Press Release

McKAY LIFTS DIVIDEND AS PROPERTY PORTFOLIO MAKES GOOD PROGRESS

McKay Securities PLC, a REIT (Real Estate Investment Trust) focussed on developing and investing in commercial property in central London and the South East, has announced its results for the year ended 31st March 2012.

Highlights

- EPRA Net Asset Value up 2.7% to 229p per share (March 2011: 223p)
- Adjusted profit before tax £5.00m (March 2011: £5.10m)
- Property portfolio valuation £214.0m (March 2011: £208.5m)
- Loan to value ratio 47.0% (March 2011: 47.3%)

- Central London office scheme in Southwark, SE1 pre-let and 100 Bothwell Street, Glasgow re-let, both post period end.
- Lettings reduce portfolio void to 9.3% (March 2011: 10.9%)

- Final dividend up 1.8% to 5.7 pence per share (March 2011: 5.6p)
- Total dividend for the year up 1.2% to 8.4 pence per share (March 2011: 8.3p)

David Thomas, Chairman, said:

"The Group continued to manage its properties proactively over the year. Its exposure to and knowledge of the more resilient office and industrial markets of central London and the South East, combined with an entrepreneurial approach, has helped to grow the portfolio, reduce voids and retain income whilst generating profits in line with last year and maintaining secure and stable financing.

The pre-letting of Great Surrey House, London, SE1 (office: 21,000 sq ft) and the grant of a new lease to our existing tenant at 100 Bothwell Street, Glasgow (office: 100,270 sq ft) after the year end, are excellent results. Both these transactions will generate capital gains at the September 2012 interim valuation, protect the Group's future income returns and further increase portfolio occupancy.

Although market conditions are likely to remain tough this year, the Group's concentration on well established markets, together with its proven property skills, leave the Group well placed to take advantage of further recovery in occupier markets and emerging acquisition opportunities."

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Date: 29th May 2012

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McKay Securities PLC	City Profile
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Details of the programme for the payment of the final dividend on the Ordinary Shares is as follows:

Ex dividend date	6th June 2012
Record Date for the final dividend	8th June 2012
Report and Financial Statements dispatched to Shareholders with Notice of AGM	20th June 2012
Annual General Meeting to be held at 12 noon at The Royal Thames Yacht Club, 60 Knightsbridge, London SW1	19th July 2012
Final dividend paid	2nd August 2012

A final dividend per share of 5.7 pence is recommended by the Board making a total dividend for the year of 8.4 pence per share (2011 – 8.3 pence). The final dividend will be paid as an ordinary dividend.

CHAIRMAN'S STATEMENT

Profit before tax, adjusted to exclude non-recurring items, which include surrender premiums and unrealised movements in the value of both the Group's property portfolio and its interest rate hedging instruments, was £5.00 million (2011: £5.10 million). Earnings per share, adjusted on the same basis, was 10.8 pence (2011: 11.1 pence).

The external valuation of the Group's property portfolio at 31st March 2012 was £214.00 million compared with £208.52 million at March 2011. On a like for like basis, excluding the acquisition made during the period, the portfolio value increased marginally by 0.01%. The book value of the Group's interest rate hedging instruments reduced in value by £0.17 million since 30th September 2011 and by £16.89 million since 31st March 2011. With the inclusion of these unrealised movements, the Group reported a loss before tax of £11.56 million (2011: £4.50 million profit).

Net asset value per share (EPRA) was 229 pence, an increase of 2.7% from 223 pence reported at 31st March 2011. Basic net asset value per share reduced from 197 pence to 162 pence, mainly on account of the 37 pence reduction in the value of hedging instruments.

The Board has recommended a final dividend of 5.7 pence per share (2011: 5.6 pence) payable on 2nd August 2012, representing an increase of 1.8 %. This takes the total dividend for the year to 8.4 pence per share (2011: 8.3 pence).

Review

The Group continued to manage its properties proactively over the year. Its exposure to and knowledge of the more resilient office and industrial markets of central London and the South East, combined with an entrepreneurial approach, has helped to grow the portfolio, reduce voids and retain income whilst generating profits in line with last year and maintaining secure and stable financing.

The pre-letting of Great Surrey House, London, SE1 (office: 21,000 sq ft) and the grant of a new lease to our existing tenant at 100 Bothwell Street, Glasgow (office: 100,270 sq ft) after the year end, are excellent results. Both these transactions will generate capital gains at the September 2012 interim valuation, protect the Group's future income returns and further increase portfolio occupancy.

These results have been achieved in an economic climate that continues to provide an uncertain outlook for occupiers. Encouragingly, demand has generally remained constant through the year. Further take up of the better buildings on offer in the Group's central London and South East office markets, combined with a limited development pipeline, has continued to erode supply and enhance the prospects for rental growth when demand picks up. There have already been signs of this, albeit still restricted to new and Grade A buildings in the most constrained centres, where limited supply has encouraged landlords to take a stronger stance.

Capital values have remained generally steady for prime assets with longer leases, resilient income and limited imminent capital expenditure. The shift towards equity rather than debt driven buyers, combined with an increasing awareness of income risk and refurbishment costs, is now increasing the gap between values for prime properties and those properties that offer active management potential. This is opening up a small but improving market for opportunity driven investors such as ourselves. Our acquisition of Doncastle House, Bracknell (33,600 sq ft) in the second half of the year took advantage of this shift, with the purchase price of £2.71million (£85psf) significantly below the cost of reinstatement. The building is multi-let in a highly accessible location with excellent car parking and a past planning consent for a further 10,000 sq ft. By improving the management, marketing and appearance we will increase the attraction of the building to occupiers, and with further lettings should increase the initial yield of 12.5%

Underpinning continued profits was gross rental income of £15.50 million which compares with £15.66 million last year. The slight drop in rental was on account of the tenant insolvency reported last year at Pegasus Place, Crawley. Contributing to income this year were twenty open market lettings achieved over the period with a combined contracted annual rental value of £1.08 million. The full rental contribution from those lettings that were achieved towards the end of the year and from the acquisition of Doncastle House will be seen next year. There were no tenant insolvencies during the year, and we continued to collect in excess of 90% of our quarterly rent within seven days of the due date. This resilient receipt of income is a practical reflection of the high percentage

(62%) of our rental income paid by tenants with a net worth in excess of £15 million (source: Dun and Bradstreet).

Net rental income from the portfolio was £0.76 million lower at £13.99 million. This was due mainly to a £0.36 million reduction in the receipt of lease surrender premiums, which vary from year to year, and non recoverable property costs being £0.30 million higher. The majority of this latter increase was due to the payment of vacant rates in respect of Great Surrey House, SE1, now let.

Administration costs (excluding depreciation) were held to £3.49 million (2011: £3.46 million). Interest costs of £5.27 million were £0.16 million lower, due primarily to last year's restructuring of hedging instruments, which helped reduce the Group's weighted average cost of debt to 5.3% (2011: 5.9%). This restructure reduced the notional value of these instruments by £50 million to £105 million, which now closely matches our level of debt. Although we continue to review the possibility of further reducing the notional value of these instruments, our current structure maintains a competitive cost of debt and protection against future interest rate rises. However, accounting standards require the inclusion of changes in the market value of these instruments in the Group's Income Statement. As a result, the reported loss before tax of £11.56 million was a direct consequence of the inclusion of the negative movement of £16.89 million, of which £16.72 million was in the first half of the year.

With the interest savings referred to above partially compensating for the lower rental contribution, adjusted profit before tax, our preferred measure of recurring profits from the business, was £5.00 million, marginally lower than the £5.10 million reported last year.

At the end of last year we made reference to two significant lease events for the Group. These were the lease expiry at Great Surrey House, SE1 at the end of September 2011 and the potential for the grant of a new lease to the existing tenant of 100 Bothwell Street, Glasgow, to extend their occupation beyond the expiry of the existing leases in December 2013. With a combined rental value of £2.70 million, the retention of these substantial revenues was of strategic importance to the Group. As noted above, we are pleased to report that in both cases a successful conclusion has been reached, which protects and enhances both the value of these assets and their income streams.

The planned comprehensive refurbishment of Great Surrey House, which is located at 203 Blackfriars Road in Southwark, commenced in January 2012. In April the whole building was pre-let to the Overseas Development Institute on a 12 year lease without breaks at an annual rent of £0.80 million. The letting is conditional on the completion of our refurbishment works, scheduled for July 2012, at which time the tenant will benefit from a 24 month rent free period. This is a valuable letting for the Group, which secures a strong tenant for this asset on a long lease in this popular and improving location, and has reduced our exposure to further void rates and running costs.

In respect of 100 Bothwell Street, Glasgow, discussions have been under way for two years with The Student Loans Company to establish whether acceptable terms could be agreed for their continued occupation, or whether refurbishment at lease expiry would deliver better value. Lease terms were agreed shortly before the end of the year and legal documentation was concluded earlier this month for a new ten year lease with a 15 month rent free period commencing in December 2013, and a tenant break clause operable at the end of the fifth year. The rent payable under the new lease will increase from £1.97 million pa to £1.98 million pa, subject to an upward only review in 2018.

These different but equally important results help emphasise the business model of McKay. Our approach to tenant liaison, our market knowledge and in-house attention to detail were essential in both cases to deliver gains from active management and selective capital expenditure.

We have also reviewed the commencement of a speculative redevelopment of 30/32 Lombard Street (35,820 sq ft) in the City of London at the end of this year. Further design work over the year has enhanced the quality of the proposed scheme, which would replace the existing building with a top quality 60,000 sq ft office building on this attractive corner plot. Due to the uncertain impact on the City market of continued volatility in European markets and the required scale of capital expenditure and attendant finance costs, we have concluded that we will retain income from the property but keep a possible start date in 2014 under review.

Dividend

Having taken into account the continued progress of the Group, the Board is recommending that the final dividend is increased by 1.8% to 5.7 pence per share (2011: 5.6 pence). This will all be paid as a normal dividend rather than a Property Income Distribution (PID). This will take the total dividend for the year to 8.4 pence per share (2011: 8.3 pence).

Future Prospects

The evidence of the last two years is that despite the slow pace of economic recovery, property has remained an attractive asset class for many investors. The appeal of central London and well established South East centres with overseas investors is set to continue. There are also signs that a resilient level of occupier demand has been re-established within these markets. Sustained rental growth outside central London is unlikely in the short term but there will continue to be occupier requirements for high quality space driven by obsolescence, merger activity, and in some cases business growth. The supply of such space is increasingly constrained in our markets, and the benefit of having well presented high quality buildings to let has the potential to add to our income and to remove outgoings.

Although market conditions are likely to remain tough this year, the Group's concentration on well established markets, together with its proven property skills, leave the Group well placed to take advantage of further recovery in occupier markets and emerging acquisition opportunities.

D.O. Thomas
Chairman
29th May 2012

PROPERTY AND FINANCE REVIEW

Overview

McKay Securities is a commercial property investment company with REIT status specialising in the established and proven markets of central London and South East England. The Group's business model is based on generating rental and capital growth from an active approach to the management and development of a portfolio of quality buildings, predominantly within the office and industrial sectors. Recurring rental income from the portfolio underpins profits, which are supplemented by gains from the sale of investment properties to fund new acquisitions with better growth prospects, whilst maintaining compliance with the terms of flexible secured bank finance. Since the downturn in 2008, this business model has enabled continued shareholder returns from the management of the existing portfolio and retention of rental income rather than a more expansive programme of development.

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

With the acquisition of Doncastle House, Bracknell in the second half of the year, the portfolio at the end of the period consisted of 32 properties totalling 1.21 million sq ft. The portfolio splits into three main sectors; South East offices 40%, central London offices 30% and South East industrial 21% (by value).

Income from the portfolio is generated from a strong diverse tenant base. Contracted annual rental income from a total of 153 tenants at the end of the year was £16.30 million. Of this, 62% was receivable from tenants with a net worth in excess of £15 million (source: Dun and Bradstreet). The weighted average lease term of the portfolio was 5.9 years and 4.9 years to the earlier of lease break and expiry. With completion of the new leases at Great Surrey House, SE1, and 100 Bothwell Street, Glasgow, these terms increase to 6.7 years and 5.8 years respectively.

The total vacancy level of the portfolio increased from 10.9% in March 2011 to 13.3% at the end of the year, having increased to 13.5% at 30th September 2011 due mainly to the lease expiry at Great Surrey House. If the letting of this property in early April is taken into account, the void level reduces to 9.3%, which equates to a combined rental value of £1.69 million.

The total portfolio return for the period was 6.5% (2011: 7.2%). This compares with 5.3% for the South East office segment of the IPD Monthly Index, and 6.6% for the Index overall.

Market Review

Investment and occupational markets showed little change during the year, with the IPD Monthly Index (All Property) recording 0.0% rental growth and -0.2% capital growth. Increases in rental and capital values of circa 5% in central London office markets were offset by decreases in shopping centres and retail markets outside the South East.

The number of investment transactions in the market generally remained at a subdued level. Prime property with resilient income profiles and limited capital expenditure continued to be the most favoured asset for the majority of investors. Values for this type of stock remain robust due to a shortage of supply. In central London the increase in values was due predominantly to demand from overseas investors competing for the limited opportunities available. As a result of this level of competition, an increasing number of investors are looking outside central London at South East and provincial markets. However, they remain cautious and interest is generally limited to a select band of key towns. With limited investor appetite, the value of secondary assets let to weaker covenants with imminent lease expiries and associated capital expenditure, has continued to fall. This increasing differential between prime and secondary values is a reflection of the market continuing to adjust to the limited availability of debt and the impact on occupier markets of poor economic conditions. It will however, provide selective opportunities to acquire properties where capital investment and active management can add value.

The improvement in occupier markets reported last year has been maintained, but the slow pace of economic recovery has held back further sustained growth. Rental values for new and Grade A office buildings in the West End of London and certain South East centres have increased as the supply of available buildings has continued to fall. Until occupier confidence returns, the take up of additional floor space is unlikely to be sufficient for this recovery in rental values to spread from the prime end of the market.

Take up within the Group's South East office markets, which account for 40.2% of the portfolio by value, totalled 1.87 million sq ft for the year to December 2011 (Strutt and Parker). This was 8.3% down on 2010, but still 49.3% up on 2009. Named demand totalled 3.55 million sq ft at the end of the period, which was 3.9% down on the previous quarter, but viewing levels have been maintained. The total supply of available office stock reduced marginally to 11.15 million sq ft, representing a vacancy rate of 13.0% (2011: 13.3%). However, the continued take up of better quality buildings has reduced the stock of new and Grade A buildings by 11.5% to 7.9% and by 16.2% for new buildings alone to a low of 3.1%.

Although the number of significant speculative development schemes in the South East office market has increased from five to seven, the supply of new buildings remains limited and a number of centres have no new supply. It is in these centres where, in selective cases, landlords are beginning to take a stronger stance and are now achieving higher rents, reduced incentives and longer leases. This supply shortage, steady demand and the increasing obsolescence of existing buildings has therefore begun to have a positive effect on rental values. The pace of further growth will be dependent on a sustained increase in occupier demand across a broader cross-section of the stock available.

Portfolio Activity

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

The portfolio increased in size to 32 assets with the acquisition of Doncastle House, Bracknell (33,600 sq ft) at a price of £2.71 million in November 2011. The purchase price of £85 psf is well below the cost of reinstatement and, with a 20% void, the yield on acquisition was 12.5% from undemanding rents in the region of £15 psf. Proposals are now being worked up to improve the quality and occupancy of the building in order to capitalise on the excellent location and car parking, which will enhance income from the building.

In a market where prospective and existing tenants have a choice of available buildings, the Group continues to work hard to ensure that its properties are well presented and we strive to ensure that there is a close dialogue with occupiers. This is achieved primarily by managing the assets and collecting rents in-house, rather than through external managing agents. A close working relationship with letting agents is also important to the Group to make sure that vacant properties are being marketed effectively to a full audience through traditional and, more recently, new media channels. Initiatives to widen the accessibility of available space to internet enquiries were implemented towards the end of the period, and initial results have been encouraging.

Twenty open market lettings were achieved during the period at a contracted annual rent of £1.08 million, which was 0.2% ahead of valuation rental values. These were in respect of a wide variety of portfolio properties, but of particular note was the letting of Units 1 and 2 (19,250 sq ft) at the McKay Trading Estate, Poyle. These two units had received limited interest when marketed prior to refurbishment but, after the completion of a comprehensive upgrade at the end of last year, attracted a far larger number of enquiries. This estate is widely regarded as one of the best in this location adjacent to Heathrow Terminal 5.

Smaller industrial lettings were achieved at our Banbury, Crawley and Folkestone estates. In all cases the presentation of the properties attracted good occupiers, leaving the estates with only one vacant unit each.

Within the office portfolio, Albion House, Newbury (6,520 sq ft) was let to a local marketing company on a five year lease. This is an attractive building which was refurbished by the Group in 2003 and subsequently let. When that tenant vacated, the quality of the previous refurbishment meant only a light redecoration was needed to present the property as one of the better buildings available in the town. Similarly at One Castle Lane, SW1, which the Group has refurbished on a rolling basis, the second floor (1,690 sq ft) was relet with minimal works on vacation of the previous tenant.

The letting of the second floor (6,350 sq ft) of Mallard Court, Staines involved taking a surrender premium from the outgoing tenant, which was used to cover the cost of refurbishing the floor ahead of the new tenant taking occupation.

Also of note were the final lettings at one of our City office properties, Portsoken House, EC3 (46,200 sq ft), which leaves the building fully occupied following the refurbishment undertaken in 2008. The rental values achieved leave scope for growth in this improving edge of City location.

Nineteen leases were renewed and twelve tenants did not exercise their break clause. The continued occupation of these thirty-one tenants maintained a high retention rate of 81.5% of tenants at lease break or expiry (2011: 61.3%) and secured contracted rental income of £2.05 million pa.

Of the four break clauses exercised, the most significant was in respect of Great Surrey House, SE1, where the tenant vacated at the end of September 2011 due to business consolidation after 25 years in the building. This was anticipated, and the payment of a six month rent penalty provided rental cover through to the end of the year. After assessing a range of refurbishment alternatives, it was decided to progress a major programme of upgrading works to include all new mechanical and electrical equipment, ceilings, floors, lighting and common areas. This was done in order to capitalise on the recent rental growth seen in this market and to create a high quality asset of long term benefit to shareholders. These works commenced in January 2012 and in April 2012 the Group announced a prelet of the building to the Overseas Development Institute (ODI) at a headline rent of £800,000 pa compared with September 2011 market rental value of £500,000 pa.

The ODI has committed to a 12 year lease without breaks with five yearly upward only rent reviews and will benefit from a 24 month rent free period, which is in line with market incentives currently on offer. It leaves the Group with a high quality asset in an area that is likely to improve further, with the prospect in the longer term of a redevelopment incorporating the Group's adjoining holding at 202 Blackfriars Road.

In addition, good progress was made in respect of the Group's significant holding in Glasgow. 100 Bothwell Street (100,270 sq ft) was developed by the Group in 1984 in a prime central location and has been held since then with income of £1.95 million secured to the top quality covenants of AXA and the government owned Student Loans Company (SLC) until December 2013. The building is fully occupied by SLC who have undertaken an extensive search over the last 24 months to establish whether to move to a new headquarters within Glasgow or to extend their occupation in the building. Since the end of the period a reversionary lease has been completed for a new 10 year term of the whole building commencing at the expiry of the existing lease in December 2013, with a tenant break clause at the end of the fifth year.

The current passing rent of £1.95 million pa will increase to £1.97 million in December 2013 until review in 2018, with a 15 month rent free period from commencement of the new lease. This new lease structure will add value to the asset due to certainty of longer secure income from SLC. It also removes the prospect of capital expenditure on refurbishment.

We continue to adopt a cautious approach to the commitment of capital to more significant development projects due to the greater risks that accompany an uncertain occupier market. This is the case with the Group's existing holding at 30/32 Lombard Street, EC3, where planning consent is in place for the replacement of the existing 35,820 sq ft building with a top quality 60,000 sq ft office building. Existing leases enable vacant possession to be obtained at the end of December 2012, and the design of the new building has been advanced over the year. However, after detailed consideration of market conditions, it has been decided to retain income from the building and keep under review the possible commencement of the scheme in 2014, or earlier if a prelet can be secured, ahead of expiry of the existing planning consent in December 2015. A speculative scheme at this stage would be too great a commitment for the Group in this market, and a joint venture or sale now is unlikely to achieve best value for this prime City asset.

Valuation

The independent valuation of the Group's property portfolio at 31st March 2012 totalled £214.00 million compared with £208.52 million at 31st March 2011. On a like for like basis, excluding Doncastle House, Bracknell, this was a 0.01% increase on the book cost for the 12 month period.

The IPD Monthly Index (All Property) declined by 0.2%.

Gains were mainly from the London office portfolio. Our properties in the City increased by 9.6% overall (IPD: 4.9%) and in Victoria, SW1 by 14.6% (IPD: 7.1%) as a result of the lower void and yield gains. The South East office portfolio reduced in value by 3.4% (IPD: -2.5%) due mainly to the negative impact of void and yield assumptions on those properties with approaching lease expiries. Glasgow declined in value by 2.2% (IPD: -4.7%) as the timing of the valuation did not capture the uplift in value resulting from the grant of a new lease. The industrial properties increased by 0.4% (IPD: -0.4%) due primarily to reduced voids.

At the valuation date the portfolio initial yield was 6.6% (2011: 6.9%) increasing to 7.1 % (2011: 7.4%) on the expiry of letting incentives. The true equivalent yield was 7.7% (2011: 7.8%).

Finance

As at 31st March 2012, the Group's net debt was £97.92 million (2011: £95.18 million).

The gearing ratio of drawn debt to portfolio value (LTV) as at 31st March 2012 was 47.0% (2011: 47.3%), and the ratio of aggregate borrowings to tangible net worth, as used in connection with the Group's bank covenants, was 92.7% (2011: 91.3%). Net cash inflow from operating activities was £6.83 million (2011: outflow £0.05 million). Interest cover based on adjusted profit before tax plus finance costs as a ratio to finance costs, was 1.9x (2011: 1.9x).

Banking facilities available to the Group totalled £155 million at the year end (2011: £155 million). The average weighted unexpired term to maturity was 4.7 years (2011: 5.7 years).

As a REIT, the Group is tax exempt in respect of capital gains and all qualifying rental income, which includes the majority of the Group's activities. There is therefore no tax charge and any residual income has been offset by relevant costs.

The Group is required to distribute at least 90% of rental income profits arising each financial year by way of a Property Income Distribution (PID). Subject to exemptions, this is paid after deduction of withholding tax, at present 20%. Taking into account the benefit of considerable capital allowances and the termination cost of the interest rate hedging instruments in the year to March 2011, the final dividend to be paid in August 2012 will be paid as an ordinary dividend rather than a PID.

The main financial risks to the Group are compliance with financial covenants on bank borrowing, tenant default, liquidity, interest rate hedging instruments and interest rate movements on bank borrowings.

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

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

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

Protection against future increase in interest rates is provided by financial hedging instruments. At the year end, £105 million (2011: £105 million) of such instruments were in place. If bank borrowing facilities were fully drawn, hedging cover would be 67.7% (2011: 67.7%).

The Group had drawn down £100.50 million of the £155.00 million facility as at March 2012 (2011: £97.70 million). The Group was 104% hedged at March 2012 (2011: 107%).

The weighted average cost of borrowing for the year was 5.3% (2011: 5.9%). The Group does not hedge account its interest rate derivatives and therefore includes the movement in fair value in the Consolidated Statement of Comprehensive Income.

The interest rate curve lowered over the year which increased the negative mark to market valuation of the hedging instruments to £34.4 million (2011: negative £17.5 million). The Group closely monitors these instruments and constantly reviews the suitability and strategic options for these products. Whilst the mark to market valuation is considerably negative, this represents a non cash timing difference.

Under the application of accounting standard IAS19, the Group's pension deficit has increased from £1.09 million to £1.84 million. The scheme was closed to new entrants in the 1980's, and there are only two remaining active members. The increase in the deficit is in the main due to the applied discount rate reflecting the fall in corporate bond rates. The Group's annual contribution to the scheme is not affected by the increase in the deficit and will only be revised after the next financial valuation in 2014.

S.C. Perkins
G.P. Salmon

29th May 2012

The summary of the consolidated results of McKay Securities PLC and its subsidiary undertakings (the "Group") for the year ending 31st March 2012 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st March 2012

	Notes	2012 £'000	2011 £'000
Gross rents and service charges receivable	2	**20,665**	19,054
Surrender premiums received		**223**	582
Direct property outgoings		**(6,899)**	(4,893)
Net rental income from investment properties	2	**13,989**	14,743
Administration costs	3	**(3,502)**	(3,470)
Operating profit before gains on investment properties		**10,487**	11,273
Profit on disposal of investment properties		**-**	11
Profit on disposal of listed investments		**-**	31
Revaluation of investment properties	8	**233**	271
Operating profit		**10,720**	11,586
Net finance costs - finance costs	5	**(22,401)**	(6,668)
- finance income	5	**16**	20
		(22,385)	(6,648)
Share of results of associated undertaking		**105**	(441)
(Loss)/profit before taxation		**(11,560)**	4,497
Taxation	6	**-**	-
(Loss)/profit for the year		**(11,560)**	4,497
Other comprehensive income:			
Actuarial movement on defined benefit pension scheme		**(853)**	(122)
Total comprehensive (loss)/income for the year		**(12,413)**	4,375
Earnings per share	7		
Basic		**(25.20)p**	9.81p
Diluted		**(25.20)p**	9.54p

Adjusted earnings per share figures are shown in note 7.

		2012 £'000	2011 £'000
Dividends			
Previous year's final dividend of 5.6p (2011: 5.5p) paid during the year		**2,569**	2,519
Interim dividend of 2.7p (2011: 2.7p) paid during the year		**1,239**	1,239
Proposed final dividend of 5.7p (2011: 5.6p)		**2,615**	2,569

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

GROUP BALANCE SHEET
As at 31st March 2012

	Notes	2012 £'000	2011 £'000
Non-current assets			
Investment properties	8	**213,227**	207,430
Plant and equipment		**22**	13
Investments		**1,874**	1,814
		215,123	209,257
Current assets			
Trade and other receivables	9	**5,322**	5,979
Cash and cash equivalents		**2,584**	2,519
		7,906	8,498
Total assets		**223,029**	217,755
Current liabilities			
Trade and other payables	10	**(8,126)**	(7,293)
Finance lease liabilities		**(286)**	(286)
Interest rate derivatives	10	**(3,795)**	(3,591)
		(12,207)	(11,170)
Non-current liabilities			
Loans and other borrowings	10	**(100,124)**	(97,313)
Pension fund liabilities		**(1,840)**	(1,090)
Finance lease liabilities		**(4,122)**	(4,123)
Interest rate derivatives	10	**(30,576)**	(13,888)
		(136,662)	(116,414)
Total liabilities		**(148,869)**	(127,584)
Net assets		**74,160**	90,171
Equity			
Called up share capital		**9,176**	9,176
Share premium account		**2,478**	2,478
Distributable reserves		**51,541**	67,737
Revaluation reserve		**10,965**	10,780
Total Equity		**74,160**	90,171
Net asset value per share	11	**162p**	197p
EPRA net asset value per share	11	**229p**	223p

These financial statements were approved by the Board of Directors on 29th May 2012 and were signed on its behalf by D.O. Thomas and S.C. Perkins.

GROUP CASH FLOW STATEMENT
For the year ended 31st March 2012

	2012 £'000	2011 £'000
Operating activities		
(Loss)/profit before tax	**(11,560)**	4,497
Adjustments for:		
Depreciation	**15**	8
Other non-cash movements	**631**	721
Profit on disposal of investment properties	**-**	(11)
Profit on disposal of listed investments	**-**	(31)
Movement in revaluation of investment properties	**(233)**	(271)
Net finance costs	**22,385**	6,649
Share of the results of associate undertaking	**(105)**	441
Cash flow from operations before changes in working Capital	**11,133**	12,003
Decrease in debtors	**656**	323
Increase/(decrease) in creditors	**921**	(761)
Cash generated from operations	**12,710**	11,565
Interest paid	**(5,901)**	(11,636)
Interest received	**16**	18
Cash flows from operating activities	**6,825**	(53)
Investing activities		
Sale of investment properties	**-**	11
Sale of listed investments	**-**	35
Dividends from sundry investments	**-**	1
Dividends from associated undertaking	**45**	45
Purchase and development of investment properties	**(5,700)**	(2,534)
Purchase of other fixed assets	**(24)**	(5)
Cash flows from investing activities	**(5,679)**	(2,447)
Financing activities		
Increase in borrowings	**2,727**	8,100
Equity dividends paid	**(3,808)**	(3,758)
Cash flows from financing activities	**(1,081)**	4,342
Net increase in cash and cash equivalents	**65**	1,842
Cash and cash equivalents at the beginning of the year	**2,519**	677
Cash and cash equivalents at the end of the year	**2,584**	2,519

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31st March 2012

	Share capital £'000	Share premium £'000	Revaluation reserve £'000	Total distributable reserve £'000	Total equity £'000
	Attributable to equity holders of the parent company				
At 1st April 2010	9,159	2,495	10,996	66,509	89,159
Profit for the year	-	-	-	4,497	4,497
Other comprehensive income:					
Transfer surplus on revaluation of properties	-	-	271	(271)	-
Transfer of share of deficit on revaluation in associated undertaking	-	-	(566)	566	-
Transfer on disposal of investment Properties	-	-	79	(79)	-
Actuarial loss on defined benefit pension scheme	-	-	-	(122)	(122)
Total comprehensive income for the Year	-	-	(216)	4,591	4,375
Dividends paid in year	-	-	-	(3,758)	(3,758)
Fair value of share based payments	-	-	-	395	395
Exercise of performance share plan awards	17	(17)	-	-	-
At 31st March 2011	9,176	2,478	10,780	67,737	90,171
Loss for the year	-	-	-	(11,560)	(11,560)
Other comprehensive income:					
Transfer surplus on revaluation of properties	-	-	223	(233)	-
Transfer share of deficit on revaluation of properties in associated undertaking	-	-	(48)	48	-
Actuarial loss on defined benefit pension scheme	-	-	-	(853)	(853)
Total comprehensive loss for the year	-	-	185	(12,598)	(12,413)
Dividends paid in year	-	-	-	(3,808)	(3,808)
Fair value of share based payments	-	-	-	210	210
At 31st March 2012	**9,176**	**2,478**	**10,965**	**51,541**	**74,160**

Notes forming part of the Group financial statements

1. The financial information set out in the final results announcement does not constitute the Group's statutory accounts for the year ended 31st March 2012 or 2011, but is derived from those accounts. The statutory accounts for the period ended 31st March 2012 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The statutory accounts for the year ended 31st March 2011 have been delivered to the Registrar of Companies. The auditors have reported on the accounts for both the years ended 31st March 2012 and 2011; their reports were (i) unqualified (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2011 and 2012.

Accounting policies

Basis of preparation

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

In accordance with Section 408 Companies Act 2006 a separate Statement of Comprehensive Income for McKay Securities PLC (the Company) is not presented. The loss for the year after tax of the Company is £13,794,000 (2011: profit £3,857,000).

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

Revised IAS 24, 'Related Party Disclosure', effective for accounting periods beginning on or after 1st January 2011;

IFRS 7, 'Financial Instruments: Disclosures – Amendments to disclosures';

IAS 1, 'Presentation of Financial Statements – Presentation of statement of changes in equity';

IAS 34, 'Interim Financial Reporting – Significant events and transactions';

Amendments to IFRIC 14, 'Prepayments of a Minimum Funding Requirement', effective for accounting periods beginning on or after 1st January 2011.

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

The financial statements are prepared on a going concern basis.

Significant judgements and estimates

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

Basis of consolidation

The consolidated financial statements of the Company and its subsidiaries (the Group) have been prepared on a historical cost basis, except for investment property and derivative financial instruments measured at fair value through the Statement of Comprehensive Income. Subsidiary companies are those entities under the control of the Company. Control means the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Associates

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

Properties

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Net rental income from investment properties

	2012 £'000	2011 £'000
Gross rents receivable	**15,887**	15,664
SIC 15 adjustment	**(389)**	(5)
Gross rental income	**15,498**	15,659
Service charges receivable	**5,167**	3,395
	20,665	19,054
Surrender premiums received	**223**	582
Direct property outgoings	**(6,899)**	(4,893)
	13,989	14,743

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

3. Administration costs

	2012 £'000	2011 £'000
Directors' - remuneration	**870**	898
- bonus	**40**	-
Staff - costs	**613**	509
- bonus	**18**	-
National Insurance	**203**	194
Pension costs	**382**	322
Share based payment accounting charge	**210**	394
	2,336	2,317
Depreciation	**15**	8
Office costs	**491**	495
Legal and professional fees	**623**	577
Bad debt provision	**-**	35
General expenses	**37**	38
	3,502	3,470

The average number of persons employed by the Group and Company during the year was 14 (2011: 14).

	2012 £'000	2011 £'000
Employee costs		
Salaries	**1,541**	1,385
Social security costs	**203**	216
Pension costs – defined benefit scheme	**149**	120
- defined contributions	**233**	202

Share based payment accounting charge	**210**	394
	2,336	2,317

4. Adjusted profit before tax

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

	2012 £'000	2011 £'000
(Loss)/profit before tax	**(11,560)**	4,497
Surrender premium received	**(223)**	(582)
Change in fair value of derivatives	**16,891**	(5,053)
Movement in revaluation of investment properties	**(233)**	(271)
Fees incurred on the cancellation of derivative contracts	**-**	5,928
Profit on disposal of investment properties	**-**	(11)
Profit on disposal of listed investments	**-**	(31)
Associated undertaking disposals and revaluation movement	**128**	625
Adjusted profit before tax	**5,003**	5,102

5. Net finance costs

	2012 £'000	2011 £'000
Interest on bank overdraft and loans	**5,273**	5,436
Derivative contract cancellation costs	**-**	5,928
Finance lease interest on leasehold property obligations	**285**	285
Finance arrangement costs	**84**	72
Fair value losses/(gains) on derivatives	**16,891**	(5,053)
Capitalised interest	**(132)**	-
	22,401	6,668
Interest receivable	**(16)**	(20)
	22,385	6,648

6. Taxation

	2012 £'000	2011 £'000
Current tax	**-**	-
Adjustments in respect of prior periods	**-**	-
Total tax in the Statement of Comprehensive Income	**-**	-

Reconciliation to effective rate of tax:		
(Loss)/profit on ordinary activities before tax	**(11,560)**	4,497
Tax(credit) charge on (loss)/profit at 26% (2011 – 28%)	**(3,006)**	1,259
Effects of:		

	2012	2011
REIT tax exemption	**2,025**	(841)
Permanent differences	**1,005**	(299)
Other timing differences	**3**	4
Associated undertaking	**(27)**	(123)
Tax for period (as above)	**-**	-

7. Earnings per share

	2012 p	2011 p
Basic (loss)/earnings per share	**(25.20)**	9.81
Swap cancellation fees	**-**	12.93
Change in fair value of derivatives	**36.82**	(11.02)
Movement in revaluation of investment properties	**(0.51)**	(0.59)
Surrender premium received	**(0.48)**	(1.27)
Profit on disposal of investment properties	**-**	(0.02)
Profit on disposal of listed investments	**-**	(0.07)
Associated undertaking disposals and revaluation movement	**0.18**	1.36
Adjusted earnings per share	**10.81**	11.13

Basic loss per share on ordinary shares is calculated on the loss in the year of £11,560,000 (2011: profit £4,497,000) and 45,879,174 (2011: 45,847,850) shares, being the weighted average number of ordinary shares in issue during the period.

	2012 Number of shares	2011 Number of shares
Weighted average number of ordinary shares in issue	**45,879,174**	45,847,850
Number of shares under option	**3,665,644**	3,487,371
Number of shares that would have been issued at fair value	**(2,329,973)**	(2,210,306)
Diluted weighted average number of ordinary shares in issue	**47,214,845**	47,124,915

	2012 p	2011 p
Basic (loss)/earnings per share	**(25.20)**	9.81
Effect of dilutive potential ordinary shares under option	**0.72**	(0.27)
Swap cancellation fees	**-**	12.58
Change in fair value of derivatives	**35.76**	(10.72)
Movement in revaluation of investment properties	**(0.49)**	(0.58)
Surrender premium received	**(0.47)**	(1.24)
Profit on disposal of investment properties	**-**	(0.02)
Profit on disposal of listed investments	**-**	(0.07)
Associated undertaking disposals and revaluation movement	**0.18**	1.33
Adjusted diluted earnings per share	**10.50**	10.82
EPRA earnings per share	**10.97**	12.06

Diluted earnings per share is calculated on the same profit after tax and on the weighted average diluted number of shares in issue during the year of 47,214,845 (2011: 47,124,915) shares, which takes into account the number of potential ordinary shares under option.

Adjusted earnings per share excludes the after tax effect of profit from the disposal of investment properties, surrender premiums received, the change in the fair value of derivatives and the movement in revaluation of investment properties. The EPRA measure includes all of these adjustments except for surrender premiums which are added back.

8. Investment Properties

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

	Freehold £'000	Group Long Leasehold £'000	Total £'000
At 1st April 2010	181,360	23,536	204,896
Additions – development	1,272	1,031	2,303
Revaluation surplus/(deficit)	(3,882)	4,149	267
Adjustment for rents recognised in advance under SIC 15	220	(216)	4
Amortisation of grossed up headlease liabilities	-	(40)	(40)
Book value as at 31st March 2011	**178,970**	**28,460**	**207,430**
Adjustment for grossing up of headlease liabilities	-	(3,946)	(3,946)
Adjustment for rents recognised in advance under SIC 15	4,750	286	5,036
Valuation at 31st March 2011	**183,720**	**24,800**	**208,520**

In accordance with the Group's accounting policy on properties there was an external valuation at 31st March 2012. These valuations were carried out by Mellersh and Harding, Chartered Surveyors and Valuers, CB Richard Ellis, Chartered Surveyors and Valuers (100 Bothwell Street, Glasgow) and Promission, Chartered Surveyors and Valuers (Doncastle House – purchased during the year). Mellersh and Harding valued the entire portfolio except for the two aforementioned properties. All valuations were carried out in accordance with the Appraisal and

Valuation Standards of RICS, on an open market basis.

The historical cost of properties stated at valuation is approximately £192 million (2011: £187 million).

9. Trade and other receivables

	2012 **£'000**	2011 £'000
Trade receivables	**89**	59
Amounts due from subsidiary undertakings	**-**	-
SIC 15 lease incentives	**4,679**	5,036
Other debtors and prepayments	**554**	884
	5,322	5,979

All the above debtors are receivable within one year except for lease incentives of £3,834,000 (2011: £4,297,000), accrued in accordance with SIC 15. The carrying amounts are a reasonable approximation of the fair values estimated as the present value of future cash flows.

Trade receivables that were past due but not impaired are as follows:	**2012** **£'000**	2011 £'000
Less than three months due	**26**	31
Between three and six months due	**1**	16
Between six and twelve months due	**62**	12
	89	59

The Group holds no collateral in respect of these receivables.

10. Liabilities

	2012 **£'000**	2011 £'000
Trade and other payables		
Rent received in advance	**3,519**	3,737
Other taxation and social security costs	**1,399**	732
Amounts owed to subsidiary undertakings	**-**	-
Other creditors and accruals	**3,208**	2,824
	8,126	7,293

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

Loans and other borrowings

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

	2012 £'000	2011 £'000
Secured bank loans repayable at stated dates between 2016 and 2017 at variable rates	**100,500**	97,700
Bank facility fees	**(376)**	(387)
	100,124	97,313

The bank loans are secured against land and buildings with a carrying amount of £183,080,000 (2011: £168,870,000).

Repayable in:	2012 £'000	2011 £'000
2-5 years	**85,497**	33,641
5-10 years	**14,627**	63,672
	100,124	97,313

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

	2012 £'000	2011 £'000
Expiring in 2 – 5 years	**34,300**	13,300
Expiring in 5 - 10 years	**20,200**	44,000
	54,500	57,300

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

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

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

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

The Group has no exposure to currency risks.

Interest rate risk

The Group adopts a policy of ensuring that its exposure to interest rate fluctuations is mitigated by the use of financial instruments. Participating swaps and interest rate swaps have been entered into to achieve this purpose. The swaps mature over the next 27 years and have swap rates ranging from 3.00% to 5.17%. Provision is made within the terms of the financial instruments for the counterparty bank to terminate the instruments by invoking credit breaks in 2016/2017. If such a credit break were exercised, a payment would be made between the parties dependent on market value at that time. The instruments also provide the counterparty bank with additional break options from 2014. Should these breaks be exercised, there would be no payment liability on the Group. The Group does not hold or issue derivative financial instruments for trading purposes.

A 25 basis points change in interest rate levels would increase or decrease the Group's annual profit and equity by £11,000 (2011: £18,000). This sensitivity has been calculated by applying the interest rate change to the variable rate borrowings, net of interest rate swaps, at the year end. The comparative figure for 2011 was also based on a 25 basis points change in interest rates. The 25 basis points change being used shows how the profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at the year end.

Swaps

As at 31st March 2012	Hedged amount £'000	Rate	Maturity[1] - years	Maturity Expiry Years	Fair Value £'000
Interest rate swaps	**75,000**	[2]**4.80%**	**2.92**	**20.44**	**(26,358)**
Interest rate swaps	**25,000**	[3]**3.00%**	**3.76**	**26.52**	**(6,459)**
Interest rate swaps	**5,000**	**4.65%**	**5.67**	**20.68**	**(1,554)**
					(34,371)

As at 31st March 2011					
Interest rate swaps	75,000	4.80%	3.92	21.44	(14,202)
Interest rate swaps	25,000	3.00%	4.76	27.52	(2,581)
Interest rate swaps	5,000	4.65%	6.67	21.68	(696)
					(17,479)

[1] to expiry or break, whichever is earlier
[2] Rate steps up to 5.17% from 28th March 2014
[3] Rate steps up to 4.31% from 9th April 2013

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

	2012	2011
	£'000	£'000
Current	**(3,795)**	(3,591)
Non-current	**(30,576)**	(13,888)
	(34,371)	(17,479)

	2012	2011
Weighted average cost of borrowing	**5.3%**	5.9%

The Group does not hedge account its interest rate derivatives and states them at fair value in the balance sheet based on quotations from the Group's banks, any movement passing through the Statement of Comprehensive Income. All financial liabilities are classed as level 2 in accordance with the fair value hierarchy stated in IFRS 7. The fair value of these level 2 contracts are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument.

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

The Group had a surplus of hedging instruments over drawn loans and other borrowings at 31st March 2012 of £4,500,000 (2011: surplus £7,300,000).

In both 2012 and 2011 there was no difference between the book value and the fair value of all the other financial assets and liabilities of the Group.

11. Net asset value per share

	2012			2011		
	Net Assets	**Shares**	**Net asset value per share**	Net Assets	Shares	Net asset Value per share
	£'000	**'000**	**p**	£'000	'000	p
Basic	**74,160**	**45,879**	**162**	90,171	45,879	197
Number of shares under option	**2,862**	**2,714**	**(3)**	2,872	3,592	(9)
Diluted	**77,022**	**48,593**	**159**	93,043	49,471	188
Adjustment to fair value of derivatives	**34,371**	**-**	**70**	17,479	-	35
EPRA NAV	**111,393**	**48,593**	**229**	110,522	49,471	223
Adjustment to fair value of derivatives	**(34,371)**	**-**	**(70)**	(17,479)	-	(35)
EPRA NNNAV	**77,022**	**48,593**	**159**	93,043	49,471	188

12. Called up share capital

Ordinary shares in issue	2012 Authorised £	2012 Number of Shares	2011 Authorised £	2011 Number of shares
At 1st April 2011	**9,175,835**	**45,879,174**	9,158,531	45,792,655
Allotted under Performance Share Plan	**-**	**-**	17,304	86,519
At 31st March 2012	**9,175,835**	**45,879,174**	9,175,835	45,879,174

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The Report and Financial Statements will be posted to Shareholders on 20th June 2012 with copies available from the Group's registered office at 20 Greyfriars Road, Reading, RG1 1NL from the same date, and from the Group's website www.mckaysecurities.plc.uk

Glossary

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

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

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

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

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

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

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

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

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

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

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

Interest rate swap

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

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

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

Market rental value
The valuers estimated amount for which floor space should let on the date of valuation on appropriate lease terms net of ground rents payable.

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

Net debt
Total borrowings less cash credit balances.

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

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

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

RPIX
Retail Prices Index excluding mortgage interest.

Shareholders' funds
Total equity of the Group.

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

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

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

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

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