McKay Securities Group

MCKAY SECURITIES PLC
INTERIM RESULTS
29TH NOVEMBER 2007

The Directors of McKay Securities PLC announce the results of the Group for the six months ended 30th September 2007.

Highlights
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* Interim dividend up 30.6% to 4.7 per share [2006 – 3.6 pence per share]

* Adjusted profit before tax up 4.7% to £4,062,000 [2006 - £3,878,000] – note 2

* (Loss)/profit before tax (£9,705,000) [2006 - £7,432,000] includes a 3.8% (£13,889,000) revaluation deficit

* Investment property income up 9.8% to £8,939,000 [2006 - £8,144,000]

* Diluted adjusted earnings per share up 20.7% to 8.74p [2006 – 7.24p] – note 4

* Basic earnings per share (21.19p) [2006 – 13.18p]

* Net asset value per share 487p [2006 – 370p] – note 8

* Weighted average cost of borrowing of 5.9% [2006 – 5.9%]

* Net debt gearing of 56% [2006 – 52%]

David Thomas, Chairman, commented:
We continue to focus on those areas of operation that we can directly influence to ensure that when the market stabilises we are in a good position to benefit. Our balance sheet is strong with modest gearing and substantial long term finance is in place from established lenders hedged at competitive rates. Operating cash flow is healthy, and the Group is vigilant and well positioned to take advantage of opportunities that are likely to arise during these market conditions.

For further information please contact:

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Simon Perkins (Managing Director)
Alan Childs (Finance Director)

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

Ex-dividend date	5th December 2007
Record date	7th December 2007
Interim dividend payment	10th January 2008

The Directors have declared an interim dividend of 4.7 pence per share, an increase of 30.6% over the 3.6 pence per share paid at the interim stage last year. This will be the first dividend since the Group became a REIT in April 2007 and is in line with previous guidance to shareholders.

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 3.5 pence per share of the Interim Dividend will be paid as part of this distribution. Further information is available on the Company's website.

CHAIRMAN'S STATEMENT

Results for the six months to 30th September 2007

Adjusted profit before tax increased by 4.7% to £4.06 million, compared to £3.88 million for the six months ended 30th September 2006. Adjusted profit before tax is the Group's preferred measure of recurring profit and excludes profit on the sale of investment properties, surrender premiums, movements in the value of the Group's property portfolio, and in the fair value of interest rate hedging instruments.

Including the adjusted items referred to above, and in particular a 3.8% (£13.89 million) reduction in the book value of the Group's property portfolio, there was a loss before tax of £9.70 million compared with a profit of £7.43 million for the corresponding period last year. Profit over book value on the sale of investment properties contributed £267,000 compared with £3.59 million last year.

Adjusted earnings per share increased by 20.7% to 8.87 pence from 7.35 pence for the six months ended 30th September 2006. This increase is largely attributable to no tax charge arising following the conversion to REIT status. Basic earnings per share reduced from 13.18 pence for the six months ended 30th September 2006 to a negative figure of 21.19 pence predominantly due to the reduction in the value of the portfolio.

Net asset value per share at 30th September 2007 was 487 pence representing an annual increase of 31.6% over net asset value per share at the interim stage in 2006 (370 pence), when there was no portfolio valuation, and a 5.4% reduction in comparison with 31st March 2007 (515 pence).

The Directors have declared an interim dividend of 4.7 pence per share (2006 – 3.6 pence), an increase of 30.6%, payable on 10th January 2008 to shareholders on the register at the close of business on 7th December 2007.

Review

The results for the half year show good progress in generating income from completed developments and portfolio management, with net income from investment properties increasing by 9.8% to £8.94 million (2006 - £8.14 million). Adjusted profit before tax increased by 4.7% to £4.06 million (2006 - £3.88 million) as a result of this progress.

Headline profit before tax shows a decline despite the strong underlying performance at operating level due to the inclusion of the movement in the valuation of the Group's property portfolio within the Income Statement, as required by International Financial Reporting Standards (IFRS) introduced in 2005. The independent external valuation at 30th September 2007 was £348.10 million, representing a 3.8% (£13.89 million) reduction in the book value preceding the valuation. The inclusion of this deficit in the headline result for the half year, compared with the inclusion of a valuation surplus of £43.55 million in the year to 31st March 2007, illustrates the volatility in headline results that shareholders were alerted to when IFRS was introduced.

On a sector basis, industrial property reduced in value by 3.6%, offices within central London by 2.4%, and offices outside London by 4.9%. Had there been no change in valuation yields from March 2007, improved levels of rental income and rental values from lettings, refurbishment and redevelopment would have resulted in a £7.6 million valuation surplus (2.4%) for the portfolio as a whole, on a like for like basis. The valuation movement was based on a reversal of the past trend of decreasing yields, as recent interest rate rises and tighter credit conditions have resulted in a re-pricing of the risk associated with property.

Over the last six months, there has been continued occupier demand for office floor space and we have seen rents increase, particularly in central London, and other centres where there is a limited supply of grade A stock. Gross rental income from the portfolio increased during the half year by 10% to £9.42 million over the corresponding period in 2006. New lettings with a total contracted rent of £1.43 million per annum contributed £360,000 to this increase, and acquisitions added a further £440,000 net of disposals. The reversionary potential of the portfolio at current rental values including the floor space within the two acquisitions under refurbishment, properties to let and rent reviews over the next five years is estimated to be in excess of £2 million per annum.

Significant lettings over the period were concluded at Dacre House, London, SW1 and Lotus Park, Staines. Both are recently completed schemes within the development and refurbishment programme, where rents achieved were ahead of expectations. At Dacre House (17,025 sq ft), lettings in respect of all five floors were completed over the period at a total contracted rent of £640,000 per annum, representing a 55% increase in income prior to refurbishment.

At Lotus Park, completion of the refurbishment of Lotus 1 (15,190 sq ft) and Lotus 2 (19,600 sq ft) took place in May this year. Since then, a 15 year lease has been completed with Dow Chemical Company Limited in respect of the whole of Lotus 1 with a 10 year term certain at a rent of £425,180 pa, and marketing is generating occupier interest in Lotus 2.

On other previously completed developments, the ground floor of Pegasus One was let at a new rental high for the scheme. This leaves only the first floor of 5,330 sq ft available within the Pegasus Place development (50,035 sq ft), with no other competing grade A office floor space in the Gatwick market. After experiencing a difficult market along the M3 corridor, we were pleased to have let the ground floor (10,650 sq ft) of Bartley House, Hook on competitive terms, which leaves the building fully let.

Within the future programme is the potential redevelopment of 30/32 Lombard Street, EC2, where after a long period of negotiation, detailed planning consent was recently granted for a top quality building of 58,000 sq ft, representing a 60% increase in net floor space on the site, enhancing the value of this prime development opportunity. Demand in the City, particularly from the financial services sector, could be adversely affected by the credit and liquidity issues experienced since late summer. The market will be kept under close review to assess the impact of these issues and in the meantime, the building will continue to be income producing whilst we consider its future.

Over the period the Group has maintained close attention to the existing portfolio ensuring that strategies for each property are progressed in order to maximise potential value through our expertise in management, refurbishment and development. Recent acquisitions have been successfully integrated into this process, and at Corinthian House, Croydon (44,170 sq ft) the refurbishment of the first floor is now complete and extensive works to the ninth and tenth floors and common areas are due to complete in January 2008. Since our acquisition in December 2006, rental values have increased by 15%, and there is encouraging interest in the three vacant floors, which total 12,150 sq ft.

The Group made two further acquisitions over the period. A good quality 60,000 sq ft unit on the Brooklands Industrial Estate, Weybridge, was purchased from Yamaha Motors (UK) Ltd, who had used the building for their head office and distribution functions since it was built in 1991. Yamaha took a 5 year lease back of the office element and the remaining 38,000 sq ft warehouse will be marketed in January once sub-division and refurbishment works have been completed. The Lower Cherwell Street Industrial Estate, in central Banbury, was also acquired and consists of 40,000 sq ft in 19 units located between the town centre and mainline railway station. It has a number of management opportunities and redevelopment potential for higher value uses in the medium term.

These two acquisitions, which were both made off market, totalled £9.55 million, and maintained our selective approach whilst prices on the open market have been at such high levels. The only sale during the period was the disposal of a long leasehold residential flat at Parkside, London, W1 for £1.06 million, representing an increase over book value of £267,000.

Gearing remains low and secured funds are available for further acquisitions. The key consideration for any acquisition will continue to be the potential for rental growth, by a combination of active management, refurbishment or redevelopment.

Finance

Net debt at 30th September 2007 was £124.15 million (2006 - £88.60 million) representing 55.7% of shareholders' funds (2006 – 52.3%), and total facilities available to the Group remained at £150 million. If fully drawn, balance sheet gearing would increase to 67.2% of shareholders' funds (2006 – 88.6%). During the period, protection against future interest rate rises provided by financial hedging instruments was increased from £110 million to £135 million, which assisted in maintaining an average cost of debt for the period of 5.9% (2006 – 5.9%).

As a REIT, there is no corporation tax payable on qualifying rental income or on profit from the sale of investment properties. The limited amount of residual income outside the REIT structure is offset by residual expenses.

Dividend

The Board is pleased to declare an interim dividend of 4.7 pence per share, an increase of 30.6% over the 3.6 pence per share paid at the interim stage last year. This will be the first dividend since the Group became a REIT and is in line with previous guidance to shareholders.

Board Changes

Shareholders were advised in the Report & Financial Statements for the year to 31st March 2007 that Eric Lloyd was to retire as Chairman and from the Board at the conclusion of the Annual General Meeting held in July this year. I would like to reiterate the vote of thanks given to Eric at the Meeting for the exceptional contribution that he made to the Group's fortunes over the 35 years that he spent as

Managing Director and latterly as Chairman, and I am pleased that he intends to retain an active interest in the Group as a shareholder.

Future Prospects

After a sustained period of strong performance, there has been a general reassessment of risk across all property markets which, combined with the impact of numerous interest rate rises in the last year, continues to have an adverse impact on commercial property values. At the same time, the stock market has reacted to this situation by pricing larger falls into the share prices of many REITs and other companies within the quoted property sector.

We continue to focus on those areas of operation that we can directly influence to ensure that when the market stabilises we are in a good position to benefit. Our balance sheet is strong with modest gearing and substantial long term finance is in place from established lenders hedged at competitive rates. Operating cash flow is healthy, and the Group is vigilant and well positioned to take advantage of opportunities that are likely to arise during these market conditions.

D O Thomas
Chairman

29th November 2007

GROUP INCOME STATEMENT

	Notes	6 months to 30th September 2007 (Unaudited) £'000	6 months to 30th September 2006 (Unaudited) £'000	12 months to 31st March 2007 (Audited) £'000
Gross rents and service charges receivable		11,091	9,828	20,295
Surrender premiums received		-	101	101
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		11,091	9,929	20,396
Direct property outgoings		(2,152)	(1,785)	(3,917)
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Net property income		8,939	8,144	16,479
Administration costs		(1,656)	(1,623)	(4,008)
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Operating profit before gains on investment properties		7,283	6,521	12.471
Profit on disposal of investment properties		267	3,593	3,592
Movement in revaluation of investment properties	6	(14,823)	(738)	41,967
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Operating (loss)/profit		(7,273)	9,376	58,030
Finance costs	5	(2,559)	(2,105)	(1,218)
Finance income		41	67	116
Share of profit of associated undertaking		86	94	527
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(Loss)/profit before taxation		(9,075)	7,432	57,455
Taxation – charge for the period	3	-	(1,418)	(15,445)
- REIT conversion	3	-	-	32,164
	3	-	(1,418)	16,719
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(Loss)/profit for the period		(9,705)	6,014	74,174
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Earnings per share	4			
Basic		(21.19)p	13.18p	162.26p
Diluted		(20.93)p	12.99p	160.28p
Adjusted earnings per share	4			
Basic		8.87p	7.35p	14.73p
Diluted		8.74p	7.24p	14.55p

GROUP BALANCE SHEET

	Notes	As at 30th September 2007 (Unaudited) £'000	As at 30th September 2006 (Unaudited) £'000	As at 31st March 2007 (Audited) £'000
Non-current assets				
Investment properties	6	346,968	286,814	351,110
Plant and equipment		50	55	48
Investments		6,178	5,794	6,092
		353,196	292,663	357,250
Current assets				
Trade and other receivables		11,395	5,240	9,571
Cash and cash equivalents		90	1,490	703
		11,485	6,730	10,274
Total assets		364,681	299,393	367,524
Current liabilities				
Corporation tax payable		(7,244)	(3,179)	(8,646)
Trade and other payables		(5,848)	(7,098)	(6,990)
		(13,092)	(10,277)	(15,636)
Non-current liabilities				
Loans and other borrowings		(123,911)	(89,754)	(111,139)
Pension fund liabilities		(222)	(633)	(332)
Finance lease liabilities		(4,410)	(4,427)	(4,427)
Deferred tax		-	(24,978)	-
		(128,543)	(119,792)	(115,898)
Total liabilities		(141,635)	(130,069)	(131,534)
Net assets		223,046	169,324	235,990
Equity				
Called up share capital		9,159	9,157	9,159
Share premium		2,495	2,486	2,495
Capital reserves		49,806	48,683	49,147
Revaluation reserve		122,396	77,669	137,646
Retained earnings		39,190	31,329	37,543
Total equity		223,046	169,324	235,990
Net asset value per share	8	487p	370p	515p
Adjusted net asset value per share	8	476p	422p	506p

GROUP CASH FLOW STATEMENT

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	6 months to 30th September 2007 (Unaudited) £'000	6 months to 30th September 2006 (Unaudited) £'000	12 months to 31st March 2007 (Audited) £'000
Operating activities			
(Loss)/profit before tax	(9,705)	7,432	57,455
Adjustments for:			
Depreciation and other non-cash movements	152	37	304
Fair value of share based payments	150	34	80
Profit on disposal of investment properties	(267)	(3,593)	(3,592)
Movement in revaluation of investment properties	14,823	738	(41,967)
Net finance costs	2,518	2,038	1,102
Share of profit of associate undertaking	(86)	(94)	(527)
Cash flow from operations before changes in working capital	7,585	6,592	12,855
Increase in debtors	(1,187)	(940)	(1,398)
Decrease in creditors	(4,217)	(2,661)	(1,438)
Cash generated from operations	2,181	2,991	10,019
Interest paid	(716)	(1,722)	(6,375)
Interest received	58	60	99
Corporation tax paid	(1,156)	(140)	(1,863)
Cash flows from operating activities	367	1,189	1,880
Investing activities			
Sale of investment properties	1,057	22,573	22,572
Dividends from sundry investments	1	1	1
Dividends from associated undertaking	-	-	135
Purchase and development of investment properties	(11,378)	(1,500)	(22,818)
Purchase of other fixed assets	(21)	(1)	(19)
Cash flows from investing activities	(10,341)	21,073	(129)
Financing activities			
Proceeds from issue of share capital	-	314	324
Increase / (decrease) in borrowings	12,750	(19,823)	1,539
Equity dividends paid	(3,389)	(3,101)	(4,749)
Cash flows from financing activities	9,361	(22,610)	(2,886)
Net decrease in cash and cash equivalents	(613)	(348)	(1,135)
Cash and cash equivalents at beginning of period	703	1,838	1,838
Cash and cash equivalents at end of period	90	1,490	703

STATEMENT OF RECOGNISED INCOME AND EXPENSE

	6 months to 30th September 2007 (Unaudited) £'000	6 months to 30th September 2006 (Unaudited) £'000	12 months to 31st March 2007 (Audited) £'000
Actuarial movement on defined benefit pension scheme	-	-	202
Deferred tax on fair value of share options	-	104	-
Net income recognised directly in equity	-	104	202
(Loss)/profit for the period	(9,705)	6,014	74,174
Total recognised income and expense for the period	(9,705)	6,118	74,376

1 Principal accounting policies

Basis of preparation
The accounting policies used for the audited financial statements at 31st March 2007 have been used in the preparation of these condensed interim financial statements.

The comparative figures for the financial year ended 31st March 2007 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Basis of consolidation
The consolidated condensed interim financial statements incorporate the results of the Company and its subsidiary companies for the six months to 30th September 2007. Subsidiary companies are those entities under the control of the Company. Control means the power to govern the financial and operating policies so as to obtain benefits from its activities.

Associates
An associate is an undertaking over which the Group exercises significant influence, but not control, through participation in the financial and operating policies. The Group's share of the total recognised gains and losses of associates are included in the consolidated financial statements on an equity accounted basis. Investments in associates are carried in the balance sheet at cost as adjusted by the post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

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

The instruments are stated at fair value at the balance sheet date which is the estimated amount that the Group would receive or pay to terminate the instruments. The Group has not applied hedge accounting for any financial instrument in place and any movement in fair value is reported in the income statement.

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, based on market values, is determined at each reporting date by independent external valuers and any gain or loss arising from a change in fair value is recognised in the income statement and transferred to the revaluation reserve in the balance sheet.

Properties purchased are recognised on legal completion in the accounting period. 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.

When an existing investment property is redeveloped for continued future use as an investment property it remains an investment property whilst in development.

Subsequent expenditure on investment properties is capitalised only when it increases the future economic benefits associated with the property. All other expenditure is charged in the income statement.

Interest and other outgoings less rental income relating to investment properties in the course of development are capitalised, before tax relief, and added to the cost of the property. Interest capitalised is calculated on development expenditure, including material refurbishments to investment properties, using the weighted average cost of general Group borrowings.

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.

The Group's investment properties held on long leases are accounted for as finance leases and carried at fair value. 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 income statement and the reduction of the balance sheet liability. Contingent rents are charged as an expense in the income statement in the period incurred.

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.

Gains and losses arising on the disposal of investment properties are recognised in the income statement, being the difference between net sale proceeds and the carrying value of the property. These gains and losses are then allocated to the capital reserve in the movements in capital and reserves.

Plant and equipment
Plant and equipment assets are depreciated 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.

Impairment
The carrying amounts of the Group's assets, other than investment property measured at fair value, are reviewed at each balance sheet date to determine whether there is any indication of impairment. Assets subject to impairment losses are stated at their estimated recoverable amount, being the greater of the net selling price or value-in-use, the loss being recognised in the income statement.

Interest-bearing loans and borrowings
Interest-bearing loans and borrowings are recognised initially at fair value, which is the fair value of the consideration received, less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost using the effective interest rate method.

Rental income
Rental income received under operating leases from investment properties is recognised in the income statement on a straight line basis over the term of the lease.

The Group treats the aggregate value of incentives given to lessees as a reduction of rental income over the lease term in accordance with SIC 15 “Operating Leases – Incentives”.

Surrender premiums received from outgoing tenants prior to the expiry of their lease are included in income from investment properties.

The Group engages in only one class of business activity, being property investment and development.

Borrowing costs
Interest on overdrafts and other bank borrowings, is recognised in the income statement 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). The interest expense component of finance lease payments is recognised in the income statement over the lease term. Facility arrangement costs are recognised in the income statement over the facility term.

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

Share based payments
The Group operates share option schemes under which directors and employees are able to acquire shares in the Company. The options are equity settled and the fair value is measured at the date of the grant.

The fair value of the benefit of the options awarded is recognised in the income statement over the vesting period of the award by reference to option pricing models. The charge is adjusted only for the number of shares expected to vest for applicable performance criteria.

Post employment benefits
The Group operates a defined benefit pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group being externally invested.

The Group’s net liability in respect of the defined benefit scheme is recognised in the balance sheet. Actuarial gains and losses arising in respect of the Group’s liabilities are recognised as movements in equity, through the statement of recognised income and expense. The liabilities of the defined benefit pension scheme are measured at the discounted present value while scheme assets are measured at their fair value. Current service cost and interest on scheme liabilities less the expected return on scheme assets are recognised as an expense in the income statement.

The Group also contributes to certain 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 income statement as incurred but, the Group does not recognise any gains or losses arising from movements in the value of the personal pension plans.

Taxation
From 1st April 2007, no current tax arises on property income and no deferred tax is recognised on properties covered by the REIT regime.

The tax charge in the income statement comprises current and deferred tax except to the extent that it relates to items recognised directly in reserves, in which case the related tax is recognised in reserves.

Current tax is based on the taxable income for the year and any adjustment to tax payable in respect of previous years. Taxable income may exclude income and expenses in the income statement that are taxable or deductible in other years and items that are never taxable or deductible. The tax rate is that enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised using the balance sheet liability method, without discounting, on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base used for taxation purposes.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that future taxable profits will be available against which the asset can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill not deductible for tax purposes or from the initial recognition of other assets and liabilities that affect neither accounting nor taxable profit. Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that there will be future taxable profits against which the asset can be utilised. Deferred tax is calculated at the rate enacted or expected to apply in the period when the liability is settled or the asset realised.

Deferred tax on property valuation movements has been calculated on the basis of the tax that would arise in the event of a sale of a property after taking account of indexation allowance. This method has been applied as the Group sells properties from time to time and ultimately the carrying value of the properties will be recovered through sale.

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 for the items below.

	6 months to 30th September 2007 (Unaudited) £'000	6 months to 30th September 2006 (Unaudited) £'000	12 months to 31st March 2007 (Audited) £'000
(Loss)/profit before tax	(9,705)	7,432	57,455
Surrender premium received	-	(101)	(101)
Change in fair value of derivatives	(802)	(624)	(4,206)
Movement in revaluation of investment properties	14,823	738	(41,967)
Profit on disposal of investment properties	(267)	(3,593)	(3,592)
Associated undertakings disposals and revaluation movement	13	26	(369)
Adjusted profit before tax	4,062	3,878	7,220

3 Taxation

	6 months to 30th September 2007 (Unaudited) £'000	6 months to 30th September 2006 (Unaudited) £'000	12 months to 31st March 2007 (Audited) £'000
Analysis of charge in period:			
Current tax:			
UK corporation tax on profits for the period	-	3,042	3,344
Adjustments in respect of prior periods	-	2	(380)
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Total current tax	-	3.044	2,964
Deferred tax:			
Origination and reversal of temporary differences	-	(1,626)	1,984
On property valuation surpluses	-	-	12,590
Released on property disposals during the year	-	-	(2,093)
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	-	-	12,481
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	-	-	15,445
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REIT conversion charge	-	-	7,025
Deferred tax released on conversion to REIT status	-	-	(39,189)
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Total tax charge/(credit) in the income statement	-	1,418	(16,719)
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Reconciliation to effective rate of tax:			
(Loss) / Profit before tax	(9,705)	7,432	57,455
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Tax (credit) / charge on profit at 30% (2006 – 30%)	(2,911)	2,230	17,237
Effects of:			
REIT conversion charge	-	-	7,025
Deferred tax released on conversion to REIT status	-	-	(39,189)
Property revaluations	4,447	-	-
Exempt rental income and gains	(1,543)	-	-
Permanent differences	33	(97)	(35)
Associated company	(26)	(28)	(158)
Sales of investment properties	-	(33)	(1,219)
Utilisation of tax losses	-	(656)	-
Adjustment to tax charge in respect of prior years	-	2	(380)
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Tax charge/(credit) for period (as above)	-	1,418	(16,719)
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Factors affecting future tax rate:
McKay Securities PLC converted to a Real Estate Investment Trust (REIT) on 1st April 2007 and no corporation tax is expected to become payable on future qualifying income or capital gains. The limited amount of residual income for the period outside the REIT structure is offset by residual expenses.

The current Group corporation tax payable of £7,244,000 (2006 - £3,179,000) represents the last payable for prior periods and the REIT conversion charge provided, less payments made.

4 Earnings per share

	6 months to 30th September 2007	6 months to 30th September 2006	12 months to 31st March 2007
	p	p	p
Earnings per share	(21.19)	13.18	162.26
Deferred tax on capital allowances	-	0.70	0.83
Surrender premiums received	-	(0.15)	(0.15)
Change in fair value of derivatives	(1.75)	(0.96)	(9.20)
Movement in revaluation of investment properties	32.37	1.62	(64.27)
Property on disposal of investment properties after taxation	(0.58)	(7.02)	(7.08)
Associated undertaking disposals and revaluation movement	0.02	(0.02)	(0.81)
REIT entry charge	-	-	15.37
Write back of deferred tax position	-	-	(82.22)
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Adjusted earnings per share	8.87	7.35	14.73
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Earnings per share on ordinary shares are based on earnings after tax of £9,705,000 loss (2006 - £6,014,000 profit) and 45,792,655 (2006 – 45,633,732) shares, being the weighted average number of ordinary shares in issue during the period.

Reconciliation of earnings per share to diluted earnings per share:

	6 months to 30th September 2007	6 months to 30th September 2006	6 months to 30th September 2007	6 months to 30th September 2006
			p	p
Weighted number of ordinary shares in issue	45,792,655	45,633,732	(21.19)	13.18
Number of shares under option	1,656,624	1,447,487	0.74	(0.41)
Number of shares that would have been issued at fair value	(1,073,459)	(791,243)	(0.48)	0.22
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	46,375,820	46,289,976	(20.93)	12.99
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	6 months to 30th September 2007	6 months to 30th September 2006	12 months to 31st March 2007
	p	p	p
Diluted earnings per share	(20.93)	12.99	160.28
Deferred tax on capital allowances	-	0.69	0.82
Surrender premium received	-	(0.15)	(0.15)
Change in fair value of derivatives	(1.73)	(0.94)	(9.09)
Movement in revaluation of investment properties	31.96	1.59	(63.48)
Profit on disposal of investment properties after taxation	(0.58)	(6.92)	(6.99)
Associated undertaking disposals and revaluation movement	0.02	(0.02)	(0.80)
REIT entry charge	-	-	15.18
Write back of deferred tax provision	-	-	(81.22)
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Adjusted diluted earnings per share	8.74	7.24	14.55
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Diluted earnings per share are based on the same earnings after tax and on the weighted average number of shares in issue during the period of 46,375,820 (2006 – 46,289,976) shares, which takes into account the number of potential ordinary shares arising from the exercise of share options.

Adjusted earnings per share excludes the after tax effect of profit from the disposal of investment properties, the change in the fair value of derivatives and the movement in revaluation of investment properties, as well as the deferred tax provided on capital allowances on development and investment properties, where no tax payment is expected to crystallise. These adjustments are made in order to show the recurring element of the Group's profits.

5 Finance costs

	6 months to 30th September 2007 (Unaudited) £'000	6 months to 30th September 2006 (Unaudited) £'000	12 months to 31st March 2007 (Audited) £'000
Interest on bank overdraft and loans	3,437	3,040	5,943
Finance lease interest on leasehold property obligations	143	144	287
Change in fair value of derivatives	(802)	(624)	(4,206)
Finance arrangement costs	23	18	41
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	2,801	2,578	2,065
Capitalised interest	(242)	(473)	(847)
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	2,559	2,105	1,218
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6 Investment properties

	6 months to 30th September 2007 (Unaudited) £'000	6 months to 30th September 2006 (Unaudited) £'000	12 months to 31st March 2007 (Audited) £'000
At 1st April 2007	351,110	304,687	304,687
Additions	11,510	1,865	23,515
Revaluation (deficit)/surplus	(13,889)	-	43,551
Lease incentives recognised	(934)	(738)	(1,584)
	(14,823)	(738)	41,967
Disposals	(807)	(18,980)	(18,980)
Amortisation of grossed up headlease liabilities	(22)	(20)	(79)
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At 30th September 2007	346,968	286,814	351,110
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Adjustment for grossing up of headlease liabilities	(4,086)	(4,429)	(4,122)
Lease incentives recognised to date	5,214	3,433	4,279
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Adjusted valuation at 30th September 2007	348,096	285,818	351,267
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Following the Group's conversion to a REIT on 1st April 2007, the Group changed its accounting policy to revalue its properties bi-annually, to fall in line with IFRS and best practice. Accordingly, there was an external valuation at 30th September 2007. This valuation was carried out in England by Mellersh & Harding, Chartered Surveyors and Valuers, and in Scotland by CB Richard Ellis, Chartered Surveyors and Valuers, in accordance with the Appraisal and Valuation Standards of RICS, on an open market basis.

Investment properties were not subject to external valuation at 30th September 2006.

7 Dividends paid

	6 months to 30th September 2007 (Unaudited) £'000	6 months to 30th September 2006 (Unaudited) £'000	12 months to 31st March 2007 (Audited) £'000
Final dividend			
Year ended 31st March 2007	3,389	-	-
Year ended 31st March 2006	-	3,101	3,101
Interim dividend			
Year ended 31st March 2007	-	-	1,648
	3,389	3,101	4,749

8 Net asset value per share

	30th September 2007 Net assets £'000	Shares '000	Net asset value per share p	30th September 2006 Net assets £'000	Shares '000	Net asset value per share p	31st March 2007 Net assets £'000	Shares '000	Net Asset Value Per Share p
Basic	223,046	45,793	487	169,324	45,787	370	235,990	45,793	515
Deferred tax on capital allowances	-	-	-	6,626	-	15	-	-	-
Deferred tax on revaluation	-	-	-	17,507	-	38	-	-	-
Adjustment to fair value of derivatives	(5,030)	-	(11)	(452)	-	(1)	(4,228)	-	(9)
Adjusted	218,016	45,793	476	193,005	45,787	422	231,762	45,793	506
Number of shares under option	5,093	1,875	(8)	2,800	1,301	(5)	3,874	1,553	(8)
Adjusted diluted	223,109	47,668	468	195,805	47,088	417	235,636	47,346	498

9 Interim Report

The Interim Report is being posted to all shareholders on 7th December 2007. 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.

Responsibility Statement of the Directors

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 4.2.8BR 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 performances 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

A S Childs
Finance Director

29 November 2007

The Interim Report of McKay Securities PLC for the six months to 30th September 2007 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 2007, it would also be determined in accordance with English law.