McKAY DELIVERS COMPLETED DEVELOPMENT SCHEMES AND GROWTH IN RENTAL INCOME

McKay Securities PLC, the Real Estate Investment Trust (REIT) specialising in South East and London office and industrial property, today announces its half year results for the six months ended 30 September 2016.

Financial Highlights

- Adjusted profit before tax up 11.8% to £4.42 million (30 September 2015: £3.96 million)
- Gross rental income up 2.4% to £10.42 million (30 September 2015: £10.17 million)
- EPS (EPRA) up 10.3% to 4.3 pence per share (30 September 2015: 3.9 pence per share)
- IFRS loss before tax of £3.78 million (30 September 2015: £34.59 million profit)
- NAV (EPRA) 295 pence per share, down 2.0% (31 March 2016: 301 pence per share)
- Loan to Value ratio of 31.4% (31 March 2016: 28.9%)
- Interim dividend of 2.7 pence per share (2015: 2.7 pence per share)

Portfolio Highlights

- Overall increase in property portfolio value of 3.2% (£12.71 million) to £413.88 million
- 0.7% (£3.07 million) property valuation deficit
- 2.4% (£0.77 million pa) increase in ERV to £32.21 million
- Initial portfolio yield of 5.1%, with reversionary potential of £9.77 million pa, taking the portfolio yield to 7.3%
- Redevelopment schemes in Reading and Redhill completed and being marketed
- Redevelopment of 30 Lombard Street, EC3 on schedule for completion in Q1 2018

Simon Perkins, Chief Executive Officer of McKay, said:

"Delivery of our growth strategy remains on programme, with encouraging progress over the period crystallising and consolidating the significant income potential within our existing portfolio. With our proactive portfolio management, contracted rental income has increased by 6.4% to £22.45 million pa and the full potential rental value of the portfolio has increased by 2.4% to £32.76 million pa.

There is therefore still significant potential in the portfolio, which comes a step closer with the completion of our development schemes in Reading and Redhill. Release of the full 44% portfolio reversion of £9.77 million pa would take our portfolio yield from 5.1% to 7.3% at current values.

The property market generally suffered a loss of confidence following the EU referendum result, but more recently, we have seen markets stabilise and improved recognition in our core markets of the attraction of property as an asset class.

The South East office occupier market remains governed by positive fundamentals, with low levels of supply of Grade A quality space and a limited development pipeline. Yet occupiers are increasingly facing building obsolescence issues that will continue to underpin demand and new requirements.

We are well financed and have the ability to generate growth from the busy programme of development and refurbishment projects and management initiatives within our existing portfolio. The world is a more uncertain place than it was a few years ago, but despite this, McKay is in good shape to continue to deliver value for our shareholders."

-ends-

Date: 15th November 2016

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MCKAY SECURITIES PLC
INTERIM RESULTS
15TH NOVEMBER 2016

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

Ex-dividend date	24th November 2016
Record date	25th November 2016
Interim dividend payment	5th January 2017

The Directors have declared an interim dividend of 2.7 pence per share, (2015: 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 and other non-cash items, increased by 11.8% to £4.42 million for the six month period to 30th September 2016 (30th September 2015: £3.96 million).**

- **The independent valuation of the Group's property portfolio at 30th September 2016 totalled £413.88 million, resulting in a £3.07 million (0.7%) valuation deficit for the period (30th September 2015: £26.36 million / 7.1% surplus). The negative value of the Group's remaining interest rate hedging instrument increased by £4.59 million to £27.00 million (30th September 2015: £4.74 million decrease).**

- **Inclusion of these, and other, unrealised items resulted in a loss before tax (IFRS) of £3.78 million (30th September 2015: £34.59 million profit).**

- **Net asset value per share (EPRA) reduced over the period by 2.0% to 295 pence (31st March 2016: 301 pence). IFRS net asset value per share reduced by 3.9% to 269 pence (31st March 2016: 280 pence).**

- **The Board has declared an interim dividend of 2.7 pence per share (2015: 2.7 pence).**

Overview

In my first statement as Chairman, I am pleased to report that good progress has been made over the period towards our objective of realising the substantial income potential from our existing portfolio in order to increase distributable profits, despite the market reaction to the EU referendum vote.

The result of the referendum, midway through the period, caused a loss of confidence in the property market generally at that time. Since then, the UK economy has fared better than many expected, and capital and rental values have stood up well in our core South East and London markets. A reduction in capital values of just 0.7% and rental growth of 2.5% over the period out-performed market indices and highlights the benefit of the investment we continue to make in upgrading our properties and the resilient characteristics of our portfolio.

As a result of continued letting progress and rent reviews, contracted rental income increased by 6.4% to £22.45 million pa over the period, and rental growth increased the full potential rental value of the portfolio (ERV) to £32.21 million pa.

The potential to crystallise a significant proportion of the 43.5% portfolio reversion of £9.77 million pa has improved with completion of our office development projects at Reading and Redhill, which have a combined rental value of £2.61 million pa. These both now offer high quality, modern business space in established centres and our letting agents have recently started marketing the completed buildings.

This programme has resulted in continued growth in our rental income which increased by 2.4% to £10.42 million (30th September 2015: £10.17 million), despite the loss of income from disposals made last year. This increase was the main contributor to the 11.8% increase in adjusted profit before tax, our measure of recurring earnings.

Market Review

Investment volumes across our markets were lower over the period than in recent times. Whilst this was due in part to the referendum, a slowdown in the pace of investment was expected as the market recovery matured and the prospect of cyclical gains reduced. Property returns remain attractive, and with the devaluation of sterling there has been continued appetite from overseas buyers, particularly in London, as well as the emergence of other buyers outside London, such as local authorities. As a result, the decline in capital values to date has generally been limited, particularly for prime assets with secure income.

Low supply levels of new and grade A buildings in our markets continue to limit occupier choice. This fundamental issue is supporting headline rental growth for the best available floor space. A positive consequence of the uncertainty regarding the implications of the referendum result is the likely constraint on the development pipeline, reducing the risk of oversupply.

Within the South East office market, which accounts for 59.9% of the portfolio by value, the supply of new and grade A buildings remains low at 6.2 million sq ft, representing 7.2% of the total office supply. The vacancy rate for new buildings is lower still at 2.2 million sq ft (2.6%).

For the year to date, occupier take up of floor space within this market totalled 1.62 million sq ft, of which 1.42 million sq ft was in new and grade A buildings. This is the same level as recorded at this stage last year and 14.1% ahead of the five-year average for the same period. With 0.56 million sq ft under offer, occupier take up for the full year is expected to be similar to the 2.13 million sq ft recorded last year, and ahead of the five-year average of 1.88 million sq ft. Continued occupier demand is encouraging, but we anticipate the referendum may result in the short term deferral of larger strategic requirements over 60,000 sq ft. However, there are many positive factors still at play in our markets and the opening of the Elizabeth Line (Crossrail) in 2018 and the likelihood of higher business rates are likely to play an increasingly important part in attracting occupiers from London. In any event, our vacant properties are below 60,000 sq ft, and lease events and building obsolescence are likely to continue to generate new requirements in this smaller size band, which accounted for 79.2% of all occupier take up in 2015.

Within the City of London, the referendum has raised uncertainty regarding future occupier demand, particularly from the banking sector. Take up levels for 2016 are expected to be lower than the above average levels of the last two years, but constrained supply continues to support rental values. Capital values are generally lower, but as with other markets, the extent depends on the nature of the asset.

Portfolio Income and Leasing Activity

Over the period, we completed ten open market lettings with a combined contracted rental value of £0.73 million pa. This was 5.7% ahead of March 2016 ERV, with the work referred to below helping secure new rental highs in our buildings at Croydon, Woking, Brentford and Maidenhead.

At lease break and lease expiry, seventeen out of twenty tenants were retained, which maintained a high retention rate of 85.0% and secured rents of £0.58 million pa. Of this, leases renewed on expiry accounted for £0.25 million pa, which was 0.6% ahead of ERV and 18.5% ahead of the previous passing rent.

After taking this leasing activity into account, portfolio occupancy at the end of the period increased from 92.8% to 93.9%, and from 74.2% to 75.5% with the inclusion of the three development properties referred to below.

The outstanding February 2016 rent review at Wimbledon Gate, Wimbledon was settled during the period at a rent of £2.35 million pa, equivalent to £43.00 psf. Wimbledon has benefited from the ripple effect of higher rental values from central London, and the building, which was constructed by the Group in 2005, remains one of the best in the town. The uplift was a substantial £0.80 million pa (51.6%) over the passing rent and a 13.7% increase over 31st March 2016 ERV.

The portfolio ERV, which ended the period at £32.21 million pa, retains significant potential with vacant properties totalling £1.96 million pa, three development properties totalling £5.94 million pa and potential rental uplifts at rent review and lease expiry of £1.87 million pa.

Refurbishment Projects

Refurbishment of Unit 5 (8,364 sq ft) at Switchback Office Park, Maidenhead completed in early September. Prior to completion, the top floor was pre-let on a 10-year lease at a rent of £0.11 million pa, equating to £26.75 psf. This is the last building to be refurbished on the 37,450 sq ft Park, and the highest rent achieved, leaving the ground floor (4,133 sq ft) as the remaining space to let.

Other portfolio refurbishment work progressed well over the period at Portsoken House, EC3; The Mille, Brentford and 1 Crown Square, Woking, which together represent 71.4% (£1.40 million pa) of the portfolio void. Completed and ongoing improvement works to common areas and vacant floor space have generated gains in ERV's and rents achieved on letting, and marketing is generating encouraging interest.

Following the completion of conversion works at the end of last year, Strawberry Hill House, Newbury has now been leased as a medical Surgery at a rent of £0.26 million pa for 25 years.

Development Programme

Our current programme consists of three speculative office projects, which all made good progress over the period. When let, these schemes which represent 9.2% of the total portfolio by area and 18.5% by ERV will make a significant contribution to future earnings.

The major refurbishment at 9 Greyfriars Road, Reading (39,620 sq ft) completed in the summer. The scheme has achieved the first ever BREEAM Outstanding rating awarded outside London, and provides occupiers with a high quality, sustainable building less than five minutes walk from the recently upgraded mainline and Elizabeth Line railway station.

At Redhill, our new scheme (50,370 sq ft) on London Road completed shortly after the end of the period. It is the only new office building in Redhill, where vacancy rates are below 5% for good quality modern floor space. It sets a new benchmark in the southern M25 market with excellent environmental credentials and a high quality specification, providing flexible business space close to Redhill station, with excellent links to London and Gatwick.

In both cases, the marketing campaigns are generating viewings and early interest.

In the City of London, demolition of the 1960's office building (35,820 sq ft) at 30 Lombard Street is nearing completion. Construction of the striking replacement building (58,000 sq ft) in this core city location remains on programme for completion in mid-2018.

Valuation

The independent valuation of the Group's portfolio at 30th September 2016 totalled £413.88 million (31st March 2016: £401.17 million). After taking capital expenditure into account, this resulted in a 0.7% deficit for the period of £3.07 million overall. The IPD Monthly Index (All Property) deficit for the period was 3.7%.

On a sector basis (excluding developments) the valuation result also out-performed IPD with a surplus for South East offices of 0.9% (IPD: deficit 6.2%), a deficit of 0.9% for London offices (IPD: deficit 4.8%), and a deficit of 1.0% for South East industrial properties (IPD: deficit 1.1%).

The portfolio initial yield was 4.7% (March 2016: 4.5%) increasing to 5.1% (March 2016: 5.0%) on the expiry of letting incentives. At ERV, the reversionary yield would be 7.3% (March 2016: 7.4%). The equivalent yield was 6.4% (March 2016: 6.3%).

The outward shift in yield reflects market reaction to the uncertainty surrounding the outcome of the referendum vote. Initially there were concerns that values would fall across all market sectors, triggered by forced sales from many of the open ended funds. However, the market has evolved since and comparable evidence has indicated a more varied picture with some sectors and building types performing better than expected.

The portfolio valuation reflected this. Those properties with longer leases, variable lease expiries and limited outstanding refurbishment expenditure proved more resilient than those with short income and letting risk. Assumptions in relation to the development properties reflected market appetite to letting risk, and at 30 Lombard Street, EC3 also reflected that this project is the least progressed.

In addition, the benefit of recent and ongoing refurbishment work and the Wimbledon rent review was reflected in the 2.5% increase in portfolio ERV over the period, which was also ahead of the IPD Monthly Index increase of 0.7%. These rental gains helped offset the outward movement in yields.

Finance

EPRA net asset value per share, which excludes the negative value of hedging instruments, decreased by 2.0% to 295 pence since 31st March 2016 (301 pence).

IFRS net asset value decreased by £9.12 million to £252.11 million over the period and net asset value per share decreased by 3.9% to 269 pence. This was mainly due to a negative movement of £4.59 million in the value of the interest rate hedging instrument and the £3.07 million valuation deficit referred to above.

Drawn debt increased to £130.00 million (31st March 2016: £116.00 million), primarily due to development and refurbishment expenditure. The ratio of drawn debt to portfolio value (LTV) was 31.4% (30th September 2015: 33.1%), and the gearing ratio to shareholders' funds, adjusted in accordance with banking covenants, was 46.6% (30th September 2015: 49.9%). The average cost of debt increased to 4.78% during the period (31st March 2016: 4.35%) due to a higher proportion of drawn debt at fixed rather than floating rates.

Adjusted profit before tax of £4.42 million was 11.8% (£0.47 million) higher than the corresponding period last year. A significant proportion of this increase was the result of lettings and the settled rent review at Wimbledon Gate. These contributed to an increase of 2.4% in gross rental income for the period which totalled £10.42 million (30th September 2015: £10.17 million). Non recoverable property costs of £1.24 million were marginally lower than the corresponding period last year (30th September 2015: £1.25 million).

Administration costs of £2.98 million for the period were also marginally lower than the corresponding period last year (30th September 2015: £3.00 million).

Net finance costs reduced by £0.16 million to £2.12 million (30th September 2015: £2.28 million) benefitting from the level of capitalised interest increasing to £1.15 million (30th September 2015: £0.76 million).

IFRS profit before tax for the period, prior to any adjustments for unrealised items, shows a £3.78 million loss (30th September 2015: £34.59 million profit). The loss includes the revaluation deficit and the negative movement in the mark to market valuation of the interest rate hedging instrument.

The Board

There have been a number of changes to note over the period, including my own appointment as Chairman. I would like to thank David Thomas, my predecessor, for all his efforts over his eleven years with the Group, and for the healthy state which he has left business in.

We were pleased to welcome Jon Austen to the Board at the beginning of July as an independent non-executive Director. Jon, who qualified as a Chartered Accountant in 1981, has gained extensive experience in the property sector in a number of senior roles and most recently as Group Finance Director of Urban&Civic plc, and has been appointed Chairman of the Audit Committee.

Steven Mew, Portfolio Director, left the Board at the end of September after 15 years with the Group and we wish him well in his new role. Tom Elliott, who has joined us from Land Securities PLC, has taken on Steven's responsibilities.

Dividend

The Board is pleased to declare an interim dividend 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 5th January 2017.

Outlook

We are fortunate to be in a strong position to grow the value of the portfolio and future earnings through our refurbishment and development initiatives, rather than needing to rely on market momentum alone.

The pace of this growth will be dependent on the health of the economy and in turn, tenant demand. However, with recent indicators suggesting that the economy has held up well, and with our existing portfolio focused in the most resilient economic regions of the UK, we look forward to delivering further shareholder value.

R. Grainger
Chairman
15th November 2016

CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	6 months to 30th September 2016 (Unaudited) £'000	6 months to 30th September 2015 (Unaudited) £'000	12 months to 31st March 2016 (Audited) £'000
Gross rents and service charges receivable		12,113	11,695	23,689
Direct property outgoings		(2,939)	(2,776)	(6,025)
Net rental income from investment properties	3	9,174	8,919	17,664
Administration costs		(2,984)	(2,996)	(5,878)
Operating profit before (loss)/gains on investment properties		6,190	5,923	11,786
Profit on disposal of investment properties		-	315	9,106
Revaluation of investment properties	6	(3,268)	25,885	34,564
Operating profit		2,922	32,123	55,456
Net finance costs - finance costs	5	(6,706)	(2,276)	(4,478)
- finance income	5	6	4,746	2,182
(Loss)/profit before taxation		(3,778)	34,593	53,160
Taxation		-	-	-
(Loss)/profit for the period		(3,778)	34,593	53,160
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss				
Actuarial movement on defined benefit pension scheme		-	-	(15)
Other			88	-
Total comprehensive income for the period		(3,778)	34,681	53,145
Earnings per share	4			
Basic		(4.04)p	37.27p	57.17p
Diluted		(4.04)p	36.75p	56.36p

Adjusted earnings per share figures are shown in note 4.

GROUP BALANCE SHEET

	Notes	As at 30th September 2016 (Unaudited) £'000	As at 30th September 2015 (Unaudited) £'000)	As at 31st March 2016 (Audited) £'000
Non-current assets				
Valuation as reported by valuers		413,875	398,630	401,170
Adjustment for rents recognised in advance under SIC 15		(6,072)	(6,819)	(5,869)
Adjustment for grossing up headleases		3,725	3,765	3,745
Investment properties	6	411,528	395,576	399,046
Plant and equipment		76	67	91
Total non-current assets		411,604	395,643	399,137
Current assets				
Trade and other receivables		7,972	7,809	15,641
Cash and cash equivalents		2,938	9,385	-
Total current assets		10,910	17,194	15,641
Total assets		422,514	412,837	414,778
Current liabilities				
Trade and other payables		(9,380)	(12,258)	(10,938)
Finance lease liabilities		(286)	(286)	(286)
Interest rate derivatives	7	(2,944)	(2,944)	(2,944)
Bank overdraft		-	-	(261)
Total current liabilities		(12,610)	(15,488)	(14,429)
Non-current liabilities				
Loans and other borrowings		(127,903)	(129,522)	(113,701)
Pension fund deficit		(1,719)	(1,875)	(1,839)
Finance lease liabilities		(4,120)	(4,121)	(4,121)
Interest rate derivatives	7	(24,054)	(16,899)	(19,465)
Total non-current liabilities		(157,796)	(152,417)	(139,126)
Total liabilities		(170,406)	(167,905)	(153,555)
Net assets		252,108	244,932	261,223
Equity				
Called up share capital		18,762	18,486	18,632
Share premium account		78,929	75,917	77,708
Retained earnings		47,374	40,177	54,571
Revaluation reserve		107,043	110,352	110,312
Total equity		252,108	244,932	261,223
Net asset value per share	9	269p	263p	280p
EPRA net asset value per share		295p	281p	301p

GROUP CASH FLOW STATEMENT
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	6 months to 30th September 2016 (Unaudited) £'000	6 months to 30th September 2015 (Unaudited) £'000	12 months to 31st March 2016 (Audited) £'000
Operating activities			
(Loss)/profit before tax	(3,778)	34,593	53,160
Adjustments for:			
Depreciation	15	12	18
Other non-cash movements	603	552	1,101
Profit on disposal of investment properties	-	(315)	(9,106)
Movement in revaluation of investment properties	3,269	(25,885)	(34,564)
Net finance costs/(income)	6,700	(2,470)	2,296
Cash flow from operations before changes in working capital	6,809	6,487	12,905
Decrease/(increase) in debtors	8,568	2,482	(5,027)
(Decrease)/increase in creditors	(2,756)	1,372	1,177
Cash generated from operations	12,621	10,341	9,055
Interest paid	(3,287)	(1,330)	(5,810)
Swap cancellation fee	-	(13,165)	-
Interest received	6	9	11
Cash flows from operating activities	9,340	(4,145)	3,256
Investing activities			
Proceeds from sale of investment properties	-	865	33,207
Proceeds from sale of investments	-	793	793
Purchase and development of investment properties	(14,453)	(19,987)	(37,660)
Purchase of other fixed assets	-	(15)	(45)
Cash flows from investing activities	(14,453)	(18,344)	(3,705)
Financing activities			
Increase in borrowings	13,995	37,992	21,986
Equity dividends paid	(5,683)	(5,546)	(8,061)
Swap cancellation fee	-	-	(13,165)
Cash flows from financing activities	8,312	32,446	760
Net increase in cash and cash equivalents	3,199	9,957	311
Cash and cash equivalents at the beginning of the period	(261)	(572)	(572)
Cash and cash equivalents at end of period	2,938	9,385	(261)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the parent company

	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
At 1st April 2015	18,486	75,917	84,752	36,340	215,495
Profit for the period					
Other comprehensive income:	-	-	-	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 in 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
Profit for the period	-	-	-	18,567	18,567
Other comprehensive income:					
Transfer surplus on revaluation of Properties	-	-	8,679	(8,679)	-
Other	-	-	-	(88)	(88)
Transfers on disposal of investment Properties	-	-	(8,719)	8,719	-
Actuarial gain on defined benefit pension scheme	-	-	-	(15)	(15)
Total comprehensive income for the period	-	-	(40)	18,504	18,464
Issue of new shares net of costs	146	1,791	-	(1,937)	-
Dividends paid in period	-	-	-	(2,515)	(2,515)
Fair value of share based payments	-	-	-	342	342
At 31st March 2016	18,632	77,708	110,312	54,571	261,223
Loss for the period	-	-	-	(3,778)	(3,778)
Other comprehensive income:					
Transfer surplus on revaluation of properties	-	-	(3,269)	3,269	-
Total comprehensive income for the period	-	-	(3,269)	(509)	(3,778)
Issue of new shares net of costs	130	1,221	-	(1,351)	-
Dividends paid in period	-	-	-	(5,683)	(5,683)
Fair value of share based payments	-	-	-	346	346
At 30th September 2016	18,762	78,929	107,043	47,374	252,108

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 2016.

The comparative figures for the financial year ended 31st March 2016 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 14th November 2016.

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 2016 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 2016.

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 2016 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 2016 (Unaudited) £'000	6 months to 30th September 2015 (Unaudited) £'000	12 months to 31st March 2016 (Audited) £'000
(Loss)/profit before tax	(3,778)	34,593	53,160
Fair value loss/(gain) on swaps	4,588	(4,737)	(2,171)
Movement in valuation of investment properties	3,269	(25,885)	(34,564)
Profit on disposal of investment properties	-	(315)	(9,106)
IFRS2 adjustment to share based payments	346	302	624
Adjusted profit before tax	4,425	3,958	7,943

3 Net rental income from investment properties

	6 months to 30th September 2016 (Unaudited) £'000	6 months to 30th September 2015 (Unaudited) £'000	12 months to 31st March 2016 (Audited) £'000
Gross rents receivable	10,212	9,694	19,413
SIC15 adjustment (spreading of rental incentives)	204	477	746
Gross rental income	10,416	10,171	20,159
Service charges receivable	1,697	1,524	3,530
	12,113	11,695	23,689
Direct property outgoings	(2,939)	(2,776)	(6,025)
Net rental income	9,174	8,919	17,664

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 2016 p	6 months to 30th September 2015 p	12 months to 31st March 2016 p
Basic (loss)/earnings per share	(4.04)	37.27	57.17
Change in fair value of derivatives	4.91	(5.11)	(2.34)
Movement in revaluation of investment properties	3.49	(27.89)	(37.17)
Profit on disposal of investment properties	-	(0.34)	(9.79)
Adjusted profit for share based payments	0.37	0.33	0.67
Adjusted earnings per share	4.73	4.26	8.54

Basic (loss)/earnings per share on ordinary shares is calculated on the loss in the half year of £3,778,471 (September 2015: profit £34,593,000 and March 2016: profit £53,160,000) and 93,511,768 (September 2015: 92,807,763 and March 2016: 92,983,951) shares, being the weighted average number of ordinary shares in issue during the period.

	6 months to 30th September 2016 Number of shares	6 months to 30th September 2015 Number of shares	12 months to 31st March 2016 Number of shares
Weighted average number of ordinary shares in issue	93,511,768	92,807,763	92,983,951
Number of shares under option	1,346,921	1,705,818	1,722,237
Number of shares that would have been issued at fair Value	(481,332)	(391,633)	(399,554)
Diluted weighted average number of ordinary shares in Issue	94,377,357	94,121,948	94,306,634

	6 months to 30th September 2016 p	6 months to 30th September 2015 p	12 months to 31st March 2016 p
Basic (loss)/earnings per share	(4.04)	37.27	57.17
Effect of dilutive potential ordinary shares under option	-	(0.52)	(0.81)
Diluted (loss)/earnings per share	(4.04)	36.75	56.36
Change in fair value of derivatives	4.86	(5.03)	(2.30)
Movement in revaluation of investment properties	3.46	(27.50)	(36.65)
Profit on disposal of investment properties	-	(0.34)	(9.65)
Adjusted profit for share based payments	0.37	0.32	0.66
Adjusted diluted earnings per share	4.65	4.20	8.42
Adjusted profit for share based payments	(0.37)	(0.32)	(0.66)
EPRA earnings per share	4.28	3.88	7.76

Diluted (loss)/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 94,377,357 (September 2015: 94,121,948 and March 2016: 94,306,634) shares, which takes into account the number of potential ordinary shares under option.

No account has been taken in diluted (loss)/earnings earnings per share of potential ordinary shares in the period to 30th September 2016 where their conversion to ordinary shares would decrease the loss per share but is included to arrive at adjusted diluted earnings per share.

Adjusted (loss)/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, except for surrender premiums which are added back.

5 Net finance costs

	6 months to 30th September 2016 (Unaudited) £'000	6 months to 30th September 2015 (Unaudited) £'000	12 months to 31st March 2016 (Audited) £'000
Interest on bank overdraft and loans	2,922	2,671	5,657
Finance lease interest on leasehold property Obligations	142	142	285
Finance arrangement costs	208	228	413
Fair value loss on derivatives	4,588	-	-
Capitalised interest	(1,154)	(765)	(1,877)
Finance expense	6,706	2,276	4,478
Fair value gain on derivatives	-	(4,737)	(2,171)
Interest receivable	(6)	(9)	(11)
Finance income	(6)	(4,746)	(2,182)
Net finance costs/(income)	6,700	(2,470)	2,296

6 Investment properties

	As at 30th September 2016 (Unaudited) £'000	As at 30th September 2015 (Unaudited) £'000	As at 31st March 2016 (Audited) £'000
Valuation			
At 1st April 2016	399,046	350,204	350,204
Additions - acquisition	-	11,337	11,337
- development	15,770	8,721	26,046
Revaluation (deficit)/surplus	(3,065)	26,362	35,311
Adjustment for rents recognised in advance under SIC15	(203)	(477)	473
Disposals	-	(550)	(24,285)
Amortisation of grossed up headlease liabilities	(20)	(21)	(40)
Book value	411,528	395,576	399,046
Adjustment for grossing up of headlease liabilities	(3,725)	(3,765)	(3,745)
Adjustment for rents recognised in advance under SIC15	6,072	6,819	5,869
Valuation	413,875	398,630	401,170

In accordance with the Group's accounting policy on properties there was an external valuation at 30th September 2016. 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 2016 (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%	(29,569)	2,571	(26,998)

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 31st March 2016 (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	45,000	5.17%	(24,422)	2,013	(22,409)

[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.

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 2016 (Unaudited) £'000	As at 30th September 2015 (Unaudited) £'000	As at 31st March 2016 (Audited) £'000
Current	(2,944)	(2,944)	(2,944)
Non-current	(24,054)	(16,899)	(19,465)
	(26,998)	(19,843)	(22,409)

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 2016 and 2015 there was no difference between the book value and the fair value of all the other financial assets and liabilities of the Group.

8 Dividends

	6 months to 30th September 2016 (Unaudited) £'000	6 months to 30th September 2015 (Unaudited) £'000	12 months to 31st March 2016 (Audited) £'000
Final dividend			
Year ended 31st March 2016	5,683	-	-
Year ended 31st March 2015	-	5,546	5,546
Interim dividend			
Year ended 31st March 2015	-	-	2,515
	5,683	5,546	8,061

The final dividend of 6.1 pence per share (£5,683,000) for the year ended 31st March 2016 was paid on 28th July 2016.

The Directors have declared an interim dividend of 2.7 pence per share (2015: 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 an ordinary dividend. Further REIT information is available on the Company's website.

9 Net asset value per share

30th September 2016

	Net assets £'000	Shares '000	Net asset value per share p
Basic	252,108	93,808	269
Shares under option	1,035	1,221	(3)
Diluted/EPRA NNNAV	253,143	95,029	266
Adjustment for fair value of derivatives	26,998	-	29
EPRA NAV	280,141	95,029	295

30th September 2015

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

	31st March 2016		
	Net assets	Shares	Net asset value per share
	£'000	'000	p
Basic	261,223	93,158	280
Number of shares under option	863	1,552	(3)
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Diluted/EPRA NNNAV	262,086	94,710	277
Adjustment for fair value of derivatives	22,410	-	24
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EPRA NAV	284,496	94,710	301

10 Disclaimer

The Interim Report of McKay Securities PLC for the six months to 30th September 2016 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 2016, it would also be determined in accordance with English law.

11 Interim Report

The Interim Report is being posted to all shareholders on 25th November 2016. 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
CEO

G P Salmon
CFO

15th November 2016