**McKAY SECURITIES PLC ANNOUNCES HALF YEAR RESULTS**

McKay Securities PLC, the Real Estate Investment Trust focused on developing and investing in commercial property in Central London and the South East, has announced its results for the half year to 30th September 2012.

**Highlights**

- **EPRA NAV up 0.9% to 231pps (31st March 2012: 229pps)**
- **Adjusted profit before tax up 17.6% to £2.94m (30th September 2011: £2.50m)**
- **Portfolio valuation surplus of 1.0% to £222.44m (31st March 2012: £214.00m)**
- **Loan to value ratio of 48.6% (31st March 2012: 47.0%)**
- **Portfolio market rental value up 0.4% on a like for like basis and 4.7% overall to £18.60m (31st March 2012: £17.77m)**
- **High tenant retention of 64.7% at lease break / expiry**
- **IFRS loss of £2.70m (30th September 2011: loss of £13.99m), resulting from negative swap valuation movements**

- **Interim dividend of 2.7p declared (30th September 2011: 2.7p)**

David Thomas, Chairman of McKay said,

"I am pleased to report on a positive first half of the year for the Group, during which achievements within the portfolio, combined with the benefit of the acquisition of Pinehurst Park, Farnborough in June 2012, have contributed to an increase in both adjusted profit and the value of the portfolio. This positive first half result has been achieved due to property specific performance rather than any fundamental change in market conditions which, as anticipated at the end of last year, have remained tough.

Building obsolescence and lease events will continue to be important factors in generating occupier demand for buildings that meet the requirements of modern businesses. The already limited supply of good quality buildings across all of our markets is expected to become more constrained and, as occupier demand picks up, a lack of choice is likely to extend the early signs of rental growth already observed in the most under supplied centres.

We consider the Group is well placed to benefit from this trend which will enhance the letting prospects for our vacant property and improve the potential to generate value from further acquisitions with our proven management, refurbishment and development skills."

-ends-

Date: 20th November 2012
For further information contact:

| | |
|---|---|
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MCKAY SECURITIES PLC
INTERIM RESULTS
20TH NOVEMBER 2012
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Details of the programme for the payment of the interim dividend are as follows:

| | |
|---|---|
| Ex-dividend date | 28th November 2012 |
| Record date | 30th November 2012 |
| Interim dividend payment | 10th January 2013 |

The Directors have declared an interim dividend of 2.7 pence per share, (2011: 2.7 pence per share), which will be paid as a Property Income Distribution (PID).

# CHAIRMAN'S STATEMENT

**Profit before tax, adjusted to exclude non recurring profit on sales, surrender premiums, and unrealised movements in the value of both the Group's property portfolio and its interest rate hedging instruments increased by 17.6% to £2.94 million, compared with £2.50 million for the six month period to 30th September 2011. Adjusted earnings per share increased to 6.42 pence (30th September 2011: 5.38 pence).**

**The external valuation of the Group's property portfolio at 30th September 2012 was £222.44 million, representing a £2.10 million (0.96%) increase in book value for the half year period. The Group's interest rate hedging instruments reduced in value by £7.69 million. With the inclusion of these unrealised movements, the Group reported a loss before tax of £2.70 million (30th September 2011: £13.99 million loss).**

**Net asset value per share (EPRA) was 231 pence, an increase of 0.9% from 229 pence reported at 31st March 2012. Basic net asset value per share reduced from 162 pence to 150 pence mainly on account of the negative movement in the value of the interest rate hedging instruments.**

**The Board has declared an interim dividend of 2.7 pence per share (2011: 2.7 pence).**

## Review

I am pleased to report on a positive first half of the year for the Group, during which achievements within the portfolio, combined with the benefit of the acquisition of Pinehurst Park, Farnborough in June 2012, have contributed to an increase in both adjusted profit and the value of the portfolio. At headline level, the loss reported is due to a negative movement in the market value of the Group's interest rate hedging instruments. This is an unrealised movement, with no operational impact.

This positive first half result has been achieved due to property specific performance rather than any fundamental change in market conditions which, as anticipated at the end of last year, have remained tough. Low levels of economic growth and uncertainty regarding the direction of the European economy continue to constrain property returns generally, although the Group's core office and industrial markets of central London and the South East have continued to out-perform other UK markets.

Within the existing portfolio, two office properties of particular relevance to the results for the period were 203 Blackfriars Road, London, SE1 (21,000 sq ft) and 100 Bothwell Street, Glasgow (100,270 sq ft).

At 203 Blackfriars Road, a pre-let of the whole building to the Overseas Development Institute was achieved part way through the comprehensive refurbishment of this attractive property, located opposite Southwark underground station. Completion of the works in July triggered commencement of a 12 year lease with no break clauses at an annual rent of £0.80 million, with a 24 month rent free period. The rent achieved was 9% ahead of the March 2012 valuation estimate, which contributed to a significant increase of £3.86 million (48.1%) in the value of this property.

The negotiation of a new lease with the Student Loans Company at 100 Bothwell Street, Glasgow concluded with the grant of a new 10 year lease, commencing in December 2013, subject to a tenant break clause operable at the end of the fifth year and a 15 month rent free period. The rent payable under the new lease will increase from £1.95 million pa to £1.98 million pa subject to an upward only rent review in December 2018. The successful conclusion of this repositioning has given us the opportunity to crystallise the enhanced value of this property and we are now actively marketing the freehold for sale.

The acquisition of Pinehurst Park in central Farnborough in June 2012 from receivers appointed by the lending banks was also of benefit to the results. At the year end, we noted that the increasing differential in pricing between prime and other assets was opening up a market for opportunity driven investors such as ourselves, prepared to act swiftly with available finance. Pinehurst Park is a particularly good example of this, providing a secure high income yield and good prospects for capital gain. The property consists of a 2.8 acre site, with a striking former Convent building of 13,400 sq ft and a 1980's office building of 50,200 sq ft. Both buildings are currently let to IBM until January 2016 at a combined annual rent of £1.29 million. IBM is expected to exercise a Deed of Variation in January 2013, which was agreed on acquisition that allows it to both extend its lease to January 2018 at a revised rent of £500,000 pa, and to hand back the office space it occupies in the former Convent and half of the modern building. Our strategy is initially to secure residential planning consent for the former Convent to maximise disposal proceeds on a stand alone basis. Thereafter we will seek residential consent for the balance of the site, to allow the release of an enhanced value on the expiry of IBM's occupation.

The letting of 203 Blackfriars Road, SE1 was one of seven open market lettings over the period with combined annual contracted rents totalling £1.55 million. In addition, eleven tenants (64.7%) were retained at lease break or lease expiry, protecting £1.15 million of annual contracted income. Open market lettings and lease renewals were generally in line with March 2012 rental assumptions.

Other lettings of note include Pegasus One at Pegasus Place, Crawley. The existing tenant of the ground, second and third floors expanded into the first floor and took an overriding lease of the whole building (20,600 sq ft) for a new ten year term, with a tenant only break clause at the end of year five. The annual contracted rent from the building has risen by £60,000 to £405,000, and the Group will save on void costs.

As a result of the lettings achieved over the period and the income contribution from the Farnborough acquisition, gross rents received from the portfolio for the period increased by 5.5% to £8.06 million, compared with the same period last year. Non recoverable service charge and property expenditure remained similar to last year at £0.81 million, so that net rental income for the period increased to £7.23 million (2011: £6.87 million). The increase in portfolio income, combined with no increase in administration costs and a slight reduction of £0.10 million in net interest payable, resulted in adjusted profit increasing by 17.5% to £2.94 million (2011: £2.50 million).

The Group continues to hold a portfolio of high quality office and industrial assets within established market areas of central London and the South East. Assets within the Group's South East office market account for the largest proportion of the portfolio by value (40%). Named demand in this market at the end of the period totalled 3.32 million sq ft, and take up for 2012 to the end of September was 1.00 million sq ft. This compares with 3.52 million sq ft and 1.41 million sq ft at the same time last year. The supply of Grade A and new buildings has reduced slightly from 6.7 million sq ft last year to 6.6 million sq ft this year, representing a vacancy rate of 7.7% of the total supply, and a low vacancy rate of 3.3% for new buildings.

Rental growth is still constrained by a lack of occupier confidence, although these demand and take up statistics show that lettings continue to occur. Further analysis shows that approximately 70% of take up over the last couple of years is for Grade A and new buildings. As a result, and with a limited development pipeline, the supply of better quality buildings has continued to reduce. This trend looks set to continue and will, over time, work to our advantage as limited supply will generate gains in rental values. We have already seen this in the most undersupplied towns in the Western corridor such as central Maidenhead, Staines and Windsor.

The total portfolio void reduced over the period from 13.3% in March 2012 to 8.9%, and the weighted average lease length increased to 6.7 years from 5.9 years. The remaining void has a rental value of £1.65 million, of which 65% is accounted for by the five largest voids, totalling 63,314 sq ft. Two of these properties are Pegasus Two, Crawley (12,730 sq ft) and One Fleet (13,780 sq ft) which offer Grade A office accommodation following recent refurbishment by the Group. All void properties are being marketed widely, and we have a number of encouraging enquiries.

Cash flow from the portfolio remained strong and we continued to achieve our target of securing 90% of rental income within seven days of the relevant quarter day. The lettings achieved over the period maintained the portfolio's strong covenant profile, with 66% of rental income being paid by tenants with a net worth in excess of £15 million (March 2012: 66%).

## Valuation

The independent valuation of the Group's property portfolio as at 30th September 2012 totalled £222.44 million, representing a 0.96% (£2.10 million) increase in book value from 31st March 2012. The main driver of this gain was the revaluation of 203 Blackfriars Road, SE1 which increased by £3.86 million (48.1%) over cost having achieved an uplift in rent and a long lease to a good covenant on completion of refurbishment works. This contributed to an overall increase of 5.3% in the value of the Group's London office properties, which account for 30% of the portfolio by value. The South East office portfolio declined in value by 1.2%, due mainly to a slight outward yield shift on properties in Reading and Wimbledon, where the lease length has reduced below ten years. In Glasgow, there was a 0.8% uplift in value following the lease regear which was partially taken into account at the last valuation. The industrial portfolio reduced in value by 1.2%, due mainly to a possible lease expiry at Weybridge.

The market rental value of the portfolio was stable, increasing by 0.4% to £17.85 million on a like for like basis.

These results out-performed the IPD Monthly Index (All Property) which showed a decrease of 2.4% in capital values and a decrease of 0.2% in rental value over the same period.

At 30th September 2012, the initial yield of the portfolio was 6.9% (March 2012: 6.6%) increasing to 7.7% (March 2012: 7.1%) on contracted rents once letting incentives expire. The true equivalent yield was 7.8% (March 2012: 7.7%).

## Finance

The Group continues to benefit from four favourable banking facilities totalling £155.00 million, with the earliest expiry (£45.00 million) being in February 2016. Compliance has been maintained with all covenants over the period, maintaining low margins, flexible terms and no near term refinancing risk.

Net debt at 30th September 2012 was £104.52 million (30th September 2011: £95.60 million). The ratio of drawn debt to portfolio value (LTV) was 48.6% (30th September 2011: 47.2%), and the gearing ratio to shareholders' funds, adjusted in accordance with banking covenants, was 98.4% (30th September 2011: 91.6%).

Financial hedging instruments totalling £105.00 million remain in place to protect the Group against high interest rates. The mark to market value of these instruments declined in value by £7.69 million over the period to a negative value of £42.06 million. These instruments cover 97.2% of drawn debt. The hedging position remains under regular review.

The Group's average cost of debt for the period reduced to 5.0% (2011: 5.4%).

**Dividend**

The Board is pleased to declare an interim dividend of 2.7 pence per share, which remains unchanged from the same period last year. This will be paid as a Property Income Distribution (PID) on 10th January 2013 to shareholders on the register on 30th November 2012.

**Future Prospects**

Building obsolescence and lease events will continue to be important factors in generating occupier demand for buildings that meet the requirements of modern businesses. The already limited supply of good quality buildings across all of our markets is expected to become more constrained and, as occupier demand picks up, a lack of choice is likely to extend the early signs of rental growth already observed in the most under supplied centres.

We consider the Group is well placed to benefit from this trend which will enhance the letting prospects for our vacant property and improve the potential to generate value from further acquisitions with our proven management, refurbishment and development skills.

D.O. Thomas
Chairman
20th November 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Notes | 6 months to 30th September 2012 (Unaudited) £'000 | 6 months to 30th September 2011 (Unaudited) £'000 | 12 months to 31st March 2012 (Audited) £'000 |
|---|---|---|---|---|
| Gross rents and service charges receivable | | 10,272 | 9,451 | 20,665 |
| Surrender premiums received | | - | - | 223 |
| Direct property outgoings | | (3,041) | (2,577) | (6,899) |
| Net rental income from investment properties | 3 | 7,231 | 6,874 | 13,989 |
| Administration costs | | (1,638) | (1,647) | (3,502) |
| Operating profit before investment property disposals and revaluation movements | | 5,593 | 5,227 | 10,487 |
| Movement in revaluation of investment properties | 7 | 2,028 | 263 | 233 |
| Operating profit | | 7,621 | 5,490 | 10,720 |
| Net finance costs – finance costs | 6 | (10,423) | (19,561) | (22,401) |
| – finance income | 6 | 5 | 15 | 16 |
| | | (10,418) | (19,546) | (22,385) |
| Share of results of associated undertaking | | 95 | 71 | 105 |
| Loss before taxation | | (2,702) | (13,985) | (11,560) |
| Taxation | 4 | - | - | - |
| Loss for the period | | (2,702) | (13,985) | (11,560) |
| Other comprehensive income: | | | | |
| Actuarial movement on defined benefit pension Scheme | | - | - | (853) |
| Experience movement on defined benefit pension Scheme | | (110) | - | - |
| Total comprehensive loss for the period | | (2,812) | (13,985) | (12,413) |
| Loss per share | 5 | | | |
| Basic | | (5.89)p | (30.48)p | (25.20)p |
| Diluted | | (5.89)p | (30.48)p | (25.20)p |

Adjusted earnings per share figures are shown in note 5.

GROUP BALANCE SHEET
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| | Notes | As at 30th September 2012 (Unaudited) £'000 | As at 30th September 2011 (Unaudited) £'000) | As at 31st March 2012 (Audited) £'000 |
|---|---|---|---|---|
| Non-current assets | | | | |
| Investment properties | 7 | 221,565 | 208,347 | 213,227 |
| Plant and equipment | | 31 | 15 | 22 |
| Investments | | 1,969 | 1,885 | 1,874 |
| | | 223,565 | 210,247 | 215,123 |
| Current assets | | | | |
| Trade and other receivables | | 5,699 | 5,925 | 5,322 |
| Cash and cash equivalents | | 3,481 | 3,096 | 2,584 |
| | | 9,180 | 9,021 | 7,906 |
| Total assets | | 232,745 | 219,268 | 223,029 |
| Current liabilities | | | | |
| Trade and other payables | | (7,855) | (7,545) | (8,126) |
| Finance lease liabilities | | (286) | (286) | (286) |
| Interest rate derivatives | 8 | (3,959) | (3,795) | (3,795) |
| | | (12,100) | (11,626) | (12,207) |
| Non-current liabilities | | | | |
| Loans and other borrowings | | (107,672) | (98,348) | (100,124) |
| Pension fund liabilities | | (1,820) | (1,047) | (1,840) |
| Finance lease liabilities | | (4,122) | (4,122) | (4,122) |
| Interest rate derivatives | 8 | (38,104) | (30,402) | (30,576) |
| | | (151,718) | (133,919) | (136,662) |
| Total liabilities | | (163,818) | (145,545) | (148,869) |
| Net assets | | 68,927 | 73,723 | 74,160 |
| Equity | | | | |
| Called up share capital | | 9,176 | 9,176 | 9,176 |
| Share premium account | | 2,478 | 2,478 | 2,478 |
| Distributable reserve | | 44,263 | 51,000 | 51,541 |
| Revaluation reserve | | 13,010 | 11,069 | 10,965 |
| Total equity | | 68,927 | 73,723 | 74,160 |
| Net asset value per share | 10 | 150p | 161p | 162p |
| EPRA net asset value per share | 10 | 231p | 224p | 229p |

GROUP CASH FLOW STATEMENT

| | 6 months to 30th September 2012 (Unaudited) £'000 | 6 months to 30th September 2011 (Unaudited) £'000 | 12 months to 31st March 2012 (Audited) £'000 |
|---|---|---|---|
| Operating activities | | | |
| Loss before tax | (2,702) | (13,985) | (11,560) |
| Adjustments for: | | | |
| Depreciation | 8 | 4 | 15 |
| Other non-cash movements | 313 | 293 | 631 |
| Movement in revaluation of investment properties | (2,028) | (263) | (233) |
| Net finance costs | 10,418 | 19,546 | 22,385 |
| Share of profit of associate undertaking | (95) | (71) | (105) |
| Cash flow from operations before changes in working capital | 5,914 | 5,524 | 11,133 |
| (Increase)/decrease in debtors | (447) | 10 | 656 |
| (Decrease)/Increase in creditors | (1,383) | 469 | 921 |
| Cash generated from operations | 4,084 | 6,003 | 12,710 |
| Interest paid | (1,686) | (3,055) | (5,901) |
| Interest received | 5 | 15 | 16 |
| Cash flows from operating activities | 2,403 | 2,963 | 6,825 |
| Investing activities | | | |
| Dividends from associated undertaking | - | - | 45 |
| Purchase and development of investment properties | (6,382) | (809) | (5,700) |
| Purchase of other fixed assets | (16) | (8) | (24) |
| Cash flows from investing activities | (6,398) | (817) | (5,679) |
| Financing activities | | | |
| Increase in borrowings | 7,507 | 1,000 | 2,727 |
| Equity dividends paid | (2,615) | (2,569) | (3,808) |
| Cash flows from financing activities | 4,892 | (1,569) | (1,081) |
| Net increase in cash and cash equivalents | 897 | 577 | 65 |
| Cash and cash equivalents at beginning of the period | 2,584 | 2,519 | 2,519 |
| Cash and cash equivalents at end of period | 3,481 | 3,096 | 2,584 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to equity holders of the parent company | | | | |
|---|---|---|---|---|---|
| | Share capital £'000 | Share premium £'000 | Revaluation reserve £'000 | Total Distributable Reserve £'000 | Total equity £'000 |
| At 1st April 2011 | 9,176 | 2,478 | 10,780 | 67,737 | 90,171 |
| Loss for the year | - | - | - | (11,560) | (11,560) |
| Other comprehensive income: | | | | | |
| Transfer surplus on revaluation of properties | - | - | 233 | (223) | - |
| Transfer share of deficit on revaluation of properties in associated undertaking | - | - | (48) | 48 | - |
| Actuarial loss on defined benefit pension scheme | - | - | - | (853) | (853) |
| Total comprehensive loss for the year | - | - | 185 | (12,598) | (12,413) |
| Dividends paid in year | - | - | - | (3,808) | (3,808) |
| Fair value of share based payments | - | - | - | 210 | 210 |
| At 31st March 2012 | 9,176 | 2,478 | 10,965 | 51,541 | 74,160 |
| Loss for the period | - | - | - | (2,702) | (2,702) |
| Other comprehensive income: | | | | | |
| Transfer surplus on revaluation of properties | - | - | 2,028 | (2,028) | - |
| Transfer share of deficit on revaluation of properties in associated undertaking | - | - | 17 | (17) | - |
| Experience loss on defined benefit pension scheme | - | - | - | (110) | (110) |
| Total comprehensive loss for the period | - | - | 2,045 | (4,857) | (2,812) |
| Dividends paid in period | - | - | - | (2,615) | (2,615) |
| Fair value of share based payments | - | - | - | 194 | 194 |
| At 30th September 2012 | 9,176 | 2,478 | 13,010 | 44,263 | 68,927 |

1 Accounting policies

**Basis of preparation**
This condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union.

As required by the Disclosure and Transparency Rules of the Financial Services Authority, the financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31st March 2012.

The comparative figures for the financial year ended 31st March 2012 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matter to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The Board approved the unaudited interim financial statements on 20th November 2012.

**Identification of business risks**
The Group's principal risks and uncertainties are consistent with those noted in the Annual Report for the year ended 31st March 2012 being compliance with financial covenants on bank borrowing, tenant default, liquidity, interest rate hedging instruments and interest rate movements on bank borrowing. The Directors consider that the significant areas of judgement made by management that have significant effect on the Group's performance and estimates with a significant risk of material adjustment in the second half of the year are unchanged from those identified in the Annual Report for the year ended 31st March 2012.

**Going concern**
The Interim Report has been prepared on a going concern basis, which assumes the Group will be able to meet its liabilities as they fall due, for the foreseeable future. The Directors have prepared cash flow forecasts which show that the cash generated from operating activities will provide sufficient cash headroom for the foreseeable future.

The Group does not have any significant borrowing facilities expiring in the next 12 months. The Group is in full compliance with its borrowing covenants at 30th September 2012.

## 2 Adjusted profit before tax

Adjusted profit before tax is the Group's preferred measure to provide a clearer picture of recurring profits from core rental activities before tax, adjusted as set out below.

| | 6 months to 30th September 2012 (Unaudited) £'000 | 6 months to 30th September 2011 (Unaudited) £'000 | 12 months to 31st March 2012 (Audited) £'000 |
|---|---|---|---|
| Loss before tax | (2,702) | (13,985) | (11,560) |
| Surrender premiums received | - | - | (223) |
| Change in fair value of derivatives | 7,692 | 16,717 | 16,891 |
| Movement in revaluation of investment properties | (2,028) | (263) | (233) |
| Associated undertaking disposals and revaluation Movement | (22) | 33 | 128 |
| Adjusted profit before tax | 2,940 | 2,502 | 5,003 |

## 3 Net rental income from investment properties

| | 6 months to 30th September 2012 (Unaudited) £'000 | 6 months to 30th September 2011 (Unaudited) £'000 | 12 months to 31st March 2012 (Audited) £'000 |
|---|---|---|---|
| Gross rents receivable | 7,996 | 7,857 | 15,887 |
| SIC15 adjustment | 66 | (212) | (389) |
| Gross rental income | 8,062 | 7,645 | 15,498 |
| Service charges receivable | 2,210 | 1,806 | 5,167 |
| | 10,272 | 9,451 | 20,665 |
| Surrender premiums received | - | - | 223 |
| Direct property outgoings | (3,041) | (2,577) | (6,899) |
| | 7,231 | 6,874 | 13,989 |

Rent receivable under the terms of the leases is adjusted, in accordance with SIC15, for the effect of any incentives given.

## 4 Taxation

| | 6 months to 30th September 2012 (Unaudited) £'000 | 6 months to September 2011 (Unaudited) £'000 | 12 months to 31st March 2012 (Audited) £'000 |
|---|---|---|---|
| Total tax in the Statement of Comprehensive Income | - | - | - |
| | --------- | ---------- | ---------- |
| Reconciliation to effective rate of tax: | | | |
| Loss before taxation | (2,702) | (13,985) | (11,560) |
| | --------- | --------- | --------- |
| Tax credit at full rate of 24% (2012 – 26%) | (648) | (3,636) | (3,006) |
| Effects of: | | | |
| REIT tax exemption | 322 | 2,947 | 2,025 |
| Permanent differences | 348 | 705 | 1,005 |
| Other timing differences | 1 | 2 | 3 |
| Associated undertaking | (23) | (18) | (27) |
| | --------- | --------- | --------- |
| Tax for period (as above) | - | - | - |
| | --------- | --------- | --------- |

## 5 Earnings per share

| | 6 months to 30th September 2012 P | 6 months to 30th September 2011 p | 12 months to 31st March 2012 P |
|---|---|---|---|
| Loss per share | (5.89) | (30.48) | (25.20) |
| Change in fair value of derivatives | 16.77 | 36.43 | 36.82 |
| Movement in revaluation of investment properties | (4.42) | (0.57) | (0.51) |
| Surrender premium received | - | - | (0.48) |
| Associated undertaking disposals and revaluation movement | (0.04) | - | 0.18 |
| | --------- | --------- | -------- |
| Adjusted earnings per share | 6.42 | 5.38 | 10.81 |
| | --------- | --------- | ------- |

Basic (loss)/earnings per share on ordinary shares is calculated on the loss in the half year of £2,702,000 (2011: loss: £13,985,000) and 45,879,174 (2011: 45,879,174) shares, being the weighted average number of ordinary shares in issue during the period.

| | 6 months to 30th September 2012 | 6 months to 30th September 2011 |
|---|---|---|
| Weighted number of ordinary shares in issue | 45,879,174 | 45,879,174 |
| Number of shares under option | 3,105,771 | 3,684,848 |
| Number of shares that would have been issued at fair value | (2,127,081) | (2,243,475) |
| | --------------- | --------------- |
| Diluted weighted average number of ordinary shares in issue | 46,857,864 | 47,320,547 |
| | --------------- | --------------- |

| | 6 months to 30th September 2012 | 6 months to 30th September 2011 | 12 months to 31st March 2012 |
|---|---|---|---|
| | p | p | p |
| Basic loss per share | (5.89) | (30.48) | (25.20) |
| Effect of dilutive potential ordinary shares under option | 0.12 | 0.92 | 0.72 |
| Change in fair value of derivatives | 16.42 | 35.33 | 35.76 |
| Movement in revaluation of investment properties | (4.33) | (0.55) | (0.49) |
| Surrender premium received | - | - | (0.47) |
| Associated undertaking disposals and revaluation movement | (0.04) | - | 0.18 |
| | --------- | --------- | -------- |
| Adjusted diluted earnings per share | 6.28 | 5.22 | 10.50 |
| | ---------- | ---------- | -------- |
| EPRA earnings per share | 6.28 | 5.22 | 10.97 |
| | ---------- | ---------- | --------- |

Diluted loss per share is calculated on the same loss after tax and on the weighted average diluted number of shares in issue during the period of 46,857,864 (2011: 47,320,547) shares, which takes into account the number of potential ordinary shares under option. No account has been taken in diluted loss per share of potential ordinary shares in the period under review where their conversion to ordinary shares has decreased the loss per share but is included to arrive at adjusted diluted earnings per share.

Adjusted earnings per share excludes the after tax effect of profit from the disposal of investment properties, surrender premiums received, the change in the fair value of derivatives and the movement in revaluation of investment properties. The EPRA measure includes all of these adjustments except for surrender premiums which are added back.

6 Net Finance costs

| | 6 months to 30th September 2012 (Unaudited) £'000 | 6 months to 30th September 2011 (Unaudited) £'000 | 12 months to 31st March 2012 (Audited) £'000 |
|---|---|---|---|
| Interest on bank overdraft and loans | 2,636 | 2,665 | 5,273 |
| Finance lease interest on leasehold property obligations | 142 | 143 | 285 |
| Finance arrangement costs | 41 | 36 | 84 |
| Fair value losses on derivatives | 7,692 | 16,717 | 16,891 |
| Capitalised interest | (88) | - | (132) |
| | --------- | --------- | --------- |
| | 10,423 | 19,561 | 22,401 |
| Interest receivable | (5) | (15) | (16) |
| | --------- | --------- | --------- |
| | 10,418 | 19,546 | 22,385 |
| | --------- | --------- | ---------- |

7 Investment Properties

| | 6 months to 30th September 2012 (Unaudited) £'000 | 6 months to 30th September 2011 (Unaudited) £'000 | 12 months to 31st March 2012 (Audited) £'000 |
|---|---|---|---|
| At 1st April 2012 | 213,227 | 207,430 | 207,430 |
| Additions - acquisitions | 3,994 | - | 2,881 |
| - development | 2,336 | 674 | 2,723 |
| Revaluation surplus/(deficit) | 2,104 | 51 | (124) |
| Adjustment for rents recognised in advance under SIC15 | (76) | 212 | 357 |
| Amortisation of grossed up headlease liabilities | (20) | (20) | (40) |
| | ----------- | ------------ | ----------- |
| At 30th September 2012 | 221,565 | 208,347 | 213,227 |
| | ------------ | ------------ | ---------- |
| Adjustment for grossing up of headlease liabilities | (3,885) | (3,926) | (3,906) |
| Adjustment for rents recognised in advance under SIC15 | 4,755 | 4,824 | 4,679 |
| | ----------- | ----------- | ----------- |
| Adjusted valuation at 30th September 2012 | 222,435 | 209,245 | 214,000 |
| | ----------- | ----------- | ----------- |

In accordance with the Group's accounting policy on properties there was an external valuation at 30th September 2012. These valuations were carried out in England by Mellersh & Harding, Chartered Surveyors and Valuers, CB Richard Ellis, Chartered Surveyors and Valuers (100 Bothwell Street, Glasgow) and Promission, Chartered Surveyors and Valuers (Doncastle House). Mellersh and Harding valued the entire portfolio except for the two aforementioned properties. All valuations were carried out in accordance with the Appraisal and Valuation Standards of RICS, on an open market basis.

8. Interest Rate Derivatives

The Group adopts a policy of ensuring that its exposure to interest rate fluctuations is mitigated by the use of financial instruments. Participating swaps and interest rate swaps have been entered into to achieve this purpose. The swaps mature over the next 27 years.

Each of the swaps contains a counter party bank credit break. If such a break were exercised payment would be made between the parties dependent on the market value at the time. The first of these arise in January 2016.

Each of the swaps contains an optional termination date for the counter party bank which if triggered would not require payment between the parties. The first of these arise in September 2014.

The Group does not hold or issue derivative financial instruments for trading purposes.

| As at 30th September 2012 (Unaudited) | Hedged amount £'000 | Rate | Maturity[1] - break (years) | Maturity - expiry (years) | Fair value £'000 |
|---|---|---|---|---|---|
| Interest rate swaps | 75,000 | [2]4.80% | 1.92 | 19.94 | (31,854) |
| Interest rate swaps | 25,000 | [3]3.00% | 3.26 | 26.02 | (8,291) |
| Interest rate swaps | 5,000 | 4.65% | 5.17 | 20.18 | (1,918) |
| | | | | | (42,063) |

| As at 30th September 2011 (Unaudited) | | | | | |
|---|---|---|---|---|---|
| Interest rate swaps | 75,000 | 4.80% | 2.92 | 20.94 | (26,429) |
| Interest rate swaps | 25,000 | 3.00% | 4.26 | 27.02 | (6.255) |
| Interest rate swaps | 5,000 | 4.65% | 6.17 | 21.18 | (1,513) |
| | | | | | (34,197) |

| As at 31st March 2012 (Audited) | | | | | |
|---|---|---|---|---|---|
| Interest rate swaps | 75,000 | [2]4.80% | 2.42 | 20.44 | (26,358) |
| Interest rate swaps | 25,000 | [3]3.00% | 3.76 | 26.52 | (6,459) |
| Interest rate swaps | 5,000 | 4.65% | 5.67 | 20.68 | (1,554) |
| | | | | | (34,371) |

[1]to expiry or break whichever is earlier
[2]rate steps up to 5.17% from 28th March 2014
[3]rate steps up to 4.31% from 9th April 2013

The fair value of interest rate derivatives has been split between current and non-current liabilities according to the expected timing of cash flows as follows:

| | As at 30th September 2012 (Unaudited) £'000 | As at 30th September 2011 (Unaudited) £'000 | As at 31st March 2012 (Audited) £'000 |
|---|---|---|---|
| Current | (3,959) | (3,795) | (3,795) |
| Non-current | (38,104) | (30,402) | (30,576) |
| | ---------- | ---------- | ---------- |
| | (42,063) | (34,197) | (34,371) |
| | ---------- | ---------- | ---------- |

The Group does not hedge account its interest rate derivatives and states them at fair value in the balance sheet based on quotations from the Group's banks, any movement passing through the Statement of Comprehensive Income. All financial liabilities are classed as level 2 in accordance with the fair value hierarchy stated in IFRS 7. The fair value of these level 2 contracts are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument.

There are no liabilities at maturity and no material unrecognised gains or losses.

In both 2012 and 2011 there was no difference between the book value and the fair value of all the other financial assets and liabilities of the Group and Company.

9 Dividends

| | 6 months to 30th September 2012 (Unaudited) £'000 | 6 months to 30th September 2011 (Unaudited) £'000 | 12 months to 31st March 2012 (Audited) £'000 |
|---|---|---|---|
| Final dividend | | | |
| Year ended 31st March 2012 | 2,615 | - | - |
| Year ended 31st March 2011 | - | 2,569 | 2,569 |
| Interim dividend | | | |
| Year ended 31st March 2012 | - | - | 1,239 |
| | ---------- | ---------- | ---------- |
| | 2,615 | 2,569 | 3,808 |
| | ---------- | ---------- | ---------- |

The final dividend of 5.7 pence per share (£2,615,000) for the year ended 31st March 2012 was paid on 2nd August 2012.

The Directors have declared an interim dividend of 2.7 pence per share (2011: 2.7 pence per share).

Since becoming a REIT, the Group is required to distribute at least 90% of qualifying income profits each year as a Property Income Distribution (PID), and the interim dividend of 2.7 pence per share will be paid as part of this distribution. Further REIT information is available on the Company's website.

10 Net asset value per share

| | 30th September 2012 | | | 30th September 2011 | | | 31st March 2012 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Net assets £'000 | Shares '000 | Net asset value per share p | Net assets £'000 | Shares '000 | Net Asset Value Per Share p | Net assets £'000 | Shares '000 | Net asset value per share p |
| Basic | 68,927 | 45,879 | 150 | 73,723 | 45,879 | 161 | 74,160 | 45,879 | 162 |
| Number of shares under option | 2,802 | 3,314 | (4) | 2,840 | 3,646 | (6) | 2,862 | 2,714 | (3) |
| Diluted/EPRA NNNAV | 71,729 | 49,193 | 146 | 76,563 | 49,525 | 155 | 77,022 | 48,593 | 159 |
| Adjustment for fair value of derivatives | 42,063 | - | 85 | 34,197 | _ | 69 | 34,371 | - | 70 |
| EPRA NAV | 113,792 | 49,193 | 231 | 110,760 | 49,525 | 224 | 111,393 | 48,593 | 229 |

11 Disclaimer

The Interim Report of McKay Securities PLC for the six months to 30th September 2012 has been drawn up and presented for the purposes of complying with English law. If any issue were to arise in relation to any liability under or in connection with the Interim Report for the six months to 30th September 2012, it would also be determined in accordance with English law.

12 Interim Report

The Interim Report is being posted to all shareholders on 30th November 2012. Copies are available to members of the public from the Company's registered office at 20 Greyfriars Road, Reading, Berkshire RG1 1NL, and on the Company's website at www.mckaysecurities.plc.uk.

Statement of the Directors Responsibilities

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;

- the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

S C Perkins
Managing Director

G P Salmon
Finance Director

20th November 2012