McKAY REPORTS CONTINUED INCOME AND CAPITAL GROWTH

McKay Securities PLC, the Real Estate Investment Trust (REIT) specialising in South East and London office and industrial property, today announces its interim results for the six month period ended 30th September 2015.

Financial Highlights

- Adjusted profit before tax up 33.8% to £3.96 million (30th September 2014: £2.96 million)
- IFRS profit before tax of £34.59 million (30th September 2014: £13.94 million)
- NAV (EPRA) per share up 4.1% to 281 pence (31st March 2015: 270 pence)
- NNNAV (EPRA) per share up 13.0% to 260 pence (31st March 2015: 230 pence)
- Loan to Value ratio of 33.1% (31st March 2015: 25.9%)
- £175 million debt refinancing completed, including £35.00 million reduction in notional value of interest rate swaps
- Interim dividend of 2.7 pence per share (30th September 2014: 2.7 pence per share)

Portfolio Highlights

- 13.0% increase in overall portfolio value to £398.63 million (31st March 2015: £352.76 million)
- 7.1% (£26.36 million) property valuation surplus
- 7.2% increase in contracted rental income to £21.97 million pa (31st March 2015: £20.50 million pa)
- 5.8% increase in ERV to £31.94 million pa (31st March 2015: £30.19 million pa)
- Portfolio reversionary potential now stands at 45.4%: £9.98 million pa. (31st March 2015: £9.69 million pa)
- Occupancy level increased from 91.2% to 92.7% (excl developments)

David Thomas, Chairman of McKay Securities PLC, said:

" This has been a period of substantial progress on many fronts arising from our strategic decision in early 2014 to take advantage of the anticipated improvements in the office and industrial markets of the South East and London. The £86.71 million proceeds from the Capital Raising at that time have been successfully invested in new acquisitions and refurbishment projects or allocated to our development programme. The benefits of these investments are becoming increasingly apparent.

Although our South East and London markets have been in recovery for a number of years, the outlook remains positive. This is based on the constrained supply of new and Grade A stock and consistent levels of occupier demand. With continued economic growth, this encouraging balance looks set to be maintained, supporting the release of significant potential from the portfolio and in particular from our development programme of prime buildings.

The management team remains focused on these priorities and the continued delivery of our strategy to release this potential."

-ends-

Date: 17th November 2015

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MCKAY SECURITIES PLC
INTERIM RESULTS
17TH NOVEMBER 2015

Details of the programme for the payment of the interim dividend are as follows:

Ex-dividend date	26th November 2015
Record date	27th November 2015
Interim dividend payment	7th January 2016

The Directors have declared an interim dividend of 2.7 pence per share, (2014: 2.7 pence per share), which will be paid as an ordinary dividend.

CHAIRMAN'S STATEMENT

Profit before tax, adjusted to exclude unrealised movements in the value of the Group's property portfolio, net profit on the disposal of properties and non-cash items, increased by 33.8% to £3.96 million for the six month period to 30th September 2015 (30th September 2014: £2.96 million).

The independent valuation of the Group's property portfolio at 30th September 2015 totalled £398.63 million, resulting in a £26.36 million (7.1%) valuation surplus for the period (30th September 2014: £14.80 million/4.8%).

Net sale proceeds from the disposal of investment property, including a deferred payment of £0.25 million from a prior year sale, was £0.85 million, realising a £0.32 million surplus over book value.

The negative value of the Group's remaining interest rate hedging instruments reduced by £4.74 million over the period to £19.84 million (30th September 2014: negative £26.72 million).

With the inclusion of these items, profit before tax (IFRS) increased to £34.59 million (30th September 2014: £13.94 million).

Net asset value per share increased over the period by 12.9% to 263 pence (31st March 2015: 233 pence). Net asset value per share (EPRA) increased by 4.1% to 281 pence (31st March 2015: 270 pence).

The Board has declared an interim dividend of 2.7 pence per share (2014: 2.7 pence).

Overview

This has been a period of substantial progress on many fronts, arising from our strategic decision in early 2014 to take advantage of anticipated improvements in the office and industrial markets of the South East and London. The £86.71 million proceeds from the Capital Raising at that time have been successfully invested in new acquisitions and refurbishment projects or allocated to our development programme and the benefits are increasingly apparent.

The results reveal a 20.8% increase in rental income for the period, which was the main contributor to the 33.8% increase in adjusted profit before tax. Contracted rental income increased by 7.2% over the period to £21.97 million pa, and the potential future benefit of the growth strategy is highlighted by the scale of the £9.97 million pa portfolio reversion, which takes the estimated rental value (ERV) of the portfolio to £31.94 million pa. If this reversion were to be released in full, contracted rental income would increase by a further 45.4% which would have a material positive impact on future earnings.

Strong investor appetite in our markets, a bottleneck in the supply of good quality and new business space and consistent occupier demand continue to deliver growth in capital and rental values. Our portfolio valuation surplus of 7.1% (£26.36 million) and underlying rental growth of 4.6%, reflect the benefit of our enlarged, proactively managed portfolio in these market conditions.

In May 2015, we took advantage of the low interest rate environment to ensure appropriate funding of portfolio initiatives and re-structured loans with three of our existing lenders and a new long term lender. As a result, loan facilities have increased to £175.00 million with a longer expiry profile, swap cancellations have re-balanced our historic over-hedged position, and our cost of debt has reduced.

Market review

Within the office and industrial markets of London and the South East, the supply of new and Grade A floor space has continued to reduce and is at increasingly constrained levels. This looks set to continue for the foreseeable future as the number of viable refurbishment and redevelopment schemes remains limited. This constrained occupier choice is maintaining upward pressure on rental values across these markets, and particularly in central and outer London where significant uplifts in office rental values have been seen over the last twelve months.

Within our core South East office market, which now accounts for 46.3% of the portfolio by value, the supply of new and Grade A floor space has reduced by 15.2% over the last twelve months to 5.7 million sq ft; representing only 6.7% of the total office supply. The vacancy rate for new floor space is lower still at 1.9% (1.6 million sq ft), which has reduced by half over the last five years.

Named occupier demand for South East office floor space has remained healthy, with competitive occupational costs beginning to attract footloose occupiers from central London along the main transport corridors to the south and particularly to the west, where Crossrail is set to transform access in 2018/2019. At the end of September 2015, named demand totalled 4.2 million sq ft, which was 8.1% higher than March 2015 and 6.6% higher than September 2014. This sustained demand has led to lettings totalling 1.6 million sq ft so far this calendar year, which is 57.8% higher than at this stage last year. The majority of lettings continue to be for new or Grade A floor space, particularly in the sub 60,000 sq ft size band, putting further pressure on availability and occupier choice. This demand profile fits the vacancy in our portfolio and particularly our schemes under construction in Reading and Redhill.

In the City, conditions have also remained positive over the period. The supply of office space reduced to 5.3 million sq ft, equivalent to a vacancy rate of 5.2%; the lowest since 2001. For new and Grade A floor space, supply reduced to 1.9 million sq ft, equivalent to a vacancy rate of 1.9%. There has been a pick up in development as a response to this shortfall and 8.3 million sq ft is under construction. However, as a consequence of the lack of existing supply and robust demand, 42.4% of this is already pre-let. Take up so far this year totals 5.2 million sq ft and 2.5 million sq ft for new and Grade A space. Named demand in the City core remains at a healthy level of 4.4 million sq ft.

Acquisitions and disposals

At the end of the period, the portfolio consisted of 40 properties, valued at £398.63 million.

One acquisition was made early in the period at a cost of £11.33 million (yielding 6.6%). This has taken the total number of acquisitions since the January 2014 Capital Raising to eight, at a combined cost of £73.83 million. The property acquired consisted of a warehouse distribution facility (96,850 sq ft) at Brunel Way, Theale, with excellent access to Junction 12 of the M4 motorway. The property was constructed in 1984 with a low site density and large yard and is let to 2020 with a tenant only break clause in January 2018, subject to a twelve month rent penalty payable by the tenant if exercised. Should the tenant leave, the potential exists to either refurbish or redevelop the unit to increase the low passing rent of £0.75 million pa (£7.74psf) for this well located asset.

As noted at the year end, we continue to review the disposal of properties, and smaller properties in particular, where the potential for further gains are limited. As a result, we sold 20 Hosier Street, Reading at the end of September 2015 for £0.61 million, securing a net surplus over book value of 8.4%. The surplus from investment properties for the period, totalling £0.32 million, was enhanced by the receipt of a dilapidations payment in respect of Access House, Newbury sold at the end of last year.

Other disposals remain under consideration. These include our two adjoining properties in Blackfriars Road, London, SE1 where the potential exists to capture the significant uplift in value achieved when the comprehensive refurbishment was pre-let in 2012. Agents have been instructed and we will update the market in due course if a sale is achieved.

Leasing activity

The portfolio ERV (net of ground rents) increased by 5.8% overall to £31.94 million pa over the period. On a like for like basis (excluding development properties), the ERV increased by 4.8% overall (IPD Monthly Index: 2.4%), by 5.4% for South East offices (IPD: 4.9%), by 8.7% for London offices (IPD: 6.5%) and by 1.4% for South East Industrials (IPD: 3.5%).

Contracted rental income (net) increased by 7.2% to £21.97 million pa, and there is potential to realise further increases from the portfolio reversion of £9.98 million pa. This consists of existing void properties with an ERV of £2.34 million pa, three development properties with an ERV of £5.69 million pa, and potential rental uplifts of £1.95 million pa at rent review or lease expiry.

Over the period, 24 market lettings were achieved with a combined contracted rental value of £1.37 million pa, which was 5.8% ahead of March 2015 ERVs. These were achieved across the portfolio, with occupier demand most apparent for good quality refurbished space in established centres. Quoting rents for our vacant floor space at the end of the period were moving up.

At lease break or expiry, twenty out of thirty two tenants were retained. This maintained a high retention rate of 62.5% and secured rents totalling £0.80 million pa, generally in line with ERVs and 1% ahead of the rent previously passing. After taking this leasing activity into account, portfolio occupancy at the end of the period increased from 91.2% to 92.7%, and from 73.2% to 74.8% with inclusion of the three development projects.

Development programme

Good progress was made over the period with the three speculative development projects, which represent a combined ERV of £5.69 million pa of the total portfolio reversion.

In Reading, works at 9 Greyfriars Road remain on programme, with completion in spring 2016. The comprehensive refurbishment of this 1980's office building will deliver Grade A space and enhance its potential to benefit from close proximity to the recently upgraded railway station and the improving rental values in central Reading generally.

Completion of our 48,000 sq ft office scheme in central Redhill, being marketed as Prospero, remains on programme for mid 2016, and is attracting interest from local companies and those looking to locate out of London. The vacancy rate in Redhill for new and Grade A floor space remains below 5%.

At 30 Lombard Street, EC3 our selected contractor has carried out strip out works and demolition is due to commence on completion of final approvals. The existing 35,820 sq ft 1960's building is to be replaced with a striking, high quality office building of 58,000 sq ft in keeping with this prime, City location programmed for completion in mid 2018. Letting agents have been appointed.

Refurbishment projects

The conversion of Strawberry Hill House, Newbury from office use to medical centre has progressed well over the period. The works, and completion of the pre-let to two local practices on a 25 year Government backed lease, are programmed for spring 2016, doubling the previous office rental to £0.25 million pa.

This project was identified at the time of the Capital Raising along with the comprehensive office refurbishment of 66 Wilson Street, London, EC2, 329 Bracknell, and Switchback Office Park, Maidenhead. These projects all completed last year and Wilson Street was let as a whole in late 2014. Over the period, contracted rental income from Bracknell and Maidenhead increased by 29.6% to £0.89 million pa, and the combined ERV increased by 20.7% to £1.49 million pa. Occupier demand and higher rental values at Bracknell have justified further upgrading works to vacant suites on the second floor which will complete shortly and good interest is being shown in the remaining available space. At Maidenhead, there is good interest in Unit 6 (4,519 sq ft) which was the last of the units recently upgraded. Refurbishment of the final unit (8,640 sq ft) is now under consideration.

Elsewhere, refurbishment of the fifth floor (5,070 sq ft) at Portsoken House, London, EC3 completed over the period and looks set to move rental values forward in this prominent building that is benefitting from the increasing popularity of this location. Upgrading works to the reception and common parts are also planned to complement this further.

At The Mille, Brentford and 1 Crown Square, Woking, improvements to internal and external common areas and vacant floor space anticipated on acquisition last year are due to commence shortly. These properties have been integrated into the portfolio and now need upgrading to achieve their full rental potential.

Valuation

The independent valuation of the Group's property portfolio at 30th September 2015 totalled £398.63 million, resulting in a 7.1% (£26.36 million) surplus for the period. This outperformed the IPD Monthly Index surplus of 4.3%. On a sector basis, the valuation surplus for South East offices was 8.6% (IPD: 7.6%), London offices 9.6% (IPD: 8.6%) and South East Industrials 6.4% (IPD: 7.0%). The total portfolio return was 9.6% (IPD: 7.2%).

The initial yield of the portfolio was 4.5% (March 2015: 4.8%), increasing to 5.2% (March 2015: 5.5%) on the expiry of letting incentives. At ERV, the reversionary yield was 7.6% (March 2015: 8.1%) and the equivalent yield was 6.4% (March 2015: 6.6%). Contributing to the gain was a 4.8% increase in like for like rental values excluding development projects.

The 7.1% valuation surplus for the period compares with 4.8% for the first half of last year and 9.0% for the second half. Lower growth for this half year, which we anticipated at the end of last year, is mainly due to the slowing pace of yield compression. This puts greater emphasis on the importance of development and active management to capture improving market rental values.

This has proved to be the case over the period, with strong valuation gains achieved where improvement works have positioned buildings to secure rental growth, and where the quality of our assets provide scope to realise gains at forthcoming rent reviews.

Finance

Net asset value increased by £29.44 million to £244.93 million over the period and net asset value per share increased by 12.9% to 263 pence. The main contributor to this increase was the valuation surplus of £26.36 million. This was enhanced by a positive movement of £4.74 million in the negative value of interest rate hedging instruments, after incurring £13.16 million of swap cancellation costs referred to below.

EPRA net asset value per share, which excludes the negative value of hedging instruments, increased by 4.1% to 281 pence since 31st March 2015 (270 pence) and by 9.8% since the refinancing of debt facilities announced on 11th May 2015 (256 pence). At that time, the Group's loan facilities were increased by £20.00 million to £175.00 million. Of this increased amount, £55.00 million was secured on a 15 year term with a new lender and the remainder provided by three of the Group's existing clearing banks. The new facilities extended the weighted average length of debt from 1.6 years to 9.1 years and have reduced the cost of debt over the period to 4.4% (30th September 2014: 6.6%).

As part of the refinancing, the notional value of the Group's hedging instruments was reduced from £80.00 million to £45.00 million at a cost of £13.16 million; equivalent to a reduction in EPRA NAV per share as at 31st March 2015 of 14.3 pence to 256 pence. The full cost was offset to a degree by a lender contribution, resulting in EPRA NNNAV increasing on the same basis by 2.6 pence to 233 pence.

Adjusted profit before tax of £3.96 million was £1.00 million higher than the corresponding period last year. This was primarily due to income from recent acquisitions and letting activity in the 12 months since September 2014, contributing to gross rental income increasing by 20.8% (£1.75 million) to £10.17 million. Non recoverable property costs of £1.25 million were similar to the corresponding period last year.

Administration costs for the period increased by £0.88 million to £3.00 million, due to a combination of increased staffing levels and higher costs generally associated with running an enlarged business.

Interest payable for the period reduced by £0.10 million from the corresponding period last year to £2.27 million, despite drawn debt increasing from £93.50 million to £132.00 million. The lower cost reflects the benefit of the loan refinancing earlier in the period and an increase in interest capitalised as the development programme accelerates. With the new £55.00 million fixed interest loan facility and the reduced level of £45.00 million of interest rate hedging instruments, up to £100.00 million of the Group's debt is on fixed rates. The floating rate for debt drawn over this level is currently lower than fixed rates, resulting in a reduction in the average cost of debt.

The ratio of drawn debt to portfolio value (LTV) was 33.1% (30th September 2014: 29.1%), and the gearing ratio to shareholders' funds, adjusted in accordance with banking covenants, was 49.9% (30th September 2014: 42.0%). Compliance has been maintained with all covenants over the period.

Dividend

The Board is pleased to declare an interim divided of 2.7 pence per share, which maintains the level of dividend paid for the same period last year. This will be paid as an ordinary dividend on 7th January 2016.

Future prospects

Although our London and South East markets have been in recovery for a number of years, the outlook remains positive. This is based on the constrained supply of new and Grade A stock and consistent levels of occupier demand. With continued economic growth, this encouraging balance looks set to be maintained, supporting the release of significant potential from the portfolio and in particular from our development programme of prime buildings.

Management remains focused on these priorities and the continued delivery of our strategy to release this potential.

D.O. Thomas
Chairman
17th November 2015

CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	6 months to 30th September 2015 (Unaudited) £'000	6 months to 30th September 2014 (Unaudited) £'000	12 months to 31st March 2015 (Audited) £'000
Gross rents and service charges receivable		11,695	10,470	21,409
Direct property outgoings		(2,776)	(3,243)	(6,487)
Net rental income from investment properties	3	8,919	7,227	14,922
Administration costs		(2,996)	(2,111)	(5,439)
Operating profit before gains on investment properties		5,923	5,116	9,483
Profit on disposal of investment properties		315	142	679
Revaluation of investment properties	6	25,885	14,498	42,097
Operating profit		32,123	19,756	52,259
Net finance costs - finance costs	5	(2,276)	(6,541)	(19,802)
- finance income	5	4,746	10	32
Profit on disposal of associated undertaking		-	712	793
Profit before taxation		34,593	13,937	33,282
Taxation		-	-	-
Profit for the period		34,593	13,937	33,282
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss				
Actuarial movement on defined benefit pension scheme		-	-	(493)
Other		88	-	-
Total comprehensive income for the period		34,681	13,937	32,789
Earnings per share	4			
Basic		37.27p	15.13p	36.08p
Diluted		36.75p	14.87p	35.48p

Adjusted earnings per share figures are shown in note 4.

GROUP STATEMENT OF FINANCIAL POSITION

	Notes	As at 30th September 2015 (Unaudited) £'000	As at 30th September 2014 (Unaudited) £'000)	As at 31st March 2015 (Audited) £'000
Non-current assets				
Investment properties	6	395,576	319,467	350,204
Plant and equipment		67	74	63
Investments		-	712	793
Total non-current assets		395,643	320,253	351,060
Current assets				
Trade and other receivables		7,809	9,480	10,339
Cash and cash equivalents		9,385	7,121	-
Total current assets		17,194	16,601	10,339
Total assets		412,837	336,854	361,399
Current liabilities				
Trade and other payables		(12,258)	(12,344)	(9,938)
Finance lease liabilities		(286)	(286)	(286)
Interest rate derivatives	7	(2,944)	(3,633)	(6,164)
Cash and cash equivalents		-	-	(572)
Total current liabilities		(15,488)	(16,263)	(16,960)
Non-current liabilities				
Loans and other borrowings		(129,522)	(93,316)	(91,302)
Pension fund liabilities		(1,875)	(1,588)	(1,940)
Finance lease liabilities		(4,121)	(4,121)	(4,121)
Interest rate derivatives	7	(16,899)	(23,085)	(31,581)
Total non-current liabilities		(152,417)	(122,110)	(128,944)
Total liabilities		(167,905)	(138,373)	(145,904)
Net assets		244,932	198,481	215,495
Equity				
Called up share capital		18,486	18,485	18,486
Share premium account		75,917	75,917	75,917
Other distributable reserves		40,177	52,060	36,340
Revaluation reserve		110,352	52,019	84,752
Total equity		244,932	198,481	215,495
Net asset value per share	9	263p	215p	233p
EPRA net asset value per share		281p	240p	270p

GROUP CASH FLOW STATEMENT

	6 months to 30th September 2015 (Unaudited) £'000	6 months to 30th September 2014 (Unaudited) £'000	12 months to 31st March 2015 (Audited) £'000
Operating activities			
Profit before tax	34,593	13,937	33,282
Adjustments for:			
Depreciation	12	16	44
Other non-cash movements	552	430	1,354
Profit on disposal of investment properties	(315)	(142)	(679)
Movement in revaluation of investment properties	(25,885)	(14,498)	(42,097)
Net finance (income)/costs	(2,470)	6,531	19,769
Profit on disposal of associate undertaking	-	(712)	(793)
Cash flow from operations before changes in working capital	6,487	5,562	10,880
Decrease/(increase) in debtors	2,482	(1,779)	(3,439)
Increase in creditors	1,372	3,763	2,704
Cash generated from operations	10,341	7,546	10,145
Interest paid	(1,330)	(1,378)	(5,227)
Swap cancellation fee	(13,165)	-	-
Interest received	9	10	32
Cash flows from operating activities	(4,145)	6,178	4,950
Investing activities			
Proceeds from sale of investment properties	865	3,217	6,886
Proceeds from sale of investments	793	-	-
Purchase and development of investment properties	(19,987)	(55,395)	(60,949)
Purchase of other fixed assets	(15)	(74)	(94)
Cash flows from investing activities	(18,344)	(52,252)	(54,157)
Financing activities			
Proceeds from issue of share capital	-	509	510
Increase in borrowings	37,992	56,000	53,935
Equity dividends paid	(5,546)	(5,414)	(7,910)
Cash flows from financing activities	32,446	51,095	46,535
Net increase/(decrease) in cash and cash equivalents	9,957	5,021	(2,672)
Cash and cash equivalents at the beginning of the period	(572)	2,100	2,100
Cash and cash equivalents at end of period	9,385	7,121	(572)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent company				
	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Other distributable reserves £'000	Total equity £'000
At 31st March 2014	18,352	75,541	37,354	57,988	189,235
Profit for the year	-	-	-	33,282	33,282
Other comprehensive income:					
Transfer surplus on revaluation of Properties	-	-	42,097	(42,097)	-
Other	-	-	-	(19)	(19)
Transfer on disposal of investment in associated undertaking	-	-	1,417	(1,417)	-
Transfer on disposal of investment properties	-	-	3,884	(3,884)	-
Actuarial loss on defined benefit pension scheme	-	-	-	(493)	(493)
Total comprehensive income for the year	-	-	47,398	(14,628)	32,770
Issue of new shares net of costs	134	376	-	-	510
Dividends paid in year	-	-	-	(7,910)	(7,910)
Fair value of share based payments	-	-	-	890	890
At 31st March 2015	18,486	75,917	84,752	36,340	215,495
Profit for the period	-	-	-	34,593	34,593
Transfer surplus on revaluation of Properties	-	-	25,885	(25,885)	-
Other	-	-	-	88	88
Transfer on disposal of investment Properties	-	-	(285)	285	-
Total comprehensive income for the period	-	-	25,600	9,081	34,681
Dividends paid in period	-	-	-	(5,546)	(5,546)
Fair value of share based payments	-	-	-	302	302
At 30th September 2015	18,486	75,917	110,352	40,177	244,932

1 Accounting policies

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

As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31st March 2015.

The comparative figures for the financial year ended 31st March 2015 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matter to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The Board approved the unaudited interim financial statements on 16th November 2015.

Identification of business risks
The Group's principal risks and uncertainties are consistent with those noted in the Annual Report for the year ended 31st March 2015 which include compliance with financial covenants on bank borrowing, tenant default, liquidity, interest rate hedging instruments and interest rate movements on bank borrowing. The Directors consider that the significant areas of judgement made by management that have significant effect on the Group's performance and estimates with a significant risk of material adjustment are valuation of investment properties and financial instruments. These are unchanged from those identified in the Annual Report for the year ended 31st March 2015.

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

The Group does not have any significant borrowing facilities expiring in the next 12 months. The Group is in full compliance with its borrowing covenants at 30th September 2015 and is expected to be in compliance for the next 12 months.

2 Adjusted profit before tax

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

	6 months to 30th September 2015 (Unaudited) £'000	6 months to 30th September 2014 (Unaudited) £'000	12 months to 31st March 2015 (Audited) £'000
Profit before tax	34,593	13,937	33,282
Fair value (gain)/loss on swaps	(4,737)	4,160	15,187
Movement in valuation of investment properties	(25,885)	(14,498)	(42,097)
Profit on disposal of investment properties	(315)	(142)	(679)
Profit on disposal of associated undertaking and revaluation movements	-	(712)	(793)
IFRS2 adjustment to share based payments	302	213	890
Adjusted profit before tax	3,958	2,958	5,790

3 Net rental income from investment properties

	6 months to 30th September 2015 (Unaudited) £'000	6 months to 30th September 2014 (Unaudited) £'000	12 months to 31st March 2015 (Audited) £'000
Gross rents receivable	9,694	8,114	17,005
SIC15 adjustment (spreading of rental incentives)	477	303	612
Gross rental income	10,171	8,417	17,617
Service charges receivable	1,524	2,053	3,792
	11,695	10,470	21,409
Direct property outgoings	(2,776)	(3,243)	(6,487)
	8,919	7,227	14,922

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

4 Earnings per share

	6 months to 30th September 2015	6 months to 30th September 2014	12 months to 31st March 2015
	p	p	P
Basic earnings per share	37.27	15.13	36.08
Change in fair value of derivatives	(5.11)	4.52	16.46
Movement in revaluation of investment properties	(27.89)	(15.75)	(45.63)
Profit on disposal of investment properties	(0.34)	(0.15)	(0.74)
Associated undertaking disposals and revaluation	-	(0.77)	(0.86)
Adjusted profit share based payments	0.33	0.24	0.97
Adjusted earnings per share	4.26	3.22	6.28

Basic earnings per share on ordinary shares is calculated on the profit in the half year of £34,593,000 (September 2014: £13,937,000 and March 2015: £33,282,000) and 92,807,763 (September 2014: 92,085,186 and March 2015: 92,255,120) shares, being the weighted average number of ordinary shares in issue during the period.

	6 months to 30th September 2015	6 months to 30th September 2014	12 months to 31st March 2015
	Number of shares	Number of shares	Number of shares
Weighted average number of ordinary shares in issue	92,807,763	92,085,186	92,255,120
Number of shares under option	1,705,818	2,341,454	2,233,578
Number of shares that would have been issued at fair Value	(391,633)	(763,020)	(672,668)
Diluted weighted average number of ordinary shares in Issue	94,121,948	93,663,620	93,816,030

	6 months to 30th September 2015	6 months to 30th September 2014	12 months to 31st March 2015
	p	p	p
Basic earnings per share	37.27	15.13	36.09
Effect of dilutive potential ordinary shares under option	(0.52)	(0.26)	(0.60)
Basic diluted EPS	36.75	14.87	35.48
Change in fair value of derivatives	(5.03)	4.44	16.19
Movement in revaluation of investment properties	(27.50)	(15.48)	(44.87)
Profit on disposal of investment properties	(0.34)	(0.15)	(0.72)
Associated undertaking disposals and revaluation	-	(0.75)	(0.86)
Adjusted profit for share based payments	0.32	0.23	0.95
Adjusted diluted earnings per share	4.20	3.16	6.17
Adjusted profit for share based payments	(0.32)	(0.23)	(0.95)
EPRA earnings per share	3.88	2.93	5.22

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 94,121,948 (September 2014: 93,663,620 and March 2015: 93,816,030) 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 (if any), the change in the fair value of derivatives and the movement in revaluation of investment properties. The EPRA measure includes all of these adjustments.

5 Net finance costs

	6 months to 30th September 2015 (Unaudited) £'000	6 months to 30th September 2014 (Unaudited) £'000	12 months to 31st March 2015 (Audited) £'000
Interest on bank overdraft and loans	2,671	2,427	4,896
Finance lease interest on leasehold property Obligations	142	98	285
Finance arrangement costs	228	50	100
Fair value loss on derivatives	-	4,160	15,188
Capitalised interest	(765)	(194)	(667)
Finance expense	2,276	6,541	19,802
Fair value gain on cancellation	(4,737)	-	-
Interest receivable	(9)	(10)	(32)
Finance income	(4,746)	(10)	(32)
Net finance costs	(2,470)	6,531	19,770

During the period the Group cancelled £35 million of swaps at a cost of £13.17 million.

6 Investment properties

	As at 30th September 2015 (Unaudited) £'000	As at 30th September 2014 (Unaudited) £'000	As at 31st March 2015 (Audited) £'000
Valuation			
At 1st April 2015	350,204	252,645	252,645
Additions - acquisition	11,337	51,710	51,710
- development	8,721	3,709	10,000
Revaluation surplus	26,362	14,802	42,708
Adjustment for rents recognised in advance under SIC15	(477)	(304)	(612)
Disposals	(550)	(3,075)	(6,207)
Amortisation of grossed up headlease liabilities	(21)	(20)	(40)
Book value	395,576	319,467	350,204
Adjustment for grossing up of headlease liabilities	(3,765)	(3,805)	(3,785)
Adjustment for rents recognised in advance under SIC15	6,819	6,033	6,342
Valuation	398,630	321,695	352,761

In accordance with the Group's accounting policy on properties there was an external valuation at 30th September 2015. These valuations, were carried out by Mellersh & Harding LLP, Chartered Surveyors and Valuers. All valuations were carried out in accordance with the Appraisal and Valuation Standards of RICS, on an open market basis.

7 Liabilities

The Group adopts a policy of ensuring that its exposure to interest rate fluctuations is mitigated by the use of financial instruments. Interest rate swaps have been entered into to achieve this purpose.

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

As at 30th September 2015 (Unaudited)

	Maturity	[1]Next credit break	Amount £'000	Rate	Fair value before BCVA	[2]BCVA	Fair value £'000
Interest rate swaps	Sept 2032	Sept 2022	45,000	5.17%	(21,789)	1,946	(19,843)

As at 30th September 2014 (Unaudited)

	Maturity	[1]Next credit break	Amount £'000	Rate	Fair value before BCVA	[2]BCVA	Fair value £'000
Interest rate swaps	Sept 2032	Sept 2022	75,000	5.17%	(27,771)	2,531	(25,240)
Interest rate swaps	Dec 2032	Dec 2017	5,000	4.65%	(1,558)	80	(1,478)
			80,000		(29,329)	2,611	(26,718)

As at 31st March 2015 (Audited)

	Maturity	[1]Next credit break	Amount £'000	Rate	Fair value before BCVA	[2]BCVA	Fair value £'000
Interest rate swaps	Sept 2032	Sept 2022	75,000	5.17%	(39,297)	3,731	(35,566)
Interest rate swaps	Dec 2032	Dec 2017	5,000	4.65%	(2,282)	103	(2,179)
			80,000		(41,579)	3,834	(37,745)

[1]Credit breaks are triggered by the bank and require the prevailing mark to market value to be paid or received.
[2]BCVA – Bilateral Credit Valuation Adjustment is now required by IFRS 13 to be incorporated in the mark to market valuations.

On 24th February 2015 the £5 million swap was terminated at a cost of £2.14 million.

On 7th May 2015 £30 million of the £75 million swap was terminated at a cost of £11.03 million.

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

	As at 30th September 2015 (Unaudited) £'000	As at 30th September 2014 (Unaudited) £'000	As at 31st March 2015 (Audited) £'000
Current	(2,944)	(3,633)	(6,164)
Non-current	(16,899)	(23,085)	(31,581)
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	(19,843)	(26,718)	(37,745)
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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 Consolidated Profit or Loss and Other Comprehensive Income. All financial liabilities are classed as level 2 in accordance with the fair value hierarchy stated in IFRS 13. The fair value of these level 2 contracts are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument.

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

In both 2015 and 2014 there was no difference between the book value and the fair value of all the other financial assets and liabilities of the Group and Company.

8 Dividends

	6 months to 30th September 2015 (Unaudited) £'000	6 months to 30th September 2014 (Unaudited) £'000	12 months to 31st March 2015 (Audited) £'000
Final dividend			
Year ended 31st March 2015	5,546	-	-
Year ended 31st March 2014	-	5,414	5,414
Interim dividend			
Year ended 31st March 2014	-	-	2,496
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	5,546	5,414	7,910
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The final dividend of 6.0 pence per share (£5,546,000) for the year ended 31st March 2015 was paid on 30th July 2015.

The Directors have declared an interim dividend of 2.7 pence per share (2014: 2.7 pence per share).

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

9 Net asset value per share

	30th September 2015		
	Net assets £'000	Shares '000	Net asset value per share p
Basic	244,932	93,158	263
Shares under option	863	1,552	(3)
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Diluted/EPRA NNNAV	245,795	94,710	260
Adjustment for fair value of derivatives	19,843	-	21
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EPRA NAV	265,638	94,710	281

	30th September 2014		
	Net assets £'000	Shares '000	Net asset value per share p
Basic	198,481	92,426	215
Number of shares under option	1,458	2,125	(3)
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Diluted/EPRA NNNAV	199,939	94,551	212
Adjustment for fair value of derivatives	26,718	-	28
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EPRA NAV	226,657	94,551	240

	31st March 2015		
	Net assets £'000	Shares '000	Net asset value per share p
Basic	215,495	92,426	233
Number of shares under option	1,433	2,125	(3)
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Diluted/EPRA NNNAV	216,928	94,551	230
Adjustment for fair value of derivatives	37,745	-	40
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EPRA NAV	254,673	94,551	270

10 Disclaimer

The Interim Report of McKay Securities PLC for the six months to 30th September 2015 has been drawn up and presented for the purposes of complying with English law. If any issue were to arise in relation to any liability under or in connection with the Interim Report for the six months to 30th September 2015, it would also be determined in accordance with English law.

11 Interim Report

The Interim Report is being posted to all shareholders on 27th November 2015. Copies are available to members of the public from the Company's registered office at 20 Greyfriars Road, Reading, Berkshire RG1 1NL, and on the Company's website at www.mckaysecurities.plc.uk.

Statement of the Directors Responsibilities

We confirm that to the best of our knowledge:

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

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

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

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

S C Perkins
Managing Director

G P Salmon
Finance Director

17th November 2015