

## Proposed Fundraise announcement

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29 January 2014

### McKay Securities PLC (the "Company")

#### Proposed Firm Placing and Placing and Open Offer

##### Summary

The Board of the Company today announces its intention to raise gross proceeds of approximately £86.7 million by way of a Firm Placing and Placing and Open Offer of 45,789,174 New Ordinary Shares at an Offer Price of 189 pence per New Ordinary Share.

The Offer Price represents a discount of 1.0 per cent to the Closing Price of 191 pence per Ordinary Share on 28 January 2014 being the last Business Day prior to the announcement of the Capital Raising.

Qualifying Shareholders are being offered the opportunity to participate in the Open Offer on the basis of 1 Open Offer Share for every 1 Existing Ordinary Share held by them at the Record Date.

14,131,241 New Ordinary Shares, representing the Open Offer Entitlements of the Family Shareholders who have irrevocably undertaken not to take up any of their Open Offer Entitlements, have been placed firm with certain institutional investors to raise gross proceeds of approximately £26.7 million. The remaining 31,747,933 New Ordinary Shares have been conditionally placed with institutional and other new investors at the Offer Price, subject to clawback to satisfy valid acceptances under the Open Offer.

The Board believes that the Capital Raising will enable the Group (as the only REIT entirely focussed on the South East England and London markets) to take advantage of improving market conditions, and will:

- accelerate the delivery of returns from the Group's current and near-term portfolio projects as well as enabling the Group to, where appropriate and in line with its strategy, fund future acquisitions, which would add further potential for the creation of future income and capital gains. Use of the proceeds for this purpose would increase the size of the portfolio, bringing with it inherent diversification advantages;
- make the Group a more attractive investment prospect going forward, and promote increased liquidity in the Company's shares;
- enable the Group to access the favourable terms provided by the Group's existing bank facilities by reducing the Group's gearing ratio, which will in turn increase the available headroom under the Group's financial covenants. The additional financial resources will allow the Group to pursue its strategy and benefit from positive trends in the South East and London markets.

The Capital Raising is conditional on, among other things, the passing of the Resolutions at the General Meeting. If the Resolutions are passed and the other conditions to the Capital Raising are satisfied, it is expected that dealings in the New Ordinary Shares will commence at or shortly after 8.00 a.m. on 19 February 2014.

The Group today also released its Third Quarter Interim Management Statement for the period from 1 October 2013 to 27 January 2014.

David Thomas, Chairman of McKay Securities PLC said:

*“We are delighted to announce this fund raising. It has been encouraging that we have received such strong investor support and we have had a very enthusiastic level of take up. The raising of new capital provides an exciting opportunity to grow the business. This builds on our long and successful track record as the only REIT entirely focussed on the recovering markets of the South East and London. The raising will provide funds of £86.7 million, prior to gearing, to enable the Company to make acquisitions and to bring forward existing portfolio refurbishment and development projects.”*

**This summary should be read in conjunction with, and is subject to, the full text of this announcement as well as the Prospectus relating to the Capital Raising which will be sent to Qualifying Shareholders and will also be made available on the Company's website [www.mckaysecurities.plc.uk](http://www.mckaysecurities.plc.uk) later today, except that the Prospectus will not be available (whether through the website or otherwise) to Excluded Shareholders. Further details are set out in this announcement and in the Prospectus. A copy of the Prospectus will be submitted to the National Storage Mechanism and will shortly be available for inspection at: <http://www.morningstar.co.uk/uk/NSM>.**

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#### IMPORTANT NOTICES

The defined terms set out in the Appendix apply to this announcement. Unless otherwise stated, references to time contained in this announcement are to UK time.

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Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. This announcement is not a prospectus or other offering document. There will be no public offering of securities in the United States.

Oriel Securities Limited ("Oriel"), which is authorised and regulated in the United Kingdom by the FCA, is acting for the Company only and no-one else in connection with the Capital Raising and will not be responsible to anyone other than the Company for providing the protections afforded to its clients nor for providing advice in relation to the Capital Raising.

Apart from any responsibilities and liabilities, if any, which may be imposed on Oriel by the Financial Services and Markets Act 2000 or the regulatory regime established thereunder, Oriel accepts no responsibility whatsoever and makes no representation or warranty, express or implied, concerning the contents of this announcement including its accuracy, completeness or verification or for any other statement in connection with the Company, the Company's shares or the Capital Raising. Oriel accordingly disclaims all and any liability, responsibility whatsoever, whether arising in tort, contract or otherwise which it might otherwise have in respect of this announcement.

Expected Timetable:

2014

Record Date for entitlement under the Open Offer	5.00 p.m. on 24 January
Announcement of the Capital Raising	29 January
Ex-entitlement date for the Open Offer	29 January
Prospectus published and Forms of Proxy despatched; Application Forms despatched to Qualifying Non-CREST Shareholders	29 January
Open Offer Entitlements credited to stock accounts in CREST (Qualifying CREST Shareholders only)	as soon as possible after 8.00 a.m. on 30 January
Recommended latest time for requesting withdrawal of Open Offer Entitlements from CREST (i.e. if your Open Offer Entitlements are in CREST and you wish to convert them to certificated form)	4.30 p.m. on 7 February
Latest time and date for depositing Open Offer Entitlements into CREST	3.00 p.m. on 10 February
Latest time and date for splitting Application Forms	3.00 p.m. on 11 February
Latest time and date for receipt of Forms of Proxy or electronic proxy appointments	10.00 a.m. on 12 February
<b>Latest time and date for receipt of completed Application Forms and payments in full and settlement of CREST instructions (as appropriate)</b>	<b>11.00 a.m. on 13 February</b>
<b>Latest time and date for receipt of Placing commitments</b>	<b>4.30 p.m. on 13 February</b>
<b>General Meeting</b>	<b>10.00 a.m. on 14 February</b>
Announcement of results of Firm Placing and Placing and Open Offer	14 February
<b>Date of Admission and dealings in New Ordinary Shares, fully paid, commence on the London Stock Exchange</b>	<b>by 8.00 a.m. on 19 February</b>

New Ordinary Shares credited to CREST stock accounts  
(uncertificated Shareholders only)

by 8.00 a.m. on 19 February

Expected despatch of definitive share certificates for the  
New Ordinary Shares in certificated form

on or around 20 February

The times and dates set out in the expected timetable of principal events above and mentioned in this announcement, the Prospectus and in any other document issued in connection with the Capital Raising are subject to change by the Company, in which event details of the new times and dates will be notified to the UK Listing Authority, the London Stock Exchange and, where appropriate, to Shareholders.

## **PROPOSED CAPITAL RAISING**

### **1. Introduction to the Capital Raising**

It was announced today that the Company proposes to raise new capital in order to provide additional financial resources to take advantage of its position as the only REIT entirely focussed on the improving markets of South East England and London. The Company proposes to raise gross proceeds of approximately £86.7 million (approximately £82.2 million net of expenses) by way of a Firm Placing and Placing and Open Offer of 45,879,174 New Ordinary Shares at an Offer Price of 189 pence per New Ordinary Share.

Under the Open Offer, Qualifying Shareholders are being given the opportunity to subscribe for Open Offer Shares pro rata to their Existing Holdings on the basis of 1 Open Offer Share for every 1 Existing Ordinary Share held by them at the Record Date.

Under the Firm Placing, 14,131,241 New Ordinary Shares, representing the Open Offer Entitlements of the Family Shareholders who have irrevocably undertaken not to take up any of their Open Offer Entitlements, have been placed firm with certain institutional investors at the Offer Price, to raise gross proceeds of approximately £26.7 million. The Firm Placed Shares will not be subject to clawback to satisfy Open Offer Entitlements taken up by Qualifying Shareholders under the Open Offer.

The remaining 31,747,933 Open Offer Shares have been conditionally placed with institutional and other new investors at the Offer Price, subject to clawback to satisfy Open Offer Entitlements taken up by Qualifying Shareholders under the Open Offer.

Given that the Company has been able to place 14,131,241 New Ordinary Shares under the Firm Placing, and the Board's desire to ensure that Qualifying Shareholders have the right to subscribe for New Ordinary Shares on a fully pre-emptive basis (irrespective of whether they wish to do so) and so avoid dilution of their equity interests, 31,747,933 New Ordinary Shares are being offered under the Open Offer.

The Firm Placing and Placing and Open Offer will each be made at an Offer Price of 189 pence per New Ordinary Share, representing a discount of 1.0 per cent. to the Closing Price of 191 pence on 28 January 2014, being the last Business Day prior to the announcement of the Capital Raising.

The Capital Raising is conditional upon, among other things, the approval of the Resolutions at the General Meeting which will be held at The Royal Thames Yacht Club, 60 Knightsbridge, London, SW1X 7LF at 10.00 a.m. on 14 February 2014. The Notice of General Meeting will be distributed to Shareholders later today.

The Company has received irrevocable undertakings from the Family Shareholders, in respect of approximately 31 per cent. of the Company's existing issued share capital to vote in favour of the Resolutions to be proposed at the General Meeting.

## **2. Information relating to McKay**

The Board's strategy is to grow the capital value and recurring income from a portfolio of primarily office and industrial properties through development, refurbishment and active management, whilst maintaining an appropriate level of gearing.

Since listing in 1959, the Group has concentrated on the established commercial markets of South East England and London. The current management team has established a strong track record in these markets, and the Group has maintained a sound financial base throughout the financial downturn.

The Group's portfolio of 36 properties, totalling 1.2 million sq ft, is now located entirely within the South East and London. The Group's development and refurbishment experience is highlighted by the fact that 72 per cent. of the portfolio (by area) has either been built or refurbished by the Group, with current and near term schemes accounting for a further 7 per cent. of existing portfolio area. The portfolio is managed by an experienced in house team, all located at the Group's office in Reading.

The independent valuation of the portfolio, carried out on 17 January 2014 totalled £236.30 million (30 September 2013: £225.87 million). After taking into account acquisition costs and capital expenditure, this resulted in a surplus of 1.4 per cent. (£3.15 million). The portfolio initial yield was 5.8 per cent. (30 September 2013: 5.6 per cent.) increasing to 6.8 per cent. (30 September 2013: 6.7 per cent.) on contracted rents once letting incentives expire. The reversionary yield of the portfolio at market rental value, which increased to £17.84 million with the Woking acquisition (30 September 2013: £17.24 million) was 7.1 per cent. (30 September 2013: 7.2 per cent.).

## **3. Current trading, trends and prospects**

Recent improvement in reported economic data has had a positive impact on market sentiment and helped the spread of confidence from London to the South East office and industrial markets where the Group principally operates. For the first time since the financial crisis in 2008, rental values across the South East office market generally have ceased declining. It is anticipated that rental values in this market are now set to rise, due to improving tenant demand and competition for an increasingly limited supply of good quality buildings. Investors have recognised this potential for rental growth outside of London, and capital values have improved as a result of increases in demand. Lettings across these markets for 2013 look set to be the highest since 2007 and nearly double the 2012 level of 1.4 million sq ft.

On the supply side, limited development finance, planning constraints and uncertain viability in recent years have all contributed to limited development activity across the Group's markets generally. This is particularly the case in the South East office markets where the supply of Grade A floor space has reduced by 20 per cent. to 6.1 million sq ft over the three year period to September 2013, and the supply of new floor space has reduced by 30 per cent. to 2.5 million sq ft. The vacancy rate for new floor space has reduced to 2.9 per cent. from 4.2 per cent. in September 2010 and in a number of centres in the South East markets there is now very limited new stock available.

There is also an estimated 16.8 million sq ft of lease breaks and expiries over the next 3 years, as a result of longer leases on older buildings coming to an end. Within the South East office segment of the IPD (monthly) Index, 58 per cent. of all buildings were constructed prior to 1995, and it is therefore anticipated that obsolescence will be a major contributor to future demand. The Board anticipates that the failure of services in ageing buildings, coupled with the increased importance to tenants of sustainability and other environmental impacts, are likely to drive demand for new and refurbished properties.

It is expected that these factors will limit occupier choice at a time of improving market confidence, and the Board anticipates that tenants will want to upgrade their properties at lease break or expiry. This combination of factors is already generating a recovery in rental values.

The Group's portfolio is well placed to benefit from this expected bottleneck in supply because its existing portfolio of buildings is of good quality, and void properties are positioned to meet the structural and environmental standards being sought by prospective occupiers. Current and near term portfolio projects will also deliver further high quality office product, which the Board anticipates will enable the Group to benefit from supply constraints and heightened demand.

The Group today also released its Third Quarter Interim Management Statement for the period from 1 October 2013 to 27 January 2014, which included the following updates on current trading, trends and prospects:

*“Over the period the freehold acquisition of 1 Crown Square, Woking increased the number of assets within the portfolio to thirty-six. This multi-let property, totalling 51,500 sq ft is located in central Woking. It was purchased at a price of £6.00 million, providing an initial yield of 9.3 per cent. from an annual net rent of £588,150. In the short term there is potential to increase the low average rental value of £11.60 psf, with the potential for a more substantial refurbishment or redevelopment in the medium term.*

*Eight open market lettings were completed over the period within the portfolio totalling 31,430 sq ft, with a combined contracted rent of £0.50 million pa; in line with September 2013 valuation rental values. Lettings included Buildings 1, 3 & 4 at Switchback Office Park, Maidenhead on completion of refurbishment works and the expansion of a tenant into an additional unit at the McKay Trading Estate, Poyle.*

*At lease break and expiry 50 per cent. of tenants remained in occupation securing contracted rents of £0.63 million pa. The combined rental value of expired leases was £0.48 million, of which 66 Wilson Street, EC2 accounted for £0.28 million. This property, along with office space at Maidenhead and Bracknell is being refurbished.*

*Portfolio occupancy (by rental value) remained unchanged at 89 per cent and there is an encouraging interest in a number of properties.*

*The Group has maintained a sound financial position with £155.0 million of loan facilities secured until at least 2016. Drawn debt increased to £107.0 million (30 September 2013: £100.5 million) due primarily to the acquisition of Woking. The Group has cash and cash equivalents of £0.3 million. Interest rate hedging facilities totalling £105.0 million remain in place.”*

#### **4. Reasons for the Capital Raising and use of proceeds**

Having maintained compliance with banking facilities without the need to raise equity capital throughout the financial downturn, the Board believes that a capital raising should now be undertaken in order to provide additional financial resources for the Group to pursue its strategy, and benefit from positive trends in the South East and London markets.

The Board is of the opinion that the Capital Raising will accelerate the overall delivery of returns from the Group's current portfolio projects as well as enabling the Group to undertake the near-term projects currently under review, which would add further potential for the creation of future income and capital gains.

The Group's current portfolio projects are:

- Switchback Business Park, Maidenhead: a 6 month refurbishment programme of Buildings 1 and 4 (10,765 sq ft pre-let) and 6 (4,750 sq ft speculative), to provide upgraded office units with completion anticipated in Spring 2014;
- 66 Wilson Street, London EC2: a 6 month refurbishment programme which commenced in January 2014 and will reposition this prominent office property in a rapidly improving area that is set to benefit further from the introduction of Crossrail in 2018;
- Doncastle House, Bracknell: refurbishment works commenced in December 2013 and will upgrade and reposition this building which will then be marketed on a multi-let basis; and
- Strawberry Hill House, Newbury: terms have been agreed for a pre-let of this 1980's office building for medical use. On completion of planned conversion and expansion works, two medical practices will take a government sponsored 25 year lease of the whole building.

In addition, the Board is considering a number of other opportunities, which may include:

- London Road, Redhill: a pre-let marketing campaign is to commence shortly to attract a tenant for the whole or a significant part of the 47,000 sq ft office building and a speculative start onsite will be kept under review; and
- 30/32 Lombard Street, EC3: vacant possession can be obtained from September 2014, providing a

window for redevelopment prior to expiry of existing planning consent for a high quality scheme of c.58,000 sq ft in December 2015.

Assuming that 45,879,174 New Ordinary Shares are issued pursuant to the Capital Raising, to raise gross proceeds of approximately £86.7 million, it is anticipated that approximately £45 million will be used to fund the current portfolio projects and refurbishment and redevelopment opportunities noted above (made up of £10 million for the current portfolio projects and £35 million for the Redhill and Lombard Street projects).

The remainder of the net proceeds may be used by the Group to, where appropriate and in line with its strategy, fund property acquisitions, to strengthen the Group's financial position and for the general corporate purposes of the Group.

Use of the proceeds from the Capital Raising for these purposes would increase the size of the portfolio, bringing with it inherent diversification advantages. The Board further anticipates that it will enable the Group to benefit from economies of scale, enhance the Group's earnings and support its progressive dividend policy.

Further, by increasing the market capitalisation of the Company, the Board considers that the Capital Raising will make the Group a more attractive investment prospect going forward, and promote increased liquidity in the Company's shares.

The Capital Raising will also reduce the Group's gearing ratio, which will in turn increase the available headroom under the Group's financial covenants. As a result, the Group will be able to access the favourable terms provided by the Group's existing bank facilities. The additional availability of funds under these facilities will further support the Group's strategy of strengthening the scale and quality of the Group's portfolio.

Until the net proceeds are utilised as set out above, they will be applied to reduce the amount drawn on the Group's four banking facilities (which can be redrawn).

## **5. Summary of the principal terms of the Capital Raising**

The Company is proposing to raise gross proceeds of approximately £86.7 million (approximately £82.2 million net of expenses) by way of a Firm Placing and Placing and Open Offer of 45,879,174 New Ordinary Shares at an Offer Price of 189 pence per New Ordinary Share.

The Offer Price represents a 1.0 per cent. discount to the Closing Price of 191 pence on 28 January 2014, being the Business Day prior to the announcement of the Capital Raising. The Offer Price (and the discount) has been set by the Directors following their assessment of the prevailing market conditions and anticipated demand for the New Ordinary Shares, and in light of the fact that Qualifying Shareholders are entitled to participate in the Open Offer on a fully pre-emptive basis. Therefore, the Board believes that the Offer Price (including the discount) is appropriate.

The Open Offer is an opportunity for Qualifying Shareholders to apply for Open Offer Shares *pro rata* to their Existing Holdings at the Offer Price, on the basis of:

### **1 Open Offer Share for every 1 Existing Ordinary Share**

held by them and registered in their name at the Record Date and so in proportion to any other number of Existing Ordinary Shares then held and otherwise on the terms and conditions as set out in the Prospectus and, in the case of Qualifying Non-CREST Shareholders, the Application Form. Qualifying Shareholders may apply for any whole number of Open Offer Shares up to their Open Offer Entitlement.

The latest time and date for receipt of completed Application Forms and payment in full or the settlement of the relevant CREST instruction (as applicable) will be **11.00 a.m. on 13 February 2014**.

Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements will be admitted to CREST, and be enabled for settlement, the Open Offer Entitlements will not be tradeable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholder originally entitled or by

a person entitled by virtue of a bona fide market claim. New Ordinary Shares for which application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their entitlements will have no rights, and will not receive any benefit, under the Open Offer. Any New Ordinary Shares which are not applied for under the Open Offer will be allocated to Placees, subject to the terms and conditions of the Placing Agreement, with the proceeds retained for the benefit of the Company.

The Family Shareholders have irrevocably undertaken not to take up any of their Open Offer Entitlements in respect of, in aggregate, 14,131,241 Existing Ordinary Shares, representing approximately 31 per cent. of the Company's existing issued share capital. Under the Firm Placing, 14,131,241 New Ordinary Shares representing those Open Offer Entitlements have been placed firm with certain institutional investors at the Offer Price, to raise gross proceeds of approximately £26.7 million (before expenses). The Firm Placed Shares are not subject to clawback in favour of the Open Offer.

The remaining 31,747,933 Open Offer Shares have been conditionally placed with institutional and other new investors, subject to clawback to satisfy valid applications by Qualifying Shareholders under the Open Offer, pursuant to the Placing Agreement. For further details of the Placing Agreement, please see section 5.1 of Part 12 (*Additional Information*) of the Prospectus.

The Capital Raising would result in 45,879,174 New Ordinary Shares being issued, representing 100 per cent. of the Company's existing issued share capital. The actual number of New Ordinary Shares that will be issued pursuant to the Capital Raising will be notified by the Company via a Regulatory Information Service announcement prior to Admission.

The New Ordinary Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends or other distributions declared, made or paid after the date of the allotment and issue of the New Ordinary Shares.

The Board considers that the structure of the Capital Raising is appropriate, since it provides Qualifying Shareholders with the opportunity to participate in the fundraising on a fully pre-emptive basis, whilst maintaining the flexibility for the Company to access new investment in accordance with demand in the market.

## **6. Dilution**

Assuming 45,879,174 New Ordinary Shares are issued pursuant to the Capital Raising, if a Qualifying Shareholder does not take up any of his Open Offer Entitlements, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by 50 per cent.

However, if a Qualifying Shareholder takes up his Open Offer Entitlement in full, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will not be diluted.

## **7. Conditions**

The Capital Raising (including the Firm Placing) is conditional upon the following:

- (A) the Resolutions having been passed by Shareholders at the General Meeting;
- (B) the Placing Agreement having become unconditional in all respects, save for the condition relating to Admission, and not having been terminated in accordance with its terms before Admission occurs; and
- (C) Admission having become effective by not later than 8.00 a.m. on 19 February 2014 (or such later time and/or date as the Bookrunner and the Company may agree, not being later than 28 February 2014).

Accordingly, if any of the conditions are not satisfied or, if applicable, waived, the Capital Raising will not proceed.

## **8. The New Ordinary Shares**

The New Ordinary Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares. The New Ordinary Shares will be issued under the Companies Act and the legislation made thereunder, will be issued in registered form and will be capable of being held in both certificated and uncertificated form.

Approval of the issue of the New Ordinary Shares will be sought at the General Meeting.

## **9. Settlement, listing and dealings of the New Ordinary Shares**

Applications will be made to the UK Listing Authority for the New Ordinary Shares to be admitted to the Official List with a premium listing and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings for normal settlement in the New Ordinary Shares will commence on the London Stock Exchange at or shortly after 8.00 am on 19 February 2014.

The Existing Ordinary Shares are already admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities and to CREST. It is expected that all of the New Ordinary Shares, when issued and fully paid, will be capable of being held and transferred by means of CREST. The New Ordinary Shares will trade under ISIN GB0005522007.

## **10. General Meeting**

The Capital Raising is subject to a number of conditions, including Shareholders' approval of the Resolutions proposed at the General Meeting. Notice convening the General Meeting to be held at **10.00 a.m.** on **14 February 2014** at **The Royal Thames Yacht Club, 60 Knightsbridge, London, SW1X 7LF** will be distributed to Shareholders later today.

## **11. Irrevocable undertakings**

The Company has received irrevocable undertakings to vote in favour of the Resolutions to approve the Capital Raising from Family Shareholders in respect of a total of 14,131,241 Ordinary Shares, representing, approximately 31 per cent. of the Company's issued share capital.

**The Board believes that the Capital Raising and the Resolutions are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions, as each of the Directors intends to do in respect of his own beneficial holding, which together amount to 365,241 Ordinary Shares, representing approximately 0.80 per cent. of the Company's issued share capital as at 28 January 2014 (being the last practicable date prior to the publication of this announcement).**

## APPENDIX DEFINITIONS

<b>'Admission'</b>	means the admission of the New Ordinary Shares to the premium listing segment of the Official List becoming effective in accordance with the Listing Rules and the admission of the New Ordinary Shares to trading on the London Stock Exchange's main market becoming effective in accordance with the Admission and Disclosure Standards;
<b>'Admission and Disclosure Standards'</b>	means the requirements contained in the publication 'Admission and Disclosure Standards' dated April, 2002 (as amended from time to time) containing, amongst other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange's market for listed securities;
<b>'Application Form'</b>	means the personalised application form on which Qualifying Non-CREST Shareholders may apply for New Ordinary Shares under the Open Offer;
<b>'Board'</b>	means the board of directors of the Company;
<b>'Bookrunner'</b>	means Oriel;
<b>'Business Day'</b>	means any day (other than a Saturday or Sunday) on which banks generally are open for business in London (other than solely for settlement and trading in Euro);
<b>'Capital Raising'</b>	means the Firm Placing and Placing and Open Offer;
<b>'Closing Price'</b>	means the closing middle market quotation of an Existing Ordinary Share as derived from the daily official list published by the London Stock Exchange;
<b>'CREST'</b>	means the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in the CREST Regulations);
<b>'CREST Shareholders'</b>	means Shareholders holding Ordinary Shares in CREST in uncertificated form;
<b>'Directors'</b>	means directors of McKay as at the date of the Prospectus and <b>'Director'</b> means any one of them;
<b>'Disclosure and Transparency Rules'</b>	means the disclosure and transparency rules made by the UK Listing Authority acting under Part VI of FSMA (as set out in the FCA Handbook), as amended from time to time;
<b>'Enlarged Share Capital'</b>	means the expected issued ordinary share capital of the Company immediately following the issue of the New Ordinary Shares pursuant to

the Capital Raising;

<b>'Excluded Shareholders'</b>	means, subject to certain exceptions, Shareholders who have registered addresses in, who are incorporated in, registered in or otherwise resident or located in any Excluded Territory;
<b>'Excluded Territories'</b>	means Australia, Canada, Japan, Switzerland, New Zealand, the Republic of South Africa and the US and any jurisdiction where the extension or availability of the Capital Raising (and any other transaction contemplated thereby) would breach any applicable laws or regulations, and " <b>Excluded Territory</b> " shall mean any of them;
<b>'Ex-Entitlement Date'</b>	means the date on which the Existing Ordinary Shares are marked ex-entitlement, being 8.00 a.m. on 29 January 2014;
<b>'Existing Holding'</b>	means a Qualifying Shareholder's holding of Ordinary Shares at the Record Date;
<b>'Existing Ordinary Shares'</b>	means the 45,879,174 existing ordinary shares of 20 pence each in the capital of the Company in issue at the date of the Prospectus;
<b>'Family Shareholders'</b>	means certain of the McKay, Chilton and Lloyd family interests, together constituting 14,131,241 Existing Ordinary Shares;
<b>'FCA'</b>	means the Financial Conduct Authority in the UK;
<b>'Firm Placing'</b>	means the conditional firm placing by the Bookrunner, as agent of and on behalf of the Company, of the Firm Placed Shares at the Offer Price on the terms and subject to the conditions in the Placing Agreement and the Placing Letters, which Firm Placed Shares will not be subject to clawback under the Open Offer;
<b>'Firm Placed Shares'</b>	means the 14,131,241 New Ordinary Shares representing the Open Offer Entitlements of the Family Shareholders who have irrevocably undertaken not to take up their Open Offer Entitlements, which are to be issued under the Firm Placing;
<b>'First Resolution'</b>	means the first resolution to be proposed at the General Meeting as set out in the Notice of General Meeting;
<b>'FSMA'</b>	means the Financial Services and Markets Act 2000, as amended;
<b>'General Meeting'</b>	means the general meeting of McKay to be held on at 10.00 a.m. on 14 February 2014, or any adjournment thereof, to consider and, if thought fit, to approve the Resolutions, notice of which is set out at the end of the Prospectus;
<b>'Group'</b>	means McKay and its subsidiaries and subsidiary undertakings from

	time to time;
<b>'Listing Rules'</b>	means the rules and regulations made by the FCA in its capacity as the UK Listing Authority under FSMA and contained in the UK Listing Authority's publication of the same name;
<b>'London Stock Exchange'</b>	means the London Stock Exchange plc or its successor(s);
<b>'McKay' or 'the Company'</b>	McKay Securities PLC, a company incorporated in England and Wales with registered number 421479, whose registered office is at 20 Greyfriars Road, Reading, Berkshire, RG1 1NL;
<b>'McKay Shareholders' or 'Shareholders'</b>	means holders of Ordinary Shares;
<b>'NAV'</b>	means net asset value;
<b>'Notice of General Meeting'</b>	means the notice of General Meeting that is found at the end of the Prospectus at page 140;
<b>'New Ordinary Shares'</b>	means the new Ordinary Shares to be issued by the Company pursuant to the Capital Raising;
<b>'Offer Price'</b>	means 189 pence per New Ordinary Share;
<b>'Official List'</b>	means the list maintained by the UK Listing Authority;
<b>'Open Offer'</b>	means the conditional invitation to Qualifying Shareholders to subscribe for the Open Offer Shares at the Offer Price on the terms and subject to the conditions set out in the Prospectus and, in the case of Qualifying Non-CREST Shareholders only, the Application Form;
<b>'Open Offer Entitlements'</b>	means entitlements to subscribe for the Open Offer Shares, allocated to a Qualifying Shareholder pursuant to the Open Offer;
<b>'Open Offer Shares'</b>	means the 45,879,174 New Ordinary Shares for which Qualifying Shareholders are being invited to apply, to be issued pursuant to the terms of the Open Offer (and including, for the avoidance of doubt, the Firm Placed Shares);
<b>'Ordinary Shares'</b>	means the ordinary shares of 20 pence each in the capital of McKay (including, if the context requires, the New Ordinary Shares);
<b>'Oriel'</b>	means Oriel Securities Limited;
<b>'pence', 'Pounds', '£', 'Pounds Sterling' or 'Sterling'</b>	means the lawful currency of the United Kingdom;

<b>'Placees'</b>	means any person who agrees to subscribe for Firm Placed Shares pursuant to the Firm Placing and/or Placing Shares pursuant to the Placing;
<b>'Placing'</b>	means the conditional placing by the Bookrunner, as agent and on behalf of the Company of the Placing Shares at the Offer Price, subject to clawback in favour of Open Offer Entitlements taken up by Existing Shareholders under the Open Offer, on the terms and subject to the conditions contained in the Placing Agreement;
<b>'Placing Agreement'</b>	means the placing agreement dated [29 January] 2014 between the Company and the Bookrunner, details of which are set out in section 5.1 ( <i>Material Contracts</i> ) of Part 12 ( <i>Additional Information</i> ) of the Prospectus;
<b>'Placing Letters'</b>	means the placing letters to be sent to Placees by Oriel and by which the Firm Placed Shares and/or the Placing Shares are to be offered to Placees at the Offer Price, subject (in the case of the Placing Shares only) to a right of clawback in respect of any New Ordinary Shares that are taken up under the Open Offer;
<b>'Placing Shares'</b>	means up to 31,747,933 New Ordinary Shares available to be issued by the Company pursuant to the Placing (being the Open Offer shares other than the Firm Placed Shares);
<b>'Prospectus'</b>	means the circular and prospectus relating to the Company for the purpose of the Capital Raising and Admission;
<b>'Qualifying CREST Shareholders'</b>	means Qualifying Shareholders holding Ordinary Shares in uncertificated form;
<b>'Qualifying Non-CREST Shareholders'</b>	means Qualifying Shareholders holding Ordinary Shares in certificated form;
<b>'Qualifying Shareholders'</b>	means holders of Ordinary Shares on the register of members of McKay at the Record Date with the exclusion of Excluded Shareholders;
<b>'Record Date'</b>	means 5.00 p.m. on 24 January 2014;
<b>'Regulatory Information Service' or 'RNS'</b>	means any of the services set out in Schedule 12 to the Listing Rules of the UK Listing Authority;
<b>'REIT'</b>	means a real estate investment trust subject to the special taxation regime set out in Part 12 of the Corporation Tax Act 2010;
<b>'Resolutions'</b>	means the First Resolution and the Second Resolution;

<b>'Second Resolution'</b>	means the second resolution to be proposed at the General Meeting as set out in the Notice of General Meeting;
<b>'Securities Act'</b>	means the United States Securities Act of 1933, as amended;
<b>'Shareholder'</b>	means a holder of Ordinary Shares;
<b>'South East' or 'South East of England'</b>	means the South East of England (as defined by the Office for National Statistics), excluding London;
<b>'stock account'</b>	means an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited;
<b>'subsidiary'</b>	has the meaning given in section 1159 of the Companies Act;
<b>'subsidiary undertaking'</b>	has the meaning given in section 1162 of the Companies Act;
<b>'United Kingdom' or 'UK'</b>	means the United Kingdom of Great Britain and Northern Ireland;
<b>'UK Listing Authority'</b>	means the FCA in its capacity as the competent authority for listing under Part VI of FSMA;
<b>'uncertificated' or 'in uncertificated form'</b>	means a share or other security recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which by virtue of the CREST Regulations, may be transferred by means of CREST; and
<b>'United States' or 'US'</b>	means the United States of America, its territories and possessions, any state of the United States and the District of Columbia.