MCKAY SECURITIES PLC
PRELIMINARY RESULTS
4th June 2009

The Directors of McKay Securities PLC announce the results of the Group for the year ended 31st March 2009

FINANCIAL HIGHLIGHTS

- **Continued growth in recurring profits and earnings**
    - Adjusted profit before tax up 11.1% to £9.31 million (2008 - £8.38 million)
    - Diluted adjusted earnings per share up 12.0% to 20.25 pence (2008 – 18.08 pence)
    - Net rental income from investment properties up 1.5% to £18.70 million (2008 - £18.43 million)
- **Unadjusted results impacted by valuation movements**
    - Portfolio valuation at 31st March 2009 of £224.08 million, resulting in a 26.3% (£79.62 million) deficit against book value (2008 - £44.05 million deficit)
    - Loss before tax, including valuation deficit, of £100.86 million (2008 – loss £43.40 million)
- **Adjusted net asset value per share down 44.8% to 227 pence (2008 – 411 pence)**
- **Total property return of -19.6%, outperforming the IPD UK Monthly Index by 5.9 percentage points**
- **LTV of 51.5% (2008 – 38.9%).**
- **Net debt of £115.42 million (2008 - £123.28 million) covered by banking facilities totalling £185 million, with a weighted average maturity of 6.7 years**
- **Weighted average cost of borrowings of 4.4% (2008 – 5.4%)**
- **Final dividend per share of 9.5 pence (2008 – 9.6 pence), making the total dividend per share for the year 14.2 pence (2008 – 14.3 pence)**

David Thomas, Chairman, commented:

Throughout increasingly tough trading conditions, the quality of the Group's property portfolio and a focus on asset management and capital restraint has maintained income levels and helped recurring profits increase by 11.1% to a record level of £9.31 million. These gains have been offset by further significant, unrealised, falls in the market value of the portfolio and financial hedging instruments, resulting in a headline loss before tax of £100.86 million.

The pace of recovery and a sustained increase in investor appetite will depend on how quickly banking liquidity returns and occupational markets improve. We will continue to take decisive action to manage the business through the downturn, and any early indication of improvement will enable us to return to a more expansive strategy.

For further information please contact:

McKay Securities PLC – 0118 950 2333

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

www.mckaysecurities.plc.uk

Details of the programme for the payment of the final dividend on the Ordinary Shares is as follows:

Ex dividend date	10th June 2009
Record Date for the final dividend	12th June 2009
Report and Financial Statements dispatched to Shareholders with Notice of AGM	25th June 2009
Annual General Meeting to be held at 12 noon at The Royal Thames Yacht Club, 60 Knightsbridge, London SW1	23rd July 2009
Final dividend paid	16th October 2009

A final dividend per share of 9.5 pence is recommended by the Board making a total dividend for the year of 14.2 pence per share (2008 – 14.3 pence per share). The 9.5 pence per share will be paid as a Property Income Distribution (PID), making the total PID for the year 14.2 pence per share (2008 – 10.45 pence). This is the minimum level of distribution required under REIT rules, representing 90% of the Group's rental income profits.

CHAIRMAN'S STATEMENT

Results for the twelve month period to 31st March 2009

Adjusted profit before tax, which excludes movements in the value of the Group's property portfolio and interest rate hedging instruments, profit on sales and surrender premiums increased by 11.1% to £9.31 million (2008 - £8.38 million). Diluted earnings per share, adjusted on the same basis, increased by 12.0% to 20.25 pence (2008 – 18.08 pence).

The external valuation of the Group's property portfolio at 31st March 2009 totalled £224.08 million representing a 19.6% (£54.80 million) reduction in book value since 30th September 2008 and a 26.3% (£79.62 million) reduction for the year as a whole. Including this valuation deficit and a £23.67 million decline in the value of hedging instruments, the Group reported a loss before tax of £100.86 million (2008 - £43.40 million loss).

Adjusted net asset value was 227 pence per share, representing a reduction of 36.4% from 30th September 2008 (357 pence) and a reduction of 44.8% from 31st March 2008 (411 pence).

The Board has recommended a final dividend of 9.5 pence per share (2008 – 9.6 pence per share) payable on 16th October 2009.

Review of the year

Throughout increasingly tough trading conditions, the quality of the Group's property portfolio and a focus on asset management and capital restraint has maintained income levels and helped recurring profits increase by 11.1% to a record level. These gains have been offset by further significant, unrealised, falls in the market value of the portfolio and financial hedging instruments, resulting in a headline loss before tax of £100.86 million.

As a consequence of the decline in economic conditions over the year, capital values suffered as investor confidence was eroded by actual and potential failures in the banking sector and increasing concerns over the resilience of both tenants and rental values. This was reflected in the independent year end portfolio valuation of £224.08 million, which represented a 26.3% deficit on book value for the year, giving rise to a 34.9% fall in value for those properties held since 31st March 2007. This compares with a 30% fall in the IPD UK Monthly Index for the year to 31st March 2009 and a 41.1% fall since March 2007.

The loss of value across all sectors of the commercial property market has been faster and deeper than in previous downturns. The Group anticipated a fall in values and adapted its strategy accordingly; it remains in a sound financial position, and despite the unprecedented falls in value to date, is in compliance with all banking covenants.

The Group is also able to report growth in adjusted profit before tax which increased by 11.1% to £9.31 million (2008 - £8.38 million) as a result of income gains from the portfolio and lower interest and administration costs. Gross rental income increased by 4.7% to £20.27 million (2008 - £19.35 million) benefitting from recent lettings and acquisitions. Non recoverable property expenditure and service charge shortfall increased to £1.59 million (2008 – £0.89 million), of which £0.4 million was a liability for business rates on vacant floor space. This is an increase of £0.3 million over the same period last year due primarily to a change in legislation requiring the payment of full business rates on void properties. Interest payable for the year was £6.34 million (2008 - £6.97 million) benefiting from a 4.75% reduction in bank base interest rates during the year to 0.5% and interest rate hedging instruments.

The payment of quarterly rents by tenants has so far shown no significant decline. In view of the challenging market conditions, we continue to monitor this closely through the in-house collection of rents as it is anticipated that tenants' cash flow will come under increasing pressure if economic conditions do not improve. Reduced occupier demand across all markets is also beginning to impact on rental values. This remains a concern for investors and increases the risks associated with speculative refurbishment and development. Until there is more certainty in occupier markets, new development projects will not be implemented and internal resourcing has been reduced accordingly.

We have recently seen the pace of decline in asset values slow, although there still remains uncertainty regarding the level at which values will rebase for more secondary property exposed to a fall in rental value by tenant failure, lease expiry or lease break. The sale of 1 Old Queen Street, SW1 for £17.25 million, which represented a yield of 5.8%, showed that there was considerable demand for prime property despite the prospect of future falls in rental and capital values.

With no near term refinancing risk, and £155.00 million of borrowing facilities secured to at least 2016, net debt at the year end of £115.42 million is well covered. Maintaining balance sheet strength and continued compliance with banking covenants is a key priority for the Group as asset values decline, in order to protect the favourable terms of these facilities. The inherent quality of the Group's portfolio and our active approach to management, including selective disposals, will assist in this regard.

Board Changes

The redundancy of Steven Morrice was announced just after the year end in response to the recessionary downturn affecting prospects for an early return to major development projects. We wish Steven, who left the Group on 8th May 2009, every success.

Dividend

The Board is pleased to recommend a final dividend of 9.5 pence per share (2008 – 9.6 pence per share) payable on 16th October 2009 to those on the register at the close of business on 12th June 2009. The Group is required under REIT rules to distribute at least 90% of rental income profits for the year by way of a Property Income Distribution (PID). The final dividend will be paid as a PID, and the total dividend for the year of 14.2 pence per share (2008 – 14.3 pence per share) represents this minimum distribution (2008 – 10.45 pence per share).

The Directors have reviewed the dividend policy in view of the challenging economic conditions and the resultant uncertainty in predicting earnings. Whilst this uncertainty prevails, the Directors will balance the key priorities of the business and the minimum REIT requirements when determining future distributions to shareholders.

Future Prospects

As anticipated, 2009 is proving to be demanding for the commercial property sector, although the pace of decline in asset values observed since 2007 has recently slowed. Other business sectors are being impacted to varying degrees, and we therefore expect our tenants to come under increasing pressure in running their own businesses. Higher vacancy levels and lower occupier demand are both indicators that the current year is likely to see downward pressure on earnings.

The pace of recovery and a sustained increase in investor appetite will depend on how quickly banking liquidity returns and occupational markets improve. We will continue to take decisive action to manage the business through the downturn, and any early indication of improvement will enable us to return to a more expansive strategy.

David Thomas
Chairman
4th June 2009

PROPERTY AND FINANCIAL REVIEW

Overview

The Group's strategy is to invest in well located, quality commercial real estate assets in established and proven markets of London and South East England with income and capital growth potential over the longer term, realisable through active portfolio management, refurbishment and development. Properties are generally held rather than traded, contributing to recurring rental income which underpins profits.

As at 31st March 2009, the portfolio consisted of 34 properties totalling 1.32 million sq ft, valued at £224.08 million with an average lot size of £6.59 million. 79.4% of this value is invested in the office sector, with the balance mainly in the industrial sector.

The Group's 142 tenants represent a diverse range of occupiers with a strong covenant profile. Regular contact is maintained to ensure a positive relationship and an awareness of their ongoing ability to meet leasehold obligations. At the year end the weighted average unexpired lease term of the portfolio was 7.2 years. Using ratings supplied by Dun and Bradstreet, the ten tenants with the largest rental commitments, which together totalled 51.6% of all contracted rents, each had a net worth in excess of £30.00 million, and 69.4% of all contracted rent was paid by those tenants with a net worth in excess of £15.00 million.

The total property return of the portfolio for the period was -19.6%, out performing the IPD UK Monthly Index total return of -25.5%, primarily due to the capital value of the Group's portfolio falling less than the index.

Market Review

After early indications that commercial real estate was stabilising in value at the beginning of the period, the impact of seismic events within the financial services sector resulted in further unprecedented falls, particularly in the final calendar quarter of 2008 when capital values as measured by the IPD UK Monthly Index fell by 15.0%. Despite an increasingly favourable spread between property yields and the cost of finance, a collapse in investor confidence and constraints on bank finance resulted in a significant readjustment in values. The extent and pace of the fall in capital values have been far more severe than the last major downturn in the early 1990's when the IPD UK Monthly Index fell 26.7% over a 44 month period. To the end of March 2009, the same index had recorded a 41.4% fall over a 21 month period, with further declines anticipated.

In the south-east office market, which accounts for 49.2% of the Group's portfolio, active occupier demand and take up fell appreciably in the second half of the year for the first time since the decline of the technology sector in 2001, and vacancy levels increased. Rental values have come under increasing pressure as a result, although the limited supply of new stock either on the market or in the development pipeline should assist the pace of rental recovery when occupier demand picks up.

Valuation

The independent external valuation of the Group's property portfolio as at 31st March 2009 totalled £224.08 million, representing a 26.3% (£79.62 million) reduction in book value for the 12 month period, disregarding SIC15 lease incentive adjustments. The low volume of investment transactions over the year again resulted in limited comparable evidence for the valuation exercise, with market sentiment still playing an important role in the valuer's judgments. The deficit on book value for the first half of the financial year was 7.6% (£24.82 million), and 19.6% (£54.80 million) for the second half. On a sector basis for the period as a whole, south-east offices reduced in value by 23.8%, London offices by 24.0% and south-east industrial property by 28.6%. These movements compare with a fall of 30.3% for all property within the IPD UK Monthly Index.

The outward movement in yields adversely impacted all properties but where improvement works were underway at the valuation date, such as Portsoken House, EC3 (47,000 sq ft) and Switchback Office Park, Maidenhead (37,380 sq ft), increased allowances were made for capital expenditure, void and letting risks which had a further negative impact. Properties with short term income were also marked down as re-letting risk and in some cases rental values were adversely adjusted. Overall, the out performance of the IPD UK Monthly Index is likely to have been due to the focus of the portfolio in established markets in the South East (whereas the index is countrywide), good quality assets, no weighting in retail and letting success over the period retaining a lower void level than the index.

At 31st March 2009 the portfolio initial yield was 7.6% (2008 – 5.3%) increasing to 8.2% (2008 – 6.9%) on contracted rents once letting incentives have expired. The true equivalent yield was 8.9% (2008 – 6.9%), being the average income return reflecting the timing of future rental increases, with rent paid quarterly in advance.

Portfolio activity and income

Gross rents received increased by 4.7% to £20.27 million (2008 - £19.35 million) and, after non recoverable property and service charge expenditure, net property income increased by 1.5% to £18.70 million (2008 - £18.43 million). The total contracted rent of the Group's portfolio at 31st March 2009, net of ground rents was £19.32 million (2008 - £20.16 million), and the valuers' estimate of market rental value, net of ground rents, was £21.10 million (2008 – £23.18 million). Both were lower due to the sale of 1 Old Queen Street, SW1 towards the year end and market rental value was also impacted by a decline in market rents.

Throughout the year the portfolio has continued to be managed in a proactive way, working closely with occupiers to maintain rents and generate income from the letting of vacant space. As a consequence of the economic climate, capital expenditure has only been incurred on portfolio properties where lease expiries have necessitated refurbishment and improvement works, and significant projects have been deferred. All major projects within the development programme were completed and let before the downturn in occupational markets, and portfolio expenditure for the next financial year has been curtailed. This includes the deferral of the redevelopment of 30/32 Lombard Street, EC3 where a letting strategy is being implemented to extend existing leases and to let space that becomes vacant.

Good progress has been made in securing new income, with 88,575 sq ft let at contracted rents totalling £1.25 million pa. These lettings helped off-set new vacancies, and at the year end the portfolio void by rental value had increased marginally to 10% (2008 – 8%), which remains below the sector average.

The letting of Lotus Two, Staines (19,600 sq ft) at the beginning of the year to Salesforce.com on a 10 year lease at a rent of £607,600 pa was a rental high for Staines in this cycle. This was the most significant letting in the year for the Group and successfully concluded the speculative refurbishment of two of the four buildings at Lotus Park (79,135 sq ft) at improved rents and extended lease terms.

Other significant lettings included those completed at Brooklands Industrial Estate, Weybridge, where 38,000 sq ft of warehouse space was let to Parcelnet at a rent of £305,000 pa, and the letting of 13,000 sq ft to Toolstation in Folkestone and Crawley with a combined contracted rent of £99,050 pa.

Marketing continued over the year in respect of office floors at Mallard Court, Staines (5,200 sq ft), Pegasus One, Crawley (4,620 sq ft) and Corinthian House, Croydon (12,088 sq ft). Enquiry levels fell during the second half of the year although just after the year end, the 9th and 10th floors of Corinthian House (7,275 sq ft) were let to Premier Pensions at a contracted rent of £140,775 pa. These floors, along with the common parts of the building, were refurbished in 2008, and the rents achieved were in line with expectations on acquisition in 2006. Future prospects for the Croydon market also improved during the year as planning consent was granted for the regionally significant regeneration of the Croydon Gateway site, which is opposite Corinthian House. Implementation of a scheme on this site will significantly improve the immediate area.

Anticipated new vacancies during the year included a number of floors at Portsoken House, EC3, Unit 2 Switchback Office Park, Maidenhead and the second floor of 1 Castle Lane, SW1.

Portsoken House is a prominent multi let 47,000 sq ft period building on the eastern side of the City, with retail on the ground floor and office floor space on the eight upper floors. With lease expiries in December 2008, feasibility studies were undertaken for a range of alternatives, including redevelopment, full scale refurbishment and refurbishment of individual floors. Without the prospect of securing higher rents to support major works, it was concluded that retention of income where possible and improvement works to a limited number of floors and common parts would provide the best return on capital, as part of a rolling refurbishment. After retaining existing occupiers in 45% of the office floor space on leases of up to six years, 9,000 sq ft is being refurbished and a further 15,500 sq ft is being redecorated. The works are due to complete by the end of June 2009, at which point marketing will commence.

The refurbishment of Unit 2 (6,800 sq ft) Switchback Office Park, Maidenhead, which became vacant in September 2008, is also due to complete at the end of June 2009. This first phase of works and the upgrading of the landscaping and circulation areas will significantly improve the quality and letting prospects of this self contained office unit and, in due course, the other buildings on the Park. Unit 3 (5,650 sq ft) also became vacant and will be marketed with Unit 2; other leases due for expiry this year have been renewed.

At 1 Castle Lane, SW1 refurbishment of the second floor (3,000 sq ft) completed in February 2009. Part of the floor was let immediately on a 5 year lease at a rent of £78,000 pa, leaving 1,465 sq ft available.

The risk of tenant failure and unanticipated vacancies continues to increase as challenging trading conditions for occupiers continue. Rent collection is undertaken in-house rather than by managing agents, which helps maintain awareness of these risks and payment patterns. To date the return of property due to tenant insolvency has been limited to four small properties, the largest of which is at the McKay Trading Estate, Poyle (26,660 sq ft). These properties are now being marketed.

Where existing premises meet occupational requirements, costs associated with relocating often act as a deterrent and twenty lease renewals were completed during the year, retaining total contracted rents of £895,000 pa. These were predominantly in respect of Portsoken House, London, EC3 and the Lower Cherwell Street Industrial Estate, Banbury, although the most significant in financial terms was the renewal by Vodafone at Access House, Newbury at a rent of £240,000 pa.

At the beginning of the financial year, two good quality, income producing, office buildings totalling 35,135 sq ft were acquired at Ancells Business Park, Fleet at a purchase price of £7.60 million. A planning application has been submitted to renew consent for an additional 4,750 sq ft of floor space.

Net sale proceeds from the disposal of two investment properties, which totalled £19.29 million, was used to pay down debt and can be recycled when market conditions permit. Flat 24 Parkside, SW1 was sold to an adjoining owner for £2.45 million; 16% above book value. 1 Old Queen Street, London, SW1 was sold for £17.25 million representing a yield to the purchaser of 5.75%. The property was developed by the Group in 2005, and let to the Government on completion. It was widely marketed and, after considerable interest, the sale achieved an asking price more applicable to a buoyant market.

The decision was taken to sell the property due to concerns over the resilience of rental values in central London, which have since started to fall, and the resultant negative impact on value. Net proceeds from the sale resulted in a historical profit of £3.52 million on original cost and a 14% deficit on the September 2008 book value.

Finance

The gearing ratio of drawn debt to portfolio value (LTV) as at 31st March 2009 was 51.5% (2008 – 38.9%). Net cash flow from operating activities was £5.18 million (2008 - £2.13 million) and interest cover based on adjusted profit before tax plus finance costs as a ratio to finance costs, was 2.5 (2008 – 2.2).

As at 31st March 2009, the Group's net debt was £115.42 million (2008 - £123.28 million) representing 146.0% of shareholders' funds (2008 – 66.0%). The reduced level of debt was primarily due to sale proceeds from the disposal of investment properties, less capital expenditure on the acquisition at Fleet and limited refurbishments. After taking into account proceeds from the sale of investment properties, the net disinvestment in the portfolio was £11.43 million (2008 - £0.94 million investment).

Banking facilities available to the Group totalled £185.00 million at the year end (2008 - £185.00 million), and the average weighted unexpired term to maturity was 6.7 years (2008 – 7.7 years). Until capital values improve, the Group's ability to fully draw the available facilities will be constrained by the level of security required by its lenders.

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 no tax charge in respect of residual income as this 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) which, subject to exemptions, is made after deduction of withholding tax, at present 20%. This year, the total dividend of 14.2 pence per share represents this minimum distribution. The final dividend of 9.5 pence per share will all be paid as a PID; after deduction of withholding tax, the net receipt will be 7.6 pence per share.

Compliance with financial covenants on bank borrowing has become an emerging risk since 2008. This is closely monitored by the Board with the use of scenario analysis to help its financial planning. As at 31st March 2009, the Group had complied with all such covenants and had headroom to accommodate further falls in the capital value of the portfolio of up to £30.00 million. The disposal of investment properties would supplement this headroom by reducing debt.

The other main financial risks to the Group are tenant default, liquidity and interest rate movements on bank borrowings.

Tenant default is monitored using Dun & Bradstreet checks for new tenants, together with ongoing credit checks and strict internal credit control. This, together with close management of rental income and suppliers, ensures the Group's ability to generate income to meet its commitments.

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

Protection against interest rate risk is provided by financial hedging instruments. At the year end £155.00 million (2008 - £140.00 million) of such instruments were in place, extending to at least 2014. During the year the opportunity was taken to renegotiate terms in respect of financial instruments totalling £100.00 million to enable the Group to benefit from lower interest rates for two years, reverting to fixed rates thereafter. If bank borrowing facilities were fully drawn, cover would be 83.8% (2008 – 75.7%). The mark to market valuation of these facilities fell by £23.67 million to a negative value of £24.83 million, due to the significant reduction in the bank base rate over the period from 5.25% to 0.5%. Despite this valuation movement, protection is provided against future increase in interest rates whilst maintaining a manageable weighted cost of borrowing, which for the year was 4.4% (2008 – 5.4%). As well as providing future protection, £130 million of these facilities are on terms that have enabled the Group to benefit from a floor in hedging levels closer to the current historically low LIBOR borrowing rates. These facilities revert to fixed levels in 2011, at which point the weighted cost of borrowing will increase. The Group does not hedge account its interest rate derivatives and therefore includes the movement in fair value in the Income Statement.

S.C. Perkins
A.S. Childs
4th June 2009

The summary of the consolidated results of McKay Securities PLC and its subsidiary undertakings (the "Group") for the year ending 31st March 2009 are as follows:

GROUP INCOME STATEMENT
For the year ended 31st March 2009

	Notes	2009 £'000	2008 £'000
Gross rents and service charges receivable	2	**23,544**	22,948
Surrender premiums received		**61**	-
		---------	----------
		23,605	22,948
Direct property outgoings		**(4,905)**	(4,523)
		---------	----------
Net rental income from investment properties	2	**18,700**	18,425
Administration costs	3	**(3,276)**	(3,366)
		---------	---------
Operating profit before gains on investment properties		**15,424**	15,059
(Loss)/profit on disposal of investment properties		**(2,909)**	312
Movement on revaluation of investment properties	8	**(80,713)**	(45,615)
		----------	---------
Operating loss		**(68,198)**	(30,244)
Net finance costs - finance costs	5	**(30,014)**	(12,346)
- finance income	5	**68**	86
		(29,946)	(12,260)
Share of results of associated undertaking		**(2,717)**	(901)
		----------	---------
Loss before taxation		**(100,861)**	(43,405)
Taxation – credit for the year	6	**1**	13
		------------	----------
Loss for the year		**(100,860)**	(43,392)
		------------	----------
Earnings per share	7		
Basic and diluted		**(220.26)p**	(94.76)p

Adjusted earnings per share figures are shown in note 7.

		2009 £'000	2008 £'000
Dividends			
Previous year's final dividend of 9.6p (2007 – 7.4p) paid during the year		**4,396**	3,389
Interim dividend of 4.7p (2008 – 4.7p) paid during the year		**2,152**	2,152
Proposed final dividend of 9.5p (2008 – 9.6p)		**4,350**	4,396

STATEMENT OF RECOGNISED INCOME AND EXPENSE
For the year ended 31st March 2009

	2009 Group £'000	2009 Company £'000
Actuarial movement on defined benefit pension scheme	**(662)**	**(662)**
Net expense recognised directly in equity	**(662)**	**(662)**
Loss for the year	**(100,860)**	**(81,554)**
Total recognised income and expense for the year	**(101,522)**	**(82,216)**

	2008 Group £'000	2008 Company £'000
Actuarial movement on defined benefit pension scheme	(453)	(453)
Net expense recognised directly in equity	(453)	(453)
Profit for the year	(43,392)	(38,071)
Total recognised income and expense for the year	(43,845)	(38,524)

GROUP BALANCE SHEET
At 31st March 2009

	Notes	2009 £'000	2008 £'000
Non-current assets			
Investment properties	8	**222,338**	314,740
Plant and equipment		**34**	51
Investments		**2,207**	5,056
		224,579	319,847
Current assets			
Trade and other receivables	9	**6,839**	8,448
Cash and cash equivalents		**1,210**	5,113
		8,049	13,561
Total assets		**232,628**	333,408
Current liabilities			
Corporation tax payable		**-**	(3,468)
Trade and other payables	10	**(7,166)**	(8,299)
Interest rate derivatives	10	**(2,225)**	(1,945)
		9,391)	(13,712)
Non-current liabilities			
Loans and other borrowings	10	**(116,099)**	(127,816)
Pension fund liabilities		**(1,060)**	(567)
Finance lease liabilities		**(4,410)**	(4,410)
Interest rate derivatives	10	**(22,603)**	-
		(144,172)	(132,793)
Total liabilities		**(153,563)**	(146,505)
Net assets		**79,065**	186,903
Equity			
Called up share capital		**9,159**	9,159
Share premium account		**2,495**	2,495
Capital reserves		**60,315**	56,326
Revaluation reserve		**(6,676)**	84,047
Retained earnings		**13,772**	34,876
Total Equity		**79,065**	186,903
Net asset value per share	11	**173p**	408p
Adjusted net asset value per share	11	**227p**	411p

GROUP CASH FLOW STATEMENT
For the year ended 31st March 2009

	2009 £'000	2008 £'000
Operating activities		
Loss before tax	**(100,861)**	(43,405)
Adjustments for:		
Depreciation	**29**	46
Other non-cash movements	**676**	557
Loss/(profit) on disposals of investment properties	**2,909**	(312)
Movement in revaluation of investment properties	**80,713**	45,615
Net finance costs	**29,945**	12,260
Share of loss of associate undertaking	**2,717**	901
Cash flow from operations before changes in working capital	**16,128**	15,662
Increase in debtors	**(1,331)**	(1,928)
(Decrease)/increase in creditors	**(442)**	574
Cash generated from operations	**14,355**	14,308
Interest paid	**(5,807)**	(7,361)
Interest received	**102**	102
Corporation tax paid	**(3,467)**	(4,919)
Cash flows from operating activities	**5,183**	2,130
Investing activities		
Sale of investment properties	**19,291**	13,494
Dividends from sundry investments	**2**	2
Dividends from associated undertaking	**135**	135
Purchase and development of investment properties	**(10,167)**	(22,254)
Purchase of other fixed assets	**(11)**	(50)
Purchase of sundry investments	**(4)**	-
Cash flows from investing activities	**9,246**	(8,673)
Financing activities		
(Decrease)/increase in borrowings	**(11,784)**	16,494
Equity dividends paid	**(6,548)**	(5,541)
Cash flows from financing activities	**(18,332)**	10,953
Net (decrease)/increase in cash and cash equivalents	**(3,903)**	4,410
Cash and cash equivalents at the beginning of the year	**5,113**	703
Cash and cash equivalents at the end of the year	**1,210**	5,113

Notes forming part of the Group financial statements

1. The financial information set out in the preliminary announcement does not constitute the Group's statutory accounts for the year ended 31st March 2009 or 31st March 2008. The statutory accounts for the period ended 31st March 2009 have been audited and will be delivered to the Registrar for Companies following the Company's Annual General Meeting. The financial information for the year ended 31st March 2008 has been derived from the statutory accounts for the year ended 31st March 2008 and has been delivered to the Registrar of Companies. The auditors have reported on the accounts for the period ended 31st March 2008; their report was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

Statement of accounting policies

Basis of preparation

Both the Parent Company financial statements and the Group financial statements have been prepared by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the Parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in Section 230 of the Companies Act 1985 not to present its individual income statement and related notes that form part of these approved financial statements.

In accordance with Section 230 of the Company Act 1985 a separate income statement for McKay Securities PLC is not presented. The loss after tax of the Company is £81,554,000 (2008 – loss: £38,071,000).

During 2008, IFRS 7 Financial Instruments – Disclosures, became effective and has been adopted by the Group. Other interpretations to existing standards which became effective during 2008 and 2009 have no impact on the Group's financial statements. Other published standards and interpretations that are not yet effective have not been adopted early by the Group, but it is not expected that these will have any significant future impact on the Group's financial statements.

The Group is dependent for its working capital requirements on cash generated from operations, cash holdings of £1.2 million as at 31 March 2009 and bank facilities of £185.0 million (of which £116.6 million was drawn at 31 March 2009). Facilities totalling £155.0 million are secured to at least 2016 and the earliest repayment date in respect of £30.0 million is March 2011. The Directors have prepared cash flow projections which show that the Group expects to be able to operate within these financing arrangements.

In evaluating the going concern assumption the Directors have considered various uncertainties, including the impact of further falls in property values and increased levels of tenant default. These uncertainties, and the finance position of the Group, are discussed in more detail in the Property and Financial Review. The Directors have in particular considered the financial covenants contained within the Group's financing arrangements which it is required to comply with, the most significant of which are the loan to value covenants and Group gearing covenants where the Group, as at 31st March 2009, had headroom to accommodate further falls in the capital value of the Group's property portfolio of up to £30.0 million in the absence of further property disposals or other fund raising.

After considering these uncertainties and the financing position of the Group, the Directors consider it appropriate that the Annual Report is prepared on a going concern basis which assumes that the Group will be able to meet its liabilities as they fall due, for the foreseeable future.

Basis of consolidation
The consolidated financial statements incorporate the results of the Company and its subsidiary companies for the year ended 31st March 2009. 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.

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. 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.

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 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 to 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 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.

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 and Company's assets, other than investment property measured at fair value and deferred tax assets, 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 receivable 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.

Borrowing costs
Interest on overdrafts and other bank borrowing 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.

Trade and other receivables and payables
Trade and other receivables are recognised at invoice cost, unless there is an impairment provision if there is evidence that the Group will not be able to collect in full. Trade and other payables are recognised at invoice cost.

Performance share plan
The Group operates a performance share plan under which Directors and employees are able to acquire shares in the Company.

The fair value of the nil cost awards is derived from a Monte Carlo valuation model which also factors in the expected share price volatility and that of comparator companies, and takes account of the TSR performance conditions. The valuation is spread over the vesting period of three years, with adjustment when non-market conditions are not expected to be met.

Share option scheme
The Group operates a share option scheme under which directors and employees are able to acquire shares in the Company. The option exercise price is equal to the mid-market price of the underlying shares 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 a binomial option pricing model, adjusted only for the number of shares expected to vest.

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 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
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 substantially enacted at the balance sheet date.

From 1st April 2007, the Group converted to REIT status and no corporation tax is payable on qualifying property income.

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 is realised.

From 1st April 2007, no deferred tax is recognised on properties covered by the REIT regime. All deferred tax liabilities relating to properties in the REIT were released to the Income Statement on 31st March 2007.

2. Net rental income from investment properties

	2009	2008
	£'000	£'000
Gross rents receivable	**19,173**	17,783
SIC 15 adjustment	**1,094**	1,568
	---------	---------
Gross rental income	**20,267**	19,351
Service charges receivable	**3,277**	3,597
	---------	---------
	23,544	22,948
Surrender premium received	**61**	-
Direct property outgoings	**(4,905)**	(4,523)
	---------	---------
	18,700	18,425
	---------	---------

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

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

	2009 £'000	2008 £'000
Group		
Directors' remuneration	**1,064**	1,095
Staff costs	**873**	941
Pension costs	**384**	247
	2,321	2,283
Depreciation	**29**	46
Office costs	**438**	438
Legal and professional fees	**448**	556
General expenses	**40**	43
	3,276	3,366

The average number of persons employed by the Group and Company (including Directors) during the year was 18 (2008 – 20).

	2009 £'000	2008 £'000
Employee costs		
Salaries	**1,529**	1,557
Social security costs	**176**	180
Pension costs – defined benefit scheme	**158**	45
- defined contributions	**226**	202
Share based payments	**232**	299
	2,321	2,283

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.

	2009 £'000	2008 £'000
Loss before tax	**(100,861)**	(43,405)
Surrender premium received	**(61)**	-
Change in fair value of derivatives	**23,675**	5,381
Movement in revaluation of investment properties	**80,713**	45,615
Loss/(profit) on disposal of investment properties	**2,909**	(312)
Associated undertaking disposals and revaluation movement	**2,940**	1,102
Adjusted profit before tax	**9,315**	8,381

5. Net finance costs

	2009	2008
	£'000	£'000
Interest on bank overdraft and loans	**5,987**	6,739
Finance lease interest on leasehold property obligations	**285**	285
Finance arrangement costs	**67**	183
	6,339	7,207
Capitalised interest	**-**	(242)
	6,339	6,965
Fair value losses on derivatives	**23,675**	5,381
	30,014	12,346
Interest receivable	**(68)**	(86)
	29,946	12,260

6. Taxation

	2009	2008
	£'000	£'000
Current tax	**-**	-
Adjustments in respect of prior periods	**(1)**	(13)
Total tax credit in the income statement	**(1)**	(13)

Reconciliation to effective rate of tax:		
Loss on ordinary activities before tax	**(100,861)**	(43,405)
Tax credit on loss at 28% (2008 – 30%)	**(28,241)**	(13,021)
Effects of:		
REIT tax exemption	**27,467**	12,640
Non-deductible expenses	**10**	14
Other timing differences	**3**	72
Associated company	**761**	270
Other	**-**	25
Adjustment to tax charge in respect of prior years	**(1)**	(13)
Tax credit for period (as above)	**(1)**	(13)

The rate of corporation tax changed from 30% to 28% at 1st April 2008.

7. Earnings per share

	2009	2008
	p	p
Basic loss per share	**(220.26)**	(94.76)
Change in fair value of derivatives	**51.70**	11.75
Movement in revaluation of investment properties	**176.26**	99.61
Surrender premium received	**(0.13)**	-
Loss/(profit) on disposal of investment properties	**6.35**	(0.68)
Associated undertaking disposals and revaluation movement	**6.42**	2.41
Adjusted earnings per share	**20.34**	18.33

Basic loss per share on ordinary shares is calculated on the loss in the year of £100,860,000 (2008 – loss: £43,392,000) and 45,792,655 (2008 – 45,792,655) shares, being the weighted average number of ordinary shares in issue during the period.

	2009 Number of shares	2008 Number of Shares
Weighted average number of ordinary shares in issue	**45,792,655**	45,792,655
Number of shares under option	**2,369,681**	1,765,837
Number of shares that would have been issued at fair value	**(2,174,378)**	(1,130,701)
Diluted weighted average number of ordinary shares in issue	**45,987,958**	46,427,791

	2009	2008
	p	p
Basic and diluted loss per share	**(220.26)**	(94.76)
Effect of dilutive potential ordinary shares under option	**0.94**	1.30
Change in fair value of derivatives	**51.48**	11.59
Movement in revaluation of investment properties	**175.51**	98.25
Surrender premiums received	**(0.13)**	-
Loss/(profit) on disposal of investment properties	**6.32**	(0.67)
Associated undertaking disposals and revaluation movement	**6.39**	2.37
Adjusted diluted earnings per share	**20.25**	18.08
EPRA earnings per share	**20.38**	18.08

Diluted loss per share is calculated on the same loss after tax and on the diluted weighted average number of shares in issue during the year of 45,987,958 (2008 – 46,427,791) shares, which takes into account the number of dilutive potential ordinary shares under option. No account has been taken in diluted loss per share of potential ordinary shares in 2008 and 2009 where their conversion to ordinary shares would decrease the loss per share but is included to arrive at adjusted diluted earnings per share.

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

	Group			Company
	Freehold £'000	Long Leasehold £'000	Total £'000	Freehold £'000
Valuation				
At 1st April 2008	282,777	31,963	314,740	245,097
Additions – acquisitions	7,969	-	7,969	7,969
- development	1,508	(96)	1,412	1,503
Revaluation deficit	(72,243)	(7,379)	(79,622)	(59,828)
Adjustment for rents recognised in advance under SIC 15	(1,094)	3	(1,091)	(1,094)
Disposals	(18,930)	(2,100)	(21,030)	(18,930)
Amortisation of grossed up headlease	-	(40)	(40)	-
At 31st March 2009	**199,987**	**22,351**	**222,338**	**174,717**
Adjustment for grossing up of headlease liabilities	-	(4,026)	(4,026)	-
Adjustment for rents recognised in advance under SIC 15	5,728	40	5,768	5,728
Adjusted valuation at 31st March 2009	**205,715**	**18,365**	**224,080**	**180,445**

	Group			Company
	Freehold £'000	Long Leasehold £'000	Total £'000	Freehold £'000
Valuation				
At 1st April 2007	316,470	34,640	351,110	273,970
Additions – acquisitions	19,450	-	19,450	19,450
- development	3,028	(11)	3,017	3,028
Revaluation deficit	(42,229)	(1,818)	(44,047)	(37,409)
Adjustment for rents recognised in advance under SIC 15	(1,568)	-	(1,568)	(1,568)
Disposals	(12,374)	(808)	(13,182)	(12,374)
Amortisation of grossed up headlease liabilities	-	(40)	(40)	-
At 31st March 2008	**282,777**	**31,963**	**314,740**	**245,097**
Adjustment for grossing up of headlease liabilities	-	(4,067)	(4,067)	-
Adjustment for rents recognised in advance under SIC 15	5,803	44	5,847	5,803
Adjusted valuation at 31st March 2008	**288,580**	**27,940**	**316,520**	**250,900**

In accordance with the Group's accounting policy on properties there was an external valuation at 31st March 2009. This valuation was carried out in England by Mellersh and Harding, Chartered Surveyors and Valuers, and in Scotland (100 Bothwell Street, Glasgow) by CB Richard Ellis, Chartered Surveyors and Valuers, 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 £221 million (2008 - £224 million) for the Group and £178 million (2008 - £181 million) for the Company.

9. Trade and other receivables

	2009		2008	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Trade receivables	**38**	**16**	27	7
Amounts due from subsidiary undertakings	**-**	**19,169**	-	21,816
SIC 15 lease incentives	**5,768**	**5,728**	5,847	5,803
Interest rate derivatives	**-**	**-**	792	792
Other debtors and prepayments	**1,033**	**652**	1,782	1,433
	6,839	**25,565**	8,448	29,851

All the above debtors are receivable within one year except for lease incentives of £5,332,000 (2008 - £5,393,000), accrued in accordance with SIC 15.

Group trade receivable are split as follows:	**2009** **£'000**	2008 £'000
Less than three months due	**5**	4
Between three and six months due	**12**	4
Between six and twelve months due	**21**	19
	38	27

10. Liabilities

	2009		2008	
	Group	**Company**	Group	Company
	£'000	**£'000**	£'000	£'000
Trade and other payables				
Rent received in advance	**3,911**	**3,118**	4,080	3,156
Other taxation and social security costs	**620**	**620**	633	633
Amounts owed to subsidiary undertakings	**-**	**9,688**	-	7,854
Other creditors and accruals	**2,635**	**1,940**	3,586	2,695
	7,166	**15,366**	8,299	14,338

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:

	2009	2008
	£'000	£'000
Group and Company		
Secured bank loans repayable at stated dates between 2011 and 2017 at variable rates	**116,600**	128,350
Bank facility fees	**(501)**	(534)
	116,099	127,816

The bank loans are secured against land and buildings with a carrying amount of £212,615,000 (2008 - £270,865,000).

	2009		2008	
Repayable in:	**Group**	**Company**	Group	Company
	£'000	**£,000**	£'000	£'000
Less than 1 year	**-**	**-**	-	-
1-2 years	**15,000**	**15,000**	-	-
2-5 years	**-**	**-**	20,000	20,000
5-10 years	**101,099**	**101,099**	107,816	107,816
	116,099	**116,099**	127,816	127,816

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:

	2009	2008
	£'000	£'000
Expiring in less than 1 year	**-**	-
Expiring in 1 – 2 years	**15,000**	-
Expiring in 2 – 5 years	**-**	10,000
Expiring in 5 - 10 years	**53,400**	46,650
	68,400	56,650

Liquidity risk

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

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

Credit risk

Credit evaluations are performed on all tenants looking to enter into a lease or pre-lease agreements with the Group. In certain cases the Group will require collateral to support these lease obligations. These might be in the form of cash rental security deposits, bank rental guarantee or a parent company guarantee.

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.

A 1% change in interest rate levels would increase or decrease the Group's annual profit and equity by £384,000 (2008 - £116,000). This sensitivity has been calculated by applying the interest rate charge to the variable rate borrowings, net of interest rate swap, at the year end.

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 32 years, subject to break options from 2014, and have swap rates ranging from 3.99% to 4.65% and collars of 3.00% to 5.00%. The Group does not hold or issue derivative financial instruments for trading purposes.

During the year, the Group renegotiated financial instruments totalling £100 million to benefit from lower interest rates. To achieve this, interest rate swaps were converted to caps and collars for a two year period, reverting thereafter to interest rate swaps. A further cap and collar for £15 million was put in place for a three year period, reverting thereafter to an interest rate swap.

Swaps for Group and Company

As at 31st March 2009	Hedged amount £'000	Average rate	Average[1] maturity - years	Fair Value £'000	Fair Value Adjustment £'000
Interest rate swaps	**25,000**	**4.12%**	**5.75**	**3,341**	**1,755**
Interest rate caps	**130,000**	**5.00%**	**2.58**	**(291)**	**282**
Interest rate floors	**130,000**	**3.06%**	**2.58**	**3,784**	**3,644**
Forward start interest rate swaps	**115,000**	**4.86%**	**7.36**	**17,994**	**17,994**
				---------	---------
				24,828	**23,675**
				---------	---------

As at 31st March 2008	Hedged Amount £'000	Average rate	Average maturity - years	Fair Value £'000	Fair Value Adjustment £'000
Interest rate swaps	125,000	4.63%	8.22	1,586	(3,708)
Interest rate caps	15,000	4.97%	7.83	(573)	(1,640)
Interest rate floors	15,000	3.50%	7.83	140	(33)
				--------	--------
				1,153	(5,381)
				--------	--------

[1] to expiry or break, whichever is earlier

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:

	2009 £'000	2008 £'000
Current	**2,225**	1,153
Non-current	**22,603**	-
	---------	--------
	24,828	1,153
	---------	--------
Weighted average cost of borrowing	**4.4%**	5.4%
	---------	--------

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 Income Statement

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

In both 2009 and 2008 there was no difference between the book value and the fair value of all the other financial assets and liabilities of the Group and Company.

The Group had a surplus of hedging instruments over drawn loans and other borrowings at 31st March 2009 of £38,901,000 (2008 - £12,056,000).

11. Net asset value per share

	2009			2008		
	Net Asset	**Shares**	**Net asset value per share**	Net Assets	Shares	Net asset Value per share
	£'000	**'000**	**p**	£'000	'000	p
Basic	**79,065**	**45,793**	**173**	186,903	45,793	408
Adjustment to fair value of derivatives	**24,828**	**-**	**54**	1,153	-	3
Adjusted	**103,893**	**45,793**	**227**	188,056	45,793	411
Number of shares under option	**3,874**	**2,556**	**(4)**	3,874	1,875	(8)
Adjusted diluted and EPRA measure	**107,767**	**48,349**	**223**	191,930	47,668	403

The EPRA net asset value per share includes external valuation surpluses and deficits on investment properties but excludes the fair value adjustment for derivatives.

The Report and Financial Statements will be posted to Shareholders on 25th June 2009 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

Directors' responsibilities for the financial statements

The Directors are responsible for preparing the Report and Financial Statements and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and have elected to prepare the Company financial statements on the same basis.

The Group and Company financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position of the Group and the Company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and a Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors
For the year ended 31 March 2009

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Chairman's Statement and the Property and Financial Review includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

S C Perkins
Managing Director

A S Childs
Finance Director

4th June 2009

Glossary

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

Adjusted NAV per share
NAV per share adjusted for certain items as set out in note 11.

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.

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.

Gearing (net)
Total borrowings, including bank overdrafts, less short-term deposits and cash, at book value, as a percentage of shareholders' funds.

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
Net debt divided by the value of property assets.

Market rental value
The estimated amount for which floor space should let on the date of valuation on appropriate lease terms net of ground rents payable, disregarding rent over market rent for leases with more than 10 years to expiry.

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 rent business which is exempt from tax on capital gains income.

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.

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.