



22 February 2011

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 2010.

Financial highlights

- Investment property valuation increase of 2.8 per cent (2009: 9.7 per cent).
- Trading property valuation increase of 3.8 per cent (2009: 12.2 per cent).
- Profit for the period of £10.4 million (2009: £45.6 million).
- Net asset value per share, reflecting trading properties at cost, of 21.6 pence (30 June 2010: 8.9 pence).
- Diluted EPRA net asset value per share increased by 6.2 per cent to 140.0 pence (30 June 2010: 131.8 pence).

Operational highlights

Progress continues on the Group's landmark properties and developments in London:

- The Walbrook Building represents the only completed vacant new building in the City capable of meeting the demands of a single occupier requiring more than 150,000 sq.ft. The property is being marketed in an environment of limited supply and improving commercial terms for prime office accommodation in the City of London. Whilst there have been no lettings achieved in the period, the Group has received renewed interest from prospective tenants since the start of 2011.
- Practical completion was achieved on The St Botolph Building during the period. The limited supply of new office space in the City of London and the interest from prospective tenants gives the Group confidence that the remaining unlet space in the building can be let on attractive terms. We have now either leased or agreed to lease most of the available retail accommodation (some 23,000 sq.ft.).
- Good progress continues on construction at Lancaster Gate, which is on schedule for completion in late summer 2011, with pre-sales to date totalling £260 million, representing 59 per cent of the available space and 60 per cent of available units.
- Planning permission was granted in November 2010 for our scheme on Buckhold Road, Wandsworth, comprising residential and mixed-use accommodation including 207 apartments.
- A revised planning application for the Ram Brewery site is scheduled to be submitted by the summer of 2011.

Announcement of possible offer

On 14 January 2011 the Company announced that it was in preliminary discussions which may or may not lead to an offer being made for the Company in whole or in part, and that there can be no certainty that an offer will be forthcoming. Those discussions continue to progress.

Oliver Whitehead, Chairman of Minerva plc, said:

“The dynamics in the City and prime residential markets in London continue to give us confidence that Minerva is well placed with its high quality developments and investments. We remain encouraged by the prospect of rental growth in the City of London and shortage of supply in this and the high-end residential markets and believe that Minerva should be a key beneficiary of that growth.

With the Lancaster Gate scheme scheduled to complete this calendar year and our new City offices being marketed in an environment of limited supply, we are focused on crystallising value from these high-class schemes and advancing our development sites.”

- End -

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CHAIRMAN'S STATEMENT

Over the course of the past six months the Company has made good progress on a number of fronts including practical completion of The St Botolph Building, continuing pre-sales of apartments at Lancaster Gate and achieving planning permission for Buckhold Road, Wandsworth.

Despite the distraction of the General Meeting requisitioned during the period, the Board has maintained its focus on the Group's portfolio of first class properties and developments in London.

Operational progress

Work continued in the second half of 2010 on our City of London properties. Since practical completion of The Walbrook Building in February 2010, efforts have been concentrated on leasing, snagging and completing the landscaping surrounding the building, including the provision of a new garden in the adjacent church yard. Whilst there was no new leasing in the period, we have seen renewed interest in the building so far in 2011.

The St Botolph Building achieved practical completion in September 2010. Approximately 45 per cent of the office space has now been leased and the remaining available space is being actively marketed to prospective tenants. Like The Walbrook Building, The St Botolph Building represents one of only a handful of available prime offices in the City of London, capable of providing efficient large floor plates. We have now either leased or agreed to lease the majority of the retail space within the building.

Construction of the ultra prime residential development at Lancaster Gate is advancing well, with 59 per cent of the available space pre-sold. The development will be completed in phases during this calendar year. The first phase is scheduled for completion next month, with all of the units in this phase pre-sold.

In November 2010, the Secretary of State granted planning permission for development of the Buckhold Road site, comprising 207 apartments, adjacent to the Ram Brewery site in Wandsworth. We are now reviewing options with regard to this site.

In so far as the main Ram Brewery site is concerned, the Group has made encouraging progress on the redesign of the scheme in consultation with key stakeholders and a revised planning application is expected to be submitted by the summer of 2011.

There are no loan facilities due for renewal in the second half of this financial year and the Group has opened discussions for the extension of facilities in respect of the Ram Brewery, Odeon Kensington and Alders department store, which are due to expire in the first half of the next financial year.

Financial results

The Group's property portfolio, in accordance with our usual practice, has been valued by External Valuers, CB Richard Ellis at 31 December 2010 at £1,207.4 million (30 June 2010: £1,124.9 million). This shows a valuation increase of 3.2 per cent in the period, after adjusting for expenditure and disposals. This has contributed to our results for the period, showing an increase in EPRA NAV from 131.8 pence to 140.0 pence per share.

Shareholder relations

The Directors have actively engaged with the Company's major shareholders during the period, both before and after the requisitioned General Meeting in September 2010. Since the meeting in September, Directors have met with representatives of KiFin Limited on a number of occasions and an open dialogue is continuing.

Offer for the Company

Whilst there can be no certainty that an offer will be forthcoming, discussions which may lead to an offer for the Company continue to progress.

Outlook

Minerva has a property portfolio of well located, high-quality office and residential developments which are being delivered into supply constrained markets in the City and West End of London.

The Company's short-term priority is to deliver the value potential of these developments. Over the past few months, Minerva has seen renewed interest in both The Walbrook and The St Botolph Buildings and the shortage in supply of available prime office space in 2011 places the Company in a good position to secure lettings in both of these City properties. The good progress on both construction and pre-sales at Lancaster Gate is expected to continue and we are on schedule to realise the proceeds of sales from completions during this financial year.

Over the medium-term, we will continue to progress our existing developments and will increasingly look to partner in joint ventures, principally on high-end residential and mixed-use schemes and, where appropriate, Central London office developments.

Oliver Whitehead

Chairman
22 February 2011

BUSINESS REVIEW

STRATEGY

OVERVIEW

The developments which are either under construction or have recently been completed are:-

- The Walbrook Building – City of London offices;
- The St Botolph Building – City of London offices; and
- Lancaster Gate – ultra-prime residential.

All three developments, located either in the City or West End of London, are of the highest quality and are being delivered into an environment of restricted competitive supply.

The Group also has a pipeline of future development opportunities, including the mixed-use and high-end residential schemes at the Ram Brewery and Odeon Kensington respectively. Due to the scarcity of development loan funding, future developments are unlikely to commence until appropriate project equity and/or loan funding is secured and our current developments have been further de-risked.

STRATEGY

Our overall objective is to deliver attractive, long-term returns to shareholders through investment, development, sale and management of UK real estate.

Our strategy is to focus on real estate opportunities:

- where we have inherent skills, such as site assembly, planning and construction;
- predominantly located in London;
- principally relating to high-end residential, mixed-use and Central London office developments;
- working with joint venture partners, where appropriate; and
- incorporating structured finance to drive returns.

The strategy is being implemented through:

- the delivery of high-quality real estate, typified by our developments at The Walbrook, St Botolphs and Lancaster Gate, in areas of the real estate market where supply is currently constrained;
- the assembly of a development pipeline which can provide the Group with inherent opportunities to develop, either solely or in joint venture with others; and
- adhering to risk-adjusted return disciplines.

Over recent years, bank funding has been severely restricted as a result of the banking crisis and is unavailable, other than on a very limited basis, for speculative development. Therefore, our medium and longer-term funding model will be designed with the flexibility to accommodate capital from joint venture or other business partners and, to a lesser degree than previously, bank funding. We will seek to undertake a project management role for larger projects for which a value-added success fee will be sought. In doing so, we will reduce the capital outlay in any one project and will leverage our skill base with partners who are willing to share development risk in order to drive value.

Developments will only be taken forward as market conditions permit. The Group will continue to focus primarily on large, high-quality developments, where there are opportunities to add value, principally on high-end residential and mixed-use schemes as well as, where appropriate, Central London offices.

DELIVERY OF VALUE

Priorities to deliver further value include:

- the leasing of the remaining space at The Walbrook and St Botolph Buildings on competitive terms to de-risk and drive further value;
- the sale of further apartments at our Lancaster Gate development, adding to the significant value already created;
- the design and creation of a new scheme for the Ram Brewery, which will provide a development for the enduring benefit of the community while addressing the concerns of other consultees, including statutory bodies;
- realising the value from Odeon Kensington, a site which has planning permission, either through sale or redevelopment in conjunction with a joint venture partner;
- achieving the extension of loan facilities for the Odeon Kensington, the Ram Brewery and Allders department store on appropriate terms; and
- selective disposals of non-core properties.

OPERATIONAL REVIEW

CITY OF LONDON OFFICES

Market overview

In the second half of 2010, the City office market saw moderate levels of take-up, although these figures were impacted by two transactions in particular. It is estimated that second half take-up was approximately 3.9 million sq.ft., up from 3.5 million sq.ft. in the first half. These figures included 700,000 sq.ft. pre-let at 5 Broadgate, and an owner-occupier purchase of 500,000 sq.ft. at Walbrook Square, which together made up 30 per cent of take-up in the second half of 2010. Effectively, demand during the period was split into two markets – the aforementioned two large deals and smaller transactions of less than 100,000 sq.ft.

Supply in the City is around 10.4 million sq.ft. which is down on a year ago (12.2 million sq.ft.). This is despite two large new developments, providing over 800,000 sq.ft. of office accommodation, entering the supply figures in recent months, although neither has yet reached practical completion. The market remains concerned over the outlook for supply, which has resulted in further rental growth, with prime rents increasing from £50.00 per sq.ft. in June 2010 to £55.00 per sq.ft. by the end of December.

As 2011 progresses, it is expected that supply, particularly for new and refurbished properties, will come under pressure. Current availability for new and refurbished space in the City is around 3.5 million sq.ft., however average take-up for this grade of space is 2.8 million sq.ft. per annum. Consequently, a sharp fall in new and refurbished supply in 2011 is considered to be a near inevitability assuming current market conditions prevail.

Analysts predict that the cooling economy will weigh on sentiment and slow rental growth; tenants may delay activating new searches until greater stability returns to the financial markets. However, it is predicted that the economy will gain traction in the second half, through a combination of improved exports and growing inward investment. The highly constrained development pipeline is the key component that is predicted to result in faster rental growth in the second half of the year. Prime City rents are forecast to grow by 9 per cent this year to £60.00 per sq.ft.

Source: Knight Frank

The Walbrook Building, London EC4

The Walbrook Building with its iconic design and prime location in the City of London is complete to shell and core and available for fitting out. The building, with its large efficient floor-plates and Excellent BREEAM assessment, provides some 410,000 sq. ft. of air-conditioned offices incorporating trading floors and 35,000 sq. ft. of retail and restaurant accommodation located directly opposite the main entrance to Cannon Street station.

We continue to market the building actively through our leasing agents Knight Frank and CBRE. We are engaging with potential occupiers, both known to the market or through research, who may be interested in the whole or part of the building and continue to receive enquiries from prospective tenants.

Despite economic uncertainties the market predicts strong rental growth, largely resulting from the constrained supply of new and refurbished office space. Letting the building on the best available commercial terms is a priority for the Company.

The St Botolph Building, London EC3

The St Botolph Building is a landmark building on an island site offering highly flexible floor space, a superb entrance hall and access route to the twin lifting system via an impressive atrium, excellent public transport connections and a Very Good BREEAM assessment. Some 45 per cent of the office space has been leased, with Lockton International Limited now in occupation and Clyde & Co fitting out. There is a further 276,000 sq.ft. of contiguous office accommodation available to let. Since the end of December, we have leased or agreed to lease most of the available retail space (some 23,000 sq.ft.), representing total annualised rents of £383,000, to prospective tenants including a high street café operator, general store and fitness centre.

The balance of office accommodation is being marketed by Minerva's letting agents on a floor by floor or aggregated basis and, like The Walbrook Building, letting the building on the best available commercial terms is a priority for the Company.

LONDON RESIDENTIAL

Market overview

The prime London market generally saw little movement during 2010 with continued growth during the second half of the year albeit at a slower rate than the first 6 months. However, the expectation is that the London prime residential markets will outperform the mainstream over the next five years with growth of circa 33 per cent.

This rarefied market is primarily influenced by the influx of equity from a wide cross section of overseas buyers, whose wealth is generated from a broad range of activities. These investors are attracted by the economy and culture of London, which is seen as a safe haven for international investors. Consequently, whilst the strength of the UK economy is important, the inflow of money from a wide range of international buyers provides a defence against unforeseen events around the globe. Sterling's relative weakness continued to make central London attractive to overseas buyers.

Over the coming years, wealth generated in India and China is expected to play an increasing role in prime Central London. Currently, Indian and Chinese buyers have far less presence in the prime London market compared with the long-established Middle Eastern or Eastern European buyers. Wealth generation in these areas is still projected to outpace UK growth and demand from these regions is expected to remain strong.

Source: Savills

Lancaster Gate, London W2

Centrally located, overlooking Hyde Park, The Lancasters is an ultra-prime residential development with planning permission for an 'all-private' development comprising 77 residential apartments with off-site affordable accommodation, which has been previously acquired. There will be a comprehensive range of residential units, combining the historical features and grand setting of the building overlooking Hyde Park, with contemporary design and facilities.

Construction is progressing well, with practical completion for the whole scheme scheduled for late summer 2011. In mid-2010 the scheme was officially launched and has to date attracted pre-sales now totalling 59% of the available space, representing £260 million in future sales revenue. The final units will not be released until completion of the first phases of the scheme, including new show apartments, the private garden, reception areas and other facilities.

Odeon Kensington, London W8

The Odeon is located in a prime residential area on the south-side of Kensington High Street, just south of Holland Park and adjacent to Edwardes Square. The property is held freehold with a short-term lease to Odeon Cinemas, which is subject to a development break clause.

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.

The scarcity of development finance has delayed commencement of the development. However, with the demand for high-end residential real estate still strong and supply limited, we are reviewing our options with a view to the site's redevelopment, potentially with a joint-venture partner where discussions are taking place.

LONDON MIXED-USE

Ram Brewery, London SW18

The site consists of approximately 8 acres in the centre of Wandsworth, close to the Town Hall.

Our proposals for the adjacent Buckhold Road site were accepted by the Secretary of State in autumn 2010, with a revised Section 106 Agreement submitted and approved in November 2010. The scheme comprises 207 apartments of which 184 are private, and a further 23 are affordable housing. The scheme also incorporates 11,000 sq.ft. of commercial space including shops, community uses, offices, bars and restaurants and the provision of underground parking. Now that we have been granted planning permission we are reviewing our options for this site.

Our planning application for the main part of this site was rejected by the Planning Inspector and Secretary of State in summer 2010. Among the issues raised by the inquiry was the location of two tall buildings proposed within the conservation area and their proximity to a nearby gasholder. Most of the regenerative benefits created by the scheme were accepted. In consultation with advisors and key stakeholders, we are addressing the inquiry's findings by redesigning elements of the scheme. We expect to go to public consultation shortly, with a revised planning application scheduled to be ready for submission by the summer of 2011.

The subsequent site acquisition of adjacent properties at 1-9 Church Row will not at this stage be incorporated into the revised scheme. This site will be subject to a further planning application once the revised application for the main site is resolved.

The Croydon Estate, London Borough of Croydon

Minerva's Croydon Estate comprises 6 acres, essentially divided into two large land holdings within the town centre. The existing buildings comprise around 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.

The last year has been a period of consolidation for the estate. The short-term objective was to generate income from the existing estate by identifying those office buildings and retail units which were capable of being let without major capital outlay. This strategy has been successful with the majority of retail accommodation and a number of office units let to new tenants, creating additional short-term income for the Group.

The mid-Croydon master plan continues to gather momentum with Croydon Council appointing GVA as the lead regeneration advisor. Minerva's estate forms a major part of this master plan area and we are fully engaged with stakeholder groups. The proposals for increased development in the area are scheduled to be available for further consultation in spring 2011.

The Alders Department Store sits adjacent to the Croydon master-plan area and is situated in the prime retail zone of Croydon Town Centre. Minerva has undertaken a feasibility study of the department store to create individual retail units within the existing building, whilst seeking to retain a department store element within a remodelled scheme. The initial feedback from potential retail tenants has been positive and we aim to draw together the proposals to create a sound investment for the medium-term in the forthcoming months.

FINANCIAL REVIEW

REVIEW OF RESULTS

Headline results

Basic net asset value per share at 31 December 2010 increased to 21.6 pence (30 June 2010: 8.9 pence). Diluted EPRA ('EPRA') net asset value per share, which includes the Group's share of revaluation surplus of its trading properties and adjusts for the Group's share of deferred tax assets and fair value deficit on financial instruments, increased by 6.2 per cent to 140.0 pence at 31 December 2010 (30 June 2010: 131.8 pence).

The table below reconciles basic net asset value per share as shown in the consolidated accounts to diluted net asset value per share set out by EPRA.

	31 December 2010 Pence	30 June 2010 Pence
Basic net asset value per share	21.6	8.9
Potential share awards	(0.8)	(0.3)
Diluted basic net asset value per share	20.8	8.6
Group's share of:		
- Valuation surplus on trading properties (pre-tax)	76.5	70.4
- Valuation deficit on valuation of financial instruments (post-tax)	45.5	52.8
- Deferred tax asset	(2.8)	-
EPRA net asset value per share	140.0	131.8

Consolidated income statement

Profit for the period, incorporating property revaluation movements of our investment portfolio, was £10.4 million (2009: £45.6 million).

The results can be broken down as follows:

	Six months ended 31 December 2010 £m	Six months ended 31 December 2009 £m
Net outgoings from ongoing operations before fair value items and tax	(17.3)	(6.6)
Fair value adjustments:		
- Properties	20.4	55.5
- Derivative financial instruments	2.1	(9.9)
Gain on sale of investment/owner occupied property	-	6.6
Taxation credit	5.2	-
Profit for the period	10.4	45.6

Net property income increased to £4.2 million during the period (2009: £3.8 million), attributable to income from tenancies secured at The St Botolph Building, which achieved practical completion during the period, partly offset by void costs and the loss of rental income following the disposal of the 42 Wigmore Street property towards the end of the corresponding period last year.

During the period, net financing costs totalled £15.6 million (2009: £15.1 million), net of interest capitalisation of £8.8 million (2009: £21.6 million) on the Group's development projects. The increase is accounted for by lower interest receivable on short-term cash deposits and lower capitalised finance costs on The Walbrook Building and The St Botolph Building which reached practical completion in February 2010 and September 2010 respectively, partly offset by the favourable movement in valuation of derivative financial instruments of £2.1 million (2009: £9.9 million adverse movement).

Total administrative expenses for the period were £3.8 million (2009: £5.3 million). The decrease in the period is mainly in relation to a reduction in exceptional costs incurred in connection with KiFin, which in the corresponding period last year launched an unsolicited approach for the Company. This reduction has been partially offset by the rent payable on the head office building at 42 Wigmore Street following its disposal in the corresponding period last year.

The Group's investment property performance has benefited during the period under review. This has principally been a result of further strengthening in investment yields for the City development properties, as well as an improvement to the leasing terms expected to be achieved, offset to a small extent by a fall in the valuation of the Ram Brewery site. These, together with other factors have been reflected in the valuation of our investment properties which has shown, in aggregate, an increase of £20.4 million (2009: £55.5 million), after adjusting for expenditure and disposals in the period.

Our high-end residential project at Lancaster Gate has shown a further net valuation increase in the period, equivalent to £16.5 million, after adjusting for costs incurred in the period (2009: £31.5 million). This property is now valued at £368 million (30 June

2010: £320.1 million). The valuation of Odeon Kensington is unchanged (2009: net increase in value of £6.7 million) and remains valued at £78 million at 31 December 2010 (30 June 2010: £78 million).

The Group's activities have realised sufficient tax losses to ensure there is no liability to either corporation or deferred tax in the period (2009: £nil). The Group has recognised a deferred tax asset of £5.2 million (30 June 2010: £nil) in respect of current and prior period losses expected to be offset against Group tax liabilities in the second half of the year when taxable profits are expected to be generated.

The Group's profit for the period was £10.4 million (2009: £45.6 million).

Consolidated statement of financial position

The Group's property portfolio has been valued by CB Richard Ellis Limited ('CBRE') at 31 December 2010. The total property portfolio has been valued at £1,207.4 million (30 June 2010: £1,124.9 million), comprising investment properties at £761.4 million (30 June 2010: £726.8 million) and trading properties at £446.0 million (30 June 2010: £398.1 million). In aggregate, after adjusting for expenditure and disposals in the period, investment and trading property valuations have increased by 2.8 per cent and 3.8 per cent respectively with, as mentioned earlier, only the investment property revaluation movement being reflected in the income statement.

	Valuation 31 December 2010 £m	
The Walbrook Building, London EC4	254.0	
The St Botolph Building, London EC3	269.1	
Ram Brewery, London SW18	83.0	
Croydon Estate, London Borough of Croydon	65.5	
Westerhill Road, Glasgow	57.1	
Others	32.7	
Investment properties	761.4	
Portfolio valuation increase in the period		2.8%
Lancaster Gate, London W2	368.0	
Odeon Kensington, London W8	78.0	
Trading properties	446.0	
Portfolio valuation increase in the period		3.8%
Total property portfolio	1,207.4	3.2%

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 2010	726.8	398.1
Additions	17.8	31.4
Disposals	(1.6)	-
Revaluation	20.4	16.5
Movement in prepayments and accrued income and finance lease obligations	(2.0)	-
At valuation – 31 December 2010	761.4	446.0

The Group's trading properties, Lancaster Gate and Odeon Kensington, are stated at their historical cost of £260.1 million (30 June 2010: £228.6 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, but is reflected in the Group's estimated pre-tax share of the revaluation surplus of these properties in the EPRA net asset value. EPRA net asset value takes into account the profit sharing arrangements in place with Northacre plc on the Lancaster Gate development, which provide for Minerva to earn profits based on the following tranches:

On profits up to 10% of project costs	95%
On profits between 10% and 15% of project costs	80%
On profits between 15% and 20% of project costs	60%
On profits above 20% of project costs	50%

The statement of financial position includes amounts owing to the minority interest of £0.4 million (30 June 2010: amounts owing from the minority interest of £0.2 million), which represents Northacre's interest in Lancaster Gate.

Group net debt at 31 December 2010 was £858.9 million (30 June 2010: £804.8 million), comprising borrowings of £900.8 million (30 June 2010: £859.8 million) reduced by cash and short-term deposits of £41.9 million (30 June 2010: £55.0 million). The increase in net debt during the period of £54.1 million is principally in relation to the expenditure incurred progressing the

developments, meeting interest obligations and overheads; partially offset by the deposits received on Lancaster Gate that have been applied against the project loan.

	Six months ended 31 December 2010	Year ended 30 June 2010
	£m	£m
Group borrowings		
Balance brought forward	859.8	720.9
Loan additions	48.8	168.9
Loan repayments	(15.4)	(27.0)
Loan amortisation and other movements	7.6	(3.0)
Balance carried forward	<u>900.8</u>	<u>859.8</u>

FINANCING

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, including undrawn development loan facilities of circa £105.7 million (30 June 2010: £139.3 million).

At 31 December 2010, the average interest cost of debt for the Group was 5.5 per cent (30 June 2010: 6.3 per cent), with a weighted average interest margin, significantly below prevailing market margins, of 1.4 per cent (30 June 2010: 1.5 per cent).

Net debt as a proportion of the Group's total property portfolio at valuation was 71 per cent at 31 December 2010 (30 June 2010: 72 per cent).

Loan maturities

The Group has no scheduled loan maturities in the current financial year ending 30 June 2011. The facilities in respect of the Ram Brewery, Odeon Kensington and Allders department store, totalling £131.3 million, are scheduled to mature in the first half of the financial year ending 30 June 2012. The Group has opened discussions regarding their extension and has received an updated letter of comfort from the bank that provides the facilities that it sees no reason why the facilities cannot be extended on appropriate terms, subject to its internal credit approval.

Financial covenants

Other than a facility totalling circa £19.1 million, which continues to be in compliance, the Group has no net worth or loan to value covenants due to be tested during the current financial year ending 30 June 2011.

The facilities provided in relation to The Walbrook and St Botolph Buildings, as is common practice for such development loans, contain certain leasing milestones. These principal milestones, which are at levels which require less than two-thirds of the respective buildings to be leased, are set to be tested during the financial year ending 30 June 2012.

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 2010, 75 per cent (30 June 2010: 94 per cent) of the Group's bank borrowings were hedged under interest rate swap agreements. 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 for the respective periods 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 £76.3 million (30 June 2010: £88.5 million) on the basis that the interest rate swaps are held to maturity.

KEY RISKS AND UNCERTAINTIES

The Group's primary objective is to deliver good long-term returns to shareholders through the investment, development, sale and management of UK real estate.

We recognise that risk is attached to making investment decisions in order to drive growth for shareholders. This is amplified in the UK property sector by exposure in development and gearing.

In setting out the Group's main risks and uncertainties, the outlook and in respect of other content, the Half Year Report contains statements which, by their nature, cannot be considered indications of likelihood or certainty. The statements are based on the knowledge and information at the date of preparation of this Business Review, and what are believed to be reasonable judgements. A wide range of factors may cause the actual outcome and results to differ materially from those contained within, or implied by, these various forward looking statements. Nor should any of these statements be construed as a profit forecast.

Our main risks and uncertainties 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 and by management when making decisions. The Board addresses these risks by adopting a clear strategy and ensuring it is adaptable to the changing business environment.

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 and employing leading agents to market them effectively. The Group's current prime developments are designed and priced to attract tenants or buyers in variable market conditions.

The prevailing lack of competitive supply of new buildings, caused by the scarcity of development funding, has improved the relative position of the Group. The leasing of the Group's commercial developments and the timing thereof and the sale of the units within its residential developments represent uncertainties upon which the Group remains focused.

Development

The Group may acquire sites with the intention of increasing their value through a change of use or redevelopment, but planning permission may not be achieved. We seek to address this risk by obtaining appropriate expert advice before an acquisition is made and prior to the submission of a planning application. Before significant planning applications are made, the Group, and its advisers, have detailed consultations with the relevant planning authority, statutory authorities and other relevant stakeholders. However, in circumstances where planning permission is denied, the Group will seek to understand the underlying reasons for such a decision and will consider submitting a new application which seeks to address some or all of the concerns raised.

Unforeseen environmental and archaeological issues and related regulatory concerns which come to light during the Group's development of a site may delay completion and increase costs. We manage this risk by undertaking desktop or full assessments, as well as physical investigations, as necessary and where practical. We strive to provide adequate contingency for such matters in the development appraisal and programme, supported by appropriate insurance when available. The Group appoints specialist advisers in this area.

Control may be lost during construction projects which may result in unnecessary specifications, increased costs and additional time to complete. To address this risk we carefully monitor our developments, enter into design and build contracts where possible and appropriate, and appoint skilled professionals to help advise and manage the project plans, costs and progress. In addition, contingency plans are provided to help mitigate this risk.

Changes in legislation, regulation or best practice, particularly in relation to planning and taxation, may impact the costs, timings and profitability of the Group's schemes in progress. Such changes are closely monitored with the assistance of appropriate professional advisers so that any impact may be mitigated where possible and, where relevant, opportunities identified.

Finance

Appropriate financing needs to be in place to fund acquisitions and developments and to meet specific financial obligations. The Group addresses this by placing a strong emphasis on building long-term relationships with lenders, who are kept apprised of the Group's progress and strategy, with the aim of ensuring that the Group's facilities appropriately reflect its circumstances and the business environment in which it operates.

Compliance with lenders' covenants is a key issue, especially in the current economic environment as breaches of such covenants can result in banks requiring early repayment of loans, which may result in higher financing costs. The Group regularly monitors the requirements of each loan facility in this regard and, if necessary or appropriate, seeks to negotiate amendments of covenants and obligations in order to ensure, where possible, that the loan financing continues and is appropriate.

Loan facilities totalling £131.3 million mature in the first half of the next financial year and will need to be extended on suitable terms. The loans are with a bank with which the Group has a long-term relationship and discussions have commenced regarding their extension, which is a key priority for the Group. Until these extensions are secured, this represents an uncertainty.

The Group aims to retain adequate cash reserves during the development phase of its projects and to provide it with the ability to fund its overheads and invest in new projects as appropriate. The Group seeks to address this through careful cash monitoring, undertaken through budget reviews, development appraisals and other cash flow reviews. The impact of market conditions on the Group's cash flow is kept under review.

Movements in interest rates can have an impact on the profitability of projects and affect cash flow. We manage this risk by monitoring interest rates and entering into interest rate swap and related hedging agreements. A movement in interest rates can also impact foreign exchange rates, which may have an adverse impact on overseas demand for UK property.

Corporate responsibility

Health and safety is a key issue for the Group, especially where property construction is involved. Poor practice or carelessness could cause injury or a fatality which may also impact the business. The Group takes health and safety matters very seriously and the Directors consider health and safety at each scheduled Board meeting. Procedures are monitored to ensure compliance by the Group and its contractors with the Construction (Design and Management) Regulations as well as other legislation, regulation and good practice.

Concern about the impact of the business on the environment, local communities and other stakeholders may impact the Group's ability to obtain planning consents or the demand for its properties by buyers or tenants, which in turn may adversely affect the Company's share price. We understand the importance of corporate responsibility and its relevance when making business decisions. The Group's developments are therefore planned to meet and, wherever possible, exceed the requirements set out in environmental regulation and planning guidelines. The Group regards strong relationships with stakeholders as vitally important and particularly encourages regular dialogue with the local community. Each year the Group provides a Corporate Responsibility Report to stakeholders to communicate its progress and aspirations for the coming year.

Corporate governance

The ownership of over 29 per cent of the Company's issued share capital by one shareholder can restrict the Company's ability to approve special business at shareholder meetings requiring support from 75 per cent of voting members. This may restrict the Board's ability to issue shares or make necessary changes to the Company's constitution to reflect best practice in corporate governance or company law. The Board continues to monitor and address this issue at Board meetings and seeks to maintain an active dialogue with its major shareholders.

People

The attraction and retention of key management and employees is of particular importance, given the Group's small headcount, and the skills these individuals bring to the organisation. The Group addresses this matter by regularly reviewing salaries and benefits to ensure that Directors and employees' remuneration is competitive. The Group seeks to align executive Directors and employees' rewards with the Group's achievements and performance through annual bonuses and long-term share-based arrangements. The Group places emphasis on training and development where appropriate.

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 accept responsibility for the information contained in this document. The Directors confirm that to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this document for which they are responsible is in accordance with the facts and, where appropriate, does not omit anything likely to affect the import of such information.

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 2010 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
22 February 2011

INDEPENDENT REVIEW REPORT TO MINERVA PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-year financial report for the six months ended 31 December 2010, which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and notes to the accounts. We have read the other information contained in the half-year 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-year financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-year 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-year 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 set of financial statements in the half-year 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
- to satisfy Rule 28.3(b) of The City Code on Takeovers and Mergers

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 set of financial statements in the half-year financial report for the six months ended 31 December 2010 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
22 February 2011
London

PricewaterhouseCoopers LLP has given and not withdrawn its consent to the publication of the half-yearly financial report for the six months ended 31 December 2010 in the announcement dated 22 February 2011 with the inclusion of its report in the form and context in which it appears.

REPORT BY THE FINANCIAL ADVISER TO MINERVA PLC

Minerva plc
42 Wigmore Street
London
W1U 2RY

Dear Sirs

Report by the financial adviser to Minerva plc ('Minerva') in connection with a potential offer for Minerva

We refer to the unaudited financial information contained within the announcement dated 22 February 2011 of the interim results of Minerva plc ('Minerva') for the period ended 31 December 2010 ('Interim Financial Information').

We have read the Interim Financial Information including the independent review report of the Interim Financial Information ('Independent Review Report') prepared for Minerva by PricewaterhouseCoopers LLP, auditors to Minerva. We have discussed the Interim Financial Information and the Independent Review Report with the Directors of Minerva.

This letter is provided to you solely in connection with Rule 28.3(b) of The City Code on Takeovers and Mergers and is given for the purpose of complying with that rule and for no other purpose.

On the basis of the foregoing, we consider that the Interim Financial Information, for which you as Directors are solely responsible, has been prepared with due care and consideration. Greenhill & Co. International LLP has given and not withdrawn its consent to the publication of the Interim Financial Information dated 22 February 2011 with the inclusion of its letter and the references to its name in the form and context in which they appear.

Greenhill & Co. International LLP, which is authorised and regulated by the Financial Services Authority in the United Kingdom, is acting as financial adviser to Minerva and no one else in connection with any offer and will not be responsible to anyone other than Minerva for providing the protections afforded to clients of Greenhill & Co. International LLP or for providing advice in relation to any offer or for any other matter referred to herein.

Yours faithfully
for and on behalf of
Greenhill & Co. International LLP

Brian Cassin
Managing Director
22 February 2011

CONSOLIDATED INCOME STATEMENT
For the six months ended 31 December 2010

		(Unaudited) Six months to 31 December 2010 £'000	(Unaudited) Six months to 31 December 2009 £'000	(Audited) Year to 30 June 2010 £'000
	<i>Note</i>			
Continuing operations				
Revenue	2	9,096	6,462	12,458
Property outgoings	2	(4,894)	(2,633)	(5,511)
Net property income	2	4,202	3,829	6,947
Administrative expenses		(3,845)	(5,299)	(10,127)
Other income		41	89	161
Profit on sale of investment properties		-	3,615	3,894
Profit on sale of owner occupied property		-	3,012	3,012
Movement on revaluation of investment properties	7	20,433	55,464	107,934
Operating profit		20,831	60,710	111,821
Finance costs	3	(19,980)	(17,798)	(45,632)
Finance income	4	4,404	2,676	2,905
Net finance costs		(15,576)	(15,122)	(42,727)
Profit before taxation		5,255	45,588	69,094
Taxation credit	5	5,164	-	-
Profit for the period		10,419	45,588	69,094
Attributable to:				
Equity shareholders		9,886	45,593	69,114
Minority interest		533	(5)	(20)
Profit for the period		10,419	45,588	69,094
Earnings per share				
Basic	6	6.1p	28.3p	42.9p
Diluted	6	5.9p	27.6p	41.4p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2010

		(Unaudited) Six months to 31 December 2010 <u>£'000</u>	(Unaudited) Six months to 31 December 2009 <u>£'000</u>	(Audited) Year to 30 June 2010 <u>£'000</u>
Profit for the period		10,419	45,588	69,094
Other comprehensive income/(loss)				
Net income/(loss) on cash flow hedges	13	8,436	(1,249)	(13,875)
Amortisation of cash flow hedge reserve	3	1,763	5,980	6,299
Other comprehensive income/(loss) for the period, net of tax		10,199	4,731	(7,576)
Total comprehensive income for the period		20,618	50,319	61,518
Attributable to:				
Equity shareholders		19,950	50,247	61,288
Minority interest		668	72	230
Total comprehensive income for the period		20,618	50,319	61,518

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2010

		(Unaudited) As at 31 December 2010 £'000	(Unaudited) As at 31 December 2009 £'000	(Audited) As at 30 June 2010 £'000
	<i>Note</i>			
Assets				
Non-current assets				
Investment properties	7	762,853	623,411	726,215
Property, plant and equipment	8	70	118	114
Other financial assets		53	57	47
		<u>762,976</u>	<u>623,586</u>	<u>726,376</u>
Current assets				
Trading properties	9	260,085	202,371	228,647
Trade and other receivables	10	35,377	20,500	26,726
Derivative financial instruments	13	-	858	-
Deferred tax	14	5,164	-	-
Cash and cash equivalents	11	41,911	62,651	54,996
		<u>342,537</u>	<u>286,380</u>	<u>310,369</u>
Total assets		<u>1,105,513</u>	<u>909,966</u>	<u>1,036,745</u>
Liabilities				
Current liabilities				
Trade and other payables	12	(88,915)	(45,662)	(68,672)
Derivative financial instruments	13	(621)	(13,024)	(8,776)
Borrowings	13	(128,822)	(1,808)	(1,871)
Provisions for other liabilities and charges	15	(2,966)	(4,374)	(4,111)
		<u>(221,324)</u>	<u>(64,868)</u>	<u>(83,430)</u>
Non-current liabilities				
Other payables	12	-	(18,200)	-
Borrowings	13	(771,968)	(776,283)	(857,879)
Derivative financial instruments	13	(75,711)	(46,622)	(79,875)
Provisions for other liabilities and charges	15	(1,266)	(1,404)	(1,372)
		<u>(848,945)</u>	<u>(842,509)</u>	<u>(939,126)</u>
Total liabilities		<u>(1,070,269)</u>	<u>(907,377)</u>	<u>(1,022,556)</u>
Net assets		<u>35,244</u>	<u>2,589</u>	<u>14,189</u>
Equity				
Called up share capital	16	40,298	40,294	40,294
Share premium account		198,424	198,422	198,422
Other reserves		(10,714)	(8,151)	(20,778)
Retained deficit		(193,196)	(227,582)	(203,513)
Total shareholders' equity		<u>34,812</u>	<u>2,983</u>	<u>14,425</u>
Minority interest		<u>432</u>	<u>(394)</u>	<u>(236)</u>
Total equity		<u>35,244</u>	<u>2,589</u>	<u>14,189</u>
Net asset value per share				
- Basic	17	<u>21.6p</u>	<u>1.9p</u>	<u>8.9p</u>
- Diluted EPRA	17	<u>140.0p</u>	<u>101.9p</u>	<u>131.8p</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 December 2010

	Attributable to equity shareholders					Minority interest £'000	Total equity/ (deficit) £'000
	Share capital £'000	Share premium £'000	Other reserves £'000	Retained (deficit)/ earnings £'000	Total £'000		
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
1 January 2010	40,294	198,422	(8,151)	(227,582)	2,983	(394)	2,589
Profit/(loss) for the period	-	-	-	23,521	23,521	(15)	23,506
Other comprehensive income/(loss)	-	-	(12,480)	-	(12,480)	173	(12,307)
Total comprehensive income/(loss)	-	-	(12,480)	23,521	11,041	158	11,199
Acquisition of minority interest	-	-	(147)	-	(147)	-	(147)
Share based payment	-	-	-	548	548	-	548
1 July 2010	40,294	198,422	(20,778)	(203,513)	14,425	(236)	14,189
Profit for the period	-	-	-	9,886	9,886	533	10,419
Other comprehensive income	-	-	10,064	-	10,064	135	10,199
Total comprehensive income	-	-	10,064	9,886	19,950	668	20,618
Issue of share capital	4	2	-	-	6	-	6
Share based payment	-	-	-	431	431	-	431
31 December 2010	40,298	198,424	(10,714)	(193,196)	34,812	432	35,244

CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 31 December 2010

	(Unaudited)	(Unaudited)	(Audited)
	Six months to	Six months to	Year to
	31 December	31 December	30 June
	2010	2009	2010
<i>Note</i>	£'000	£'000	£'000
Cash flows from operations	20	(13,665)	(34,472)
Interest received		222	2,000
Interest paid		(8,098)	(12,053)
Cash flows from operating activities		(21,541)	(44,525)
Investing activities			
Additions to investment properties		(4,444)	(121,935)
Additions to property, plant and equipment		-	(48)
Acquisition of minority interest		-	(2,439)
Receipts from sale of investment properties		-	31,316
Receipt from sale of owner occupied property		-	9,069
Cash flows from investing activities		(4,444)	(84,037)
Financing activities			
New loans		29,207	131,858
Issue costs of loans		(35)	(933)
Repayment of loans		(16,278)	(28,617)
Cost of early loan repayment		-	(1,056)
Issue of share capital		6	-
Cash flows from financing activities		12,900	101,252
Net decrease in cash and cash equivalents		(13,085)	(27,310)
Cash and cash equivalents at beginning of period		54,996	82,306
Cash and cash equivalents at end of period		41,911	54,996

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 2010, 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 2010, 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 2010 have been delivered to the Registrar of Companies and the report of the auditors on these financial statements was unqualified.

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 2010.

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 2011:

- Annual improvements 2009 (effective 1 January 2010)
- Amendment to IFRS 2, 'Share based payments – Group cash-settled share-based payment transactions' (effective 1 January 2010)
- Amendments to IFRS 1 for additional exemptions (effective 1 January 2010)
- Amendment to IFRS 1, First time adoption on financial instrument disclosures (effective 1 July 2010)
- IFRIC 15, 'Arrangements for construction of real estates' (effective 1 January 2009 but EU endorsed for 1 January 2010).

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 2010.

The following standards, amendments to standards and interpretations, although effective for the year ending 30 June 2011, are not expected to have an impact on the Group:

- Amendments IAS 32 Financial instruments: Presentation on classification of rights issues (effective 1 February 2010)
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments' (effective 1 July 2010).

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the year ending 30 June 2011 and have not been adopted early by the Group:

- IAS 24 (revised) 'Related party disclosures' (effective 1 January 2011)
- Amendments IAS 32 Financial instruments: Presentation on classification of rights issues (effective 1 February 2010)
- Amendment to IFRIC 14, 'Pre-payments of a Minimum Funding Requirement' (effective January 2011)
- Annual improvements 2010 (effective 1 January 2011).

2. Revenue and property outgoings

	(Unaudited) Six months to 31 December 2010 £'000	(Unaudited) Six months to 31 December 2009 £'000	(Audited) Year to 30 June 2010 £'000
Rental income	8,491	6,170	11,870
Recoverable property expenses	605	292	588
Revenue	9,096	6,462	12,458
Property expenses including property provisions	(3,909)	(1,973)	(4,041)
Recoverable property expenses	(605)	(292)	(588)
Marketing expenses on properties	(380)	(368)	(882)
Property outgoings	(4,894)	(2,633)	(5,511)
Net property income	4,202	3,829	6,947

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 2010 £'000	(Unaudited) Six months to 31 December 2009 £'000	(Audited) Year to 30 June 2010 £'000
Bank interest and charges	25,396	25,034	52,488
Amortisation of loan issue costs	1,129	1,038	2,041
Fair value loss on derivative financial instruments:			
Ineffectiveness on cash flow hedges	242	-	-
Movement on non-hedging instruments	-	5,901	23,137
Amortisation of cash flow hedge reserve	1,763	5,980	6,299
	2,005	11,881	29,436
Interest on obligations under finance leases	280	75	152
Charges relating to early loan repayment	-	1,338	1,338
Capitalised interest and similar charges	(8,830)	(21,568)	(39,823)
	<u>19,980</u>	<u>17,798</u>	<u>45,632</u>

4. Finance income

	(Unaudited) Six months to 31 December 2010 £'000	(Unaudited) Six months to 31 December 2009 £'000	(Audited) Year to 30 June 2010 £'000
Interest on short-term deposits	151	564	735
Other interest receivable	128	111	170
Fair value gain on derivative financial instruments:			
Ineffectiveness on cash flow hedges	15	35	80
Movement on non-hedging instruments	4,110	1,966	1,920
	4,125	2,001	2,000
	<u>4,404</u>	<u>2,676</u>	<u>2,905</u>

5. Taxation

	(Unaudited) Six months to 31 December 2010 £'000	(Unaudited) Six months to 31 December 2009 £'000	(Audited) Year to 30 June 2010 £'000
Corporation tax	-	-	-
Deferred tax credit	(5,164)	-	-
	<u>(5,164)</u>	<u>-</u>	<u>-</u>
Profit before taxation	<u>5,255</u>	<u>45,588</u>	<u>69,094</u>
Tax on profit at 28 per cent	1,471	12,765	19,346
Expenses not deductible for tax purposes	282	262	920
Accelerated capital allowances	(103)	(2,079)	(2,025)
Differences arising from taxation of chargeable gains and property revaluations	(5,721)	(17,151)	(32,155)
Tax losses and other temporary differences	(1,093)	6,203	13,914
Taxation credit for the period	<u>(5,164)</u>	<u>-</u>	<u>-</u>

6. Earnings per share

Earnings per share is calculated on a weighted average of 161,178,657 ordinary shares of 25 pence each in issue throughout the period (year to 30 June 2010: 161,174,373 ordinary shares; six months to 31 December 2009: 161,174,373 ordinary shares) and is based on profit attributable to ordinary shareholders of £9,886,000 (year to 30 June 2010: £69,114,000; six months to 31 December 2009: £45,593,000).

Diluted earnings per share is calculated after allowing for the exercise of employee share options and incentive awards and is based on 167,405,864 ordinary shares of 25 pence each (year to 30 June 2010: 166,980,667; six months to 31 December 2009: 165,103,297).

7. Investment properties

	(Unaudited) As at 31 December 2010 <u>£'000</u>	(Unaudited) As at 31 December 2009 <u>£'000</u>	(Audited) As at 30 June 2010 <u>£'000</u>
At beginning of period: Net book value	726,215	502,395	502,395
Additions	17,758	92,517	142,851
Disposals	(1,553)	(26,965)	(26,965)
Revaluation movement	20,433	55,464	107,934
At end of period: Net book value	762,853	623,411	726,215
Recognition of finance lease obligations	(9,511)	(2,127)	(2,126)
Amounts included within prepayments and accrued income	8,058	7,526	2,661
At the end of period: Valuation	761,400	628,810	726,750

The investment properties were valued on a Market Value basis by CB Richard Ellis Limited, External Valuers, as at 31 December 2010 in accordance with the current edition of the 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 £83,434,000 (30 June 2010: £79,188,000; 31 December 2009: £66,496,000).

Investment properties include freehold properties with a net book value of £408,504,000 (30 June 2010: £397,232,000; 31 December 2009: £374,090,000) and long leasehold properties with a net book value of £354,349,000 (30 June 2010: £328,983,000; 31 December 2009: £249,321,000).

During the period, the Group disposed of an investment property realising no profit or loss on disposal (30 June 2010: £3,894,000; 31 December 2009: £3,615,000). In addition, following practical completion at The St Botolph Building, an existing finance lease was surrendered and a new finance lease was entered into, resulting in additions of £8,835,000 and a disposal of £1,512,000 realising no profit or loss on disposal, and a corresponding movement in finance lease obligations.

8. Property, plant and equipment

	Fixtures and fittings <u>£'000</u>	Motor vehicles <u>£'000</u>	Total <u>£'000</u>
Cost			
At 1 July 2010 and 31 December 2010	1,407	257	1,664
Depreciation			
At 1 July 2010	1,339	211	1,550
Depreciation charge	27	17	44
At 31 December 2010	1,366	228	1,594
Net book value at 31 December 2010	41	29	70
Net book value at 30 June 2010	68	46	114
Net book value at 31 December 2009	50	68	118

9. Trading properties

	(Unaudited) As at 31 December 2010 <u>£'000</u>	(Unaudited) As at 31 December 2009 <u>£'000</u>	(Audited) As at 30 June 2010 <u>£'000</u>
At beginning of period: Net book value	228,647	181,597	181,597
Additions	31,438	20,774	47,050
At end of period: Net book value	260,085	202,371	228,647
Analysed:			
Lancaster Gate	225,797	167,600	194,359
Odeon Kensington	34,288	34,771	34,288
	260,085	202,371	228,647
At end of period: Valuation			
Lancaster Gate	368,000	273,100	320,100
Odeon Kensington	78,000	78,000	78,000
	446,000	351,100	398,100

Trading properties comprise the Lancaster Gate and Odeon Kensington properties, which have been stated at cost in the consolidated statement of financial position but were valued at 31 December 2010 on a Market Value basis by CB Richard Ellis Limited, External Valuers, in accordance with the current edition of the 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 £34,761,000 (30 June 2010: £30,177,000; 31 December 2009: £24,614,000).

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 prior period, trading properties are wholly owned with the exception of Lancaster Gate, where the Group holds a majority interest in the project and earns profits based on the tranches as set out in the Business Review.

10. Trade and other receivables

	(Unaudited) As at 31 December 2010 £'000	(Unaudited) As at 31 December 2009 £'000	(Audited) As at 30 June 2010 £'000
Trade receivables	1,535	1,588	1,663
Other receivables	3,109	5,206	5,159
Prepayments and accrued income	9,023	8,506	4,204
Deposits on future sales of trading properties	21,710	5,200	15,700
	<u>35,377</u>	<u>20,500</u>	<u>26,726</u>

11. Cash and cash equivalents

Cash and cash equivalents include £23,727,000 (30 June 2010: £28,753,000; 31 December 2009: £25,877,000) 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 2010 £'000	(Unaudited) As at 31 December 2009 £'000	(Audited) As at 30 June 2010 £'000
Trade payables	1,675	10,147	1,916
Taxation and social security	559	260	1,099
Other payables	8,344	5,878	5,958
Amounts payable on property acquisitions	-	1,898	-
Accruals and deferred income	28,497	27,479	28,819
Deferred income on future sales of trading properties	49,840	18,200	30,880
	<u>88,915</u>	<u>63,862</u>	<u>68,672</u>
Less: non-current portion of deferred income on future sales of trading properties	-	(18,200)	-
Current portion	<u>88,915</u>	<u>45,662</u>	<u>68,672</u>

Deferred income on future sales of trading properties relates to deposits received from pre-sales of apartments at Lancaster Gate. Of the total deposits received at 31 December 2010 of £49,840,000 (30 June 2010: £30,880,000; 31 December 2009: £18,200,000), £21,710,000 was held in solicitor's accounts (30 June 2010: £15,700,000; 31 December 2009: £5,200,000), £27,880,000 has been applied against the loan (30 June 2010: £13,000,000; 31 December 2009: £13,000,000), and £250,000 was held within restricted cash and has been applied against the loan since the period end (30 June 2010: £2,180,000; 31 December 2009: £nil).

13. Borrowings and derivative financial instruments

	(Unaudited) As at 31 December 2010 £'000	(Unaudited) As at 31 December 2009 £'000	(Audited) As at 30 June 2010 £'000
Borrowings			
Current liabilities			
Bank and other borrowings	128,820	1,806	1,869
Finance lease obligations	2	2	2
	<u>128,822</u>	<u>1,808</u>	<u>1,871</u>
Non-current liabilities			
Bank and other borrowings	762,459	774,158	855,755
Finance lease obligations	9,509	2,125	2,124
	<u>771,968</u>	<u>776,283</u>	<u>857,879</u>

The fair value of borrowings approximates to the carrying value, by virtue of all borrowings comprising floating rate liabilities.

Bank borrowings are typically secured upon land and buildings held by the relevant subsidiary undertaking, by a floating charge over the remaining assets of the relevant subsidiary undertakings and in some cases by a fixed charge over related bank deposit accounts. In addition, as part of the 2009 refinancing of certain Group facilities (the terms of which included the provision of new committed facilities), additional security was provided in relation to the loans for The Walbrook and St Botolph Buildings, consisting of capped charges over the Group's share of future dividends from its Lancaster Gate development and additionally, in relation to The St Botolph Building, a similar capped second-ranking charge over our Westerhill Road property in Scotland, which is only enforceable in the event that the proceeds from the realisation of all other security over The St Botolph Building are insufficient to satisfy the liabilities they secure.

The Company has guaranteed external bank borrowings of some of its subsidiary undertakings, which at the statement of financial position date amounted to £22,509,000 (30 June 2010: £22,051,000; 31 December 2009: £21,605,000). In respect of certain facilities held by subsidiary undertakings, the Company has also guaranteed interest obligations.

Maturity of bank and other borrowings

	(Unaudited) As at 31 December 2010 £'000	(Unaudited) As at 31 December 2009 £'000	(Audited) As at 30 June 2010 £'000
Less than one year	128,820	1,806	1,869
Between one and two years	223,659	125,292	138,546
Between two and five years	269,879	401,342	455,261
Over five years	268,921	247,524	261,948
	<u>891,279</u>	<u>775,964</u>	<u>857,624</u>

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

Undrawn facilities

	(Unaudited) As at 31 December 2010 £'000	(Unaudited) As at 31 December 2009 £'000	(Audited) As at 30 June 2010 £'000
Less than one year	2,867	-	-
Between one and two years	23,752	3,993	3,844
Between two and five years	38,118	153,014	86,445
Over five years	40,966	64,286	49,014
	<u>105,703</u>	<u>221,293</u>	<u>139,303</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 2010 are analysed as follows:

	(Unaudited) 31 December 2010 Total £'000	Weighted average interest rate %	(Unaudited) 31 December 2009 Total £'000	Weighted average interest rate %	(Audited) 30 June 2010 Total £'000	Weighted average interest rate %
Swapped fixed-rate borrowings	667,294	6.6	747,873	6.7	803,218	6.5
Floating rate borrowings	223,985	2.0	28,091	2.4	54,406	2.2
Total borrowings	<u>891,279</u>		<u>775,964</u>		<u>857,624</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 6.6 per cent (2009: 6.7 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 7.4 per cent (2009: 5.2 per cent to 7.6 per cent). The weighted average period of the Group's swapped fixed-rate borrowings was 4.4 years at 31 December 2010 (2009: 4.5 years). Floating rate debt incurs interest at margins between 1.2 per cent and 1.5 per cent over LIBOR (2009: 1.2 per cent and 2.0 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 2010. 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 £'000	Liabilities £'000	Total £'000
At 1 July 2009	419	(54,058)	(53,639)
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	-	35	35
Movement on non-hedging instruments	439	(4,374)	(3,935)
At 1 January 2010	858	(59,646)	(58,788)
Movement in fair value recognised in equity:			
Effectiveness on cash flow hedges	-	(12,626)	(12,626)
Movement in fair value recognised in income statement:			
Ineffectiveness on cash flow hedges	-	45	45
Movement on non-hedging instruments	(858)	(16,424)	(17,282)
At 1 July 2010	-	(88,651)	(88,651)
Movement in fair value recognised in equity:			
Effectiveness on cash flow hedges	-	8,436	8,436
Movement in fair value recognised in income statement:			
Ineffectiveness on cash flow hedges	-	(227)	(227)
Movement on non-hedging instruments	-	4,110	4,110
At 31 December 2010	-	(76,332)	(76,332)
Less non-current portion:			
Cash flow hedges	-	39,497	39,497
Non-hedging instruments	-	36,214	36,214
	-	75,711	75,711
Current portion	-	(621)	(621)

14. Deferred tax

	Accelerated capital allowances £'000	Tax losses £'000	Temporary differences £'000	Total £'000
At 1 July 2009	(4,448)	13,047	(8,599)	-
Movement in income statement	1,619	805	(2,424)	-
At 1 January 2010	(2,829)	13,852	(11,023)	-
Movement in income statement	(54)	11,059	(11,005)	-
At 1 July 2010	(2,883)	24,911	(22,028)	-
Movement in income statement	103	5,788	(727)	5,164
At 31 December 2010	(2,780)	30,699	(22,755)	5,164

Following the substantive enactment on 27 July 2011 of tax law to reduce the UK corporation tax rate from 28 per cent to 27 per cent, the reduced rate has been applied to all temporary differences due to be settled or realised after the change in legislation takes effect.

The Group has recognised a deferred tax asset in respect of current and prior period losses expected to be offset against Group tax liabilities in the second half of the year when taxable profits are expected to be generated.

Deferred tax assets in respect of losses that may be available against future taxable income and are not recognised at the statement of financial position date, amount to £550,000 (30 June 2010: £2,524,000; 31 December 2009: £18,501,000). Deferred tax assets in respect of contingent losses not recognised at the statement of financial position date amount to £41,984,000 (30 June 2010: £49,890,000; 31 December 2009: £67,959,000). In addition, the Group has not recognised deferred tax assets in respect of capital losses generated in the prior year. These capital losses, totaling in the region of £300,000,000, which are subject to HMRC agreement, should be available to offset future capital gains if and when they arise.

15. Provisions for other liabilities and charges

	(Unaudited) As at 31 December 2010 <u>£'000</u>	(Unaudited) As at 31 December 2009 <u>£'000</u>	(Audited) As at 30 June 2010 <u>£'000</u>
Property provisions			
At beginning of period	5,483	5,631	5,631
Movement in the period	<u>(1,251)</u>	<u>147</u>	<u>(148)</u>
At end of period	4,232	5,778	5,483
Less non-current portion	<u>(1,266)</u>	<u>(1,404)</u>	<u>(1,372)</u>
Current portion	<u>2,966</u>	<u>4,374</u>	<u>4,111</u>

A provision has been made in relation to a residual 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.

16. Called up share capital

	(Unaudited) As at 31 December 2010 <u>£'000</u>	(Unaudited) As at 31 December 2009 <u>£'000</u>	(Audited) As at 30 June 2010 <u>£'000</u>
Authorised			
Ordinary shares of 25 pence each	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>
Issued and fully paid			
Ordinary shares of 25 pence each	<u>40,298</u>	<u>40,294</u>	<u>40,294</u>

17. Net asset value per share

	(Unaudited) As at 31 December 2010 <u>£'000</u>	(Unaudited) As at 31 December 2009 <u>£'000</u>	(Audited) As at 30 June 2010 <u>£'000</u>
Basic net asset value	34,812	2,983	14,425
Adjustment for:			
Group's estimated share of unrecognised revaluation surplus on trading properties	128,209	108,017	118,038
Group's share of fair value deficit on derivative financial instruments	76,317	58,464	88,501
Group's share of deferred tax asset	<u>(4,623)</u>	<u>-</u>	<u>-</u>
Diluted EPRA net asset value	<u>234,715</u>	<u>169,464</u>	<u>220,964</u>
	(Unaudited) As at 31 December 2010 Number of shares <u>'000</u>	(Unaudited) As at 31 December 2009 Number of shares <u>'000</u>	(Audited) As at 30 June 2010 Number of shares <u>'000</u>
Basic	161,193	161,174	161,174
Potential share awards	<u>6,419</u>	<u>5,181</u>	<u>6,437</u>
Diluted	<u>167,612</u>	<u>166,355</u>	<u>167,611</u>

	(Unaudited) As at 31 December 2010 <u>Pence</u>	(Unaudited) As at 31 December 2009 <u>Pence</u>	(Audited) As at 30 June 2010 <u>Pence</u>
Basic net asset value per share	21.6	1.9	8.9
Potential share awards	<u>(0.8)</u>	<u>-</u>	<u>(0.3)</u>
Diluted net asset value per share	20.8	1.9	8.6
Adjustment for:			
Group's estimated share of unrecognised revaluation surplus on trading properties	76.5	64.9	70.4
Group's share of fair value deficit on derivative financial instruments	45.5	35.1	52.8
Group's share of deferred tax asset	<u>(2.8)</u>	<u>-</u>	<u>-</u>
Diluted EPRA net asset	<u>140.0</u>	<u>101.9</u>	<u>131.8</u>

Diluted EPRA net asset value is a measure of the Group's financial position that 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 Group's share of deferred tax assets and 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 5.6 pence (30 June 2010: 5.3 pence; 31 December 2009: 3.2 pence) to 140.0 pence (30 June 2010: 131.8 pence; 31 December 2009: 101.9 pence).

18. Capital commitments

Capital commitments contracted, but not provided for, at 31 December 2010 were £30,308,000 (30 June 2010: £44,281,000; 31 December 2009: £71,541,000).

19. Post balance sheet event

Since 31 December 2010, the Group has exchanged contracts to dispose of Leinster House Hotel for gross consideration, before costs, of £18.75 million, the valuation as at 31 December 2010.

20. Cash flows from operations

	(Unaudited) Six months to 31 December 2010 <u>£'000</u>	(Unaudited) Six months to 31 December 2009 <u>£'000</u>	(Audited) Year to 30 June 2010 <u>£'000</u>
Profit before taxation	5,255	45,588	69,094
Net finance costs	<u>15,576</u>	<u>15,122</u>	<u>42,727</u>
Operating profit	20,831	60,710	111,821
Depreciation	44	95	147
Property provisions	(1,251)	147	(148)
Movement on revaluation of investment properties	(20,433)	(55,464)	(107,934)
Profit on sale of investment properties	-	(3,615)	(3,894)
Profit on sale of owner occupied property	-	(3,012)	(3,012)
Lease incentives, letting fees and other non-cash items	(5,266)	(36)	(626)
Share based payment	431	735	1,283
Additions to and acquisitions of trading properties net of deposits received	(12,262)	(14,128)	(31,792)
Decrease/(increase) in trade and other receivables	2,043	(1,191)	(1,793)
Increase in trade and other payables	<u>2,198</u>	<u>1,020</u>	<u>1,476</u>
Cash flows from operations	<u>(13,665)</u>	<u>(14,739)</u>	<u>(34,472)</u>

Cash flows from operations are arrived at after deducting net development expenditure on trading properties of £12,262,000 (year to 30 June 2010: £31,792,000; six months to 31 December 2009: £14,128,000).

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 – Senior Independent Director
Daniel Kitchen BSc FCCA – Non-executive Director
Martin Pexton BA MBA – Non-executive Director

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