Press Release

MCKAY COMPLETES SUCCESSFUL YEAR
WITH INCREASE IN PROFITS

McKay Securities PLC, the Real Estate Investment Trust (REIT) specialising in South East and central London office and industrial property, has announced its results for the year ended 31st March 2013.

Highlights

- Adjusted profit before tax up 8.3% to £5.42m (2012: £5.00m)
- IFRS profit of £1.75m (2012: £11.56m loss)
- EPRA Net Asset Value up 3.9% to 238p per share (2012: 229p)
- Loan to value ratio 44.4% (2012: 47.0%)

- Property portfolio valuation of £212.94m; surplus of 1.8% for the period
- Void level reduced to 8.6% (2012: 13.3%)
- Two encouraging acquisitions – Pinehurst Park, Farnborough and 66 Wilson Street, EC2
- Disposal of 100 Bothwell Street, Glasgow for £16.79m; 10.0% over March 2012 valuation
- Portfolio entirely focused on central London and South East England

- Final dividend up 1.8% to 5.8pps (2012: 5.7pps)
- Total dividend for the year 8.5pps (2012: 8.4pps)

David Thomas, Chairman of McKay said,

"I am pleased to report that the Group has capitalised on the improving prospects in occupational markets and the emerging acquisition opportunities reported at the end of last year. Significant value has been generated through refurbishment, lettings and disposals, whilst reinvestment has added new prospects to the portfolio and left the Group entirely focused on the resilient office and industrial markets of central London and South East England.

This focus will continue to underpin portfolio performance, even if the UK economy remains in a lower growth mode. There are improving prospects for rental and capital appreciation within the portfolio, which will be enhanced by planned refurbishments and recent acquisitions. Reinvestment of sale proceeds from 100 Bothwell Street, Glasgow, provides the opportunity to add further potential, although rental income from the portfolio, and therefore recurring profits, will be lower until this has been completed.

Increasingly low vacancy rates and improving confidence in the South East office market is encouraging and will become more so if risk attitudes mellow and occupier demand increases with a return to sustained economic growth."

Date: 29th May 2013
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Details of the programme for the payment of the final dividend on the Ordinary Shares is as follows:

Ex dividend date	5th June 2013
Record Date for the final dividend	7th June 2013
Report and Financial Statements dispatched to Shareholders with Notice of AGM	19th June 2013
Annual General Meeting to be held at 12 noon at The Royal Thames Yacht Club, 60 Knightsbridge, London SW1	18th July 2013
Final dividend paid	1st August 2013

A final dividend per share of 5.8 pence is recommended by the Board making a total dividend for the year of 8.5 pence per share (2012 – 8.4 pence). The final dividend 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, valuation gains and unrealised movements in the value of interest rate hedging instruments, increased by 8.3% to £5.42 million (2012: £5.00 million). Earnings per share, adjusted on the same basis, increased by 9.3% to 11.8 pence (2012: 10.8 pence).

Realised profit on the sale of investment properties over book value was £1.10 million. The external valuation of the Group's property portfolio at 31st March 2013 totalled £212.94 million, resulting in a 1.8% (£3.76 million) surplus for the twelve month period. The fair value of interest rate hedging instruments reduced by £6.22 million over the same period. With the inclusion of these and other items, the Group reported a profit before tax (IFRS) of £1.75 million (2012: £11.56 million loss).

Net asset value per share (EPRA) was 238 pence, an increase of 3.9% from 229 pence reported at 31st March 2012. Basic net asset value per share reduced from 162 pence to 157 pence, mainly on account of the reduction in the value of hedging instruments.

The Board has recommended a final dividend of 5.8 pence per share (2012: 5.7 pence) payable on 1st August 2013 representing an increase of 1.8%. This takes the total dividend for the year to 8.5 pence per share (2012: 8.4 pence).

Review

I am pleased to report that the Group has capitalised on the improving prospects in occupational markets and the emerging acquisition opportunities reported at the end of last year. Significant value has been generated through refurbishment, lettings and disposals, whilst reinvestment has added new prospects to the portfolio and left the Group entirely focused on central London and South East England.

Our office and industrial markets within these regions have proved more resilient than others in the UK during another year of low growth and continuing economic uncertainty. This focus, combined with our management intensive approach, has generated capital growth in the value of the portfolio of 1.8% (£3.76 million) and a total property return of 8.6%, both of which are in excess of the IPD (Monthly Index: All Property) performance of -4.0% and 2.5% respectively. Total shareholder return over the period, based on share price movement and dividends paid, was a pleasing 21.3%, following on from 18.0% last year.

Our central London office portfolio, which accounted for 34.4% of the portfolio (£73.24 million) at the year end, increased in value by 6.0% due mainly to the successful refurbishment and pre-letting of 203 Blackfriars Road, SE1. The strategy of refurbishment was justified as the Group achieved a 12 year letting of this 21,000 sq ft office with no break clause to the Overseas Development Institute. The rent achieved of £0.80m pa was 9.2% ahead of March 2012 valuation assumptions, helping drive a 55.8% (£4.50 million) valuation surplus over book cost at the year end. This further demonstrates our ability to identify and deliver the appropriate strategy for our buildings to maximise value for the Group.

The pace of valuation gain in central London is expected to slow, but increasingly limited occupier choice of good quality buildings will provide us with the opportunity to improve rental values through selective refurbishment, and we continue to review the potential redevelopment of 30-32 Lombard Street, EC3 in 2014/2015.

The level of competition to purchase good quality assets in central London is encouraging more investors to look for higher returns in the more resilient South East markets where values have dropped back. The increasing yield gap and improving prospects for rental growth, due to the limited supply of good quality buildings and continued letting activity, are positive reasons for this pick up in investor demand. With our market knowledge we continue to see interesting opportunities, both on and off market to add to the portfolio.

Within the Group's South East office portfolio, which accounted for 42.0% of the portfolio (£89.53 million) at the year end, rental values improved overall by 1.1%, which was the first increase since 2008. Office lettings in the first calendar quarter of 2013 in our South East markets were the highest since 2010, and 14.2% higher than the ten year quarterly average. Known demand has held steady and the low vacancy rate of 2.9% for new buildings across these markets is now restricting occupier choice. Rental values have generally stabilised and we anticipate greater upward pressure in the medium term as supply reduces. The pace of increase will be dependant on economic growth encouraging greater demand.

Our occupied portfolio, vacant properties (which have a rental value of £1.44 million pa) and planned refurbishments (including Doncastle House, Bracknell (33,600 sq ft) and the Switchback Office Park (37,130 sq ft)) are all well placed to further benefit from these positive trends.

The cornerstone of the 8.3% increase in adjusted profit before tax, which measures recurring profitability, was an increase of £0.60 million in gross rental income, which totalled £16.10 million (2012: £15.50 million). This improvement was due to letting success, which has increased portfolio occupancy to 91.4% (2012: 86.7%), as well as income contributions from acquisitions. There were no significant tenant insolvencies during the year and despite current economic conditions, we continued to collect over 90% of our quarterly rent roll within seven days of the due date. This is due to the efficient collection of rent ourselves and the strength of our tenants' covenants; 58.0% of income is paid by tenants with a net worth greater than £15 million (Source: Dun & Bradstreet).

Running the business from Reading provides a central and cost effective location for the management of our assets. Cost management remains a high priority and administration costs remained broadly unchanged for the second year in a row at £3.46 million (2012: £3.50 million). Interest costs were held at £5.63 million (2012: £5.49 million) and the Group's weighted cost of debt reduced to 5.1% (2012: 5.3%).

Our profit at headline level (IFRS) was £1.75 million compared with an £11.56 million loss in 2012. The main reason for the scale of this difference is a smaller decline this year in the negative value of the Group's hedging instruments. Also included is a reduction of £2.11 million in the value of the share of our associated company, PIH Limited, resulting from the reporting requirements of balance sheet liabilities. These items were offset by the valuation surplus of £3.76 million and realised profit on the disposal of 100 Bothwell Street, Glasgow of £1.10 million.

This disposal secured an excellent result for the Group. Following on from the lease regear achieved with the Student Loans Company in May 2012, the decision was taken to realise the resulting uplift in value. The property would not have held its value in the medium term due to its age and lease structure; we are now seeking to reinvest the sale proceeds in properties with greater potential in our core area of expertise: London and the South East. The sale price of £16.79 million was 10.0% higher than the March 2012 valuation, providing a welcome contribution to Net Asset Value. It is important to note that although income of £1.69 million received from 100 Bothwell Street this financial year will be replaced through acquisitions, there will be a timing difference impacting on rents and profit until the sale proceeds have been reinvested in a selective and prudent fashion.

Two acquisitions were made during the year that met our strategic requirements. In April 2012, the Group purchased Pinehurst Park, Farnborough which has already proved to be an excellent addition. The property, which comprises a 50,200 sq ft office let to IBM alongside a 13,400 sq ft former Convent, was purchased out of receivership for £3.50 million. We successfully achieved the early release of value from the disposal of the Convent for residential conversion at a price of £1.24 million just after the year end. This compared with a September 2012 book value of £0.75 million which pre-dated the planning consent for conversion from office use. Income from IBM provides a secure running yield on cost of 18.0% from the balance of the property until January 2018 and we will be exploring the potential to add further value from a residential consent on this retained part of the site.

In December 2012, 66 Wilson Street, EC2 (12,345 sq ft) was acquired at a price of £3.60 million, providing a yield of 9.9% and refurbishment potential at lease expiry in June 2013. This attractive late 1980's office building is on a prominent corner, just north of Finsbury Square. This area, known as Tech City, is emerging as the preferred location for many technology companies supported in part by the Government's financial encouragement for these uses. Medium term rental growth prospects are further enhanced by the expected opening of nearby Crossrail stations in 2016.

These achievements through the year help emphasise our business model, which is to drive shareholder value from a portfolio of desirable assets in resilient regions through market knowledge, active management and creative capital expenditure.

Dividend

Having taken into account the continued progress of the Group, the Board is recommending that the final dividend is increased by 1.8% to 5.8 pence per share (2012: 5.7 pence). This will all be paid as a Property Income Distribution (PID). This will take the total dividend for the year to 8.5 pence (2012: 8.4 pence).

Future prospects

The Group's enhanced focus solely on the resilient office and industrial markets of London and the South East will continue to underpin portfolio performance, even if the UK economy remains in a lower growth mode. There are improving prospects for rental and capital appreciation within the portfolio, which will be enhanced by planned refurbishments and recent acquisitions. Reinvestment of sale proceeds from 100 Bothwell Street, Glasgow, provides the opportunity to add further potential, although rental income from the portfolio, and therefore recurring profits, will be lower until this has been completed.

Increasingly low vacancy rates and improving confidence in the South East office market is encouraging and will become more so if risk attitudes mellow and occupier demand increases with a return to more sustained economic growth.

D.O. Thomas
Chairman
29th May 2013

PROPERTY AND FINANCIAL REVIEW

Overview

McKay Securities is a commercial property investment company with REIT status specialising in the established and proven markets of central London and South East England. The Group's business model is based on generating rental and capital growth from an active approach to the management and development of a portfolio of quality buildings, predominantly within the office and industrial sectors.

Recurring rental income from the portfolio underpins profits, which are supplemented by gains from the sale of investment properties. Disposal proceeds are recycled into new acquisitions with better growth prospects, whilst maintaining compliance with the terms of flexible secured bank finance.

The Group has built up a portfolio of good quality assets concentrated in these resilient established markets, without reliance on one sector or location.

The portfolio at the end of March 2013 consisted of 33 properties totalling 1.19 million sq ft with 153 tenants. The portfolio splits into three main sectors; South East offices 42.0%, central London offices 34.4% and South East industrial 20.7% (by value). The Group's holdings are now entirely in London and the South East as a result of the sale of 100 Bothwell St, Glasgow in February 2013.

Income from the portfolio is generated from a strong and diverse tenant base. Contracted annual rental income (net of ground rents) at the end of the year was £15.92 million. Of this, 58.0% was received from tenants with a net worth in excess of £15 million (source: Dun and Bradstreet). The weighted average lease term of the portfolio was 6.0 years and 5.1 years to the earlier of lease break and expiry.

Market review

The IPD Monthly Index, which measures returns from £31.44 billion of property from all sectors across the UK, recorded a reduction in capital value of 4.0%, a reduction in rental value of 0.4%, and a positive total return of 2.5% for the period under review. The Group's capital growth of 1.8%, rental growth of 1.2% and a total return of 8.6% out-performed in all these areas.

The Index returns hide variations in different market segments. For the second year in a row, increases in rental and capital values of up to 5% in central London office markets were offset by decreases in shopping centres and retail markets outside the South East. The South East office segment of the Index also recorded a reduction in capital value of 6.2%, but encouragingly was the only other segment in the Index to record income growth, albeit at a low 0.4%.

With economic conditions remaining uncertain, property has continued to be an investment for those seeking a secure, asset backed income stream. Prime property with resilient income profiles, limited risk and minimal capital expenditure continued to be the most favoured asset for the majority of such investors. Values have been robust for this type of stock due to competition for limited supply. This was particularly the case in central London where overseas buyers and the potential for significant gains from conversion to residential use have led to further yield compression.

Outside central London, higher returns and improving rental prospects in the office sector have attracted more buyers for prime assets. However, an increasing number of buyers are also prepared to consider office properties with near term lease expiries and the need for refurbishment, which generally fall into two categories. Where there is a reasonable prospect of re-letting and adding value by creating a prime asset, values are reaching a floor. However, where future prospects for re-use or the risks associated with re-letting remain high, there is a limited market and values continue to decline. Market knowledge plays an essential part in selecting those opportunities that provide the potential to add value through capital investment and active management.

Across the Group's office and industrial markets of central London and the South East, the common theme is an increasing shortage of supply. As a result of limited development and refurbishment over the last five years, occupiers are faced with increasing obsolescence and limited choice. Within central London, limited supply and demand from a wide range of sectors has generated rental growth, particularly in the West End, Midtown and improving fringe locations. In the Group's South East office markets, which account for 42.0% of the portfolio by value, the same supply constraints apply. Within these markets, Strutt and Parker estimate that there are 885 lease breaks and lease expiries totalling circa 16.5 million sq ft over the next three years. IPD data highlights the increasing obsolescence of the existing stock with 44% of the Index built before 1990. These properties are more than 23 years old and are increasingly likely to suffer from problems with the building fabric and services such as air conditioning.

With limited stock, increasing obsolescence and imminent lease events, a pick up in occupier confidence and demand for better quality buildings is likely to generate a sustained recovery in rental values, particularly as 17 of the 22 centres monitored have a vacancy rate of new buildings of less than 5%.

Lettings over the period within these centres totalled 1.61 million sq ft, which is below the 10 year average of 2.15 million sq ft, but at a reasonably stable level above the low point in the recent cycle of 1.25 million sq ft recorded in 2009. Encouragingly, lettings in the first calendar quarter of this year were 14% higher than the 10 year quarterly average and the highest since the end of 2010. Named occupier demand totalling 3.45 million sq ft has been steady for the last few years.

Portfolio activity

The period was an active one for the Group. We continued to focus on income retention from existing tenants, letting void properties, progressing refurbishment and development prospects within the portfolio and monitoring potential acquisitions.

In a market where prospective and existing tenants have a choice of available buildings, the Group continues to work hard to ensure that its properties are well presented and we strive to ensure that there is a close dialogue with occupiers. This is achieved primarily by managing the assets and collecting rents in-house, rather than through external managing agents. Our close working relationship with letting agents is also important to ensure that vacant properties are being marketed effectively to a full audience through traditional and, more recently, new media channels.

The Group achieved some important lettings during the year, securing contracted rental income of £1.85 million pa from open market lettings, and £1.50 million pa from tenant retention at lease break or expiry. On a combined basis, rents achieved were 3.7% ahead of valuation assumptions, and the tenant retention rate remained high at 60.6%.

The most significant of eleven open market lettings was to the Overseas Development Institute at 203 Blackfriars Road, SE1. This was achieved prior to completion of the £2.20 million refurbishment of the property which allowed the Group to facilitate the tenant's fit out, enabling early occupation. The 12 year lease (without break) of the whole building achieved a contracted rent of £0.80 million pa which was 9.2% higher than the March 2012 valuation assumption, helping generate a £4.50 million (55.8%) valuation surplus over book cost.

At Pegasus Place, Crawley the occupier of three floors of Pegasus One expanded into the remaining floor and entered into a new ten year lease across the whole building (20,600 sq ft), with the contracted rent increasing by 17% to £0.41 million pa. Refurbishment works have been completed on Pegasus Two (12,730 sq ft) and recent marketing has generated encouraging interest.

Occupier expansion also resulted in the letting of the third floor (5,300 sq ft) of Mallard Court, Staines. The tenant of the first floor has taken coterminus five year leases across both floors at a combined contracted rent of £0.29 million pa.

There was also good progress at Corinthian House, Croydon (44,170 sq ft). Two new lettings and a lease extension have improved the income profile from the building, leaving only 3,000 sq ft vacant.

Just after the year end, the Group completed the letting of Building Two (6,800 sq ft) at Switchback Office Park, Maidenhead on a ten year full repairing lease with no breaks. This was the first of the six buildings on the Park (37,160 sq ft) to be refurbished.

The 13 lease renewals retained contracted income of £1.13 million pa. Of particular note is Weybridge (62,800 sq ft), where the Group granted a short term lease extension and terms are now well progressed for a longer term solution. At Hook, a lease for a further five years was taken by the IT Company K3 Panacea on the 10,650 sq ft ground floor, and at Fleet, Regus took a further 10 year lease for their popular 21,150 sq ft facility at Ancells Park.

In February 2013 the Group completed the sale of 100 Bothwell St, Glasgow for £16.79 million, securing a 10% uplift over the March 2012 valuation. The Group had entered into a 10 year lease extension with the Student Loans Company in May 2012, with a tenant break clause in December 2016. Having achieved this, the decision was taken to sell the property (100,270 sq ft) in order to release the value created, and to reinvest the proceeds in London and the South East. The property was built by the Group in the mid 1980's and has performed well since then. In view of the age and unrefurbished condition, the value of the building is likely to decline each year until lease expiry and the sale provided an excellent opportunity to release the enhanced value.

The Group purchased two assets during the year. Pinehurst Park, Farnborough was acquired from the receivers for £3.50 million in April 2012. It consists of a 2.8 acre site comprising a 50,200 sq ft office and a 13,400 sq ft former Convent. When the property was acquired, the tenant, IBM, entered into a deed of variation which allowed it to hand back part of its office accommodation, including the Convent and extended its lease on the remainder until 2018 at a rent of £0.50 million pa. The Group secured an uplift in the value of the Convent with planning consent for conversion to residential use in December 2012 prior to disposal just after the year end for £1.24 million. The remainder of the property provides a secure yield of 18.0% to the Group, and has the potential for an uplift in value from a residential consent which will be explored ahead of lease expiry.

The second acquisition was that of a 12,300 sq ft office building on Wilson Street, EC2, just to the north of Finsbury Square for £3.60 million, generating an initial yield of 9.9%. The building has potential for income and capital growth through refurbishment in the likely event that the tenant vacates the property at lease expiry in June 2013.

Opportunities to commit capital to development and refurbishment projects are increasingly more attractive due to improving market stability and values that are more reflective of occupier demand. The Group obtained planning consent for the refurbishment of Doncastle House, Bracknell (33,600 sq ft) during the period, and a start on site is planned shortly. Also, recent letting progress at Maidenhead has provided encouragement for the next phase of refurbishment which is under review. The recent acquisition of 66 Wilson Street, EC2 has supplemented the refurbishment programme. The Group has also retained its holding at 30/32 Lombard Street, EC3, where planning consent is in place for the replacement of the existing 35,820 sq ft building with a top quality 60,000 sq ft office building. Lease extensions allow vacant possession ahead of the expiry of the planning consent in December 2015, and the prospects for this scheme are kept under review.

Valuation

The external valuation of the Group's property portfolio at 31st March 2013 totalled £212.94 million, representing an increase for the period of 1.8% (£3.76 million).

Gains in the London office portfolio of 6.0% were driven predominantly by the valuation uplift at 203 Blackfriars Road, SE1, where the lease length, covenant and rent achieved, combined with the removal of void costs, all contributed to a strong performance.

The South East office portfolio reduced in value by 1.0%, which was mainly due to a 3.6% (£1.15 million) reduction in the value of Great Brighams Mead, Reading as a result of a slight outward yield shift to reflect the lease term dropping below 10 years. The Switchback Office Park, Maidenhead increased in value by 5.2% (£0.21 million) highlighting the valuation gains to be achieved from lettings and lease renewals. The Group's office portfolio as a whole increased in value by 2.0% (£3.21 million).

The industrial portfolio valuation was 1.0% (£0.45 million) lower, due to the impact of lease expiries at Weybridge (62,800 sq ft) this year, although renewal discussions have since progressed.

At the valuation date the portfolio initial yield was 5.9% (2012: 6.7%) increasing to 7.1% (2012: 7.1%) on the expiry of letting incentives.

Finance

As at 31st March 2013, the Group's drawn debt was £94.50 million (2012: £100.50 million).

The gearing ratio of drawn debt to portfolio value (LTV) as at 31st March 2013 was 44.4% (2012: 47.0%), and the ratio of aggregate borrowings to tangible net worth, as used in connection with the Group's bank covenants, was 84.2% (2012: 92.7%). Net cash flow from operating activities was £4.36 million (2012: £6.83 million). Interest cover based on adjusted profit before tax plus finance costs as a ratio to finance costs, was 1.9x (2012: 1.9x).

Banking facilities available to the Group totalled £155.00 million at the year end (2012: £155.00 million). The average weighted unexpired term to loan maturity was 3.7 years (2012: 4.7 years).

As a REIT, the Group is tax exempt in respect of capital gains and all qualifying rental income, which includes the majority of the Group's activities. Any residual income has been offset by relevant costs, and there is therefore no tax charge for the period (2012: nil).

The Group is required to distribute at least 90% of rental income profits arising each financial year by way of a Property Income Distribution (PID). Subject to exemptions, this is paid after deduction of withholding tax, at present 20%. The final dividend to be paid in August 2013 will be paid as a PID.

The Group has long held 20% of the issued share capital of Property Investment Holdings Ltd as an associate company. The Group has accounted for the value of its share of the associate under IFRS rather than UK GAAP. As a result, this value has reduced to zero (2012: £1.86m) to reflect the negative value of the associate's interest rate hedging instruments.

The main financial risks to the Group are compliance with financial covenants on bank borrowing, major tenant default, lack of liquidity, interest rate hedging instruments and future interest rate costs on bank borrowings. The first of the Group's four standalone facilities, which are all on pre-recession low margins, is not due for renewal until February 2016. The future interest cost applicable to new facilities will be dependant on rates available at the time, but are likely to be higher.

Compliance with bank covenants is closely monitored by the Board which regularly reviews various forecast models to help its financial planning. Throughout the period the Group complied with all such covenants and retains significant headroom should there be an overall decline in capital values.

Tenant default is monitored using Dun & Bradstreet checks for new tenants together with on-going credit checks and internal credit control. Together with close management of rental income and suppliers, this ensures that the Group's ability to generate income to meet its commitments is monitored. The Board receives regular information on rental arrears and rent collection activities.

Liquidity risk is managed through a mixture of short and long term bank facilities that ensure sufficient funds are available to cover potential liabilities arising against projected cash flows, particularly tenant default.

Protection against future increases in interest rates is provided by financial hedging instruments. At the year end, £105 million (2012: £105 million) of such instruments were in place. If bank borrowing facilities were fully drawn, hedging cover would be 67.7% (2012: 67.7%).

The Group had drawn down £94.50 million of the £155.00 million facility as at March 2013 (2012: £100.50 million). The Group was 111% hedged at March 2013 (2012: 104%). During the year borrowings peaked at £111.00m. Since then the proceeds from the sale of 100 Bothwell St, Glasgow have been used to pay down debt until suitable purchasing opportunities are found. There are no constraints on the Group when we redraw the funds.

The weighted average cost of borrowing for the year was 5.1% (2012: 5.3%). The Group does not hedge account its interest rate derivatives and therefore includes the movement in fair value in the Consolidated Statement of Comprehensive Income.

The forward interest rate curve lowered over the year which increased the negative mark to market valuation of the hedging instruments to £40.59 million (2012: negative £34.4 million). The Group closely monitors the market for these instruments and constantly reviews the suitability and strategic options for these products. Whilst the mark to market valuation is negative, this represents a non cash timing difference.

Under the application of accounting standard IAS19, the Group's pension deficit has increased from £1.84 million to £2.22 million. The Group's annual contribution to the Scheme of £0.25 million, which includes part payment towards the deficit over a 7 year recovery plan, is not affected by the increase in the deficit and will only be reconsidered in conjunction with the Scheme advisors at the next triennial valuation in 2014. The increase in the deficit is in the main due to the lower discount rate (reflecting the fall in corporate bond rates) being applied, and thereby increasing the deemed liabilities of the Scheme. The Scheme was closed to new entrants in the 1980's, and consists of five pensioners and only one remaining active member at the year end.

S.C. Perkins
G.P. Salmon
29th May 2013

The summary of the consolidated results of McKay Securities PLC and its subsidiary undertakings (the "Group") for the year ending 31st March 2013 are as follows:

CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME
For the year ended 31st March 2013

	Notes	2013 £'000	2012 £'000
Gross rents and service charges receivable	2	**20,053**	20,665
Surrender premiums received		**-**	223
Direct property outgoings		**(5,680)**	(6,899)
Net rental income from investment properties	2	**14,373**	13,989
Administration costs	3	**(3,463)**	(3,502)
Operating profit before gains on investment properties		**10,910**	10,487
Profit on disposal of investment properties		**1,101**	-
Revaluation of investment properties	8	**3,410**	223
Operating profit		**15,421**	10,720
Net finance costs - finance costs	5	**(11,859)**	(22,401)
- finance income	5	**12**	16
Share of (loss)/profit of associated undertaking		**(1,829)**	105
Profit/(loss) before taxation		**1,745**	(11,560)
Taxation	6	**-**	-
Profit/(loss) for the year		**1,745**	(11,560)
Other comprehensive income:			
Actuarial movement on defined benefit pension scheme		**(488)**	(853)
Total comprehensive income/(loss) for the year		**1,257**	(12,413)
Earnings per share	7		
Basic		**3.80p**	(25.20)p
Diluted		**3.70p**	(25.20)p

Adjusted earnings per share figures are shown in note 7.

		2013 £'000	2012 £'000
Dividends			
Previous year's final dividend of 5.7p (2012: 5.6p) paid during the year		**2,615**	2,569
Interim dividend of 2.7p (2012: 2.7p) paid during the year		**1,239**	1,239
Proposed final dividend of 5.8p (2012: 5.7p)		**2,661**	2,615

The total comprehensive income for the year is all attributable to the equity holders of the parent company.

GROUP BALANCE SHEET
As at 31st March 2013

	Notes	2013 £'000	2012 £'000
Non-current assets			
Investment properties	8	**211,768**	213,227
Plant and equipment		**24**	22
Investments		**-**	1,874
		211,792	215,123
Current assets			
Trade and other receivables	9	**5,834**	5,322
Cash and cash equivalents		**2,893**	2,584
Total assets		**220,519**	223,029
Current liabilities			
Trade and other payables	10	**(7,163)**	(8,126)
Finance lease liabilities		**(286)**	(286)
Interest rate derivatives	10	**(4,196)**	(3,795)
		(11,645)	(12,207)
Non-current liabilities			
Loans and other borrowings	10	**(94,209)**	(100,124)
Pension fund liabilities		**(2,219)**	(1,840)
Finance lease liabilities		**(4,122)**	(4,122)
Interest rate derivatives	10	**(36,391)**	(30,576)
		(136,941)	(136,662)
Total liabilities		**(148,586)**	(148,869)
Net assets		**71,933**	74,160
Equity			
Called up share capital	12	**9,176**	9,176
Share premium account		**2,478**	2,478
Distributable reserve		**45,965**	51,541
Revaluation reserve		**14,314**	10,965
Total Equity		**71,933**	74,160
Net asset value per share	11	**157p**	162p
EPRA net asset value per share	11	**238p**	229p

These financial statements were approved by the Board of Directors on 29th May 2013 and were signed on its behalf by D.O. Thomas and S.C. Perkins.

GROUP CASH FLOW STATEMENT

For the year ended 31st March 2013

	2013 £'000	2012 £'000
Operating activities		
Profit/(loss) before tax	**1,745**	(11,560)
Adjustments for:		
Depreciation	**16**	15
Other non-cash movements	**815**	631
Profit on disposal of investment properties	**(1,101)**	-
Movement in revaluation of investment properties	**(3,410)**	(233)
Net finance costs	**11,847**	22,385
Share of the results of associate undertaking	**1,829**	(105)
Cash flow from operations before changes in working Capital	**11,741**	11,133
(Increase)/decrease in debtors	**(532)**	656
(Decrease)/increase in creditors	**(1,289)**	921
Cash generated from operations	**9,920**	12,710
Interest paid	**(5,574)**	(5,901)
Interest received	**12**	16
Cash flows from operating activities	**4,358**	6,825
Investing activities		
Proceed from sale of investment properties	**16,525**	-
Dividends from associated undertaking	**45**	45
Purchase and development of investment properties	**(10,750)**	(5,700)
Purchase of other fixed assets	**(17)**	(24)
Cash flows from investing activities	**5,803**	(5,679)
Financing activities		
(Decrease)/increase in borrowings	**(5,998)**	2,727
Equity dividends paid	**(3,854)**	(3,808)
Cash flows from financing activities	**(9,852)**	(1,081)
Net increase in cash and cash equivalents	**309**	65
Cash and cash equivalents at the beginning of the year	**2,584**	2,519
Cash and cash equivalents at the end of the year	**2,893**	2,584

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31st March 2013

	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Total distributable reserve £'000	Total equity £'000
	Attributable to equity holders of the parent company				
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	-	-	223	(233)	-
Transfer of 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
Profit for the year	-	-	-	1,745	1,745
Other comprehensive income:					
Transfer surplus on revaluation of properties	-	-	3,410	(3,410)	-
Transfer share of surplus on revaluation of properties in associated undertaking	-	-	22	(22)	-
Transfer on disposal of investment Properties	-	-	(83)	83	-
Past service cost on defined benefit pension scheme	-	-	-	(120)	(120)
Actuarial loss on defined benefit pension scheme	-	-	-	(368)	(368)
Total comprehensive loss for the year	-	-	3,349	(2,092)	1,257
Dividends paid in year	-	-	-	(3,854)	(3,854)
Fair value of share based payments	-	-	-	370	370
At 31st March 2013	**9,176**	**2,478**	**14,314**	**45,965**	**71,933**

Notes forming part of the Group Financial Statements

1. The financial information set out in the final results announcement does not constitute the Group's statutory accounts for the year ended 31st March 2013 or 2012, but is derived from those accounts. The statutory accounts for the period ended 31st March 2013 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The statutory accounts for the year ended 31st March 2012 have been delivered to the Registrar of Companies. The auditors have reported on the accounts for both the years ended 31st March 2013 and 2012; their reports were (i) unqualified (ii) did not include a reference to any matters 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 in respect of the accounts for 2012 and 2013.

Accounting policies

Basis of preparation
The Group and Parent Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and therefore comply with Article 4 of the EU IAS Regulation.

In accordance with Section 408 Companies Act 2006 a separate Statement of Comprehensive Income for McKay Securities PLC (the Company) is not presented. The loss for the year after tax of the Company is £1,782,000 (2012: loss £13,794,000).

During the financial year, the following accounting standards and guidelines were adopted by the Company, none of these had any material impact on the financial statements:

Disclosures – Transfers of Financial Assets (Amendment to IFRS 7);

Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters;

Deferred Tax: Recovery of Underlying Assets – (Amendment to IAS 12).

None of the new standards or amendments to existing standards or interpretations, which are endorsed but not yet effective, have been adopted, or are expected to have any material impact on the financial statements.

The financial statements are prepared on a going concern basis.

Significant judgements and estimates
In the process of preparing the Group's financial statements management is required to make judgements, estimates and assumptions when applying accounting policies that may affect the reported amounts of revenues, expenses, assets and liabilities. Any judgements, estimates and associated assumptions used in the preparation of the financial statements are based on management's best information at the time, however actual outcomes may differ from estimates used. Not all accounting policies require estimates and assumptions, however management consider them significant in applying to valuations, for which qualified external advisors are used, of investment properties, financial instruments, share-based payments and defined benefit pension obligations and are disclosed in the applicable policies and notes below.

Basis of consolidation
The consolidated financial statements of the Company and its subsidiaries (the Group) have been prepared on a historical cost basis, except for investment property and derivative financial instruments measured at fair value through the Statement of Comprehensive Income.

Subsidiary companies are those entities under the control of the Company. Control means the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in preparing the consolidated financial statements.

Associates
An associate is an undertaking over which the Group has significant influence, but not control over the financial and operating policies. The Group's share of the total recognised gains and losses of associates is included in the consolidated financial statements on an equity accounted basis. Investment in associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the associate, less any distributions received.

Properties
The Group's properties are held as investments to earn rental income and for capital appreciation and are stated at fair value at the balance sheet date. The value, reflecting market conditions, is determined at each reporting date by independent external valuers and any gain or loss arising from a change in value is recognised in the Statement of Comprehensive Income and transferred to the revaluation reserve in the balance sheet. Any accrued rent receivable recognised as a separate asset in accordance with the Group's accounting policy on lease incentives is deducted from the external valuation.

Properties purchased are recognised on legal completion in the accounting period and measured initially at cost including transaction costs. Sales of properties are recognised on unconditional exchange of contracts in the accounting period when the significant risks and rewards of ownership have been transferred. Gains and losses arising on the disposal of investment properties are recognised in the Statement of Comprehensive Income, being the difference between net sale proceeds and the carrying value of the property.

Subsequent expenditure on investment properties is capitalised only when it increases the future economic benefits associated with the property. All other expenditure is charged to the Statement of Comprehensive Income.

Interest and other outgoings less rental income relating to investment properties in the course of development are capitalised, and added to the cost of the property. Interest capitalised is calculated on development outgoings, including material refurbishments to investment property, using the weighted average cost of general Group borrowings for the year. A property ceases to be treated as being in the course of development when substantially all the activities that are necessary to prepare the property for use are completed. When an existing investment property is redeveloped for continued future use as an investment property it remains an investment property whilst in development.

Properties held under long leases where the Group has substantially all the risks and benefits of ownership are accounted for as finance leases and carried at the lower of fair value or present value of future minimum lease payments. The present value of the future minimum lease payments is recognised as a liability with a corresponding asset added to the carrying value of the leasehold property. The minimum lease payments are apportioned between finance charges in the Statement of Comprehensive Income and the reduction of the balance sheet liability. Contingent rents are charged as an expense in the Statement of Comprehensive Income in the period incurred.

Plant and equipment
Plant and equipment is stated at cost less accumulated depreciation. Depreciation is provided on a straight line basis at rates calculated to write off the cost less estimated residual value over their useful lives, which are estimated to be between 3 and 5 years.

Cash and cash equivalents
Cash comprises cash at bank and short term deposits held on call. Cash equivalents comprise investments with minimal risk to changes in value that are readily convertible into cash with an original maturity of three months or less.

Trade and other receivables and payables
Trade and other receivables are recognised at invoice cost unless an impairment provision has been made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote. Trade and other payables are recognised at invoice cost.

Interest bearing loans and borrowings
All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest rate method.

Reserves
The revaluation reserve represents the unrealised surpluses and deficits arising on revaluation of the Group's properties and is not available for distribution until realised through sale.

Segmental analysis
All of the Group's revenue is derived from the ownership of investment properties located in South East England and central London. The management team works within a single structure which includes the executive directors acting as chief operating decision maker. Responsibilities are not defined by type or location, each property being managed individually and reported on for the Group as a whole directly to the Board of Directors. Properties under development generate no revenue and are treated as investment properties in the portfolio. The directors therefore consider there to be only one reporting segment.

Revenue
The Group has entered into commercial property leases on its investment property portfolio. The Directors consider, based on the terms and conditions, the significant risks and rewards of ownership of the properties are retained and therefore account for the leases as operating leases. Rental income receivable under operating leases less initial direct costs on arranging the leases is recognised on a straight line basis over the non-cancellable term of the lease.

The aggregate value of incentives for lessees to enter into lease agreements, usually in the form of rent free periods or capital contributions, is recognised over the lease term or to tenant option to break as a reduction of rental income.

Premiums received from tenants to terminate leases are recognised as income from investment properties when they arise.

Service charges and other such receipts arising from expenses recharged to tenants, with the Group acting as principal, are recognised in the period that the expense can be contractually recovered and included gross in income from investment properties.

Interest received on short term deposits is recognised in finance income as it accrues.

Borrowing costs
Interest on borrowings, including interest on finance leases, is recognised in the Statement of Comprehensive Income in the period during which it is incurred, except for interest capitalised in accordance with the Group's policy on properties under development (see Properties above). Costs incurred on putting in place borrowing facilities are recognised in finance costs over the term of the facility.

Derivative financial instruments
The Group uses derivative financial instruments, such as interest rate swaps, to manage its exposure to interest rate risk. The differences between interest payable by the Group and interest payable to the Group by the swap counterparties are dealt with on an accruals basis.

At each reporting date the instruments are stated at fair value in the balance sheet which is the estimated amount that the Group would receive or pay to terminate the instruments based on the current interest rate yield structure. The Group has not applied hedge accounting for any financial instrument in place and any movement in fair value is recognised in the Statement of Comprehensive Income.

Share-based payments
The Group operates two equity-settled share-based performance plans outlined in the Directors Remuneration Report under which directors and employees are able to acquire shares in the Company. The fair value cost benefit of the employee services received for the options granted is recognised over the vesting period in employee costs within administration expenses with a corresponding amount recognised in equity. The charge is measured using valuation models and assumptions with adjustment for when non-market conditions are not expected to be met.

Post employment benefits
The Group operates two pension schemes. The defined benefit scheme is based on final pensionable pay and has been closed to new entrants since 1989. The assets of the scheme are held separately from those of the Group and are measured at fair value, the scheme obligations being calculated at discounted present value, with any net surplus or deficit recognised in the Group balance sheet. Current service cost and interest on scheme liabilities less the expected return on scheme assets are recognised as an expense in the Statement of Comprehensive Income. Actuarial gains and losses on scheme liabilities are recognised in equity through the Statement of Comprehensive Income.

The Group contributes to eligible employees' defined contribution personal pension plans and does not accept any responsibility for the benefits gained from these plans. The contributions are recognised as an expense in the Statement of Comprehensive Income as incurred but the Group does not recognise any gains or losses arising from movements in the value of the personal pension plans.

Taxation
Any tax charge recognised in the Statement of Comprehensive Income comprises current and deferred tax except to the extent that it relates to items recognised directly in equity, in which case the related tax is recognised in equity.

Current tax is the expected tax liability on the results for the year adjusted for items that are not taxable or deductable, or taxable and deductable in other periods, together with any adjustment in respect of previous years calculated using tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be paid or recovered on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The Group uses the balance sheet liability method, without discounting, calculated using tax rates and laws enacted or substantively enacted at the balance sheet date expected to apply when the liability is settled or asset is realised. Tax liabilities are recognised for all taxable temporary differences and tax assets to the extent that future taxable profits will be available against which the asset can be utilised.

The Group converted to REIT status on 1 April 2007 and as a consequence substantially all the Group's activities as a property rental business are exempt from tax, including rental profits and gains on rental property disposals.

2. Net rental income from investment properties

	2013 £'000	2012 £'000
Gross rents receivable	**15,779**	15,887
SIC 15 adjustment	**318**	(389)
Gross rental income	**16,097**	15,498
Service charges receivable	**3,956**	5,167
	20,053	20,665
Surrender premiums received	**-**	223
Direct property outgoings	**(5,680)**	(6,899)
	14,373	13,989

Rent receivable under the terms of the leases is adjusted, in accordance with SIC 15, for the effect of any incentives given.

3. Administration costs

	2013 £'000	2012 £'000
Group		
Directors' - remuneration	**887**	870
- bonus	**48**	40
Staff - costs	**562**	613
- bonus	**25**	18
National Insurance	**211**	203
Pension costs	**353**	382
Share based payment accounting charge	**315**	210
	2,400	2,336
Depreciation	**16**	15
Office costs	**418**	491
Legal and professional fees	**625**	623
General expenses	**4**	37
	3,463	3,502

The average number of persons employed by the Group and Company during the year was 13 (2012: 14).

	2013 £'000	2012 £'000
Employee costs		
Salaries	**1,521**	1,541
Social security costs	**211**	203
Pension costs – defined benefit scheme	**144**	149
- defined contributions	**209**	233
Share based payment accounting charge	**315**	210
	2,400	2,336

4. 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.

	2013 £'000	2012 £'000
Profit/(loss) before tax	**1,745**	(11,560)
Surrender premium received	**-**	(223)
Change in fair value of derivatives	**6,216**	16,891
Movement in revaluation of investment properties	**(3,410)**	(233)
Profit on disposal of investment properties	**(1,101)**	-
Associated undertaking disposals and revaluation movement	**1,968**	128
Adjusted profit before tax	**5,418**	5,003

5. Net finance costs

	2013 £'000	2012 £'000
Interest on bank overdraft and loans	**5,363**	5,273
Finance lease interest on leasehold property obligations	**285**	285
Finance arrangement costs	**83**	84
Fair value loss on derivatives	**6,216**	16,891
Capitalised interest	**(88)**	(132)
	11,859	22,401
Interest receivable	**(12)**	(16)
	11,847	22,385

6. Taxation

	2013 £'000	2012 £'000
Current tax	**-**	-
Adjustments in respect of prior periods	**-**	-
Total tax in the Statement of Comprehensive Income	**-**	-

Reconciliation to effective rate of tax:

	2013 £'000	2012 £'000
Profit/(loss) on ordinary activities before tax	**1,745**	(11,560)
Tax charge (credit) on profit/(loss) at 24% (2012 – 26%)	**419**	(3,006)
Effects of:		
REIT tax exemption	**(1,219)**	2,025
Permanent differences	**384**	1,005
Other timing differences	**1**	3
Associated undertaking	**415**	(27)
Tax for period (as above)	**-**	-

7. Earnings per share

	2013	2012
	p	p
Basic earnings/(loss) per share	**3.80**	(25.20)
Change in fair value of derivatives	**13.55**	36.82
Movement in revaluation of investment properties	**(7.43)**	(0.51)
Surrender premium received	**-**	(0.48)
Profit on disposal of investment properties	**(2.40)**	-
Associated undertaking disposals and revaluation movement	**4.29**	0.18
Adjusted earnings per share	**11.81**	10.81

Basic loss per share on ordinary shares is calculated on the profit in the year of £1,745,000 (2012: loss £11,560,000) and 45,879,174 (2012: 45,879,174) shares, being the weighted average number of ordinary shares in issue during the period.

	2013 Number of shares	2012 Number of shares
Weighted average number of ordinary shares in issue	**45,879,174**	45,879,174
Number of shares under option	**3,210,063**	3,665,644
Number of shares that would have been issued at fair value	**(1,916,859)**	(2,329,973)
Diluted weighted average number of ordinary shares in issue	**47,172,378**	47,214,845

	2013	2012
	p	p
Basic earnings/(loss) per share	**3.80**	(25.20)
Effect of dilutive potential ordinary shares under option	**(0.10)**	0.72
Change in fair value of derivatives	**13.18**	35.76
Movement in revaluation of investment properties	**(7.23)**	(0.49)
Surrender premium received	**-**	(0.47)
Profit on disposal of investment properties	**(2.33)**	-
Associated undertaking disposals and revaluation movement	**4.17**	0.18
Adjusted diluted earnings per share	**11.49**	10.50
EPRA earnings per share	**11.49**	10.97

Diluted earnings per share is calculated on the same profit after tax and on the weighted average diluted number of shares in issue during the year of 47,172,378 (2012: 47,214,845) shares, which takes into account the number of potential ordinary shares under option.

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.

8. Investment Properties

	Freehold £'000	Group Long Leasehold £'000	Total £'000
Valuation			
At 1st April 2012	181,724	31,503	213,227
Additions – acquisition	7,761	-	7,761
– development	2,729	105	2,834
Revaluation surplus	2,695	1,069	3,764
Adjustment for rents recognised in advance under SIC 15	(417)	63	(354)
Disposals	(15,424)	-	(15,424)
Amortisation of grossed up headlease liabilities	-	(40)	(40)
Book value as at 31st March 2013	**179,068**	**32,700**	**211,768**
Adjustment for grossing up of headlease liabilities	-	(3,865)	(3.865)
Adjustment for rents recognised in advance under SIC 15	4,742	290	5,032
Valuation as at 31st March 2013	**183,810**	**29,125**	**212,935**

	Freehold £'000	Group Long Leasehold £'000	Total £'000
At 1st April 2011	178,970	28,460	207,430
Additions - acquisition	2,881	-	2,881
– development	2,057	666	2,723
Revaluation surplus/(deficit)	(2,608)	2,484	(124)
Adjustment for rents recognised in advance under SIC 15	424	(67)	357
Amortisation of grossed up headlease liabilities	-	(40)	(40)
Book value as at 31st March 2012	**181,724**	**31,503**	**213,227**
Adjustment for grossing up of headlease liabilities	-	(3,906)	(3,906)
Adjustment for rents recognised in advance under SIC 15	4,326	353	4,679
Valuation at 31st March 2012	**186,050**	**27,950**	**214,000**

In accordance with the Group's accounting policy on properties there was an external valuation at 31st March 2013. These valuations, with the exception of 66 Wilson Street, London EC2, were carried out by Mellersh and Harding, Chartered Surveyors and Valuers. The valuation of the property at Wilson Street was carried out by Strutt and Parker. All valuations were carried out in accordance with the Appraisal and Valuation Standards of RICS, on an open market basis.

The historical cost of properties stated at valuation is approximately £187 million (2012: £192 million).

9. Trade and other receivables

	2013 £'000	2012 £'000
Trade receivables	**20**	89
SIC 15 lease incentives	**5,032**	4,679
Other debtors and prepayments	**782**	554
	5,834	5,322

All the above debtors are receivable within one year except for lease incentives of £4,168,000 (2012: £3,834,000), accrued in accordance with SIC 15. The carrying amounts are a reasonable approximation of the fair values estimated as the present value of future cash flows.

Group trade receivables that were past due but not impaired are as follows:	2013 £'000	2012 £'000
Less than three months due	**20**	26
Between three and six months due	**-**	1
Between six and twelve months due	**-**	62
	20	89

The Group holds no collateral in respect of these receivables.

10. Liabilities

	2013 £'000	2012 £'000
Trade and other payables		
Rent received in advance	**3,090**	3,519
Other taxation and social security costs	**1,422**	1,399
Other creditors and accruals	**2,651**	3,208
	7,163	8,126

The fair value of current liabilities is estimated as the present value of future cash flows which approximate their carrying amounts due to the short term maturities.

Creditor days for the Group were 9 days (2012: 27 days).

Loans and other borrowings

The analysis of bank loans which are secured on certain of the freehold and leasehold properties of the Group is as follows:

	2013 £'000	2012 £'000
Secured bank loans repayable at stated dates between 2016 and 2017 at variable rates	**94,500**	100,500
Bank facility fees	**(291)**	(376)
	94,209	100,124

The bank loans are secured against land and buildings with a carrying amount of £184,970,000 (2012: £183,080,000).

Repayable in:	**2013**	2012
	£'000	£'000
Less than 1 year	**-**	-
1-2 years	**-**	-
2-5 years	**94,209**	85,497
5-10 years	**-**	14,627
	94,209	100,124

Borrowing facilities

The Group has various undrawn committed borrowing facilities. The facilities available in respect of which all conditions precedent had been met were as follows:

	2013	2012
	£'000	£'000
Expiring in less than 1 year	**-**	-
Expiring in 1-2 years	**-**	-
Expiring in 2 – 5 years	**60,500**	34,300
Expiring in 5 - 10 years	**-**	20,200
	60,500	54,500

Liquidity risk

Liquidity risk is managed through committed bank facilities that ensure sufficient funds are available to cover potential liabilities arising against projected cash flows. The Group's facilities are revolving, allowing the Group to apply cash surpluses to temporarily reduce debt.

Exposure to credit and interest rate risks arise in the normal course of the Group's business. Derivative financial instruments are used to reduce exposure to interest rate fluctuations.

Credit risk

Credit evaluations are performed on all tenants looking to enter into lease or pre-lease agreements with the Group. Credit risk is managed by tenants paying rent in advance. Outstanding tenants' receivables are regularly monitored.

At the balance sheet date there were no significant concentrations of credit risk, except for the low risk lease commitments which were either government departments or held a top credit rating. The maximum exposure to credit risk is represented by the carrying amount of each financial asset including derivative financial instruments on the balance sheet.

The Group has no exposure to currency risks.

Interest rate risk

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 26 years and have swap rates ranging from 4.31% to 5.17%. Provision is made within the terms of the financial instruments for the counterparty bank to terminate the instruments by invoking credit breaks, the first of which is in 2016. If such a credit break were exercised, a payment would be made between the parties dependent on market value at that time. The instruments also provide the counterparty bank with additional break options from 2014. Should these breaks be exercised, there would be no payment liability on the Group. The Group does not hold or issue derivative financial instruments for trading purposes.

A 25 basis points change in interest rate levels would increase or decrease the Group's annual profit and equity by £26,000 (2012: £11,000). This sensitivity has been calculated by applying the interest rate change to the variable rate borrowings, net of interest rate swaps, at the year end. The comparative figure for 2012 was also based on a 25 basis points change in interest rates. The 25 basis points change being used shows how the profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at the year end.

Swaps

As at 31st March 2013	Hedged amount £'000	Rate	Maturity[1] - years	Maturity Expiry Years	Fair Value £'000
Interest rate swaps	**75,000**	[2]**4.80%**	**1.42**	**19.44**	**(30,896)**
Interest rate swaps	**25,000**	[3]**3.00%**	**2.76**	**25.52**	**(7,845)**
Interest rate swaps	**5,000**	**4.65%**	**4.67**	**19.68**	**(1,846)**
					(40,587)
As at 31st March 2012					
Interest rate swaps	75,000	4.80%	2.42	20.44	(26,358)
Interest rate swaps	25,000	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:

	2013 £'000	2012 £'000
Current	**(4,196)**	(3,795)
Non-current	**(36,391)**	(30,576)
	(40,587)	(34,371)

	2013	2012
Weighted average cost of borrowing	**5.1%**	5.3%

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.

The Group had a surplus of hedging instruments over drawn loans and other borrowings at 31st March 2013 of £10,500,000 (2012: surplus £4,500,000).

In both 2013 and 2012 there was no difference between the book value and the fair value of all the other financial assets and liabilities of the Group.

11. Net asset value per share

	2013			2012		
	Net Assets	**Shares**	**Net asset value per share**	Net Assets	Shares	Net asset Value per share
	£'000	**'000**	**p**	£'000	'000	p
Basic	**71,933**	**45,879**	**157**	74,160	45,879	162
Number of shares under option	**2,645**	**2,467**	**(3)**	2,862	2,714	(3)
Diluted/EPRA NNNAV	**74,578**	**48,346**	**154**	77,022	48,593	159
Adjustment to fair value of derivatives	**40,587**	**-**	**84**	34,371	-	70
EPRA NAV	**115,165**	**48,346**	**238**	111,393	48,593	229

12. Called up share capital

	2013		2012	
Ordinary shares in issue	**Authorised £**	**Number of Shares**	Authorised £	Number of shares
At 1st April 2012	**9,175,835**	**45,879,174**	9,175,385	45,879,174
Allotted under Performance Share Plan	**-**	**-**	-	-
At 31st March 2013	**9,175,835**	**45,879,174**	9,175,835	45,879,174

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The Report and Financial Statements will be posted to Shareholders on 19th June 2013 with copies available from the Group's registered office at 20 Greyfriars Road, Reading, RG1 1NL from the same date, and from the Group's website www.mckaysecurities.plc.uk

Glossary

Adjusted EPS
Earnings per share based on profits and adjusted to exclude certain items as set out in note 7.

Adjusted profit before tax
Profit before tax adjusted to exclude certain non-recurring items as set out in note 4.

Book value
The amount at which assets and liabilities are reported in the accounts.

Contracted rent
Rent payable under the terms of a lease, less ground rent, with no allowance for the value of incentives granted at lease commencement.

Diluted figures
Reported amount adjusted to include the effects of potential shares issuable under employee share schemes.

Dun and Bradstreet
Provider of business information and risk management insight.

Earnings per share (EPS)
Profit after taxation attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.

EPRA
Standard calculation methods for adjusted EPS and NAV as set out by the European Public Real Estate Association (EPRA) in their Best Practice and Policy Recommendations.

Estimated Rental Value (ERV)
The valuers estimated amount for which floor space should let on the date of valuation on appropriate lease terms net of ground rents payable. Also known as MRV.

Industrial property
Term used to include light industrial, industrial and distribution warehouse property falling within classes B1c, B2 and B8 of the Town & Country Planning Use Classes Order. The terms do not include retail warehousing, falling within class A1 of the Order.

Initial yield
Net rents payable at the valuation date expressed as a percentage of the value of property assets after allowing for notional purchasers' costs.

Interest cover
The number of times Group net interest payable is covered by underlying profit before interest and taxation.

Interest rate swap
A financial instrument where two parties agree to exchange an interest rate obligation for a pre-determined amount of time.

IPD
Investment Property Databank. Leading provider of independent statistical analysis to the commercial property sector.

Loan to value
Drawn debt divided by the value of property assets.

Market rental value (MRV)
The valuers estimated amount for which floor space should let on the date of valuation on appropriate lease terms net of ground rents payable. Also known as ERV.

Net asset value (NAV) per share
Total equity divided by the number of ordinary shares in issue at the period end.

Net debt
Total borrowings less cash credit balances.

Property Income Distribution (PID)
PID dividend payments are taxable as letting income in the hands of shareholders who pay tax. They are paid after deduction of withholding tax at the basic rate.

REIT (Real Estate Investment Trust)
A tax efficient structure for the management of property. It must be publicly quoted with 75% of its profits and assets derived from a qualifying property rental business which is exempt from tax on income and gains.

Rental value growth
Increase in rental value, as determined at the valuation date, over the period on a like-for-like basis.

Reversion
Potential uplift in rent value to market rent, as determined at the valuation date, likely to arise from a rent review, lease renewal or letting.

RPIX
Retail Prices Index excluding mortgage interest.

Shareholders' funds
Total equity of the Group.

SIC 15
The IFRS treatment in respect of letting incentives. It requires the Group to offset the value of incentives granted to lessees against the total rent due over the length of the lease, or to a break clause if earlier.

Stamp duty land tax
Government tax levied on certain legal transactions including the purchase of property.

Total shareholder return
The growth in the value of an Ordinary share plus dividends reinvested during the year expressed as a percentage of the share price at the beginning of the year.

True equivalent yield
The constant capitalisation rate, which, if applied to all cash flows from an investment property, including current net reversions and such items as voids and expenditure, equates to the market value having taken into account notional purchasers costs and assuming rents paid quarterly in advance.

Weighted average unexpired lease term (WAULT)
The average lease term remaining to expiry across the portfolio weighted by rental income. This is also disclosed assuming all break clauses are exercised at the earliest date.