taken with reference to the level of support from independent shareholders.

The Board continues to believe that I should remain as independent Chairman and has decided to convene a General Meeting to allow shareholders to vote on this. A notice of this meeting has been sent to shareholders recently. The Board considers KiFin's actions at the Annual General Meeting to have been deliberately disruptive and it urges shareholders to cast their votes at the General Meeting on 5 March 2010 in favour of the proposed resolution, to ensure the interests of all shareholders are represented and protected.

The Board

On a separate matter of Board representation, in the 2009 Annual Report and Accounts the Board stated that it would look to supplement its non-executive membership when appropriate. Following the financial restructuring of the Company's loans and the lapse of KiFin's offer, the Board decided to make such an appointment and I am pleased to report, as previously announced, that Martin Pexton will be joining the Board on 6 April 2010. We welcome the significant experience that Martin will bring and we will, in due course, look to further strengthen the Board with the appointment of another non-executive Director.

Outlook

Minerva has a property portfolio of well-located, high-quality office and residential developments which are being delivered into supply constrained markets, both in the City and West End of London respectively. The substantial uplift in the value of our property portfolio reflects improving market conditions and signifies a recovering investment and occupational market, specifically in the sectors in which we operate. Minerva, with its prime real estate, its secure funding platform and its skilled and dedicated management team, is well-positioned to deliver and benefit from a further improvement in the property market.

The Board is focused on, and remains fully committed to, delivering the full value potential of the Company's portfolio for all shareholders.

Oliver Whitehead

Chairman

23 February 2010

BUSINESS REVIEW

OPERATIONAL REVIEW

CITY OF LONDON OFFICES

Market overview

The City office market recorded a marked recovery in activity in the second half of 2009. The first six months of 2009 saw take-up of just 1.7 million sq.ft., the lowest level of first half activity on record. However, the second half of the year saw take-up rise to 4.1 million sq.ft., with take up for the year at 5.8 million sq.ft. It should be noted that take-up in the third and fourth quarters of 2009, at 1.9 million sq.ft. and 2.2 million sq.ft. respectively is, in each quarter, ahead of the long-term average figure of 1.7 million sq.ft. per quarter. The market recovery has been driven by activity from overseas financial groups, insurers and professional firms.

Availability in the City in the fourth quarter of 2009 totalled 12.2 million sq.ft., 9 per cent lower than the 13.4 million sq.ft. seen in the second quarter. Currently there is just 2.9 million sq.ft. of space under construction speculatively in the City, down 54 per cent on two years ago. This is low given that the long-term average for new and refurbished take-up is 3.1 million sq.ft. per annum, and lack of development finance means few, if any, new schemes are starting. Some occupiers are bringing forward office searches in order to secure quality accommodation in the Square Mile before options become constrained, as expected in 2011 and 2012.

As a result of the shift in market dynamics in favour of the landlord, City prime rents increased in the final quarter of 2009 with evidence of reducing rent free periods. With the pipeline of new office developments dropping off we expect supply to continue to decline in 2010, and the improved economic outlook is expected to lead to a rise in take-up. There is growing concern among larger occupiers with forthcoming breaks and expiries in older buildings that there are limited options for major relocations. This bodes well for rental growth prospects. City prime rents are forecast to increase by around 20 per cent in 2010.

The Walbrook Building, London EC4

This prime office development has been designed by Foster & Partners and is located in the heart of the City, adjacent to the Mansion House and Bank of England. The completed scheme comprises some 445,000 sq.ft. of high quality Grade A office and retail accommodation.

In accordance with the quality of the Scheme, sustainability is an important feature of the building and it achieves an 'Excellent' design assessment rating under BREEAM (Building Research Establishment Environmental Assessment Method).

Since June 2009, considerable progress has been made on site and practical completion has now been achieved under the Design and Build Contract, with the construction cost being within budget.

Throughout the Autumn there has been active interest in this building set against a diminishing availability of large buildings in the City and a lack of new supply coming forward over the next three to four years. Against this backdrop, we are marketing the building and an update on progress will be provided in due course.

The St Botolph Building, London EC3

The St Botolph Building is located at the Eastern Gateway of the City of London. The completed building will provide some 560,000 sq.ft. of high quality Grade A office and retail accommodation and is due for completion towards the end of the Summer 2010. Grimshaw has designed this exciting new building which achieves a BREEAM design assessment rating of 'Very Good' for its environmental performance.

Construction is proceeding well on site with the external cladding nearing completion, atrium glazing being installed and significant progress being made on the mechanical and electrical installations.

Towards the end of 2009, we achieved a further letting of some 145,000 sq.ft. to Clyde & Co on a 20 year lease at an initial rental of £48 per sq.ft., upward only rent reviews and a rent free period of circa 36 months. This pre-leasing, together with the pre-leasing to Lockton International (84,000 sq.ft.), results in approximately 45 per cent of the offices in the building being let and places this development in a good position some eight months or so before completion. We will continue to market the remaining office space in a supply-constrained environment and have a number of discussions underway with prospective occupiers.

HIGH-END RESIDENTIAL

Market overview

The improvement in the prime London market continued to the end of 2009 with recent reported figures showing last quarter growth of circa 4.6 per cent. Purchaser activity gathered momentum through the year driven by cash-rich buyers not dependent on high levels of mortgage finance. Price growth has generally been most pronounced in the key markets for international buyers such as Chelsea, Kensington and St. John's Wood, although the strongest growth was in the prime South-West London markets, such as Fulham, Wandsworth and Richmond, driven by domestic demand.

At the top end of the prime market in Central London (+£10 million), traditionally fuelled by strong demand from international buyers, there is still solid demand for the best properties. Since our last review, evidence continues to suggest that good prices are being achieved for finished product at this end of the market, where supply is tight, which is reinforced by a lack of new schemes starting. The growth in this market was 3.1 per cent for the last quarter of 2009. The lack of availability of development finance will further constrain new project starts.

The relative weakness in sterling continues to make UK property good value to overseas buyers and is helping generate international demand, with the diversity of nationalities buying increasing each year.

Lancaster Gate, London W2

This property was acquired in July 2006. Planning permission for 192,000 sq.ft. of ultra-prime residential and affordable accommodation was originally obtained and finessed to provide 74 private residential apartments with underground parking and 11 affordable residential units. Importantly, in December 2009, we obtained planning committee approval to provide the affordable accommodation off-site and change the scheme to an 'all-private' development with 77 residential apartments. In this regard, the requisite off-site affordable accommodation has been acquired.

Construction continues, with practical completion for the whole scheme scheduled for early Summer 2011. There will be a comprehensive range of residential units, combining the historical features and the grand setting of the building overlooking Hyde Park, with contemporary design and facilities.

At 31 December 2009 we had achieved pre-sales for circa 27 per cent of the scheme by area. Further milestone deposits relating to these sales have been received from the purchasers in accordance with the contractual terms. Whilst no further sales had been planned until later this year, we have received continued interest from purchasers. As a consequence, some recent highly selective 'off-market' activity has resulted in further sales at the full asking price. Indeed one of these sales for a large lateral apartment has achieved in excess of £2,600 per sq.ft. This positive news bodes well for further sales on appropriate terms following the scheme's official launch, incorporating a show apartment, towards the end of May 2010.

To date, pre-sales for circa 29 per cent of the scheme by area has been achieved, generating in excess of £116 million of future revenue.

Odeon Kensington, London W8

This property was acquired towards the end of 2005 and is held freehold with a short-term lease to Odeon Cinemas which is subject to a development break clause. It is located in a prime residential area on the south side of Kensington High Street, just south of Holland Park.

Planning consent was granted in November 2008, for an all-private residential scheme of around 100,000 sq.ft. with 35 apartments, five town houses, a basement car park, multi-screen public cinema and off-site affordable housing.

Towards the end of 2009, we acquired Northacre's interest in the scheme for £2.25 million and the property is now wholly-owned by the Group.

At the current time development has not commenced and we are reviewing our options regarding this site.

Leinster House Hotel, London W2

This property was acquired in October 2007 and is located directly opposite our Lancaster Gate scheme. An income is derived from the hotel through a block-booking agreement with Westminster City Council. As previously reported, we will initiate discussions with the planning authorities regarding the redevelopment in due course and expect a future scheme on this site to benefit from the success of the Lancaster Gate development.

MIXED-USE

Ram Brewery, London SW18

The site consists of the Ram Brewery, Buckhold Road and Capital Studios – in all amounting to approximately 7.5 acres.

Following our planning application for this site in December 2008, Wandsworth Council resolved to grant planning consent for a high quality residential-led mixed-use scheme, which was supported by the Greater London Authority and Transport for London. The scheme is for over one million sq.ft. of accommodation, comprising approximately 1,000 apartments and 200,000 sq.ft. of retail, restaurant and office space. However in February 2009, the Secretary of State decided to call in the planning application for a local inquiry, which was held in November and December 2009. A decision is now expected in the middle of this calendar year.

A key component of the scheme and the public inquiry is the funding of the removal and re-organisation of the Wandsworth gyratory in lieu of a lower affordable housing requirement. Removal of the gyratory, funded by the scheme, is a rare opportunity to regenerate Wandsworth Town Centre. This, combined with the high sustainability targets set by the scheme, along with the provision of new exciting public areas and refurbishment of key heritage buildings, will make the scheme an important regeneration catalyst for the area.

Since the original site acquisitions, we further acquired in 2008 properties at 1–9 Church Row for £8 million. Partial completion of this acquisition took place towards the end of 2009, with completion of the balance in early 2010. These properties do not form part of the aforementioned planning application and we will consult in due course with the Planning Authority regarding its future redevelopment.

The Croydon Estate, London Borough of Croydon

Minerva's Croydon Estate comprises approximately 6.1 acres essentially divided into two large land holdings within the town centre. The existing buildings comprise approximately one million sq.ft. of offices dating from the 1960's and 1970's, one of the UK's largest department stores and additional retail and leisure accommodation.

Croydon Council's new 'Imagine Croydon' initiative, is now into the second stage following the initial consultation with land owners. The preferred options for the master plan of the town centre have recently been published. A further period of consultation will enable land owners and interested parties to make further comments.

Minerva, as one of the key strategic stakeholders in the central Croydon area, will play a major part in shaping the future development plan. The intensification of development incorporating significant increases in commercial and residential accommodation will seek to meet the aspiration of Croydon which has been identified and prioritised as the 'key' economic hub for growth in South London.

In the six months to 31 December 2009, the Group has concentrated efforts on generating income in the short and medium term from its existing properties. The focus to derive rent from the leasing of the vacant retail units has been very active and successful, with attention now being focused on the office accommodation where we are looking to improve occupancy levels.

FINANCIAL REVIEW

REVIEW OF RESULTS

Introduction

The results for the period have benefited from an improvement in the valuation of the Group's real estate portfolio since 30 June 2009, which is widely considered to have been a cyclical low for commercial property valuations.

Headline results

Basic net asset value per share at 31 December 2009 increased to 1.9 pence (30 June 2009: net liability per share of 28.8 pence). A more relevant measure of the Group's financial position is Diluted EPRA ('EPRA') net asset value per share, which incorporates the valuation of the Group's total property, including trading properties before taxation, and adds back the post-tax fair value on financial instruments at 31 December 2009. The EPRA net asset value per share increased by 116 per cent to 101.9 pence at 31 December 2009 (30 June 2009: 47.1 pence).

	31 December 2009	30 June 2009
	Pence	Pence
Net asset/(liability) per share - Basic	1.9	(28.8)
Net asset per share - EPRA	101.9	47.1

Income statement

Profit before tax, incorporating property revaluation movements of our investment portfolio only, has increased to £45.6 million (2008: loss of £188.9 million).

	6 months to 31 December 2009	6 months to 31 December 2008
	£m	£m
Net outgoings from ongoing operations	(3.0)	(0.8)
Fair value adjustments - Properties	55.5	(187.7)
- Derivative financial instruments	(9.9)	0.5
- Share of joint ventures	-	(0.8)
Gain/(loss) on sale of investment/owner-occupied property	6.6	(0.1)
Outgoings associated with KiFin offer	(2.3)	-
Other	(1.3)	-
Profit/(loss) before tax	45.6	(188.9)

Net property income decreased to £3.8 million during the period (2008: £5.0 million), principally as a result of higher property expenses and marketing costs expended on our active developments during the period as well as the loss of rental income arising from the sale of investment properties.

During the period, net financing costs increased by £13.4 million to £15.1 million, net of interest capitalisation of £21.6 million (2008: £15.3 million) on the Group's development projects. The increase in net finance costs is principally as a result of the movement in valuation of derivative financial instruments and lower interest receivable on the Group's cash deposits of £10.4 million and £2.6 million respectively. It should be noted that circa £6.0 million of the movement in valuation of derivative financial instruments related to a recycling of a hedge reserve through the income statement which, following the Group's refinancing during the period, no longer qualifies for hedge accounting, with no consequential effect on net assets.

Administrative expenses for the period increased by £1.7 million to £5.3 million. The increase is a result of the costs incurred in connection with the unsolicited approach and offer from KiFin for the shares not already owned in the Company. If these costs of £2 million were excluded, administrative expenses would have been lower than the corresponding period last year.

As referred to above, the Group's investment property performance has benefited during the period under review, partly as a result of strengthening investment yields for prime real estate, as well as an improvement to the financial terms expected to be obtained on leasing our City of London developments. We are delivering new large floor-plate buildings in the City of London, where existing and forecast competitive supply is restricted. This has been reflected in the valuation of our investment properties which has shown an increase of £55.5 million (2008: reduction of £187.3 million), after adjusting for acquisitions and expenditure in the period. The majority of this relates to our investments in the City of London development projects at The Walbrook Building and The St Botolph Building, and our scheme at the Ram Brewery, although some of the rest of the Group's portfolio has also seen an improvement.

The performance of our high-end residential projects at Lancaster Gate and Odeon Kensington, which had remained comparatively resilient during the downturn, has also shown a valuation increase in the period. The net increase in property valuation was £38.2 million, after adjusting for costs incurred in the period (2008: net decrease in value of £23.8 million). These properties are now valued at £351.1 million (30 June 2009: £292.2 million) and remain significantly above their historical cost carrying value.

The Group's operations have realised sufficient tax losses to ensure there is no liability to either corporation or a deferred tax (2008: credit £2.2 million). Although the investment properties have increased in value during the period, overall they are held at below the relevant tax-based cost.

The Group's profit for the period was £45.6 million (2008: loss of £186.7 million). No dividend has been paid or declared during this financial period (2008: £nil).

Statement of financial position

The Group's property portfolio has been valued by CB Richard Ellis Limited ('CBRE') at 31 December 2009. The investment property portfolio has been valued at £628.8 million (30 June 2009: £514.8 million) and the trading property portfolio at £351.1 million (30 June 2009: £292.2 million). In aggregate, after adjusting for acquisitions, disposals and expenditure in the period, the portfolio has increased by 10.6 per cent overall. The investment portfolio value has increased by 9.7 per cent and the trading portfolio by 12.2 per cent with, as mentioned earlier, only the investment portfolio revaluation movement being reflected in the income statement and statement of financial position.

Lancaster Gate and Odeon Kensington continue to be treated as trading properties at 31 December 2009 and are consequently stated at their historical cost of £202.4 million (30 June 2009: £181.6 million) in aggregate in the statement of financial position, in line with the accounting policy of the Group. The valuation of these properties by CBRE has therefore not been reflected in the Group's basic net asset value. We have nevertheless reflected the Group's estimated pre-tax share of the revaluation surplus of these properties in the EPRA net asset value.

A reconciliation of the movement in the valuation of the investment and trading properties is set out below:

	Investment properties £m	Trading properties £m
At valuation – 1 July 2009	514.8	292.2
Additions	92.5	20.8
Disposals	(27.0)	-
Revaluation	55.5	38.1
Amounts included within prepayments and accrued income	(7.0)	-
At valuation – 31 December 2009	628.8	351.1

There were no investment or trading property acquisitions during the period. As with the previous year, the additions in the period, under both categories of property, relate to expenditure, including capitalised interest, incurred progressing our active development programme. The investment properties sold during the period relate entirely to the part of 42 Wigmore Street held for investment purposes (2008: £2.7 million).

As noted earlier in the Business Review, the Group acquired Northacre plc's interest in Odeon Kensington for £2.25 million, excluding acquisition costs. This acquisition of Northacre's 5 per cent equity interest, together with their share of the future profit, now means that the property is entirely owned by Minerva for the future benefit of its shareholders.

The statement of financial position includes a deficit attributable to minority interest of £0.4 million (30 June 2009: surplus of £0.3 million) which now represents Northacre plc's interest in Lancaster Gate only. Northacre, who continue to have a 5 per cent equity stake in Lancaster Gate, can earn, subject to the achievement of pre-determined financial targets, an enhanced return. This has been estimated in arriving at the EPRA net asset value for the Group.

The table below reconciles net assets/(liabilities) as shown in the consolidated accounts to the definition of diluted net assets set out by EPRA.

	31 December 2009 £m	30 June 2009 £m
Basic net assets/(liabilities)	3.0	(46.4)
Group's share of:		
- Revaluation surplus on trading properties (pre-tax)	108.0	69.2
- Revaluation deficit on valuation of financial instruments (post-tax)	58.5	53.2
Diluted EPRA net assets	169.5	76.0

Group net debt at 31 December 2009 was £715.4 million (30 June 2009: £638.6 million), comprising borrowings of £778.1 million (30 June 2009: £720.9 million) reduced by cash and short-term deposits of £62.7 million (30 June 2009: £82.3 million). The increase in net debt during the period of £76.8 million is principally in relation to the expenditure incurred progressing the developments, the completion of the acquisition of the relevant properties in Church Row, and the purchase of the minority interest and profit share in Odeon Kensington; partially offset by the net proceeds arising from the disposal of properties.

	Half year ended 31 December 2009 £m	Year ended 30 June 2009 £m
Group borrowings		
Balance brought forward	720.9	526.6
Loan additions	87.3	215.0
Loan repayments	(27.1)	(18.8)
Loan amortisations	(0.9)	(1.9)
Loan issue costs	(2.1)	-
Balance carried forward	778.1	720.9

FINANCING

Overview

The activities of the Group are financed through a mixture of equity, cash and bank borrowings. As part of its normal activities, the Group finances acquisitions and funds developments with bank debt, while maintaining cash in reserve. Loans are arranged with banks with which the Group has long-standing relationships and cash is placed with selected financial institutions with good credit ratings.

The Group has a number of financings in place, with total committed loan facilities of approximately £1 billion. Further to the refinancings and loan restructurings completed during the period, the Group has undrawn loan facilities of circa £221.3 million, together with committed deposits, sufficient to enable the completion of the developments under construction and to hold them thereafter. The other properties are funded by a mix of site and investment loans. At 31 December 2009, the average interest cost of debt for the Group was 6.5 per cent (30 June 2009: 6.5 per cent), with a weighted average interest margin of 1.6 per cent (30 June 2009: 1.6 per cent), significantly below prevailing margins in the market.

Net debt as a proportion of the Group's total property portfolio at valuation was 73 per cent at 31 December 2009 (30 June 2009: 79 per cent).

Loan maturities

During the period under review, we extended four facilities totalling £144.3 million which were due to expire in 2010. Following this, the Group is now in the position where it has no scheduled loan maturities in the current or next financial year.

Financial covenants

As previously reported, during the period under review we concluded our discussions with our banks, and negotiated revised commercial terms for facilities approaching £600 million, which include, inter alia, the deferral of loan to value covenants, the removal of interest guarantees and related covenants, and the availability of additional tranches within the respective facilities to finance some post-completion interest. In return, the Group has pledged additional security, incorporated certain leasing targets and provided for an enhanced exit fee to the banks. Other than a facility totalling circa £19.1 million, which is in compliance based on the valuations at 31 December 2009, the Group has no net worth or loan to value covenants due to be tested during the financial years ending 30 June 2010 or 30 June 2011.

Interest rate management

With regard to risk management, the Group's policy is, where possible, to match the revenue profile from the properties with certainty in relation to interest costs. Where there is less certainty of revenue, for example as is the case where properties are being developed, we endeavour to hedge interest costs with swaps, caps and other financial instruments. In terms of interest rate hedging, we use interest rate derivatives to manage the interest rate profile and as at 31 December 2009, 96 per cent (30 June 2009: 96 per cent) of the Group's bank borrowings were hedged under interest rate swap agreements. In addition, the Group has in place forward-dated interest rate swap agreements to hedge future bank borrowings as we progress and hold our developments. Bearing in mind the unprecedented reduction in UK and world interest rates since Autumn 2008, the interest rate swap agreements historically put in place are at higher than prevailing interest rates and this position is reflected in the valuation of the Group's derivative financial instruments. EPRA net asset value adds back the Group's share of the non-cash valuation deficit of £58.5 million (30 June 2009: £53.2 million) on the basis that the swaps are held to maturity.

KEY RISKS AND UNCERTAINTIES

The Half Year Report has been prepared on the basis set out in note 1. The risks and uncertainties facing the Group are consistent with those outlined in the Annual Report and Accounts for the year ended 30 June 2009 and, in summary, revolve around the following areas:

Business environment

External economic and market factors may adversely affect the Group's business model. The Board specifically considers the risk these factors pose at an annual strategy review. They are also considered at each Board meeting as well as by management when making decisions.

Property market

The Group's speculative developments may suffer from poor market demand from tenants or buyers. We address this, in accordance with our strategy, by looking to situate our developments in supply-constrained sectors of the market in well-located areas of London. The Group's current developments, which are prime, are designed and priced to attract tenants or buyers and leading agents are employed to market them effectively.

The lack of competitive supply of new buildings, caused by the credit crunch, has improved the relative position of the Group. The leasing of the Group's commercial developments and the sale of the units within its residential developments represents an uncertainty upon which the Group remains focused.

Development

To help reduce the risk that planning permission may not be achieved for a development, we obtain appropriate expert advice and have detailed consultations with the relevant authorities and stakeholders. Alternative uses and design variations are also considered. In order to guard against delays created by unforeseen environmental or archaeological issues we undertake appropriate assessments and investigations. We carefully monitor our developments to guard against increased costs during construction, and enter into Design and Build contracts where possible and appropriate. We also appoint skilled professionals to help manage the projects and also provide contingencies. Changes in legislation, regulation or best practice, particularly in relation to planning and taxation, may impact the Group's schemes in progress and changes are closely monitored.

Finance

Appropriate financing needs to be in place to fund acquisitions and developments and to meet specific financial obligations and the Group places a strong emphasis on building long-term relationships with lenders. The Group, which has during the period completed a comprehensive refinancing and restructuring of its loan facilities, regularly monitors its ongoing cash requirements and its loan facilities for compliance with lenders' covenants. Movements in interest rates are monitored and hedged where appropriate, principally using interest rate swap agreements. The requirements for, and sources of, finance for the Company's future progress are continually kept under review.

Corporate responsibility

Health and safety is a key issue and procedures are in place to ensure compliance by the Group and its contractors with legislation, regulation and good practice. To address concern about the impact of the business on the environment, local communities and other stakeholders, the Group's developments are planned to meet and wherever possible exceed the requirements set out in environmental regulation and planning guidelines.

People

The Group addresses the attraction and retention of key management and employees by regularly reviewing salaries and benefits to ensure that their remuneration is competitive. The Group seeks to align the rewards of Directors and other employees with the Group's achievements and performance.

The potential impact on the Group, were any of these risks to materialise, depends on the severity of the event. The Group has in place a control environment that is regularly monitored and which identifies risks to the Group, addressing them with measures to mitigate their impact. The Group seeks to attain the appropriate balance whereby the opportunities and their associated risks are identified and explored.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that this condensed consolidated financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the Chairman's Statement and Business Review herein include a fair review of the information required by 4.2.7 and 4.2.8 of the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

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.

The Directors of Minerva plc, listed in the 2009 Annual Report and Accounts and on the Further Information page at the end of this document, have been Directors throughout the period.

By order of the Board

Salmaan Hasan

Chief Executive

23 February 2010

INDEPENDENT REVIEW REPORT TO MINERVA PLC

Introduction

We have been engaged by the company to review the condensed consolidated financial information in the half-yearly financial report for the six months ended 31 December 2009, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement, comparative figures and associated notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed consolidated financial information included in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for, and only for, the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial information included in the half-yearly financial report for the six months ended 31 December 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP

Chartered Accountants
23 February 2010
London

CONSOLIDATED INCOME STATEMENT
For the six months ended 31 December 2009

		(Unaudited) Six months to 31 December 2009 <u>£'000</u>	(Unaudited) Six months to 31 December 2008 <u>£'000</u>	(Audited) Year to 30 June 2009 <u>£'000</u>
Continuing operations				
Revenue	2	6,462	6,949	13,532
Property outgoings	2	<u>(2,633)</u>	<u>(1,987)</u>	<u>(8,374)</u>
Net property income	2	3,829	4,962	5,158
Administrative expenses		(5,299)	(3,588)	(6,919)
Other income		89	53	319
Profit/(loss) on sale of investment properties		3,615	(95)	(92)
Profit on sale of owner occupied property		3,012	-	-
Impairment of owner occupied property	8	-	(397)	(2,750)
Movement on revaluation of investment properties	7	<u>55,464</u>	<u>(187,271)</u>	<u>(281,857)</u>
Operating profit/(loss)		60,710	(186,336)	(286,141)
Finance costs	3	<u>(17,798)</u>	<u>(5,989)</u>	<u>(10,712)</u>
Finance income	4	<u>2,676</u>	<u>4,265</u>	<u>7,619</u>
Net finance costs		(15,122)	(1,724)	(3,093)
Share of post-tax loss of joint ventures		-	(848)	-
Profit/(loss) before taxation		45,588	(188,908)	(289,234)
Taxation credit	5	<u>-</u>	<u>2,178</u>	<u>2,178</u>
Profit/(loss) for the period		45,588	(186,730)	(287,056)
Attributable to:				
Equity shareholders		45,593	(186,726)	(287,033)
Minority interest		(5)	(4)	(23)
Profit/(loss) for the period		45,588	(186,730)	(287,056)
Earnings/(loss) per share				
Basic	6	<u>28.3p</u>	<u>(115.9)p</u>	<u>(178.1)p</u>
Diluted	6	<u>27.6p</u>	<u>(115.9)p</u>	<u>(178.1)p</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2009

	(Unaudited) Six months to 31 December 2009 £'000	(Unaudited) Six months to 31 December 2008 £'000	(Audited) Year to 30 June 2009 £'000
Profit/(loss) for the period	45,588	(186,730)	(287,056)
Other comprehensive income			
Net loss on cash flow hedges	(1,249)	(88,611)	(68,711)
Amortisation of cash flow hedge reserve	5,980	-	-
Tax relating to net loss on cash flow hedges	-	4,280	4,280
Other comprehensive income for the period, net of tax	4,731	(84,331)	(64,431)
Total comprehensive income for the period	50,319	(271,061)	(351,487)
Attributable to:			
Equity shareholders	50,247	(271,057)	(351,065)
Minority interest	72	(4)	(422)
Total comprehensive income for the period	50,319	(271,061)	(351,487)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2009

		(Unaudited) As at 31 December 2009 <u>£'000</u>	(Unaudited) As at 31 December 2008 <u>£'000</u>	(Audited) As at 30 June 2009 <u>£'000</u>
	<i>Note</i>			
Assets				
Non-current assets				
Investment properties	7	623,411	503,148	502,395
Property, plant and equipment	8	118	8,711	6,270
Derivative financial instruments	13	-	-	419
Other receivables	10	-	5,200	-
Other financial assets		57	230	44
		<u>623,586</u>	<u>517,289</u>	<u>509,128</u>
Current assets				
Trading properties	9	202,371	162,846	181,597
Trade and other receivables	10	20,500	31,378	28,579
Derivative financial instruments	13	858	921	-
Cash and cash equivalents	11	62,651	104,391	82,306
		<u>286,380</u>	<u>299,536</u>	<u>292,482</u>
Total assets		<u>909,966</u>	<u>816,825</u>	<u>801,610</u>
Liabilities				
Current liabilities				
Trade and other payables	12	(45,662)	(43,261)	(51,618)
Derivative financial instruments	13	(13,024)	(2,797)	(1,124)
Borrowings	13	(1,808)	(60,364)	(21,760)
Provisions for other liabilities and charges	16	(4,374)	-	(4,132)
		<u>(64,868)</u>	<u>(106,422)</u>	<u>(78,634)</u>
Non-current liabilities				
Other payables	14	(18,200)	(15,600)	(15,600)
Borrowings	13	(776,283)	(588,041)	(699,116)
Derivative financial instruments	13	(46,622)	(73,563)	(52,934)
Provisions for other liabilities and charges	16	(1,404)	-	(1,499)
		<u>(842,509)</u>	<u>(677,204)</u>	<u>(769,149)</u>
Total liabilities		<u>(907,377)</u>	<u>(783,626)</u>	<u>(847,783)</u>
Net assets/(liabilities)		<u>2,589</u>	<u>33,199</u>	<u>(46,173)</u>
Equity				
Called up share capital	17	40,294	40,294	40,294
Share premium account		198,422	198,422	198,422
Other reserves		(8,151)	(31,531)	(11,232)
Retained deficit		(227,582)	(174,653)	(273,910)
Total shareholders' equity/(deficit)		<u>2,983</u>	<u>32,532</u>	<u>(46,426)</u>
Minority interest		<u>(394)</u>	<u>667</u>	<u>253</u>
Total equity/(deficit)		<u>2,589</u>	<u>33,199</u>	<u>(46,173)</u>
Net asset/(liability) per share				
- Basic	18	<u>1.9p</u>	<u>20.2p</u>	<u>(28.8)p</u>
- Diluted EPRA	18	<u>101.9p</u>	<u>115.2p</u>	<u>47.1p</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 December 2009

	Attributable to equity shareholders						Total equity £'000
	Share capital £'000	Share premium £'000	Other reserves £'000	Retained (deficit)/ earnings £'000	Total £'000	Minority interest £'000	
1 July 2008	40,294	198,422	52,800	11,023	302,539	671	303,210
Loss for the period	-	-	-	(186,726)	(186,726)	(4)	(186,730)
Other comprehensive income	-	-	(84,331)	-	(84,331)	-	(84,331)
Total comprehensive income	-	-	(84,331)	(186,726)	(271,057)	(4)	(271,061)
Share based payment	-	-	-	1,050	1,050	-	1,050
1 January 2009	40,294	198,422	(31,531)	(174,653)	32,532	667	33,199
Loss for the period	-	-	-	(100,307)	(100,307)	(19)	(100,326)
Other comprehensive income	-	-	20,299	-	20,299	(399)	19,900
Total comprehensive income	-	-	20,299	(100,307)	(80,008)	(418)	(80,426)
Contribution from minority interest	-	-	-	-	-	4	4
Share based payment	-	-	-	1,050	1,050	-	1,050
1 July 2009	40,294	198,422	(11,232)	(273,910)	(46,426)	253	(46,173)
Profit/(loss) for the period	-	-	-	45,593	45,593	(5)	45,588
Other comprehensive income	-	-	4,654	-	4,654	77	4,731
Total comprehensive income	-	-	4,654	45,593	50,247	72	50,319
Acquisition of minority interest	-	-	(1,573)	-	(1,573)	(719)	(2,292)
Share based payment	-	-	-	735	735	-	735
31 December 2009	40,294	198,422	(8,151)	(227,582)	2,983	(394)	2,589

CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 31 December 2009

	(Unaudited)	(Unaudited)	(Audited)
	Six months to	Six months to	Year to
	31 December	31 December	30 June
	2009	2008	2009
<i>Note</i>	£'000	£'000	£'000
Cash flows from operations	(14,739)	(19,981)	(31,156)
Interest received	1,762	3,641	5,301
Interest paid	(6,179)	(7,741)	(14,499)
Cash flows from operating activities	(19,156)	(24,081)	(40,354)
Investing activities			
Additions to investment properties	(80,114)	(97,410)	(162,922)
Additions to property, plant and equipment	-	-	(13)
Purchase of minority interest	(2,292)	-	-
Receipts from sale of investment properties	31,316	-	1,956
Receipts from sale of property, plant and equipment	-	186	186
Receipts from sale of other financial assets	-	-	173
Receipt from sale of owner occupied property	9,069	-	-
Cash flows from investing activities	(42,021)	(97,224)	(160,620)
Financing activities			
New loans	71,262	109,112	187,540
Issue costs of loans	(781)	(60)	(940)
Equity contribution from minority interest	-	-	4
Repayment of loans	(27,903)	(794)	(20,762)
Cost of early loan repayment	(1,056)	-	-
Cash flows from financing activities	41,522	108,258	165,842
Net decrease in cash and cash equivalents	(19,655)	(13,047)	(35,132)
Cash and cash equivalents at beginning of period	82,306	117,438	117,438
Cash and cash equivalents at end of period	62,651	104,391	82,306

NOTES TO THE ACCOUNTS

1. Accounting policies

Basis of preparation

The condensed consolidated financial information, included in the Half Year Report for the six months ended 31 December 2009, has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 'Interim financial reporting' as adopted by the European Union ("EU"). The Half Year Report should be read in conjunction with the Group's Annual Report and Accounts for the year ended 30 June 2009, which have been prepared in accordance with International Financial Reporting Standards ("IFRS's") as adopted by the EU.

The Half Year Report does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 June 2009 have been delivered to the Registrar of Companies and the report of the auditors on these financial statements was unqualified, contained an emphasis of matter paragraph and did not contain a statement under Section 498 of the Companies Act 2006.

Except as described below, the accounting policies, methods of computation and presentation adopted are consistent with those detailed in the Group's Annual Report and Accounts for the year ended 30 June 2009.

Accounting standards, amendments and interpretations

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year ending 30 June 2010:

- IFRS 2, 'Share-based payments (Amended)'
- IFRS 3, (Amendment), 'Business Combinations'
- IFRS 7, (Amendment), 'Financial instruments: Disclosures'
- IFRS 8, 'Operating segments'
- IAS 1, (Amendment), 'Presentation of financial statements'
- IAS 23, (Amendment), 'Borrowing costs'
- IAS 27, (Amendment), 'Consolidated and separate financial statements'
- IAS 32, (Amendment), 'Financial instruments: Disclosure and Presentation'
- IAS 36, (Amendment), 'Impairment of assets'
- IAS 39, (Amendment), 'Financial instruments: Recognition and Measurement'
- IAS 40, (Amendment), 'Investment property'
- IFRIC 15, 'Agreements for the construction of real estate'

On adoption of IAS 1, (Amendment), the Group has elected to present an Income statement and a separate Statement of comprehensive income. In respect of all other new standards, amendments to standards and interpretations, these have not had a significant impact on the Half Year Report for the six months ended 31 December 2009.

The following standards and interpretations, although effective for the year ending 30 June 2010, are not expected to have an impact on the Group:

- IFRS 1, (Amendment), 'First time adoption of International Financial Reporting Standards'
- IFRS 5, 'Non-current assets held for sale and discontinued operations (Amended)'
- IAS 16, (Amendment), 'Property, Plant and Equipment'
- IAS 19, (Amendment), 'Employee Benefits'
- IAS 20, (Amendment), 'Accounting for Government Grants and Disclosure of Government Assistance'
- IAS 28, (Amendment), 'Investments in Associates'
- IAS 29, (Amendment), 'Financial Reporting in Hyperinflationary Economies'
- IAS 31, (Amendment), 'Interests in Joint Ventures'
- IAS 38, (Amendment), 'Intangible Assets'
- IAS 41, (Amendment), 'Agriculture'
- IFRIC 12, 'Service concession arrangements'
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'
- IFRIC 15, 'Agreements for the construction of real estate'
- IFRIC 16, 'Hedge of net investment in a foreign operation'
- IFRIC 17, 'Distributions of non-cash assets to owners'
- IFRIC 18, 'Transfer of assets from customers'

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the year ending 30 June 2010 and have not been adopted early by the Group:

- IAS 32, (Amendment), 'Financial instruments: Presentation on classification on rights issues'
- IFRS 2009: Improvements to IFRS 2009 issued April 2009 (effective 1 January 2010). Contains amendments to various existing standards.

2. Revenue and property outgoings

	(Unaudited) Six months to 31 December 2009 <u>£'000</u>	(Unaudited) Six months to 31 December 2008 <u>£'000</u>	(Audited) Year to 30 June 2009 <u>£'000</u>
Rental income	6,170	6,527	12,782
Recoverable property expenses	292	422	750
Revenue	6,462	6,949	13,532
Property expenses	(1,826)	(1,271)	(1,346)
Recoverable property expenses	(292)	(422)	(750)
Marketing expenses on properties under development	(368)	(294)	(647)
Property provisions	(147)	-	(5,631)
Property outgoings	(2,633)	(1,987)	(8,374)
Net property income	3,829	4,962	5,158

The chief operating decision maker has been identified as the Board of Directors which, following a review of the Group's internal reporting and the requirements of IFRS 8, 'Operating Segments', considers that the Group operates in one business segment in Great Britain and as such no further segmental information is required.

3. Finance costs

	(Unaudited) Six months to 31 December 2009 <u>£'000</u>	(Unaudited) Six months to 31 December 2008 <u>£'000</u>	(Audited) Year to 30 June 2009 <u>£'000</u>
Bank interest and charges	25,034	20,066	41,198
Amortisation of loan issue costs	1,038	687	1,410
Fair value loss on derivative financial instruments:			
Ineffectiveness on cash flow hedges	5,901	-	34
Movement on non-hedging instruments	-	449	165
Amortisation of cash flow hedge reserve	5,980	-	-
	11,881	449	199
Interest on obligations under finance leases	75	75	150
Charges relating to early loan repayment	1,338	-	-
Capitalised interest and similar charges	(21,568)	(15,288)	(32,245)
	17,798	5,989	10,712

4. Finance income

	(Unaudited) Six months to 31 December 2009 <u>£'000</u>	(Unaudited) Six months to 31 December 2008 <u>£'000</u>	(Audited) Year to 30 June 2009 <u>£'000</u>
Interest on short-term deposits	564	3,151	4,839
Other interest receivable	111	193	209
Fair value gain on derivative financial instruments:			
Ineffectiveness on cash flow hedges	879	-	-
Movement on non-hedging instruments	1,122	921	2,571
	2,001	921	2,571
	2,676	4,265	7,619

5. Taxation

	(Unaudited) Six months to 31 December 2009 £'000	(Unaudited) Six months to 31 December 2008 £'000	(Audited) Year to 30 June 2009 £'000
Corporation tax	-	-	-
Deferred tax credit	-	(2,178)	(2,178)
	<u>-</u>	<u>(2,178)</u>	<u>(2,178)</u>
Profit/(loss) before taxation	<u>45,588</u>	<u>(188,908)</u>	<u>(289,234)</u>
Tax on profit/(loss) at 28 per cent	12,765	(52,894)	(80,986)
Expenses not deductible for tax purposes	262	64	991
Accelerated capital allowances	(2,079)	(118)	(118)
Differences arising from taxation of chargeable gains and property revaluations	(17,151)	52,499	79,092
Tax losses and other temporary differences	6,203	(1,729)	(1,157)
Taxation credit for the period	<u>-</u>	<u>(2,178)</u>	<u>(2,178)</u>

6. Earnings/(loss) per share

Earnings/(loss) per share is calculated on a weighted average of 161,174,373 ordinary shares of 25 pence each in issue throughout the period (year to 30 June 2009: 161,174,373 ordinary shares; six months to 31 December 2008: 161,174,373 ordinary shares) and is based on profit attributable to ordinary shareholders of £45,593,000 (30 June 2009: loss of £287,033,000; six months to 31 December 2008: loss of £186,726,000).

Diluted earnings per share is calculated after allowing for the exercise of employee share options and incentive awards and is based on 165,103,297 ordinary shares of 25 pence each. Due to the loss in prior periods, share options and incentive awards did not have a dilutive effect.

7. Investment properties

	(Unaudited) As at 31 December 2009 £'000	(Unaudited) As at 31 December 2008 £'000	(Audited) As at 30 June 2009 £'000
At beginning of period: Net book value	502,395	589,730	589,730
Acquisitions	-	8,395	8,395
Additions	92,517	94,992	188,825
Disposals	(26,965)	(2,698)	(2,698)
Revaluation movement	55,464	(187,271)	(281,857)
At end of period: Net book value	623,411	503,148	502,395
Recognition of finance lease obligations	(2,127)	(2,130)	(2,129)
Amounts included within prepayments and accrued income	7,526	19,642	14,574
At the end of period: Valuation	628,810	520,660	514,840

The investment properties were valued on a market value basis by CB Richard Ellis Limited, independent external valuers, as at 31 December 2009 in accordance with the current edition of the Appraisal and Valuation Standards issued by the Royal Institution of Chartered Surveyors. The total accumulated amount of interest capitalised as part of the cost of investment properties was £66,496,000 (30 June 2009: £52,247,000; 31 December 2008: £39,289,000).

Investment properties include freehold properties with a net book value of £374,090,000 (30 June 2009: £289,402,000; 31 December 2008: £298,511,000) and long leasehold properties with a net book value of £249,321,000 (30 June 2009: £212,993,000; 31 December 2008: £204,637,000).

8. Property, plant and equipment

	Owner occupied property <u>£'000</u>	Fixtures and fittings <u>£'000</u>	Motor vehicles <u>£'000</u>	Total <u>£'000</u>
Valuation/cost				
At 1 July 2009	9,160	1,359	257	10,776
Disposals	<u>(9,160)</u>	<u>-</u>	<u>-</u>	<u>(9,160)</u>
At 31 December 2009	<u>-</u>	<u>1,359</u>	<u>257</u>	<u>1,616</u>
Depreciation				
At 1 July 2009	3,060	1,284	162	4,506
Depreciation charge	43	25	27	95
Disposals	<u>(3,103)</u>	<u>-</u>	<u>-</u>	<u>(3,103)</u>
At 31 December 2009	<u>-</u>	<u>1,309</u>	<u>189</u>	<u>1,498</u>
Net book value at 31 December 2009	<u>-</u>	<u>50</u>	<u>68</u>	<u>118</u>
Net book value at 30 June 2009	<u>6,100</u>	<u>75</u>	<u>95</u>	<u>6,270</u>
Net book value at 31 December 2008	<u>8,500</u>	<u>83</u>	<u>128</u>	<u>8,711</u>

9. Trading properties

	(Unaudited) As at 31 December 2009 <u>£'000</u>	(Unaudited) As at 31 December 2008 <u>£'000</u>	(Audited) As at 30 June 2009 <u>£'000</u>
At beginning of period	181,597	133,799	133,799
Acquisitions	-	5,999	10,204
Additions	<u>20,774</u>	<u>23,048</u>	<u>37,594</u>
At end of period: Book value	<u>202,371</u>	<u>162,846</u>	<u>181,597</u>
At end of period: Valuation	<u>351,100</u>	<u>287,200</u>	<u>292,150</u>

Trading properties comprise Lancaster Gate and Odeon Kensington, which have been stated at cost in the Consolidated statement of financial position, but were valued at 31 December 2009 by CB Richard Ellis Limited, independent external valuers, in accordance with the current edition of the Appraisal and Valuation Standards issued by the Royal Institution of Chartered Surveyors. The total accumulated amount of interest capitalised as part of the cost of the properties was £24,614,000 (30 June 2009: £19,766,000; 31 December 2008: £15,787,000).

Both properties were acquired by the Group, in partnership with residential developer, Northacre plc. However following the acquisition of their minority interest in Odeon Kensington in the period, trading properties are wholly owned with the exception of Lancaster Gate, where the Group holds a 95 per cent interest with Northacre also able to earn a range of returns, of up to 50 per cent on the incremental profits above pre-agreed thresholds. Northacre continues to act as development manager in respect of Lancaster Gate.

10. Trade and other receivables

	(Unaudited) As at 31 December 2009 <u>£'000</u>	(Unaudited) As at 31 December 2008 <u>£'000</u>	(Audited) As at 30 June 2009 <u>£'000</u>
Current assets			
Trade receivables	1,588	787	1,714
Other receivables	10,406	8,839	10,179
Prepayments and accrued income	<u>8,506</u>	<u>21,752</u>	<u>16,686</u>
	<u>20,500</u>	<u>31,378</u>	<u>28,579</u>
Non-current assets: Other receivables	-	5,200	-
Total trade and other receivables	<u>20,500</u>	<u>36,578</u>	<u>28,579</u>

11. Cash and cash equivalents

Cash and cash equivalents include £25,877,000 (30 June 2009: £45,510,000; 31 December 2008: £44,431,000) retained in rent and restricted accounts which is not readily available to the Group for day-to-day commercial purposes.

12. Trade and other payables

	(Unaudited) As at 31 December 2009 <u>£'000</u>	(Unaudited) As at 31 December 2008 <u>£'000</u>	(Audited) As at 30 June 2009 <u>£'000</u>
Trade payables	10,147	6,300	1,683
Taxation and social security	260	358	1,865
Other payables	5,878	3,958	5,246
Amounts payable on property acquisitions	1,898	10,061	10,062
Accruals and deferred income	27,479	22,584	32,762
	<u>45,662</u>	<u>43,261</u>	<u>51,618</u>

13. Borrowings and derivative financial instruments

	(Unaudited) As at 31 December 2009 <u>£'000</u>	(Unaudited) As at 31 December 2008 <u>£'000</u>	(Audited) As at 30 June 2009 <u>£'000</u>
Borrowings			
Current liabilities			
Bank and other borrowings	1,806	60,362	21,758
Finance lease obligations	2	2	2
	<u>1,808</u>	<u>60,364</u>	<u>21,760</u>
Non-current liabilities			
Bank and other borrowings	774,158	585,913	696,989
Finance lease obligations	2,125	2,128	2,127
	<u>776,283</u>	<u>588,041</u>	<u>699,116</u>

The fair value of borrowings approximates to the carrying value, by virtue of all borrowings comprising floating rate liabilities. All bank borrowings are secured on the land and buildings of the Group.

Maturity of bank and other borrowings

	(Unaudited) As at 31 December 2009 <u>£'000</u>	(Unaudited) As at 31 December 2008 <u>£'000</u>	(Audited) As at 30 June 2009 <u>£'000</u>
Less than one year	1,806	60,362	21,758
Between one and two years	125,292	136,759	118,240
Between two and five years	401,342	129,459	183,859
Over five years	247,524	319,695	394,890
	<u>775,964</u>	<u>646,275</u>	<u>718,747</u>

Within the table above, there are no loans maturing during the financial years ending 30 June 2010 and 30 June 2011 other than scheduled loan amortisations.

Undrawn facilities

	(Unaudited) As at 31 December 2009 <u>£'000</u>	(Unaudited) As at 31 December 2008 <u>£'000</u>	(Audited) As at 30 June 2009 <u>£'000</u>
Less than one year	-	-	3,074
Between one and two years	3,993	31,073	28,299
Between two and five years	153,014	98,586	84,893
Over five years	64,286	309,166	233,028
	<u>221,293</u>	<u>438,825</u>	<u>349,294</u>

Included within the analysis of undrawn facilities are development loan facilities, which, although committed, have conditions that need to be satisfied prior to drawdown.

Interest rate risk profile of borrowings

Fixed and floating rate borrowings of the Group as at 31 December 2009 are analysed as follows:

	31 December 2009		31 December 2008		30 June 2009	
	Total £'000	Weighted average interest rate %	Total £'000	Weighted average interest rate %	Total £'000	Weighted average interest rate %
Swapped fixed-rate borrowings	<u>747,873</u>	6.7	579,418	6.6	691,811	6.7
Floating rate borrowings	<u>28,091</u>	2.4	<u>66,857</u>	6.1	<u>26,936</u>	2.3
Total borrowings	<u>775,964</u>		<u>646,275</u>		<u>718,747</u>	

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 6.7 per cent (2008: 6.6 per cent) and includes loan margins ranging from 1.0 per cent to 2.0 per cent with all inclusive interest rates ranging from 5.2 per cent to 7.6 per cent (2008: 5.5 per cent to 7.6 per cent). The weighted average period of the Group's swapped fixed-rate borrowings was 4.5 years at 31 December 2009 (2008: 5.7 years).

Floating rate debt incurs interest at margins between 1.2 per cent and 2.0 per cent over LIBOR (2008: 0.6 per cent and 1.7 per cent).

Derivative financial instruments

The Group's derivative financial instruments principally comprise interest rate swaps, which are entered into in order to manage interest rate risk on its activities. All derivative financial instruments are recorded at fair value, based on a valuation undertaken by JC Rathbone Associates Limited as at 31 December 2009. Fair value is calculated using the present value of estimated future cash flows and is based on market prices and quoted forward rates as appropriate.

	Assets <u>£'000</u>	Liabilities <u>£'000</u>	Total <u>£'000</u>
At 1 July 2008	15,370	(2,670)	12,700
Movement in fair value recognised in equity:			
Effectiveness on cash flow hedges	(15,370)	(73,241)	(88,611)
Movement in fair value recognised in income statement:			
Movement on non-hedging instruments	921	(449)	472
At 1 January 2009	<u>921</u>	<u>(76,360)</u>	<u>(75,439)</u>
Movement in fair value recognised in equity:			
Effectiveness on cash flow hedges	-	19,900	19,900
Movement in fair value recognised in income statement:			
Ineffectiveness on cash flow hedges	-	(34)	(34)
Movement on non-hedging instruments	(502)	2,436	1,934
At 1 July 2009	<u>419</u>	<u>(54,058)</u>	<u>(53,639)</u>
Movement in fair value recognised in equity:			
Effectiveness on cash flow hedges	-	(1,249)	(1,249)
Movement in fair value recognised in income statement:			
Ineffectiveness on cash flow hedges	-	(5,022)	(5,022)
Movement on non-hedging instruments	439	683	1,122
At 31 December 2009	<u>858</u>	<u>(59,646)</u>	<u>(58,788)</u>
Less non-current portion: cash flow hedges	-	46,622	46,622
Current portion	<u>858</u>	<u>(13,024)</u>	<u>(12,166)</u>

14. Other payables

	(Unaudited) As at 31 December 2009 <u>£'000</u>	(Unaudited) As at 31 December 2008 <u>£'000</u>	(Audited) As at 30 June 2009 <u>£'000</u>
Non-current liabilities			
Deferred income on future sales of trading properties	<u>18,200</u>	<u>15,600</u>	<u>15,600</u>

15. Deferred tax

	At 1 July 2009 <u>£'000</u>	Income statement <u>£'000</u>	At 31 December 2009 <u>£'000</u>
Accelerated capital allowances	4,448	(1,619)	2,829
Tax losses	(13,047)	(805)	(13,852)
Temporary differences	<u>8,599</u>	<u>2,424</u>	<u>11,023</u>
	<u>-</u>	<u>-</u>	<u>-</u>

16. Provisions for other liabilities and charges

	(Unaudited) As at 31 December 2009 <u>£'000</u>	(Unaudited) As at 31 December 2008 <u>£'000</u>	(Audited) As at 30 June 2009 <u>£'000</u>
Property provisions			
At beginning of period	5,631	-	-
Charge to income statement	147	-	5,631
At end of period	5,778	-	5,631
Less non-current portion	(1,404)	-	(1,499)
Current portion	4,374	-	4,132

A provision has been made in relation to a residential leasehold interest considered to be onerous, potential remaining obligations arising from the Group's historic development activities and other property costs. All provisions are considered current, with the exception of the onerous lease, which is due to expire in December 2016.

17. Called up share capital

	(Unaudited) As at 31 December 2009 <u>£'000</u>	(Unaudited) As at 31 December 2008 <u>£'000</u>	(Audited) As at 30 June 2009 <u>£'000</u>
Authorised			
Ordinary shares of 25 pence each	75,000	75,000	75,000
Issued and fully paid	40,294	40,294	40,294

18. Net asset value per share

	(Unaudited) As at 31 December 2009 <u>£'000</u>	(Unaudited) As at 31 December 2008 <u>£'000</u>	(Audited) As at 30 June 2009 <u>£'000</u>
Basic net asset/(liability) value	2,983	32,532	(46,426)
Adjustment for:			
Group's estimated share of unrecognised revaluation surplus on trading properties	108,017	77,761	69,177
Group's share of fair value deficit on derivative financial instruments	58,464	75,439	53,239
Diluted EPRA net asset value	169,464	185,732	75,990

	(Unaudited) As at 31 December 2009 Number of shares '000	(Unaudited) As at 31 December 2008 Number of shares '000	(Audited) As at 30 June 2009 Number of shares '000
Basic	161,174	161,174	161,174
Potential share awards	5,181	-	-
Diluted	166,355	161,174	161,174

	<u>Pence</u>	<u>Pence</u>	<u>Pence</u>
Basic net asset/(liability) value per share	1.9	20.2	(28.8)
Adjustment for:			
Group's estimated share of unrecognised revaluation surplus on trading properties	64.9	48.2	42.9
Adjustment for:			
Group's share of fair value deficit on derivative financial instruments	35.1	46.8	33.0
Diluted EPRA net asset	101.9	115.2	47.1

Given the Group's significant unrecognised value of trading properties and fair value deficit on derivative financial instruments, a more relevant measure of the Group's financial position is one that adjusts for such items. Diluted EPRA net asset value incorporates the Group's pre-tax share of the unrecognised revaluation surplus of its trading properties having taken into account the estimated share attributable to minority interest and adjusts for the fair value deficit, of the Group's derivative financial instruments.

The dilution effect of the potential share awards reduces Diluted EPRA net asset value per share by 3.2 pence (30 June 2009: nil pence; 31 December 2008: nil pence) to 101.9 pence (30 June 2009: 47.1 pence; 31 December 2008: 115.2 pence).

19. Capital commitments

Capital commitments contracted, but not provided for, at 31 December 2009 were £71,541,000 (30 June 2009: £128,425,000; 31 December 2008: £182,826,000).

20. Cash flows from operations

	(Unaudited) Six months to 31 December 2009 £'000	(Unaudited) Six months to 31 December 2008 £'000	(Audited) Year to 30 June 2009 £'000
Profit/(loss) before taxation	45,588	(188,908)	(289,234)
Share of post-tax loss of joint ventures	-	848	-
Net finance costs	15,122	1,724	3,093
Operating profit/(loss)	60,710	(186,336)	(286,141)
Depreciation	95	171	281
Impairment of owner occupied properties	-	397	2,750
Property provisions	147	-	5,631
Movement on revaluation of investment properties	(55,464)	187,271	281,857
Loss on sale of property, plant and equipment	-	103	94
(Profit)/loss on sale of investment properties	(3,615)	95	92
Profit on sale of owner occupied property	(3,012)	-	-
Amortisation of lease incentives, letting fees and other non-cash items	(36)	103	(411)
Share-based payment	735	1,050	2,100
Expenditure on trading properties	(14,128)	(26,398)	(39,221)
(Increase)/decrease in trade and other receivables	(1,191)	740	2,372
Increase/(decrease) in trade and other payables	1,020	2,823	(560)
	(14,739)	(19,981)	(31,156)

21. Related party transactions

The Group acquired the minority equity interest and related profit share in the Odeon Kensington from Northacre plc for £2.25 million in December 2009.

FURTHER INFORMATION

Directors of the Company

Oliver Whitehead CBE – Chairman
Salmaan Hasan BA MBA – Chief Executive
Ivan Ezekiel BSc FCA ATII CF – Finance Director
Tim Garnham BSc – Group Development Director
John Matthews FCA – Non-executive Director

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